



**HAMPSHIRE  
FIRE AND  
RESCUE  
AUTHORITY**

## **Standards and Governance Committee**

Purpose: Approval

Date: 30 September 2020

Title: **ANNUAL ACCOUNTS 2019/20**

Report of Treasurer

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### SUMMARY

1. The Accounts and Audit Regulations require the Authority's Statement of Accounts to be approved each year following the year end. The Authority has delegated responsibility for the approval of the statement of accounts to the Standards and Governance Committee.
2. Due to the impact of Covid-19, the deadline for approval was extended to the 30 November, but it was agreed with the External Auditors, Ernst and Young, that we would attempt to get them signed off by the end of September. Covid-19 has also had an impact on the preparation and auditing of the accounts due to issues around property, pension and investment valuations and the going concern assessment, due to the financial uncertainty created by the global spread of the virus.
3. Despite the challenges created at the year end, the Authority's draft Statement of Accounts was still published by mid-June and has been audited by Ernst and Young (EY). The conclusions of the audit are contained within the audit results report which is also on this agenda.
4. A report on the final accounts for 2019/20 was submitted to the Authority on 22 July and the Statement of Accounts is consistent with that report. The Annual Governance Statement, which forms part of the Statement of Accounts was approved by Standards and Governance Committee in July.
5. This report presents for the Committee's approval of the Statement of Accounts 2019/20 and recommends that the Treasurer be given delegated authority to make any amendments if required prior to the issue of the audit opinion.

## CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

6. The Statement of Accounts have been drawn up in the form prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom, which constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003.
7. The 2019/20 Code of Practice on Local Authority Accounting did not introduce any new requirements for the accounts, but auditors were originally going to be looking at our arrangements for dealing with the treatment of leases under IFRS 16 which is due to come into force in future years. However, this requirement was later removed.

## McCLOUD JUDGEMENT

8. Members will recall that adjustments were made to the accounts last year to reflect the judgement around McCloud which deemed the transitional protection arrangements for the 2015 pension scheme unlawful.
9. Since that time, the Government have issued a consultation on a proposed remedy for all public sector schemes, but our actuaries have confirmed that this is consistent with the valuation assumptions that have already been included within the accounts.
10. Similarly, a further case in respect of the extent to which part time service counts towards pension benefits was found in favour of the judges that brought it against the Government and the impact of this on retained firefighter's in particular has also been included within the pension valuations provided by the actuary.

## NARRATIVE STATEMENT

11. The narrative statement provides information about the key issues affecting the Authority, and reports on the Authority's financial and non-financial performance.
12. The narrative statement is designed to help readers understand the Authority, its operating environment, and to assist in the understanding and interpretation of the Statement of Accounts.

## STATEMENT OF ACCOUNTS

13. The Statement of Accounts is attached at Appendix 1 and comprises a number of separate statements, the key features of which are summarised in the

following paragraphs.

### **Statement of Responsibilities for the Statement of Accounts**

14. This statement records the responsibility:
  - of the local authority to appoint an officer with responsibility for the proper administration of its financial affairs, the Treasurer within this Authority
  - of the Treasurer to prepare the accounts in accordance with proper practices as set out in the Code of Practice, and to certify that the accounts present a true and fair view of the Authority
  - of the Chairman of this Committee to confirm that the accounts have been considered and approved by the Committee.

### **Movement in Reserves Statement**

15. This sets out the movement in the year on the different reserves held by the Authority, analysed into 'useable reserves' (those which can be applied to fund expenditure or reduce council tax) and 'unusable reserves' which are mainly used for accounting adjustments.

### **Balance Sheet**

16. This shows the value of the assets and liabilities recognised by the Authority. The net assets of the Authority are matched by reserves; either useable or unusable.

### **Cash Flow Statement**

17. The Cash Flow Statement is designed to demonstrate the changes that have taken place in the Authority's cash position over the year and to highlight the causes of that change.

### **Comprehensive Income and Expenditure Statement**

18. This statement shows the accounting cost of providing services rather than the amount funded from taxation, and is presented using financial reporting headings. The taxation position is shown in the Movement of Reserves Statement.

### **Notes to the Accounts**

19. These comprehensive notes incorporate information to give the reader information to support the accounts. The accounting policies are incorporated within the notes.

### **Pension Fund Account**

20. All Fire Authorities are required by legislation to operate a Pension Fund Account and the amounts paid into and out of it are specified by regulation. Members will be aware that the Authority pays an employer's pension contribution based on a percentage of pay into the pension fund account.
21. The Account is balanced each year to nil by receiving cash in the form of a pension top-up grant from the Government equal to a percentage of the amount by which the amount payable from the Account exceeded the amount receivable. This percentage is agreed on an annual basis and for 2019/20 was 100%.

### **Annual Governance Statement**

22. In accordance with legislation, the Annual Governance Statement must accompany the Statement of Accounts. The Authority's Annual Governance Statement was approved by Standards and Governance Committee in July.

### **LETTER OF REPRESENTATIONS**

23. As part of the production and audit of the final accounts, the external auditors also require the Chief Financial Officer and Chairman of Standards and Governance Committee to provide a Letter of Representations.
24. The letter provides additional assurance that all matters have been disclosed to the auditors and that no undue influence has been applied in producing the accounts that would prevent them giving a true and fair view of the Authority's financial position.
25. The detailed letter will be provided in advance of the Committee meeting for consideration and approval at the meeting.

### **SUPPORTING OUR SERVICE PLAN AND PRIORITIES**

26. Ensuring that funding is appropriately accounted for is vital for all public sector organisations and the annual accounts also provide information to gauge the financial health of the organisation, which underpins the achievement of the

Safety Plan.

### RESOURCE IMPLICATIONS

27. There are no direct resource implications contained within this report as it is based on historic information and is purely a factual document.

### ENVIRONMENTAL AND SUSTAINABILITY IMPACT ASSESSMENT

28. It is not believed that this report has any impacts to the environment or sustainability.

### LEGAL IMPLICATIONS

29. It is a legal requirement that the Statement of Accounts is approved by those charged with governance and is signed off by external audit.

### EQUALITY IMPACT ASSESSMENT

30. This report is considered compatible with the provisions of equality and human rights legislation.

### OPTIONS

31. This report deals with the approval of the annual accounts that have been prepared in line with Code of Practice for Local Authority Accounting, there are therefore no options for consideration in this report.

### RISK ANALYSIS

32. The statement of accounts is an important element of the Authority's corporate governance arrangements. It has been prepared in accordance with the appropriate statutory code. Together with the Budget Book and the report on the final accounts for 2019/20, it provides evidence to the public that the Authority's financial affairs are being properly managed and in accordance with proper accounting practice.

### CONCLUSION

33. The presentation and approval of the annual accounts is an important part of the overall governance framework for the Authority and this Committee is

therefore requested to consider and approve the accounts alongside the report of the external auditors.

#### RECOMMENDATION

34. That the Statement of Accounts for 2019/20 attached at Appendix 1 be approved subject to any final amendments reported at the meeting.
35. That the Treasurer be given delegated authority to approve any minor amendments to the Statement of Accounts if required.
36. That the Letter of Representations be considered and signed by the Chairman on behalf of the Committee

#### APPENDICES ATTACHED

37. Appendix 1 – Statement of Accounts and Annual Governance Statement 2019/20

#### BACKGROUND PAPERS

Section 100 D - Local Government Act 1972 – background documents.

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report.

Final Accounts Report – Hampshire Fire and Rescue Authority 22 July 2020

NB: the list excludes Published works

Documents which disclose exempt or confidential information as defined in the Act:

None