

Status of Report: Public

Meeting: Corporate Governance Committee

Date: 13 July 2023

Subject: Draft Statement of Accounts and Annual Governance Statement 2022/23

Report by: The Treasurer

Author: Manjora Bisla, Finance Manager

For: Decision

Purpose

1. The purpose of this report is to provide the Corporate Governance Committee with an opportunity to consider the draft Statement of Accounts and Annual Governance Statement (AGS) for 2022/23, before they are presented to the Combined Fire Authority for formal approval following the external audit.

Recommendation

2. The Committee is asked to consider the draft Statement of Accounts and Annual Governance Statement for 2022/23, appended to this report, noting that they may be subject to amendment following the external audit.

Executive Summary

3. The Accounts and Audit Regulations (England) 2015 state that the accounts must be published with the audit opinion and certificate and be approved by Members by 31 July. For 2022/23, this deadline has been extended to 30 September 2023, due to issues being experienced in the local authority audit sector.
4. The draft Statement of Accounts was signed by the Treasurer on 31 May 2023 and submitted to the external auditor (Mazars) and published on the website.
5. The draft accounts are subject to ongoing review by Mazars before they conclude their audit opinion and Value for Money assessment. However, the accounts audit work cannot be completed until the Leicestershire County Council Pension Fund has been audited by Grant Thornton. This audit is unlikely to be completed by 30 September 2023, which will impact the conclusion of the CFA audit. Mazars are aiming to complete the audit by the end of November on the basis that the Leicestershire County Council Pension has been audited.
6. The constitution provides that the CFA formally agrees the accounts and AGS. It is intended that the final accounts and AGS will be presented to the CFA for approval at the meeting following the completion of the external audit.

Background

7. The statutory accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the UK. Separate management accounts were presented to the CFA at its meeting on 21 June 2023, which set out the revenue and capital outturn position. The financial position of the Authority is presented in a different way in the Statement of Accounts. The outturn reports focus on the in-year financial performance in a format consistent with the Authority's budgets; while the Statement of Accounts shows the in-year performance in a standard format adopted by all local authorities, including a balance sheet showing the underlying financial position.
8. The draft set of accounts as distributed to Mazars for audit together with the Annual Governance Statement and as published on the website is attached as Appendix 1.
9. Despite the wide variations in the way the position is presented, the key point is that both the outturn reports and the accounts are consistent. The core financial statements are:
 - i. Movement in Reserves Statement - This shows the movement in the year on the different reserves held by the authority. This statement distinguishes between "usable reserves" which can be used to fund expenditure or reduce local taxation and "unusable reserves" which are effectively accounting entries and not available to spend.
 - ii. Comprehensive Income and Expenditure Statement (CIES) - This shows the actual performance for the year in accordance with the Code of Practice. This means that the accounts are prepared on a different basis than that used to set the budget and raise council tax. A number of statutory adjustments are made to the surplus or deficit shown on this statement to arrive at the balance on the General Fund shown in the Movement in Reserves Statement above.
 - iii. Balance Sheet - The balance sheet shows the net worth of the Authority in terms of its assets and liabilities. It shows the net value of the organisation including the balances and reserves, its long-term indebtedness, and its fixed and net current assets employed in its operations.
 - iv. Cash Flow Statement - This statement summarises the movements in cash holdings during the year in common with the presentation required for commercial companies, although the statement is of less significance in the local and fire authority context.
10. When producing the Statement of Accounts, a number of accounting estimates are used. These estimates rely on the professional judgement of experts in the relevant areas. As these estimates are material to the accounts, it is important

that the Committee understand them and the impact on the accounts. For the Authority, the main estimates are Property, Plant and Equipment remaining useful lives and asset values, and Pensions Liability.

11. Members will note that the overall pension funds liability has reduced. This is due in the main to the more recently expected longer term higher interest rates (reducing longer term liability), offset to some degree by higher inflation in the shorter term. The overall reduced liability estimate has no direct impact on the resources available to fund the CFA.
12. Approval and ownership of the Annual Governance Statement (AGS) is required at a corporate level. The draft AGS is published with the Statement of Accounts and complies with the CIPFA/SOLACE framework "Delivering Good Governance in Local Government" (2016).
13. The draft Annual Governance Statement should assure the people of Leicester, Leicestershire and Rutland that the Authority operates in accordance with the law and has due regard to proper standards of behaviour and that it safeguards the public purse.

Report Implications/Impact

14. Legal (including crime and disorder)

Regulations 6 (1) (a) and (b) of the Accounts and Audit Regulations 2015 (the Regulations) require the CFA to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement (AGS), prepared in accordance with proper practices in relation to internal control.

The Accounts and Audit (Amendment) Regulations 2022 amend the 2015 Regulations referred to above to extend the deadlines for relevant authorities to publish their annual accounts and supporting documents (together with any certificate or opinion of the local auditor) in relation to the financial year beginning on 1 April 2022. The amendment regulations stipulate that the CFA must publish its Statement of Accounts and AGS, by no later than 30 September 2023. Due to the expected timeline for the Leicestershire County Council Pension Fund audit, this will likely lead to the CFA missing this deadline. The deadline of 30 September will also apply up to and including the 2027/28 Statement of Accounts.

15. Financial (including value for money, benefits and efficiencies)

These are contained within the report and appendix.

16. Risk (including corporate and operational, health and safety and any impact on the continuity of service delivery)

None arising directly from the report.

17 Staff, Service Users and Stakeholders (including the Equality Impact Assessment)

There are no direct impacts arising from the report. An EIA is not required for the Statement of Accounts and AGS.

18 Environmental

Hard copies of the Annual Report (which will include the Statement of Accounts) are only produced on request. An electronic copy is available on the CFA's website.

19 Impact upon "Our Plan" Objectives

It is important to ensure that the budget set by the CFA reflects and enables progress to be made against the CFA's corporate objectives. The Medium-Term Financial Plan reflects the CFA's strategic plan, "Our Plan". It also reflects national and regional strategies and policies at the time of issue.

One of the CFA's corporate aims is achieving excellence in managing our Service. This is underpinned by the objective of efficiency and provision of a Value for Money service. The production of the AGS supports both the aim and objective.

Background Papers

Report to the CFA, 21 June 2023 – Revenue and Capital Outturn 2022/23

<https://leics-fire.gov.uk/wp-content/uploads/2023/06/item-10-revenue-and-capital-outturn-202223.pdf>

Appendices

Appendix - Draft Combined Fire Authority 2022/23 Statement of Accounts and Annual Governance Statement

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