

Statement of Accounts 2023/24

Review of Accounting Policies

Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 258915 or Joanne Coadey, Head of Finance, on 01743 260215.

1 Purpose of Report

This report presents the accounting policies to be used in the production of the Fire Authority's Statement of Accounts 2023/24, for consideration and approval. The report also states the areas of estimation uncertainty to the Committee, and what is done to mitigate the risks around this uncertainty.

2 Recommendations

The Committee is asked to:

- a) consider and approve the accounting policies, prior to the presentation of the Statement of Accounts 2023/24, and
- b) note the risks associated with estimation uncertainty within the financial statements, and how they are mitigated.

3 Background

At its meeting in February 2012, the Fire Authority delegated authority to the Audit and Performance Management Committee to consider and approve the annual Statement of Accounts. The Committee (now Standards Audit & Performance Committee) will also receive the Audit Findings Report and will sign the Letter of Representation, as those charged with governance.

4 Approval of Accounting Policies

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 states that

“Accounting policies are the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements.”

It is considered best practice for those charged with governance to review and approve the accounting policies to be applied when preparing the financial statements, prior to the meeting at which the Statement of Accounts will be approved.

The accounting policies currently adopted by the Fire Authority have been reviewed in readiness for the completion of the 2023/24 Statement of Accounts; these are attached as an appendix to this report. Proposed additions and changes to the policies are shown in bold italics, and deletions are struck through.

Apart from the changes to the existing policies that reflect the updating of financial years and codes of practice, the following amendments have been made:

There are no additional accounting policies in 2023/24.

Several accounting policies have been removed in 2023/24. These changes are in line with International Accounting Standard 1 and selection and presentation of accounting policies, to aid the relevance of information contained within the financial statements.

The Code states that users of financial statements are assumed to have a reasonable knowledge of accounting and local government and will use reasonable diligence in reading the financial statements. It is proposed that policies that relate to accounting knowledge and practiced are removed, and those that relate to items not currently featured in the statements are also removed.

These are:

- Accruals of expenditure and income.
- Prior period adjustments, changes in accounting policies and estimates and errors.
- VAT.
- Overheads and support services.
- Exceptional items.

5 Estimation Uncertainty

Estimation uncertainty disclosures deal with situations where an authority has incomplete or imperfect information which will only be enhanced as a result of future events.

The Code of Practice requires the disclosure of the assumptions that the Authority has made about the future and other major sources of estimation uncertainty. These are estimates that have a significant risk of resulting in a material adjustment within the next financial year.

The two major areas of estimation uncertainty for the Authority, detailed in the financial statements, are valuation of property plant and equipment (PPE), and actuarial valuations of pensions liability.

In order to mitigate the risk of material adjustment in future financial years, the Authority engages the services of experts to produce these estimates:

The valuation of PPE is undertaken by a Royal Institution of Chartered Surveyors (RICS) qualified valuer. This is carried out on an annual basis to ensure that the values in the statements are always current. The valuers are provided with floor plans and land drawings, as well as details about any enhancements to buildings during the year, and the final report is checked against the information provided, and the previous valuation undertaken.

The calculations of pension liability on the Local Government Pension Scheme and the Fire Pension Schemes are carried out by a team of actuaries, arranged by Shropshire Council (LGPS) and the Authority (Fire). Following engagement and agreement of the exercise to be completed, actual pay data is provided to the actuary and this is used to calculate the total pension liability of the authority, based on a number of assumptions such as mortality rates, rates of pay, inflation and pension increases. The final reports include sensitivity analysis of marginal changes in the assumptions used. The report is checked against the information provided, and previous calculations.

6 Financial Implications

There are no financial implications arising from this report.

7 Legal Comment

There are no statutory accounting requirements in relation to the selection of accounting policies, or accounting for changes in accounting estimates and errors. An authority shall disclose information about its accounting policies, as required by section 3.3 of the Code.

8 Initial Impact Assessment

This report contains merely statements of fact / historical data. An Initial Impact Assessment is not, therefore, required.

9 Equality Impact Assessment

There are no equality or diversity implications arising from this report. An Equality Impact Assessment is not, therefore, required.

10 Appendix

Statement of Accounting Policies 2023/24

11 Background Papers

There are no background papers associated with this report.