

Hampshire Fire and Rescue Authority

Governance Committee

Item 7

23 September 2011

Draft Statement of Accounts 2010/11

Report of the Treasurer

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1 Introduction

1.1 The Accounts and Audit Regulations require the Authority's Statement of Accounts to be approved by the 30 September following the year end. The Authority has delegated responsibility for the approval of the draft statement of accounts to the Governance Committee.

1.2 A report on the final accounts for 2010/11 was submitted to the Finance and General Purposes Committee on 29 July, and the draft Statement of Accounts is consistent with that report.

2 Recommendations

2.1 That the Statement of Accounts for 2010/11 be approved.

3 Code of Practice on Local Authority Accounting

3.1 The attached draft Statement of Accounts have been drawn up in the form prescribed by the 2010/11 Code of Practice on Local Authority Accounting in the United Kingdom, which constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003. The Code is updated each year and this year it was the implementation of International Financial Accounting Standards. The Committee has received regular updates over the last couple of years setting out the progress, the expected changes to the presentation of the accounts and changes in accounting practice.

3.2 All the previous year comparators have all been restated so that they are on a comparable basis.

3.3 The changes in accounting practice that had an effect on this Authority's accounts are:

Grants and Contributions

- 3.4 There are changes to the treatment of both capital and revenue grants. Previously, once capital grants were received and applied they were held on the balance sheet as a liability called 'Deferred Grants and Contributions'. These were then written down over the life of the relevant assets, the income gradually being released to match the depreciation charge on the assets. Now, under IFRS these grants are accounted for as income in the Income and Expenditure Statement in the year in which they are applied and all conditions attached to them are met. There is no longer a liability held on the balance sheet, except where grants remain unapplied or conditions have not yet been met.
- 3.5 As part of approving the Final Accounts the Finance and General Purposes Committee approved the addition of £400,000 to a revenue grants unapplied reserve. These would have previously been accounted for as a 'receipt in advance' and simply carried forward into the new year. However they now have to be added to a specific reserve (hence Members' approval) for use in a future year likely to be the following year).

Asset classification

- 3.6 Assets that are held for sale are now separately classified on the balance sheet. In addition, the lease arrangements relating to front line appliances have been reclassified as finance leases and the value of the vehicles has been included in the balance sheet.

4 Statement of Accounts

- 4.1 The Statement of Accounts comprises a number of separate statements, the key features of which are summarised in the following paragraphs.

Movement in Reserves Statement

- 4.2 This sets out the movement in the year on the different reserves held by the Authority, analysed into 'useable reserves' (those which can be applied to fund expenditure or reduce council tax) and other reserves.

Comprehensive Income and Expenditure Statement

- 4.3 This statement shows the accounting cost of providing services rather than the amount funded from taxation. The taxation position is shown in the Movement of Reserves Statement.

Balance Sheet

- 4.4 This shows the value of the assets and liabilities recognised by the Authority. The net assets of the Authority are matched by reserves; either useable or unusable.

Cash Flow Statement

- 4.5 The Cash Flow Statement is designed to demonstrate the changes that have taken place in the Authority's cash position over the year and to highlight the causes of that change.

Notes to the accounts

- 4.6 These comprehensive notes incorporate information to give the reader information to support the accounts. The accounting policies are now incorporated within the notes.

Pension Fund Account

- 4.7 All Fire Authorities are required by legislation to operate a Pension Fund Account and the amounts paid into and out of it are specified by regulation. They are the accounting requirements following the new financing arrangements.
- 4.8 Members will be aware that the Authority does no longer meet the pensions outgoings directly, instead it pays an employer's pension contribution based on a percentage of pay into the pension fund account. The Account is balanced to each year to nil by receiving cash in the form of a pension top-up grant from the Government equal to the amount by which the amount payable from the Account exceeded the amount receivable. This percentage is agreed on an annual basis and for 2010/11 was 100%.

Annual Governance Statement

- 4.9 The Annual Governance Statement has to be incorporated within the Statement of Accounts. The Authority's Statement was approved by this Committee at its last meeting.

Statement of Responsibilities for the Statement of Accounts

- 4.10 This statement records the responsibility:
- of the local authority to appoint an officer with responsibility for the proper administration of its financial affairs, the Treasurer within this Authority
 - of the Treasurer to prepare the accounts in accordance with proper practices as set out in the Code of Practice, and to certify that the accounts present a true and fair view of the Authority

- of the Chairman of this Committee to confirm that the accounts have been considered and approved by the Committee.

5 Next Steps

- 5.1 Also on this agenda is the Audit Commission's report on the audit of the 2010/11 accounts. They will issue an audit opinion on the accounts by 30 September when they will be published on the Authority's website.

6 Risk analysis

- 6.1 The statement of accounts is an important element of the Authority's corporate governance arrangements. It has been prepared in accordance with the appropriate statutory code. Together with the Budget Book and the report on the final accounts for 2010/11, it provides some evidence to the public that the Authority's financial affairs are being properly managed and in accordance with proper accounting practice.

7 People Impact assessment

- 7.1 The proposals in this report are considered compatible with the provisions of the European Convention on Human Rights, the Human Rights Act 1998 and the Race Relations (Amendment) Act 2000.

8 Resource implications

- 8.1 The cost of preparing the statement and for auditing it are provided for in the Authority's revenue budget.

9 Impact assessment

- 9.1 This report contains a draft statement of accounts prepared in accordance with a statutory code. Compliance with code is not considered to be discriminatory.

Section 100 D - Local Government Act 1972 – background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report.

NB: the list excludes:

1. Published works
2. Documents which disclose exempt or confidential information as defined in the Act.

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