DORSET & WILTSHIRE FIRE AND RESCUE AUTHORITY

Item 18/20

MEETING	Finance & Governance Committee
DATE OF MEETING	31 July 2018
SUBJECT OF THE REPORT	Statement of Accounts, Annual Governance Statement and Outturn Financial Performance 2017-18
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	For Information
EXECUTIVE SUMMARY	The Accounts and Audit (England) Regulations 2015 require that the annual statement of accounts be approved by the Dorset & Wiltshire Fire and Rescue Authority (the Authority) (or a Committee to which it has delegated authority) by 31 July each year. The Regulations also require an Annual Governance Statement (AGS), to accompany the accounts, which also requires approval. The Authority's Statement of Accounts for 2017-18 have been produced and externally audited by KPMG LLP. The Auditor's report is elsewhere on the agenda, and shows an unqualified opinion. The accounts are submitted for scrutiny and approval by Members. This report also provides an analysis of the outturn financial performance for the year, a summary of which is also included in the accounts. Overall, the revenue and capital budget positions have remained positive throughout the year, as reported to Members. The revenue outturn position is better than forecast, and will therefore impact favourably on the medium term finance plan.

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 approve: 1. the Statement of Accounts 2. the Annual Governance Statement. 3. the carry forward of £3.296m for capital projects not completed in 2017-18.
BACKGROUND PAPERS	Medium Term Finance Plan 2017-20
APPENDICES	Appendix A – Statement of Accounts 2017-18 Appendix B – Annual Governance Statement 2017-18 Appendix C - Revenue Budget Summary 2017-18 Appendix D – Summary of Reserves & Balances 2017-18 Appendix E – Capital Budget Summary 2017-18
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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 2017-18 (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 each year.

1.3 These dates are significantly earlier than in previous years and the Finance team have worked hard to ensure that the accounts were delivered on time, and to the required standard. The team has worked in partnership with the audit team from KPMG to ensure a smooth audit process, with 2017-18 being the final year of the KPMG audit contract. Our new auditor, from 2018-19, will be Deloitte LLP, and we look forward to establishing a similar positive working relationship with them.

2. The Statement of Accounts

2.1 The Statement of Accounts for 2017-18 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 4 of the Narrative Report looks at a comparison of revenue outturn compared to the approved budget. This shows an overall underspend position of £1.562m, slightly ahead of the projection at the end of the 3rd quarter, primarily as a result of pay award savings and additional grant income. Section 4 below provides a more in depth analysis.

3. The Annual Governance Statement

3.1 The Account and Audit (England) Regulations 2015 specify that the Authority must review its systems of internal control each year, and publish an Annual Government Statement, along with the Statement of Accounts, by 31 July.

3.2 Appendix B to this report sets out the Annual Government Statement for 2017-18.

4. Major Variations from Revenue Budget

4.1 Appendix C 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 £1.585m, representing 3.7% of the budget amount. This includes:

- net savings on pay costs of £991k through active workforce management and fewer transition posts. The original budget included a £653k transfer from the Transformation Reserve to support staffing costs. As anticipated in previous reports, it has not been necessary to make this transfer, leaving additional funds in the Reserve to support future transformation

- previous projections included £435k as the estimated impact of a 2% pay award offer for operational staff, applying from July 2017. Only a 1% pay award has been implemented to date, increasing the saving on employee costs by an estimated £218k compared to the 3rd Quarter finance report

- a saving of £80k comes from the release of a provision relating to the Part-Time Workers Prevention of Less Favourable Treatment legal case. This case related to on-call staff and the bulk of compensation payments were made prior to Combination. Only a very small number of payments have been made since and the remaining provision has been assessed as no longer required

- savings of £296k are shown against the budget lines for training costs, seminars and conferences, occupational health and the costs of the apprenticeship levy.

4.3 Premises (note 2)

4.3.1 The variance on premises costs reflects the £141k of additional spending on building maintenance approved earlier in the year, offset by a £101k saving on business rates achieved from further challenges to rateable values and consequential valuation refunds, and a net saving of £21k on utility costs.

4.4 Transport (note 3)

4.4.1 Savings of £100k were expected during the year on the costs of diesel fuel for Service vehicles and travel allowance payments for staff. Actual final savings were £94k.

4.4.2 Spending on vehicle repair and maintenance costs and tyres was higher than expected, reducing the overall saving on transport costs to £16k.

4.5 Supplies and Services (note 4)

4.5.1 The final saving on the smoke alarms budget was £128k compared to the £120k reported previously. The expected £30k reduction in costs for printers, copiers and scanners reduced to £17k at year-end, once all costs for the year were factored in. The net saving of £145k has been offset by a number of one off costs elsewhere within “Supplies and Services” covering stock adjustments, the purchase of operational and personal protective equipment, one off ICT costs, including software licencing costs and telephones and contributions towards external projects.

4.6 Agency and Contracted-Out Services (note 5)

4.6.1 A saving of £43k has been achieved against the budget for PFI unitary charges, compared to £20k in the previous forecast. This results from year-end adjustments and over providing for the final charges for 2016-17 (£20k) and some service credits received during 2017-18 (£23k).

4.6.2 This saving is offset by one off costs for fees incurred in the disposal of the Manor House.

4.7 Democratic Representation (note 6)

4.7.1 The final saving against Member costs was £16k, and results from the changeover of Members following the 2017 local elections.

4.8 Capital Financing and Leasing Costs (note 7)

4.8.1 Capital financing and leasing costs were projected to be £51k more than allowed in the budget, due to additional costs arising from previous capital financing decisions. By the year-end additional savings on leasing arrangements mean that this budget area now shows a net saving of £40k.

4.9 Income

4.9.1 Note 8: General income receipts are less than budgeted. Previous reports advised that estimated receipts of £50k from sub-letting premises would not be achieved this year, and short-term changes to our arrangements for supporting SafeWise mean that £32k of income in respect of service charges has been waived. In addition, reimbursements from South West Ambulance for co-responder activity are less than budgeted although, of course, this is a cost neutral activity, and corresponding savings are included in employee costs.

4.9.2 Note 9: Income from investing surplus cash flows was £22k below the £80k included in the budget.

4.9.3 Note 10: The actual outturn includes the previously highlighted £350k of additional grant funding for the Business Rates Retention Scheme (BRRS) and £201k for secondment income. At year-end a further £172k of BRRS funding was accrued for, based on final returns submitted by the billing authorities in Dorset and Wiltshire.

5. Reserves and Balances (note 11 and Appendix D)

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

5.2 General balances stood at £10.124m as at 1 April 2017 and the outturn position adds a further £1.562m. One of the key financial principles approved by Members of the Policy and Resources Committee in October 2017 was the use of up to £6m of general balances to help fund the capital programme. This will significantly reduce capital financing costs in future years, but still leave sufficient revenue resources to deal with projected medium term budget shortfalls. At the moment we have moved £5m from General Balances to the Capital Reserve for this purpose. The general reserves risk assessment remains £2.5m, as reviewed in the budget setting process. Overall general balances available to support the Medium Term Finance Plan therefore stand at £4.186m at the end of March, including a further £1m available to transfer to the Capital Reserve.

5.3 Earmarked reserves stood at £12.536m as at 1 April 2017, with a further £4.942m held in respect of unused grants. Earmarked reserves show a net decrease of £929k to £11.607m and unused grants show a net decrease of £937k to £4.005m.

6. Capital Programme

6.1 Appendix E details the capital outturn for 2017-18. A reduced capital programme total of £9.334m was approved by the Authority in December 2017, mainly reflecting delays on property works, in particular the Safety Centre project, and changes in the vehicle replacement programme.

6.2 Two further changes have been made since December. The first is to move the Safety Centre costs incurred in 2017-18 to the revenue budget, but still financed by the Transformation Grant. The second change is to reflect capital spending on the Network Fire Control Services (NFCS) project. This spending is financed entirely from grant reserves held specifically for the project. With these adjustments, the final revised budget was £9.222m.

6.3 Capital outturn spend for the year totalled £5.995m, financed by £5.843m from grants and reserves, and using capital receipts of £152k. This is in line with the budget strategy agreed by Members, and means that there was no need to borrow to support the capital programme. The variance to budget and carry forward requirements are analysed below.

6.4 Property/Estates

6.4.1 Safety Centre (note 12) – a provisional sum of £240k was allowed this year, but has now been moved to the revenue budget. Actual costs totalled £223k.

6.4.2 Other property works (note 13) - actual spending totalled £550k, covering general refurbishments projects on fire stations, along with works to separate the Manor House from the remaining Potterne estate. £542k of the variance shown will be carried forward to 2018-19 to complete a number of general refurbishment projects, as well as breathing apparatus (BA) facility upgrades.

6.5 IT and Communications

6.5.1 Hardware Replacement (note 14) - £20k will be carried forward to complete a project to upgrade station network hardware.

6.5.2 Mobile Data Terminal (MDT) Replacements (note 15) – £710k was allocated in total for the replacement of MDTs. As previously indicated, the final value charged to this year's capital programme was dependent on delivery timescales for the hardware. Actual costs charged were £626k, with the balance of £84k carried forward.

6.5.3 Incident Command Assessment Centre (note 16) – This project commenced in year with some initial hardware purchases made, at a cost of £14k. Associated building works will be taking place at Salisbury Fire Station in the new financial year, with spending on the remaining ICT requirements happening along similar timescales, funded by the carry forward of £45k.

6.5.4 ICT Infrastructure Harmonisation (note 17) – this area covers continued work to harmonise our ICT infrastructure following Combination. Some elements were not completed by the end of March, resulting in a need to carry forward £47k at year-end.

6.5.5 Systems Harmonisation (note 18) – The revised programme included £193k for the provision of new systems for fleet management and training resource management. The fleet project has progressed well and the purchase of licences for the training resource system was completed. £152k was spent during the year, with further £40k spend required in 2018-19 to complete the fleet project.

6.5.6 Network Fire Control Services (NFCS) (note 19) - £128k was spent on capital costs associated with the NFCS project, funded from retained grant.

6.6 Vehicles and Equipment

6.6.1 Aerial Ladder Platform (ALP) (note 20) – The programme included a revised sum of £1.394m for the replacement of ALPs. These vehicles were delivered to the Service in early January and are expected to be operational by May, once training and familiarisation is complete. The remaining funding of £136k will be spent in 2018-19.

6.6.2 Large Fire Appliances (note 21) – The programme includes £1.35m for five vehicles ordered in 2016-17 and £2.156m for seven vehicles ordered in 2017-18. The final cost of the 2016-17 vehicles was £1.38m. Stage payments totalling £1.46m have so far been made in respect of the 2017-18 vehicles, with final delivery due early in the new financial year. The full cost of these vehicles will be charged to 2018-19.

6.6.3 Other Operational Vehicles (note 22) - £597k is included in the revised programme for other operational vehicles. Vehicles with a total value of £184k are not due to be delivered until the new financial year and funding will need to be carried forward.

6.6.4 Support Vehicles (note 23) – The revised programme for support vehicles totalled £698k. Vehicles with a value of £42k are not due for delivery until after the year-end and require funding to be carried forward.

6.6.5 Equipment (note 24) – Some additional items of operational equipment had to be replaced, leading to the overspend of £22k.

7. Summary and Key Points

7.1 The Finance Team, working in partnership with KPMG, have successfully produced the Statement of Accounts for 2017-18, to the required tighter timescales, and with an unqualified audit opinion.

7.2 The current financial position remains healthy, with the revenue outturn showing an underspend of £1.562m, an increase of £0.337m from that shown in the 3rd quarter report. In the main, this reflects pay award savings and additional grant receipts.

7.3 The capital programme cost was revised significantly during the year, to reflect changing timescales for various projects, most significantly the new Safety Centre. Projects worth £3.296m will require funding to be carried forward to 2018-19.

July 2018