



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 23/23

MEETING	Finance & Audit Committee
DATE OF MEETING	26 July 2023
SUBJECT OF THE REPORT	Draft Statement of Accounts 2022-23, Annual Governance Statement and Financial Outturn 2022-23
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	For comment and approval
EXECUTIVE SUMMARY	<p>The Accounts and Audit (Amendment) Regulations 2015 require that the annual Statement of Accounts be approved by 31 July each year. The Accounts and Audit (Amendment) Regulations 2022 extended this deadline to 30 September each year for the 2022-23 Statement of Accounts and for the following five financial years. The draft Statements should be published by 31 May each year.</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 2022-23 have been produced and were published on 8 June 2023. They include the draft AGS which is shown on pages 95 - 105 of the Financial Statements. Deloitte LLP will not be commencing their final external audit work until September 2023. Members will receive a verbal update from the Treasurer and external auditor at the September 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 £2.7m and a capital spend total of £3.17m.
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"> 1. note and comment on the Draft Statement of Accounts 2022-23, including the Annual Governance Statement 2. approve the carry forward of £2.6m for capital projects not completed in 2022-23.
BACKGROUND PAPERS	Medium Term Finance Plan 2022-26
APPENDICES	Appendix A - Draft Statement of Accounts 2022-23 Appendix B - Revenue Budget Summary 2022-23 Appendix C - Summary of Reserves & Unused Grants 2022-23 Appendix D - Capital Budget Summary 2022-23
REPORT ORIGINATOR AND CONTACT	Name: Ian Cotter, Head of Financial Services & Treasurer Email: ian.cotter@dwfire.org.uk Tel no: 07500 066130

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. The deadline for final approval has been extended by the Accounts and Audit (Amendment) Regulations 2022, with a revised deadline of 30 September each year in respect of the 2022-23 Statement of Accounts and those for the next five financial years.
- 1.3 Deloitte LLP have advised that they will not be in a position to commence their final external audit work until September 2023. The Finance team will be working in partnership with them to ensure a smooth audit process, but clearly the September approval timescale will be unachievable..

2. The Draft Statement of Accounts

- 2.1 The Draft Statement of Accounts for 2022-23 are set out in Appendix A. They were published on 8 June 2023, slightly after the 31 May deadline. This was due to the Finance Team waiting for some final information relating to insurance transactions.
- 2.2 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.
- 2.3 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.
- 2.4 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 £222k. Since the draft statements were published we have received updated business rates information from BCP Council which increases the overall net

variation to £237k and this is reflected in Appendix B. Section 4 of this report provides a more in-depth analysis of revenue variations.

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 The Annual Government Statement is incorporated into the main Statement of Accounts document (see pages 95 - 105).

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 overspend for Employee Costs was £421k, compared to a projected £815k at quarter 3, and represents 0.8% of the budget amount. Wholetime and On-Call staff costs in quarter 4 were lower than the previous forecast allowed and have helped to offset some of the expected increase from the higher operational staff pay award.
 - 4.2.2 There was a final net saving of £37k on other employee related costs, compared to an expected overspend at Quarter 3. Overall pensions costs were less than previously forecast and there was an underspend on training costs.
- 4.3 Premises (note 2)
 - 4.3.1 Quarter 3 showed a project overspend of £455k on premises costs, mainly from increased building maintenance costs and utility costs. The final outturn shows an improved position, although this is mainly due to anticipated revenue spend related to building projects that have not yet completed. This will mean releasing some funds from reserves in 2023-24 to cover the costs of project completion.
- 4.4 Transport (note 3)
 - 4.4.1 The quarter 3 report included a forecast overspend of around £216k for transport costs. Although fuel costs have clearly increased due to rising prices actual spend was slightly less than predicted at the end of quarter 3. Final spend on other vehicle running costs and repairs and maintenance were also less than expected.

4.5 Supplies and Services (note 4)

4.5.1 The outturn shows a final underspend of £77k, compared to a projected overspend of £64k at quarter 3. The main difference relates to provision made in the budget for upgrading the Service telephone infrastructure. The project is underway but most costs will now be incurred in 2023-24. As with premises costs, this will mean releasing funds from reserves to cover the project costs.

4.6 Agency and Contracted Out Services (note 5)

4.6.1 The Quarter 3 projection included an assumed overspend of £5k and this has increased to a final figure of £73k. The difference is mainly due to increased external audits fees (although funded by additional grant income), and costs associated with responding to the national and local media reports.

4.7 Capital Financing and Leasing Costs (note 6)

4.7.1 The quarter 3 report indicated savings of £88k on long-term capital financing costs. The actual cost saving was £96k as a result of lower interest payments than previously predicted.

4.8 General & Investment Income (note 7)

4.8.1 The final position on general income was £18k less than predicted at Quarter 3, with mainly small differences on a number of income lines.

4.8.2 The final total for investment income was better than the Quarter 3 projection, principally as a result of the continuing increases in interest rates.

4.9 Grants & Contributions (note 8)

4.9.1 Income from grants and contributions increased over the year, with the final outturn showing income of £6.6m compared to £6.3m at Quarter 3, and an original budget amount of £5.9m. The main reasons for the increase in the year are:

- A £128k reduction in Home Office grant for Firelink
- £77k use of deferred grant funding related to the emergency services mobile communication programme
- Protection Grant funding – £271k Protection Uplift grant and £9k Building Safety Regulator grant received from the Home Office to support increased resourcing in protection
- £165k allocated to the Dorset Civil Contingencies Unit for the Local Resilience Forum (LRF) Funding Pilot

- £140k drawdown of Apprenticeship Levy
- Secondments - £132k related to staff on secondments to other bodies
- £39k in partner contributions related to prevention initiatives

4.10 Funding (note 9)

4.10.1 Previous quarterly reports showed a net increase in overall funding of £297k, taking into account all of the various changes to business rates receipts and compensatory grants. This has increased to a net increase of £502k at year end. The difference of £205k is explained by £117k from confirmation of expected actual business rates receipts and grants and £88k from an unexpected distribution of levy surplus funding by the Government.

5. Reserves and Balances (note 10 and Appendix C)

- 5.1 Appendix C shows the year end position for reserves and balances.
- 5.2 Risk assessed general balances totalled £2.884m on 1 April 2022 and have been increased to £3.052m at 31 March 2023, in line with the Reserves Strategy to maintain general balances at 5% of revenue budget.
- 5.3 Earmarked reserves totalled £16.328m on 1 April 2022 and show a net decrease of £1.851m for the year, down to £14.477m. This includes £237k from the net revenue expenditure variation.
- 5.4 A further £4.084m was held in respect of unused grants on 1 April 2022. These reserves show a net decrease for the year of £1.949m, down to £2.135m at 31 March 2023. The majority of the decrease relates to the release of grant funding provided by the Government to mitigate the financial impact of Covid-19. This covers £1.16m related to council tax and business rates funding and £524k of specific Covid grant. Other grants have been used during the year as planned, such as the additional protection grant funding.

6. Capital Programme

- 6.1 Appendix D details the capital outturn for 2022-23 and shows a total spend for the year of £3.17m. This has been financed by £1.98m from grants, capital receipts, revenue and reserve contributions, with the remaining £1.19m being added to our prudential borrowing requirement. The variance to budget and carry forward requirements are analysed below.

6.2 Property/Estates (note 10)

6.2.1 Building projects – Overall spend was £593k against a budget sum of £1.928m. The programme of works has been impacted by the Covid-19 pandemic and also procurement delays. Overall, £1.27k will need to be carried forward to 2023-24.

6.2.2 Training Centre – Following approval of the Training Centre project at the Fire Authority meeting in September 2022, the revised budget included a provisional sum of £270k for professional fees and other costs expected to be incurred, particularly to support the planning application process. Actual fee spend to 31 March totalled £61k.

6.3 IT and Communications (note 11)

6.3.1 Hardware Replacement – The programme included £547k for the replacement and upgrading of station end equipment across all fire stations. This project commenced in 2021 but has been subject to procurement delays. The order for equipment was placed in December 2022, and whilst some stage payments have now been made, we do not expect full delivery until later in 2023. £100k was also included for a Service wide telephony project scheduled for quarter 4 which has also commenced, the spending will now happen in 2023-24. The full budget allocated for both projects is being carried forward to 2023-24. A further £135k will be carried forward for other smaller projects that are yet to complete.

6.4 Vehicles and Equipment (note 12)

6.4.1 There is some crossover between the various vehicle and operational equipment projects. Overall final spend, including the carry forward amounts, is estimated at just over £2.5m and very much in line with the Quarter 3 projection.

6.4.2 One of the six large appliances in this year's programme has not yet been delivered. Seven of twelve officer cars were delivered by 31 March, with the remaining five arriving in April. £580k needs to be carried forward to 2023-24 for vehicles and equipment items not delivered by the end of March. Overall spend on vehicles and equipment shows a small overspend of £48k due to increases in prices.

7. **Summary and key points**

7.1 The Draft Statement of Accounts for 2022-23 have been produced and were authorised for issue on 8 June 2023. Final external audit work is due to commence in September 2023 and the Treasurer and external auditor will provide verbal progress updates at future meetings. We hope to bring the audited Statement of Accounts 2022-23 to the December meeting for final approval.

- 7.2 Revenue performance has remained healthy throughout the year despite our financial challenges, supported by a number of one-off additional grants and spending reductions. Reserves and balances have decreased overall by £3.646m, down to £19.649m as at 31 March 2023.
- 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 £2.6m will require funding to be carried forward to 2023-24.