



**DORSET & WILTSHIRE  
FIRE AND RESCUE  
AUTHORITY**

Item 21/22

MEETING	Finance & Audit Committee
DATE OF MEETING	28 July 2021
SUBJECT OF THE REPORT	Draft Statement of Accounts 2020-21, Annual Governance Statement and Financial Outturn 2020-21
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	For information
EXECUTIVE SUMMARY	<p>The Accounts and Audit (England) Regulations 2015 require that the annual Statement of Accounts be approved by 31 July each year. The Accounts and Audit (Amendment) Regulations 2021 have extended this deadline to 30 September each year for the 2020-21 and 2021-22 Statement of Accounts. The draft Statements must be published no later than 1 August.</p> <p>The Regulations also require an Annual Governance Statement (AGS) to accompany the accounts, which also requires approval.</p> <p>The Authority's Draft Statement of Accounts for 2020-21 have been produced and were published on 17 June 2021. They include the draft AGS which is shown on pages 96 - 106 of the Financial Statements. Deloitte LLP commenced their final external audit work on 21 June 2021. Members will receive a verbal progress update from the Treasurer and external auditor at the meeting.</p> <p>This report also provides an analysis of the outturn financial performance for the year, a summary of which is also included in the accounts.</p>

	Overall, the revenue and capital budget positions have remained positive throughout the year, as reported to Members. The final outturn performance shows a net revenue expenditure variation of £1.9m and a capital spend total of £3.4m, following reduced spending due to the Covid-19 pandemic.
RISK ASSESSMENT	Financial sustainability remains a key focus as a strategic risk, and as such, the monitoring of the financial position is a critically important factor in financial planning and decision making for the Authority.
COMMUNITY IMPACT ASSESSMENT	None for the purposes of this report
BUDGET IMPLICATIONS	None for the purposes of this report
RECOMMENDATIONS	Members are asked to: <ol style="list-style-type: none"> <li>1. note and comment on the Draft Statement of Accounts 2020-21, including the Annual Governance Statement</li> <li>2. approve the carry forward of £3.2m for capital projects not completed in 2020-21.</li> </ol>
BACKGROUND PAPERS	Medium Term Finance Plan 2020-24
APPENDICES	Appendix A – Draft Statement of Accounts 2020-21 Appendix B - Revenue Budget Summary 2020-21 Appendix C - Summary of Reserves & Unused Grants 2020-21 Appendix D - Capital Budget Summary 2020-21
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## **1. Introduction**

- 1.1 The Authority must prepare its annual accounts in accordance with proper practice. This means complying with the current Accounts and Audit Regulations and presenting the accounts in the form prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 (the Code). The Statement of Significant Accounting Policies included in the accounts, along with supporting information in the various Notes to the Accounts, detail how the Authority conforms with the Code.
- 1.2 The Accounts and Audit (England) Regulations 2015 require the Authority's draft accounts to be certified by the Treasurer and submitted for audit by 31 May, with the Auditor's opinion due in time for final approval of the accounts by Members by 31 July. These deadlines have been temporarily extended by the Accounts and Audit (Amendment) Regulations 2021, with revised deadlines to 1 August and 30 September each year in respect of the 2020-21 and 2021-22 Statement of Accounts.
- 1.3 Deloitte LLP commenced their final external audit work on 21 June and the Finance team is working in partnership with them to ensure a smooth audit process.

## **2. The Draft Statement of Accounts**

- 2.1 The Draft Statement of Accounts for 2020-21 are set out in Appendix A. Producing the accounts in the format required as described in section 1 above makes them a very technical document. Wherever possible the financial information and accompanying notes look to make the accounts as understandable as possible for any reader.
- 2.2 The Narrative Report at the start of the accounts provides a guide to the Statements that follow, contains summaries of the primary financial statements, describes any changes in accounting policies and presentation, and explains any material items within the accounts. It also sets the accounts in the context of the ongoing plans of the Service.
- 2.3 Part 3 of the Narrative Report looks at a comparison of revenue outturn compared to the approved budget. This shows an overall net revenue expenditure variation of £1.9m and Section 4 of this report provides a more in-depth analysis.

## **3. The Annual Governance Statement**

- 3.1 The Accounts and Audit (England) Regulations 2015 specify that the Authority must review its systems of internal control each year, and publish an Annual Governance Statement, along with the Statement of Accounts.

- 3.2 The Annual Government Statement is incorporated into the main Statement of Accounts document (see pages 96 - 106).

#### **4. Major Variations from Revenue Budget**

- 4.1 Appendix B shows a summary of the final revenue performance. Variations are “traffic lighted”, with those in excess of £20,000 (under or overspending) shown in pink, those between £10,000 and £20,000 in yellow and those below £10,000 in green.
- 4.2 Employee Costs (note 1)
- 4.2.1 The overall saving for Employee Costs was £1.2m, compared to £1.1m at quarter 3, and representing just under 2.5% of the budget amount. The final outturn reflects the cost of correcting the charge for employer pension contributions that was discussed with Members in March. The overall saving has been maintained as a result of some pay costs being offset by additional grants, such as those related to the Wareham Forest major incident.
- 4.2.2 There was a final net saving of £123k on other employee related costs, mainly from reduced activity related to the Covid-19 pandemic, although we were able to maintain essential operational training.
- 4.3 Transport (note 2)
- 4.3.1 The quarter 3 report indicated forecast savings of around £250k on fuel and other travel costs as a result of home working and the reduction in staff movements related to the Covid-19 pandemic. The final position is a saving of £329k. Additional savings were made on other vehicle running costs and repairs and maintenance.
- 4.4 Supplies and Services (note 3)
- 4.4.1 The outturn shows a final saving of £445k, compared to a projected amount of £339k at quarter 3. This saving generally comes from areas that have seen reduced spend as a result of Covid restrictions, such as smoke alarms procurement related to Safe and Well visits, educational materials for prevention, hotel accommodation for external events, catering and subsistence costs.
- 4.5 Capital Financing and Leasing Costs (note 4)
- 4.5.1 The quarter 3 report indicated a saving of £203k on long-term capital financing costs, with all likelihood of this increasing further. The actual cost saving was £356k as a result of there being no need to undertake any new borrowing during the year. This saving has been applied to the capital financing requirement for the year, to reduce the need for future borrowing.

#### 4.6 General & Investment Income (note 5)

- 4.6.1 General income and investment returns have been adversely impacted by the Covid-19 pandemic. Rates of return on short-term investments remain very marginal, but this is substantially offset by capital financing savings from reduced borrowing.

#### 4.7 Grants & Contributions (note 6)

- 4.7.1 Income from grants and contributions has increased significantly over the year and this is also reflected in the position on grant reserves held at 31 March 2021. The budget adjustment reflects £7m of additional one-off funding, mainly from:
- Covid-19 grants - £1.25m received by the Service and £200k received on behalf of the Dorset Civil Contingency Unit, to support our Covid response. £828k of Service allocation carried forward in grant reserves, which will fund additional costs expected in 2021-22 as well as offsetting council tax collection fund losses to be accounted for in 2022-23 and 2023-24.
  - Protection grants – an additional £434k received related to the Grenfell Tower Inquiry, high-rise residential building risk review and protection uplift. £295k carried forward in grant reserves to offset planned 2021-22 spend.
  - £457k received from the Home Office towards the costs of the Wareham Forest fire.
  - Emergency Services Mobile Communications Programme (ESMCP) funding – £490k from the Home Office to support the Services costs related to ESMCP and £1.17m of regional funding transferred to the Service as we are now managing the regional funding arrangements for the Programme. £1.6m in total carried forward to fund future project costs.
  - £2.6m received from the Ministry of Housing Communities and Local Government to offset the Authority's share of extended local business rates reliefs and council tax losses resulting from the Covid-19 pandemic. This is all carried forward in reserves to offset reductions that have to be applied in 2021-22.
  - £89k from the Home Office towards increased costs of pensions administration related pension remedy for the Firefighters' Pension Scheme. This is also all carried forward to 2021-22.

### 5. Reserves and Balances (note 7 and Appendix C)

- 5.1 Appendix C shows the year end position for reserves and balances.

- 5.2 Risk assessed general balances totalled £2.792m on 1 April 2020 and have been increased to £2.844m at 31 March 2021, in line with the approved Finance Principle to maintain general balances at 5% of revenue budget.
- 5.3 Earmarked reserves totalled £12.861m on 1 April 2020 and show a net increase of £1.734m for the year, up to £14.595m. This includes the net revenue expenditure variation of £1.9m and additional transfers to the Capital Replacement Reserve in line with the Reserves Strategy approved by the Authority in February 2021.
- 5.4 A further £2.02m was held in respect of unused grants on 1 April 2020. These reserves also show a net increase for the year, up to £6.821m at 31 March 2021. The increase results mainly from the additional one-off grants referred to in section 4.7.1.

## **6. Capital Programme**

- 6.1 Appendix D details the capital outturn for 2020-21. A reduced Capital Programme total of £7.36m was set at the end of quarter 2 reflecting changes to the programme due mainly to Covid-19 related delays.
- 6.2 Capital outturn spend for the year totalled £3.38m. This has been financed by £542k from grants, capital receipts and revenue contributions, with the remaining £2.838m being added to our prudential borrowing requirement. The variance to budget and carry forward requirements are analysed below.
- 6.3 Property/Estates (note 8)
  - 6.3.1 Building projects – the overall programme for building works was revised down to £1.06m. Delays due to Covid mean that the final spend was limited to £505k and works are continuing into the new financial year. £536k will need to be carried forward to 2020-21 to complete these works.
- 6.4 IT and Communications (note 9)
  - 6.4.1 Hardware Replacement – the overall saving of £67k reflects the final spend on the replacement of our fireground radios, which was less than originally expected. £280k has been deferred to 2021-22.
  - 6.4.2 Systems Harmonisation – Spend related to the new equipment asset management system has been moved to the revenue budget as it is funded by grant funding. Actual costs charged in 2020-21 were £185k.

## 6.5 Vehicles and Equipment (note 10)

- 6.5.1 Vehicles – like building works, the vehicle replacement programme has been significantly impacted by delays due to the Covid pandemic. The quarter 3 forecast anticipated delivery of 6 of the 19 new fire appliances on order, and 5 were actually delivered by 31 March 2021. The outturn spend is therefore less than previously predicted. There are also a number of other vehicles in build and a total of £1.6m needs to be carried forward to 2021-22.
- 6.5.2 Equipment – The original budget included £1.4m in respect of the 19 new fire appliances and as noted above only 5 appliances were delivered by 31 March. Funding for the equipment for the remaining 14 appliances needs to be carried forward and this is estimated at £720k. Other carry forwards of £72k are required for other equipment replacements. Overall there is a net saving of £407k.

## 7. **Summary and key points**

- 7.1 The Draft Statement of Accounts for 2020-21 have been produced in good time, and well within the revised statutory timescales. Final external audit work commenced on 21 June 2021 and the Treasurer and external auditor will provide a verbal progress update at the meeting. The final audited Statement of Accounts 2020-21 will be brought to the September meeting for final approval.
- 7.2 Revenue performance has remained healthy throughout what has been a challenging year. Reserves and balances have increased by £6.6m as a result of additional one-off funding received, but we expect this position to reverse in 2021-22 as funds are released to support spending plans and offset some funding reductions. Moving forward, we still expect to face some significant financial challenges as the economy begins to recover from the Covid-19 pandemic.
- 7.3 The Capital Programme cost was revised significantly during the year, to reflect changing timescales for various projects, most significantly for building works and the vehicle replacement programme. Projects worth £3.2m will require funding to be carried forward to 2021-22.

July 2021