

Lancashire Combined Fire Authority

Audit Committee

Meeting to be held on 25 July 2023

Financial Statements Update **(Appendix 1 refers)**

Contact for further information:

Steven Brown - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

This report provides the Audit Committee with an update on preparation of the Authority's 2022/23 unaudited Financial Statements and includes the draft core financial statements for information; the Comprehensive Income and Expenditure Account, Movement in Reserves Statement and Balance Sheet.

Decision Required

The Audit Committee is asked to:-

- note the update with progress in preparing the unaudited Financial Statements; and
- note the Authority's draft core financial statements that will form part of the 2022/23 unaudited Financial Statements.

Information

The Accounts and Audit (amendment) Regulations 2022 came into force on 22nd July 2022 and revised the statutory deadline for publishing the audited financial statements to 30 September for 2022/23 accounts and the subsequent 5 years. The deadline for the Authority to produce and publish draft accounts has reverted back to the 31st May for the 2022/23 accounts as per the Accounts and Audit Regulations 2015.

At the previous meeting the Committee was advised that due to changes in the finance team and delays implementing the new financial system the Authority was seeking to produce their draft set of financial statements for 2022/23 by the 31st July 2023. At the time of writing the Authority has produced a first draft of the financial statements and its quality assurance processes have now commenced.

There is no requirement to present the unaudited accounts to the Committee before the external audit process commences however, to ensure the Committee is kept up-to-date with the process towards completion of the audited accounts the draft core financial statements are included in Appendix 1. There is a requirement to obtain certification of the accounts by the Responsible Financial Officer (RFO); for the Authority this is the Director of Corporate Services – this will be completed by the end of July and the draft statements published on the Authority's website.

The Accounts and Audit (England) Regulations 2015 apply to the preparation, approval and audit of the Statements of Accounts and other financial statements. These regulations are based on International Financial Reporting Standards (IFRS) which attempt to standardise accounts in a consistent format across both the public and private sectors with the aim of achieving greater transparency. The table below summarises the adjustments required to the revenue outturn to reach the Total Comprehensive Income and Expenditure reported in the financial statements.

	£'000
Revenue Outturn Overspend	1,633
Remove Capital Contributions and transfers to / from reserves	(3,825)
Adjustments for Capital Purposes	4,214
Net change for Pensions Adjustments	12,868
Other Differences	416
Deficit on provision of services	15,307
(Surplus)/Deficit on revaluation of fixed assets	(21,735)
Actuarial (gains)/losses on pension fund assets	(276,694)
Total Comprehensive Income and Expenditure (Surplus)	(283,121)

The draft Comprehensive Income and Expenditure Account, Movement in Reserves Statement and Balance Sheet are set out in Appendix 1. Subject to changes as part of the Quality Assurance Processes these will form part of the accounts for audit.

Financial Implications

As set out in the report.

Business Risk Implications

None

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985

List of background papers

N/a

Appendix 1

Comprehensive Income & Expenditure Account

	2022/23			2021/22		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Continuing operations:						
Service Delivery	33,911	(2,110)	31,801	32,756	(2,364)	30,391
Strategy and Planning	12,389	(847)	11,542	11,912	(984)	10,928
People and Development	2,334	0	2,334	1,921	(1)	1,920
Corporate Services	6,285	(65)	6,220	4,802	(149)	4,653
Fire-fighters Pensions	1,140	0	1,140	1,259	(19)	1,240
Overheads	6,717	(4,863)	1,854	6,429	(5,211)	1,217
Net Cost of Services	62,777	(7,885)	54,892	59,078	(8,729)	50,349
Gain on disposal of <u>non current</u> assets			(9)			(3)
Financing & investment income & expenditure						
Interest payable and similar charges			1,388			1,408
Pensions interest cost and expected return on pensions assets			23,246			17,648
Interest receivable and similar Income			(837)			(206)
Taxation and non-specific grant income						
Council tax			(34,968)			(33,160)
Revenue Support Grant			(9,642)			(8,570)
Non-domestic rates redistribution			(15,559)			(14,786)
Business rates S31 grant			(2,951)			(1,360)
Business rates S31 grant – additional reliefs			0			(1,101)
Local taxation Income Guarantees			0			(4)
Capital grant income			(253)			(253)
Deficit on the provision of services			<u>15,307</u>			<u>9,962</u>
Surplus on revaluation of non-current assets			(21,735)			(10,610)
Actuarial (gains)/losses on pensions assets and liabilities			(276,694)			(13,400)
Other comprehensive income & expenditure			<u>(298,429)</u>			<u>(24,009)</u>
Total Comprehensive Income and Expenditure			<u><u>(283,122)</u></u>			<u><u>(14,047)</u></u>

Movement in Reserves Statement

£'000	General fund	Earmarked reserves	Total General Fund Balance	Capital funding reserve	Capital grant unapplied reserve	Capital receipts reserve	Total usable reserves	Unusable reserves	Total Authority reserves
Balance at 31 March 2023 carried forwards	6,537	9,742	16,278	17,672	40	1,683	35,673	(789,359)	(753,686)
Movement in reserves during 2022/23									
Surplus/(Deficit) on provision of services	(15,307)		(15,307)				(15,307)	-	(15,307)
Other comprehensive income and expenditure			-				-	298,429	298,429
Total comprehensive income and expenditure	(15,307)	-	(15,307)	-	-	-	(15,307)	298,429	283,122
Adjustments between accounting basis and funding basis under regulations									
Charges for depreciation and impairment of non-current assets	5,859		5,859				5,859	(5,859)	-
Amortisation of intangible assets	94		94				94	(94)	-
Disposal of assets	(9)		(9)			9	-	-	-
Capital grants unapplied	42		42		(42)		-	-	-
Provision for the repayment of debt	(487)		(487)				(487)	487	-
Capital expenditure charged against General Fund Balance	(4,300)		(4,300)				(4,300)	4,300	-
Amount by which the Code and the statutory pension costs differ	12,879		12,879				12,879	(12,879)	-
Amount by which the Code and the statutory collection fund income differ	(983)		(983)				(983)	983	-
	13,095	-	13,095	-	(42)	9	13,062	(13,062)	-
Net increase/decrease before transfers to earmarked reserves	(2,212)	-	(2,212)	-	(42)	9	(2,245)	285,367	283,122
Transfers (to)/from earmarked reserves	484	(484)	-				-	-	-
Transfers (to)/from capital funding reserve			-	2,671			2,671	(2,671)	-
Transfers (to)/from accumulated absences adjustment account	118		118				118	(118)	-
Adjustments to NWFC 21/22 balances following audit					29		29		
Net tfr (to)/from earmarked reserves	601	(484)	118	2,671	29	-	2,818	(2,789)	-
Increase/(Decrease) in the year	(1,610)	(484)	(2,094)	2,671	(13)	9	573	282,577	283,122
Balance at 31 March 2023 carried forwards	4,927	9,258	14,185	20,344	27	1,692	36,246	(506,782)	(470,564)

Balance Sheet

	<u>At 31 March</u> 2023 £000	<u>At 31 March</u> 2022 £000
Long Term Assets		
Property, Plant & Equipment	125,717	108,637
Intangible Assets	906	523
Long-Term Investments	-	5,000
	<u>131,622</u>	<u>114,160</u>
Current Assets		
Inventories	310	257
Short Term Investments	15,000	10,000
Short Term Debtors	16,671	12,888
Cash & Cash Equivalents	16,317	17,896
	<u>43,298</u>	<u>41,041</u>
Current Liabilities		
Other <u>Short Term</u> Liabilities	(553)	(492)
Short Term Creditors	(10,166)	(9,296)
	<u>(10,719)</u>	<u>(9,788)</u>
Long Term Liabilities		
Provisions	(1,200)	(1,447)
Long Term Borrowing	(2,000)	(2,000)
Other <u>Long Term</u> Liabilities	(631,537)	(895,652)
	<u>(634,737)</u>	<u>(899,099)</u>
Net Liabilities	<u>(470,536)</u>	<u>(753,686)</u>
Revenue Reserves	(14,184)	(16,278)
Capital Funding Reserve	(20,344)	(17,672)
Capital Grants Unapplied Account	(27)	(40)
Usable Capital Receipts Reserve	(1,692)	(1,683)
Usable Reserves:	<u>(36,246)</u>	<u>(35,673)</u>
Revaluation Reserve	(75,306)	(56,221)
Capital Adjustment Account	(38,281)	(39,469)
Pension Reserve	619,619	883,434
Collection Fund Adjustment Account	(207)	776
Accumulated Absences Adjustment Account	957	839
Unusable Reserves:	<u>506,782</u>	<u>789,359</u>
Total Reserves	<u>470,536</u>	<u>753,686</u>