

**2021/2022 OUTTURN AND FINANCIAL REPORT****JOINT REPORT OF THE TREASURER AND CHIEF FIRE OFFICER****For Approval****1. PURPOSE OF REPORT**

- 1.1 To report the final outturn position against the approved 2021/22 budget.
- 1.2 To inform Members of the arrangements for approving the Authority's 2021/22 Financial Report and to provide a copy of the draft 2021/22 Financial Report.

**2. RECOMMENDATIONS**

- 2.1 That Members:-
  - i. Approve the 2021/22 Annual Governance Statement as detailed on pages 84 to 88 of Appendix C.
  - ii. Note that the Financial Report detailed in Appendix C will be subject to the completion of the independent audit by Mazars and details of any audit amendments will be reported to this Committee later in the year.
  - iii. Approve the submission to Mazars detailed in Appendix E.

**3. REVENUE POSITION AT 31<sup>st</sup> MARCH 2022**

- 3.1 The Authority continues to operate in an uncertain financial environment as separate one year Government grant allocations were made for 2021/22 and 2022/23. This position reflects a further delay in proposed national funding changes relating to the Fair Funding Review and increase in Business Rates Retention from 50% to 75%.
- 3.2 There is also financial uncertainty in relation to:
  - The continuing increases in inflation and expectation that inflation will peak at a higher level and also last longer than previously anticipated;
  - Uncertainty regarding the cost of living pay award for Firefighters in the current year and also 2023;
  - Pensions Funding from 2023/24. Fire and Rescue Authorities (FRAs) currently receive a specific Pensions Grant which the Government has indicated will be mainstreamed from 2023/24. There is a risk this funding may change if a different distribution formula is used. The Authority currently receives a Pensions Grant of approximately £1.4m.

3.3 Against the continuing financial uncertainty and the impact of the Covid pandemic the Chief Fire Officer managed the 2021/22 revenue budget extremely carefully and details of the revenue outturn is summarised in Appendix A showing a net underspend of £43,000, which reflected two key issues:

- **Employee costs** – there was a 2.11% underspend (£0.517m) on the pay budget which reflects a higher than anticipated number of retirements. Four recruits' courses, August and February for whole-time, May and November for retained, stabilised staffing numbers. Clearly this position was operationally challenging, although services to our community were maintained and additional support provided for the Covid response across a range of areas.
- **Budget Support Fund** – the underspend on employee costs was forecast during the year. As part of the Medium Term Financial Strategy the Authority approved the proposal to earmark the forecast underspend of £0.475m to support the Budget Support Fund. This strategy will help the Authority manage ongoing financial risks and uncertainty. The net final position (£0.043m) was also be transferred to the Budget Support Fund.

#### 4. CAPITAL BUDGET

- 4.1 Attached at **Appendix B** is a monitoring statement on each Capital scheme.
- 4.2 Queens Meadow Complex (QMC) works and Stockton Fire Station had the final retention values agreed, these related to 20/21 slippage. Significant schemes in 21/22 included the Water tenders, QMC Training Yard and Foam Capture System, and replacement fire helmets. These costs were funded from a combination of Prudential Borrowing and the Capital Investment Programme Reserve.
- 4.3 Where expenditure has been re-phased from 2021/22 to 2022/23 capital resources have been carried forward to fund these commitments.

#### 5. THE 2021/22 PRE-AUDIT FINANCIAL REPORT

- 5.1 In accordance with the Accounts and Audit Regulations 2015, all Local Authorities are normally required to produce an annual Statement of Accounts by 31<sup>st</sup> May. These regulations have been temporarily relaxed owing to the impact of Covid and the deadline for 2021/22 is 31<sup>st</sup> July. The draft accounts were published on the Authority's website on 24<sup>th</sup> June 2022.
- 5.2 Information recently published shows that not all authorities published draft accounts by 31<sup>st</sup> July. Whilst separate comparative figures are not available for FRAs the Unitary figures is a useful indicator of the challenge authorities had meeting this deadline as only 71% of unitary councils achieved this deadline, including Hartlepool Council which achieved this deadline for their own accounts and this Authority's.

	21/22 accounts published by deadline	Total number of authorities	21/22 Percentage published	20/21 percentage published
County	23	24	96%	96%
Met	30	36	83%	83%
Unitary	41	58	71%	80%
London	22	32	69%	72%
Upper Tier	116	150	77%	81%
District	114	181	63%	72%
All Authorities	230	331	69%	77%

- 5.3 The Financial Report presents the Authority's financial position for 2021/22. In line with previous years the draft accounts are being reported to enable Members to ask questions.
- 5.4 The Financial Report is attached at **Appendix C**, which in summary provides the following information: -
- i) Authority Membership
  - ii) Narrative Report
  - iii) Statement of Responsibilities for the Statement of Accounts
  - iv) Statement of Accounts
  - v) Group Statement of Accounts
  - vi) Annual Governance Statement
  - vii) Draft Independent Auditor's Report
  - viii) Glossary of Terms
- 5.5 The narrative report provides an explanation of the Authority's overall financial performance for 2021/22 and outlines the impact of the current economic climate on the Authority's ongoing financial position. The report also provides a guide to the most significant matters reported in the Statement of Accounts including an explanation of the purpose of each of the core statements.
- 5.6 One of the key statements is the Balance Sheet which comprises two main balancing parts, Net Assets and Total Reserves, which represents the Authority's financial position as at the 31<sup>st</sup> March 2022.
- 5.7 The Net Assets section of the Balance Sheet shows the Authority's assets including Property, Plant and Equipment, Investments and Debtors and liabilities including Short and Long-term Borrowing and Creditors. The Authority's Balance Sheet reports

negative Net Assets (i.e. net liabilities) and this is because of an accounting requirement in relation to pensions. This requires authorities to report the total pension liability if this was to be paid out in full as at 31<sup>st</sup> March 2022 i.e. if all employees and former employees drew down their current full pension entitlement as at 31<sup>st</sup> March 2022. In practice this situation would never arise and contributions to the pension schemes are adjusted over a period of time to mitigate the liability and are included as part of the budget setting process. For the Fire Fighters Pension Scheme the contributions include "Pension Top-up Grant" paid by the Government.

- 5.8 The Total Reserves section of the Balance Sheet is made up of Usable and Unusable Reserves. Unusable Reserves cannot be used to support services and include notional accounting gains and losses. These accounting gains and losses are referred to as unrealised. Included within Unusable Reserves is a negative Pension Reserve offsetting the pension liability outlined above.
- 5.9 Usable reserves are those which the authority can utilise to support future service provision and full details of these reserves are included in **note 23, page 52 of Appendix C**. This note provides a detailed explanations of each of the reserves held by the Authority and the most important reserve is the Budget Support Fund which is earmarked to manage financial risk and uncertainty.
- 5.10 The Usable Reserve as at 31st March, 2022 reflect the review of risks and reserves undertaken as part of the 2022/23 budget process. This position will be updated as part of the 2023/24 budget process and details will be reported to the full Authority.

## **6. ANNUAL GOVERNANCE STATEMENT**

- 6.1 The CFA has a statutory responsibility to ensure that its financial management is adequate and that there is a sound system of internal controls to facilitate the effective delivery of its functions, including arrangements for the management of risk. The Annual Governance Statement (AGS) is published as part of the Authority's Financial Statements and is detailed on pages **84 to 88 of Appendix C** and summarises the results of the annual review of internal controls. The AGS's primary function is to assess the adequacy of the Authority's governance arrangements, identify where those arrangements need to be improved and communicate to users and stakeholders how those improvements can be made and that better governance leads to better quality public services.
- 6.2 As Treasurer to the Fire Authority, I am responsible for conducting, annually, a review of the effectiveness of the Annual Governance Statement (AGS). The Annual Governance Statement has been reviewed and all significant internal control issues identified and updated.
- 6.3 The 2021/22 AGS assessment takes account of all recent internal and external assessments, inspections and audits.
- 6.4 No significant governance issues have been identified for 2021/22. However, in the interests of improving and developing governance arrangements a Governance Improvement Action Plan has been produced and included in the 2021/22 AGS. Progress will be monitored through the Authority's Performance Monitoring and

Management System, with progress reports, circulated during 2022/23, to Officers and Members, enabling scrutiny through the Audit and Governance Committee.

6.5 An Internal Audit Review of the Fire Authority's Annual Governance Statement has been undertaken and a copy of the resulting letter from the Head of Audit and Governance is attached at **Appendix D** and states:

- Key systems are operating soundly and that there is no fundamental breakdown in controls resulting in material discrepancy. Satisfactory arrangements were implemented to ensure the effective, efficient and economic operation of Cleveland Fire Authority's financial affairs.

## **7. INFORMATION REQUESTED BY MAZARS**

7.1 International Auditing Standards require external auditors to ask management and those charged with governance about arrangements the body has put in place:

- to prevent and detect fraud; and
- to comply with applicable law and regulations.

7.2 **Appendix E** details the recommended response to be submitted to Mazars.

## **8. CONCLUSIONS**

8.1 The 2021/22 Financial Report has been prepared in accordance with the relevant accounting standards. The report enables the Audit and Governance Committee to review the draft Financial Report.

8.2 Note that the Draft Financial Report detailed in Appendix C will be subject to independent audit by Mazars and details of any material amendments will be reported to Audit and Governance Committee later in the year.

8.3 The Chartered Institute of Public Finance and Accountancy has issued a checklist of questions Members may wish to ask to assist in the understanding of an Authority's financial statements. This has been included at **Appendix F** and Members are advised that the Authority's Financial Report complies with these requirements.

**IAN HAYTON**  
**CHIEF FIRE OFFICER**

**CHRIS LITTLE**  
**TREASURER**