



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 20/21

MEETING	Finance & Audit Committee
DATE OF MEETING	17 September 2020
SUBJECT OF THE REPORT	Statement of Accounts, Annual Governance Statement and Outturn Financial Performance 2019-20
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 the Dorset & Wiltshire Fire and Rescue Authority (or a Committee to which it has delegated authority) by 31 July each year. The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 have extended this deadline to 30 November 2020 for the 2019-20 Statement of Accounts.</p> <p>The Regulations also require an Annual Governance Statement (AGS) to accompany the accounts, which also requires approval. This is shown on pages 93 to 102 of the Financial Statements.</p> <p>The Authority's Statement of Accounts for 2019-20 have been produced and externally audited by Deloitte 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.</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 £795k and a capital spend of £3.42m.
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: <ol style="list-style-type: none"> 1. the Statement of Accounts, including the Annual Governance Statement 2. the carry forward of £1.049m for capital projects not completed in 2019-20.
BACKGROUND PAPERS	Medium Term Finance Plan 2019-23
APPENDICES	Appendix A - Statement of Accounts 2019-20 Appendix B - Revenue Budget Summary 2019-20 Appendix C - Summary of Reserves & Unused Grants 2019-20 Appendix D - Capital Budget Summary 2019-20
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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 2019-20 (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. The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 have temporarily extended these deadlines to 31 August and 30 November in respect of the 2019-20 Statement of Accounts.
- 1.3 The Finance team has worked in partnership with the audit team from Deloitte LLP to ensure a smooth audit process. At times this has been challenging due to the unique set of circumstances this year, but it is testament to both parties that this work has been completed in a timely manner.

2. The Statement of Accounts

- 2.1 The Statement of Accounts for 2019-20 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 net revenue expenditure variation of £0.795m and 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 Government Statement, along with the Statement of Accounts.

3.2 For this year, the Annual Government Statement has been incorporated into the main Statement of Accounts document (see pages 92 to 101).

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 £400k, representing 0.85% of the budget amount. This includes:

- £213k of additional pension costs. This relates to overpayments of pension covering multiple financial years which have been highlighted by our new pension administrators, West Yorkshire Pension Fund. We have had to refund this sum to the Home Office Pension Fund, initially by charging the costs to our own budget. We will be discussing options for recovering the cost with the Local Pension Board in October.
- A net saving of £41k on other employee related costs.

4.3 Premises (note 2)

4.3.1 The quarter 3 report indicated savings of around £200k, covering premises rentals and savings on utility costs and cleaning. These savings have been delivered, however, some additional spend on premises repairs and maintenance was necessary, reducing the overall saving to £121k.

4.4 Supplies and Services (note 3)

4.4.1 Some small savings were made in respect of Equipment, personal protective equipment and clothing (£36k); ICT and communications (£15k); and other supplies and services (£12k).

4.5 Capital Financing and Leasing Costs (note 4)

4.5.1 The outturn variation of £87k includes £83k in respect of VAT charges incorrectly reclaimed in previous years on the purchase of vehicles for flexi-duty officers. The income tax and VAT treatment related to private use of these vehicles is inconsistent, creating a grey area about how guidance should be applied. We are working with tax advisors to try and mitigate this cost.

4.5.2 The budget adjustment of £708k reflects the net impact of using the Transformation Grant to fund elements of the Capital Programme, as agreed with the Home Office and the revenue contribution to capital funding approved at the December meeting.

4.6 Income (note 5)

4.6.1 General income receipts totalled £48k more than budgeted for, mainly as a result of Primary Authority Scheme charges to businesses and income from the sale of surplus vehicles.

4.6.2 Income from grants and contributions is significantly higher than the original budget. The actual outturn includes the previously highlighted additional business rates and pension grant funding, which was partially offset by the Levy Account Surplus that was received in late March 2019. The outturn also includes an additional £184k received in March 2020 as our share of the first tranche of coronavirus funding.

5. Reserves and Balances (note 6 and Appendix D)

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

5.2 Risk assessed general balances stood at £2.726m as at 1 April 2019 and have increased to £2.792m at 31 March 2020 in line with Finance Principle 10 approved by the Authority in September 2018, to maintain general balances at 5% of revenue budget.

5.3 Earmarked reserves stood at £12.610m on 1 April 2019 and show a net increase of £0.250m for the year. The net revenue expenditure variation of £795k has allowed us to transfer some additional sums to reserves to help mitigate some future financial risks. There are two main elements to this:

- £300k transferred to the Ill-health Retirement Reserve. Without this, committed costs would have exhausted this reserve by March 2021; and
- An additional £500k transferred to the Capital Replacement Reserve to help reduce future long-term borrowing and capital financing costs.

5.4 A further £2.521m was held in respect of unused grants on 1 April 2019. These reserves show a net decrease of £0.5m for the year, down to £2.021m. This balance includes £170k in respect of the coronavirus funding mentioned in 4.6.2 above that was unspent as 31 March.

6. Capital Programme

6.1 Appendix E details the capital outturn for 2019-20. A reduced Capital Programme total of £4.7m was approved by the Authority in December 2019, mainly reflecting changes to the programme for property works and vehicle replacements.

- 6.2 Capital outturn spend for the year totalled £3.42m. This has been financed by £1.35m from grants, capital receipts and revenue contributions, with the remaining £2.07m being added to our prudential borrowing requirement. The variance to budget and carry forward requirements are analysed below.
- 6.3 Property/Estates (note 7)
- 6.3.1 Building projects – the overall programme for building works was reviewed, arriving at a revised total of £1.758m. As previously reported, the programme of cyclical maintenance works for 2019-20 took longer than expected to commence on site, so the works were not expected to be fully completed at all sites until the summer of 2020. This position has been further worsened by the impact of the coronavirus pandemic. £604k will need to be carried forward to 2020-21 to complete these works.
- 6.4 IT and Communications (note 8)
- 6.4.1 Hardware Replacement – the outturn is very much in line with the quarter 3 projected final spend. £10k has been deferred to 2020-21.
- 6.4.2 Systems Harmonisation – A contract has been awarded for our new equipment asset management system and this project is in the delivery phase. The £145k variation sum needs to be carried forward to 2020-21.
- 6.4.3 Network Fire Services Partnership - £101k was spent on capital costs associated with the NFSP project, funded from retained grants.
- 6.5 Vehicles and Equipment (note 9)
- 6.5.1 Vehicles – As reported previously, the vehicle replacement programme was reviewed to enable more effective procurement and project management. Projected delivery timescales for some vehicles indicated that £320k would need to be carried forward at year end, but this sum has now reduced to £190k.
- 6.5.2 Equipment – The £1.198m shown for operational and other equipment includes £1.033m to complete the replacement of operational fire kit across the Service. Members will be aware from previous reporting that this project has progressed well over the last 12 months or so and is now substantially complete. £100k will need to be carried forward as a provision against any final purchase needs.

7. Summary and key points

- 7.1 The Finance Team, working in partnership with Deloitte LLP, have successfully produced the Statement of Accounts for 2019-20 and with an unqualified audit opinion. This is testament to the hard work of both parties in this challenging time.

- 7.2 The revenue outturn performance has allowed us to transfer some additional sums to reserves, helping to mitigate some future financial risks. Moving forward, we face some significant financial challenges as a result of the coronavirus pandemic.
- 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 £1.049m will require funding to be carried forward to 2020-21, although inevitably the 2020-21 programme will need significant scaling down due to the coronavirus pandemic.

September 2020