



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 19/20

MEETING	Finance & Governance Committee
DATE OF MEETING	24 July 2019
SUBJECT OF THE REPORT	Statement of Accounts, Annual Governance Statement and Outturn Financial Performance 2018-19
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	For approval
EXECUTIVE SUMMARY	<p>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.</p> <p>The Regulations also require an Annual Governance Statement (AGS), accompany the accounts, which also requires approval.</p> <p>The Authority's Statement of Accounts for 2018-19 have been produced and are being audited by Deloitte LLP. The Auditor's report is elsewhere on the agenda and provides an update on audit progress so far. Deloitte LLP expect to provide an unmodified (unqualified) opinion, but this cannot be confirmed until all audit work is completed. The accounts are submitted for scrutiny and approval by Members.</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> <p>Overall, the revenue and capital budget positions have remained positive throughout the year, as reported to Members. The final outturn performance is slightly ahead of the 3rd quarter forecast provided in March 2019.</p>

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 the: <ol style="list-style-type: none"> 1. Statement of Accounts 2. Annual Governance Statement 3. Carry forward of £1.896m for capital projects not completed in 2018-19
BACKGROUND PAPERS	Medium Term Finance Plan 2018-21
APPENDICES	Appendix A - Statement of Accounts 2018-19 Appendix B - Annual Governance Statement 2018-19 Appendix C - Revenue Budget Summary 2018-19 Appendix D - Summary of Reserves & Balances 2018-19 Appendix E - Capital Budget Summary 2018-19
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1. Introduction

- 1.1 As Members are aware 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 2018-19 (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.
- 1.3 This is the second year of working to these shorter timescales and the Finance team have once again 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 Deloitte LLP to ensure a smooth audit process, with 2018-19 being the first year of the Deloitte audit contract.
- 1.4 Deloitte LLP presented their audit findings earlier on the agenda and Members will note that they expect to issue an unmodified (or unqualified) opinion on the Accounts. This opinion confirms that the Accounts reflect accurately the financial position of the Authority, have been prepared in accordance with all relevant guidance, and that they contain all the information required. It should be noted that at the time of drafting this report the audit was not yet fully complete and the final opinion can only be issued when the audit has concluded. At this point in time the opinion is therefore excluded from the draft Accounts attached at Appendix A.

2. The Statement of Accounts

- 2.1 The Statement of Accounts for 2018-19 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 £0.466m, slightly ahead of the projection at the end of the 3rd quarter. Section 4 below 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, by 31 July.
- 3.2 Appendix B to this report sets out the Annual Governance Statement for 2018-19.

4. Major variations from Revenue Budget

- 4.1 Appendix A 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 £577k, representing 1.3% of the budget amount. This includes:
- Net savings on pay costs of £290k through active workforce management and fewer transition posts.
 - Savings of £287k are shown against the budget lines for training costs and the provision of occupational health facilities.
- 4.2.2 Budget adjustments were made to reflect several externally funded secondments (see 4.6.4 below), as well as some corporate staff posts presently covered by uniformed staff.
- 4.2.3 Actual spend takes account of £464k of costs associated with voluntary redundancies and early retirements for staff leaving the Service during 2018-19 as part of the combination programme. This includes recent changes made at senior management level. Following agreement with the Home Office, the costs have been met from funds retained in the Transformation Grant. This sum is also reflected in the budget adjustment figure.
- 4.3 Premises (note 2)
- 4.3.1 The additional spend on premises costs includes the £300k covering charges from the Defence Infrastructure Organisation associated with the West Moors Training

Centre facility. A further £142k variance reflects additional spending on building repairs and maintenance, as well as increased utility costs.

4.4 Supplies and Services (note 3)

4.4.1 There was a net overspend of £63k in respect of equipment purchases, repairs and maintenance and other supplies and services.

4.4.2 The £844k budget adjustment includes £649k in respect of the Network Fire Services Partnership (NFSP), to cover spending during the year. This sum is financed by contributions from the three NFSP partners, with corresponding adjustments to income budgets (see 4.6.4 below) for the amounts received from Devon and Somerset Fire & Rescue Service (FRS) and Hampshire FRS.

4.5 Capital Financing and Leasing Costs (note 4)

4.5.1 The budget included £590k as provision for interest payments on long-term borrowing. £434k of this sum was spent servicing existing loans and Members approved the use of the £156k balance to make additional revenue contributions to finance the capital programme, and therefore reducing future borrowing costs.

4.5.2 The budget adjustment of £4.071m reflects the £4.227m total use of reserves to part fund the capital programme, less the £156k above.

4.6 Income

4.6.1 Note 5: General income receipts totalled £73k more than budgeted for, mainly as a result of income from the sale of surplus vehicles. Reimbursements from South West Ambulance Services Trust for co-responder activity were less than budgeted although, of course, this is a cost neutral activity, and corresponding savings are included in employee costs.

4.6.2 Note 6: Income from investing surplus cash flows was £27k below the £80k included in the budget.

4.6.3 Note 7: The actual outturn includes the previously highlighted £323k of additional grant funding for the Business Rates Retention Scheme (BRRS), plus year-end adjustments of a further £57k. Additionally, we have received £158k as our share of the Levy Account Surplus. This sum was advised in the Local Government Finance Settlement, and we included it in our 2019-20 revenue budget. The funding was received before the end of March and had to be accounted for in the 2018-19 financial year.

4.6.4 The significant budget adjustment relates to income for seconding staff (£371k), the NFSP funding referred to in 4.4.2 above (£497k) and planning gain income (£137k), which has been moved to reserves for use in future years.

5. Reserves and Balances (note 8 and Appendix D)

- 5.1 Appendix D shows the year end position for reserves and balances.
- 5.2 General balances stood at £6.686m as at 1 April 2018 including £2.5m risk assessed general reserves. They have now reduced to £2.726m at 31 March 2019 in line with Finance Principle 10 approved by the Authority in September 2018, with a £3.96m net transfer to the Transformation Improvement Reserve. General balances are now maintained at 5% of revenue budget.
- 5.3 Earmarked reserves stood at £11.607m as at 1 April 2018 and show a net increase of £1.003m for the year. The increase reflects the transfer of general balances referred to above, offset by the net movement in other reserves, most notably £3.79m taken from the capital replacement reserve to part fund the capital programme.
- 5.4 A further £4.005m was held in respect of unused grants at 1 April 2018. These reserves show a net decrease of £1.484m for the year, down to £2.521m at 31 March 2019. This includes the balance of the Transformation Grant, which the Home Office have agreed that the Service can retain. £742k has been spent in 2018-19 funding Information and communication technology (ICT) harmonisation costs, safety centre projects costs and restructuring costs (see 4.2.3 above). The remaining £1.432m will be spent over the next two years; to support the purchase and development project at Tisbury; to support one off capital costs for the new asset management system and wide area network; and to support further work on the NFSP and efficiencies.

6. Capital Programme

- 6.1 Appendix E details the capital outturn for 2018-19. A reduced capital programme total of £8.306m was approved by the Authority in December 2018, mainly reflecting changes to the programme for property works and vehicle replacements.
- 6.2 A further change has been made since December. This is to reflect capital spending on the NFSP project. This spending is financed entirely from grant reserves. With these adjustments, the final revised budget was £8.535m.
- 6.3 Capital outturn spend for the year totalled £6.066m. This has been financed by £4.227m from grants and reserves and £1.103m from capital receipts, with the remaining £0.736m being added to our prudential borrowing requirement. This is in line with the budget strategy agreed by Members. The variance to budget and carry forward requirements are analysed below.

6.4 Property/Estates

- 6.4.1 Safety Centre (note 9) – following the cancellation of the project all costs incurred in 2018-19 have been charged to the revenue budget, although still funded from the Transformation Grant. Actual costs totalled £116k.
- 6.4.2 Other property works (note 10) - the revised total of £1.88m included £325k additional spend in respect of the land at Tisbury Fire Station. We are continuing to work with our partners at Wiltshire Council and Wiltshire Police to complete this purchase. Actual spending on projects totalled £892k, covering general refurbishments projects on fire stations, along with works to breathing apparatus facilities and appliance bay doors. £916k of the balance shown, which includes the Tisbury funding, will be carried forward to 2019-20 to complete ongoing projects.

6.5 IT and Communications

- 6.5.1 Hardware Replacement (note 11) – two carry forwards are required, one for £50k to complete a project to update station hardware and the other for £110k to cover one-off costs associated with the replacement of the Service wide area network.
- 6.5.2 Systems Harmonisation (note 12) – as indicated in the 3rd quarter report £260k for the provision of a new equipment asset management system needs to be carried forward to 2019-20.
- 6.5.3 NFSP (note 13) - £229k was spent on capital costs associated with the NFSP project, funded from retained grants.

6.6 Vehicles and Equipment

- 6.6.1 Aerial Ladder Platform (ALP) (note 14) – the variance of £141k includes £136k in respect of a long-term maintenance contract which has been moved to the revenue budget.
- 6.6.2 Large Fire Appliances (note 15) – £35k will be carried forward to 2019-20 to allow for the purchase of ex-lease fire appliances.
- 6.6.3 Other Operational Vehicles (note 16) – the variance of £89k includes £80k to be carried forward in respect of the purchase of operational response cars.
- 6.6.4 Support Vehicles (note 17) – vehicles with a value of £166k are not due for delivery until after the year-end and require funding to be carried forward.

- 6.6.5 Equipment (note 18) – the £1.026m shown for operational equipment includes £813k for the first phase of replacing operational fire kit. This project progressed well through the year, with a phased approach to ordering and supplying the new kit. As Members were advised in the previous report, delivery timescales meant that spending in the year was likely to be less than the £813k. Actual spending totalled £593k, with the £220k balance carrying forward to 2019-20. A further £60k needs to be carried forward to complete other equipment replacements.

7. Summary and Key Points

- 7.1 The Finance Team, working in partnership with Deloitte LLP, have successfully produced the Statement of Accounts for 2018-19 and with an unqualified audit opinion.
- 7.2 The current financial position remains healthy, with the revenue outturn showing an underspend of £0.466m, an increase of £0.210m from that shown in the 3rd quarter report.
- 7.3 The capital programme cost was revised significantly during the year, to reflect changing timescales for various projects, most significantly the vehicle replacement programme. Projects worth £1.896m will require funding to be carried forward to 2019-20.

July 2019