

For Publication

Bedfordshire Fire and Rescue Authority  
Audit and Standards Committee  
15 October 2019  
Item No. 7

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**REPORT AUTHOR:** CHIEF FIRE OFFICER AND TREASURER

**SUBJECT:** 2018/19 STATEMENT OF ACCOUNTS

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For further information on this report contact: Gavin Chambers  
Assistant Chief Officer/Treasurer

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Background Papers: 2018/19 Statement of Accounts and the July 2019 A&SC report on the 2018/19

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Implications (tick ✓):

LEGAL		✓	FINANCIAL		✓
HUMAN RESOURCES			EQUALITY IMPACT		
ENVIRONMENTAL			POLICY		
CORPORATE RISK	Known		OTHER (please specify)		
	New				

*Any implications affecting this report are noted at the end of the report.*

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**PURPOSE:**

To consider the 2018/19 Statement of Accounts, including the Annual Governance Statement, post audit.

## RECOMMENDATION:

That:

1. Members consider and approve the current version of the 2018/19 Statement of Accounts and Annual Governance Statement that have now been externally audited.
  2. Members delegate any final amendments to the Treasurer.
  3. Members consider and approve the letter of representation.
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### 1. Introduction

1.1 The Accounts and Audit Regulations 2015, require the Treasurer to formally approve the Annual Governance Statement (AGS) and Statement of Accounts by the end of May, following the previous financial year. Following external audit, the relevant body of the Authority is required to approve them by the end of July. The relevant body for this Authority is the Audit and Standards Committee (A&SC). Members are aware that due to resourcing issues, our external auditors Ernst & Young have been unable to audit the accounts until a commencement date of mid-September 2019.

1.2 The AGS and accounts are presented via the web link below, post external audit by Ernst & Young. The only material update, due to a new actuarial review on pensions, is attached at Appendix 1 for information and explained further below. Their report on the external audit review of the accounts is elsewhere on this meeting's agenda.

### 1.3 Early Closure:

This is the second year of the early closure. The annual statement of accounts completion requirements, in accordance with the 2015 Accounts and Audit Regulations, have moved from the end of June (pre audit) and September (post audit), to the end of May and July for the 2017/18 accounts onwards.

These deadlines, although significantly changed, have successfully been met by the Authority. The draft accounts were on the Authority's website in May 2019. This has been achieved through effective planning and resource management.

### 2. The 2018/19 Statement of Accounts and Annual Governance Statement

2.1 The format of the statement of accounts follows detailed guidance, as prescribed in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. The content and order of the statement can change from year to year to reflect new requirements or changes in best practice. The accounts are in the format required by International Financial Reporting Standards (IFRS).

- 2.2 In accordance with the public advertisement and the statutory deposit period, the initial draft version of the accounts was put on the website on 24th May 2019. The 30 day statutory public inspection period ended on 5th July 2019. There were not any requests for information on the accounts from a member of the public.
- 2.3 There has been one material update to the draft 2018/19 statement of accounts as a result of an ongoing matter since the draft accounts were presented in July 2019. This is detailed further below. Other than this, there have been only very minor presentational updates made to the draft set of accounts.
- 2.4 There were no amendments made to the AGS.
- 2.5 The Statement of Accounts, including the Annual Governance Statement, can be found on the Authority's website via the following address:  
<https://www.bedsfire.gov.uk/About/Finance-and-budget/Statement-of-accounts.aspx>
- The full statement of accounts can be viewed via the link above. Other than one material update on pensions and some very minor presentational changes, these are as presented to the A&SC in July 2019.
- 2.6 Pension Update:  
On Monday 27 June 2019, the Supreme Court denied the government permission to appeal the Court of Appeal's judgement that transitional provisions introduced to the reformed judges and firefighters pension schemes in 2015 gave rise to unlawful age discrimination. On 15 July 2019 the Government issued a written ministerial statement and confirmed that as 'transitional protection' was offered to members of all the main public service pension schemes, the difference in treatment will need to be remedied across all those schemes. As a result of this ruling Bedfordshire Fire and Rescue Service has seen an increase in its liabilities in relation to the firefighter pension schemes of £12.68m and this material update is shown in the updated tables from note 29 in the accounts within appendix 1. At the time of writing this report the service is awaiting the impact of the McCloud judgement in relation to the assets and liabilities of the Local Government pension scheme (LGPS).
- 2.7 The letter of representation is attached at Appendix 2, for Members to consider and approve. This annual letter summarises the Authority's responsibilities regarding the Financial Statements and Financial Records, Fraud, Compliance with Laws and Regulations, the Completeness of Information and Transactions, Liabilities and Contingencies, Subsequent Events, Accounting Estimates and Retirement Benefits.
- 2.8 Revenue Year End outturn:  
The final outturn position for the 2018/19 was an £1,067k underspend. The £1,067k underspend has been allocated to the Transformation reserve in accordance with Members approval as part of the 2018/19 budget setting meeting on 7<sup>th</sup> February 2019.

### 3 General and Earmarked Reserves

- 3.1 The General Reserves balance as at 31 March 2019 was £2.6m. This is following work undertaken to establish specific earmarked reserves, which as at 31 March 2019 totalled £7.475m. This figure includes the Transformational Earmarked Reserve of £5.250m to support future years' budget setting. In addition there is the Collaboration Reserve £2.378m and a capital reserve £2.424m to finance on-going and future capital works. This is in line with the Medium Term Financial Strategy, which takes into account the actual and forecast Government funding reductions to Fire and Rescue Services. The earmarked reserves are reviewed annually by Members as part of the budget setting process. Further details on reserves can be found at note 24 in the Statement of Accounts.
- 3.2 The capital receipts reserve as at 31 March 2019 was £0.644m.

### 4. Summary

4.1 Members are invited to:

- Review and approve the current version of the 2018/19 Statement of Accounts, which includes the Annual Governance Statement.
- Delegate any final amendments to the Treasurer.
- Note the General and Earmarked Reserves balances.

**PAUL FULLER**  
**CHIEF FIRE OFFICER**

**GAVIN CHAMBERS**  
**TREASURER**

## APPENDIX 1

The tables below are contained within Note 20 in the accounts and compare the assets and liabilities of both the Fire Fighter Pension schemes and Local Government pension scheme between the Pre-Audit Accounts as published 24 May 2019 and the revised Accounts as at 8 October incorporating the impact of the McCloud Judgement on the Fire Fighter Pension Schemes.

**Page 83 of the Pre-Audit Accounts as at 24th May 2019 – excluding the impact of McCloud judgement.**

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31 March 2019 are as follows;

	Firefighters' Pension Scheme - All Schemes	Firefighters' Pension Scheme - All Schemes	Local Govt Pension Scheme	Local Govt Pension Scheme	Total	Total
	£'000 2017/18	£'000 2018/19	£'000 2017/18	£'000 2018/19	£'000 2017/18	£'000 2018/19
Estimated Liabilities in Scheme	(318,950)	(346,180)	(34,490)	(37,238)	(353,440)	(383,418)
Estimated Assets in Scheme	0	0	20,877	22,794	20,877	22,794
<b>Net Liability</b>	<b>(318,950)</b>	<b>(346,180)</b>	<b>(13,613)</b>	<b>(14,444)</b>	<b>(332,563)</b>	<b>(360,624)</b>

**Revised Accounts as at 8th October 2019 - including impact of McCloud judgement.**

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31 March 2019 are as follows;

	Firefighters' Pension Scheme - All Schemes	Firefighters' Pension Scheme - All Schemes	Local Govt Pension Scheme	Local Govt Pension Scheme	Total	Total
	£'000 2017/18	£'000 2018/19	£'000 2017/18	£'000 2018/19	£'000 2017/18	£'000 2018/19
Estimated Liabilities in Scheme	(318,950)	(358,860)	(34,490)	(37,364)	(353,440)	(396,224)
Estimated Assets in Scheme	0	0	20,877	22,794	20,877	22,794
<b>Net Liability</b>	<b>(318,950)</b>	<b>(358,860)</b>	<b>(13,613)</b>	<b>(14,570)</b>	<b>(332,563)</b>	<b>(373,430)</b>

There has been an increase in liabilities' of £12.68m in the Firefighter Pension schemes.

**Page 85 of the Pre-Audit Accounts as at 24 May 2019 - excluding the impact of McCloud judgement.**

The table below shows the reconciliation of the present value of the Scheme's liabilities:

	Unfunded Liabilities Firefighters' Scheme		Funded Liabilities LGPS	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
<b>Opening Defined Benefit Obligation</b>	<b>309,933</b>	<b>318,950</b>	<b>32,983</b>	<b>34,490</b>
Current Service Costs	5,227	4,850	1,630	1,619
Interest Costs	8,181	8,100	874	928
Contributions from Scheme Participants	1,333	1,355	279	294
Transfers in/(out)	38	45	0	0
Actuarial losses/(Gains) - changes in demographic assumptions	(7,930)	0	0	(1,667)
Actuarial losses/(Gains) - changes in financial assumptions	9,080	9,780	(716)	2,145
Actuarial losses/(Gains) - experience gains and losses on the defined benefit obligation	2,130	11,801	2	0
Past Service Cost	217	0	2	4
Benefits Paid	(8,449)	(7,847)	(554)	(565)
Injury Award Expenditure	(810)	(854)	0	0
Backdated Commutation Payments	0	0	0	0
Estimated unfunded benefits paid	0	0	(10)	(10)
<b>Closing Defined Benefit Obligation</b>	<b>318,950</b>	<b>346,180</b>	<b>34,490</b>	<b>37,238</b>

## Revised Accounts as at 8 October 2019 - including impact of McCloud judgement.

	Unfunded Liabilities Firefighters' Scheme		Funded Liabilities LGPS	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
<b>Opening Defined Benefit Obligation</b>	<b>309,933</b>	<b>318,950</b>	<b>32,983</b>	<b>34,490</b>
Current Service Costs	5,227	4,850	1,630	1,619
Interest Costs	8,181	8,100	874	928
Contributions from Scheme Participants	1,333	1,355	279	294
Transfers in/(out)	38	45	0	0
Actuarial losses/(Gains) - changes in demographic assumptions	(7,930)	0	0	(1,667)
Actuarial losses/(Gains) - changes in financial assumptions	9,080	9,780	(716)	2,145
Actuarial losses/(Gains) - experience gains and losses on the defined benefit obligation	2,130	11,801	2	0
Past Service Cost	217	12,680	2	130
Benefits Paid	(8,449)	(7,847)	(554)	(565)
Injury Award Expenditure	(810)	(854)	0	0
Backdated Commutation Payments	0	0	0	0
Estimated unfunded benefits paid	0	0	(10)	(10)
<b>Closing Defined Benefit Obligation</b>	<b>318,950</b>	<b>358,860</b>	<b>34,490</b>	<b>37,364</b>