



# **Shropshire and Wrekin**

## Fire and Rescue Authority

# **Statement of Accounts**

2022/23

# Contents

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	<b>Page</b>
Narrative Report	3
Annual Governance Statement	16
Statement of Responsibilities	23
Audit Certificate	24
Statement of Accounting Policies	27
Core Financial Statements:  Comprehensive Income and Expenditure Statement Movement in Reserves Statement Balance Sheet Cash Flow Statement	43
Notes to the Core Financial Statements	48
Pension Fund Accounts	89
Glossary of Terms	91

# Narrative Report

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## Introduction

This is the statement of accounts for Shropshire and Wrekin Fire and Rescue Authority, for the financial year ended 31 March 2023. The purpose of the statement is to report how the Authority has performed over the last year, and also to show its financial position at the end of the year.

The Statement has been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position of a local authority. Its publication is required under the Accounts and Audit Regulations 2015.

This narrative will provide the reader with an insight about the Fire Authority and its Fire and Rescue Service, and will outline its financial performance over the last year and how it is positioned to deal with pressures both now and into the future. There is also guidance about the statements contained within the document.

## The County of Shropshire

Shropshire is England's largest inland county, covering an area of 3,487 square kilometres, and bordering Wales, Cheshire, Staffordshire, Worcestershire, Herefordshire and West Midlands. It contains numerous small towns and villages but the population and economy are mainly centred around Shrewsbury, Telford, Oswestry, Bridgnorth and Ludlow.

## Governance

The Fire Authority was created through the Shropshire Fire Services (Combination Scheme) Order 1997.

Shropshire and Wrekin Fire Authority is the statutory authority responsible for the fire and rescue functions of protection, prevention and response within Shropshire. Seventeen members are appointed, and their role is to represent the interests of Shropshire Council and Telford & Wrekin Council.

The Authority is responsible for the overall corporate governance of the organisation, its strategic direction, setting its budget and establishing and monitoring management goals. Business must also be conducted in accordance with legislation, regulation and government guidance to ensure that proper standards of conduct, probity and professional competence are set and adhered to.

The Strategy & Resources Committee and the Standards, Audit and Performance Committee support the Authority in carrying out its functions.

## **Shropshire Fire and Rescue Service**

The Service is directly accountable to the Fire Authority for the delivery of fire and rescue services in Shropshire.

The Service employs around 610 staff in full and part time roles. There are 23 strategically located fire stations across the county; Shrewsbury and Wellington have crews working on the wholetime and retained duty systems, whilst Telford Central has a wholetime crew and Tweedale has retained cover which switches to wholetime cover during the night. Headquarters, Workshops, Fire Control and Community Safety and Prevention functions are based in Shrewsbury, with Training and Development facilities located at Telford.

The risks faced by the Service range from those posed by the predominantly rural, sparsely populated community, through to the potential impact of international terrorism. Shropshire is home to approximately 493,000 people, and its communities present many challenges and risks.

The Service also protects over 18,000 commercial premises and the millions of people who visit Shropshire each year for leisure, business or study. The local economy is dependent on a thriving business sector, and to this end the Service's proactive protection and prevention strategy aims to reduce the incidence and impact of fire on local businesses. This strategy extends to hospitals, education establishments and nationally and internationally important heritage sites like Ironbridge Gorge.

The Service attends up to six thousand emergencies every year, but community and business fire safety initiatives prevent a great many more.

## **The Legislative Framework**

National legislation places the statutory responsibility for provision of fire and rescue services upon the Fire Authority. The key responsibilities are set out within:

- Fire and Rescue Services Act 2004
- Civil Contingencies Act 2004
- The Regulatory Reform (Fire Safety) Order 2005

In addition to legal requirements, the Fire Authority must deliver the Government's priorities for fire and rescue services. These priorities are set out in the Fire and Rescue National Framework:

- Identify and assess the full range of foreseeable fire and rescue related risks their areas face, make provision for prevention and protection activities, and respond to incidents appropriately;
- Work in partnership with their communities and a wide range of partners locally and nationally to deliver their service;
- Be accountable to communities for the services they provide.

## Operational Context

The Fire Authority is required to publish a Community Risk Management Plan (CRMP) – this establishes how the Authority intends to meet the challenging needs and risks within the community in the short to medium term.

The CRMP process is a key component in achieving the Authority's strategic priorities. It provides an overview of the ongoing risk assessment process that is conducted to ensure that the correct resources, expertise and knowledge are in place to deliver the Service's aim, Making Shropshire Safer, and provide the safest, most effective process possible.

The process for risk management planning can be broken down into the following stages:

- Identify existing risks – in a fire context, risk is the likelihood of a fire or other emergency happening and the severity of its potential effects
- Evaluate effectiveness of current arrangements
- Identify improvement opportunities and develop policies and standards
- Determine resource requirements
- Consult with stakeholders
- Implement changes.

The CRMP demonstrates how the Service will best use its Prevention, Protection and Response resources to combat these risks:

- **Prevention** is educating people and raising awareness about the risks from fire and other emergencies in an effort to stop risks occurring
- **Protection** is ensuring that buildings have appropriate means of escape and other safety features that improve public and firefighter safety in the event of a fire
- **Response** is dealing with the effects of an incident in an emergency phase.

The main resources available to the Authority in the execution of its CRMP are:

- Main sources of funding – government grant, business rates, and local taxation (council tax) – these are discussed later in the report
- Experienced and competently trained staff; and
- Relationships and partnerships with other agencies and authorities.

Strategies in Prevention, Protection and Response lay out how the Authority will operate to meet the needs of its local community through the provision of key services. These strategies are supported by the Authority's Asset Management Plan and ICT Strategy, and will be reviewed and monitored at an operational level by departmental plans.

The consequences that result from the Authority's operational activities are measured by its corporate performance indicators – this is a challenging suite of performance measures which were set up with a view to continuously improve and are reviewed and updated annually. These measures will confirm whether any

# Narrative Report

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changes are required to the Authority's strategies if outputs and outcomes are not as anticipated.

## Our Performance

The Fire Authority approved a new suite of seven corporate indicators for 2021/22, covering

- Number of all fires
- Number of accidental dwelling fires
- Number of deliberate fires
- Percentage of incidents attended within 15 minutes
- Percentage of fires contained within room of origin
- Number of fire related deaths and injuries (this is a narrative indicator with no tolerance)
- Number of fires in regulated buildings (this is a new indicator which will have a tolerance set from 2022/23)

All indicators with a set tolerance level achieved within those set tolerances.

## Financial Performance

The Fire Authority's strategic planning process has successfully combined revenue budget cuts, a long-term precept strategy, and effective use of reserves and surplus funds to avoid borrowing costs for future taxpayers.

When responsibility for Fire was transferred to the Home Office in 2016, local authorities were issued with a provisional four year settlement which covered the financial years 2016/17 to 2019/20, and were told that these settlements would be confirmed over the period, if Efficiency Plans covering the same period were produced and submitted to the Home Office. Following the acceptance of its Efficiency Plan in February 2017, the Authority had a degree of financial certainty in its planning process for the years leading to 2020.

Subsequent delays to the Comprehensive Spending Review, in 2020/21 due to the United Kingdom's exit from the European Union, and in 2021/22 as a result of the pandemic, meant that a degree of uncertainty was evident in the Authority's medium term financial planning.

In order to test the Authority's financial resilience and ability to adapt to changing conditions, a number of scenarios were developed to test the sensitivity to changes in planning assumptions. These scenarios enabled members to assess the impact of the current and possible future financial settlements and to set its precept strategy.

Given the ongoing uncertainty surrounding the mid to late years of the planning period, members have been advised to approve a budget for the coming year only, and task officers to update scenario planning as and when more details on future years became available.

The government reverted to a multi year spending review from 2022/23, moving away from short term settlements as a result of Brexit and Covid. It was recognised

# Narrative Report

that the Chancellor had a difficult balancing act, dealing with a shortfall in public finances while supporting families and businesses hit hard by the pandemic.

There was a real terms rise in spending in departments and higher inflationary pressures were expected, with public pay reverting to the usual pay setting process.

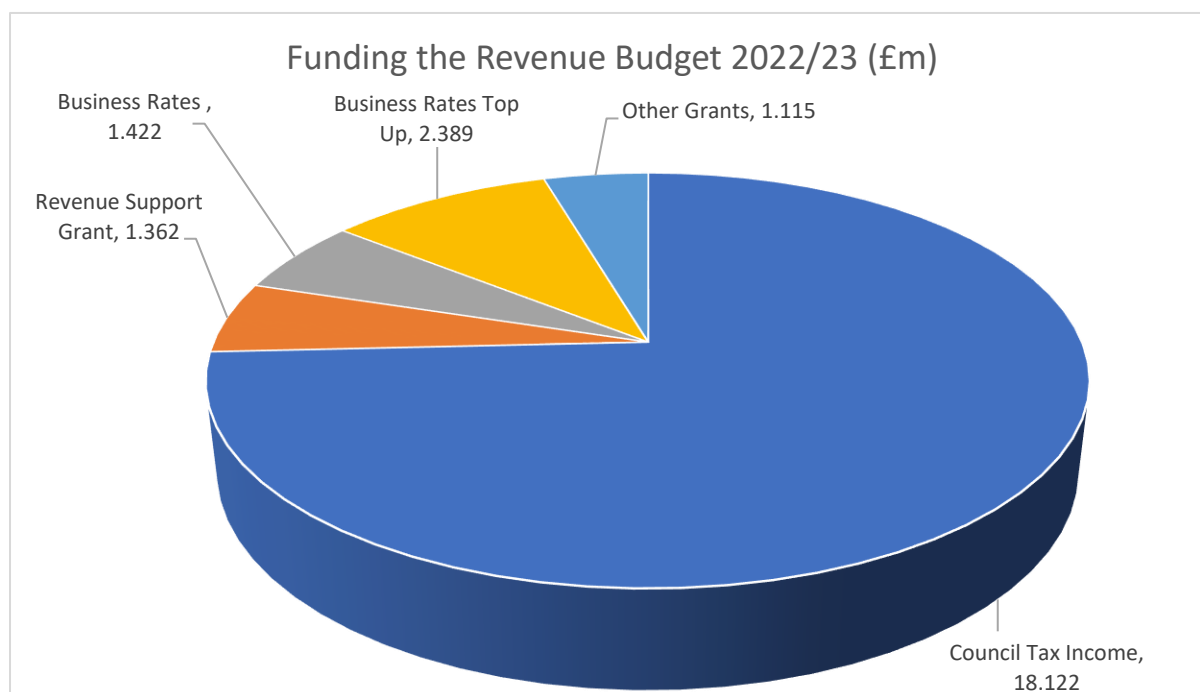
After a great deal of debate and consideration over two meetings, the Authority approved a revenue budget and a precept increase of £2.07 per year, or 1.99%.

The Authority continues to monitor and review its strategic planning options and is well placed to react to future funding decisions.

## Revenue Budget and Expenditure

In February 2022, Shropshire and Wrekin Fire Authority approved a revenue budget of £24.410m for 2022/23. This budget quantified the Service's strategic and operational plans, and the further subdivision into business areas also enabled individual business plans to be quantified, and achievements monitored.

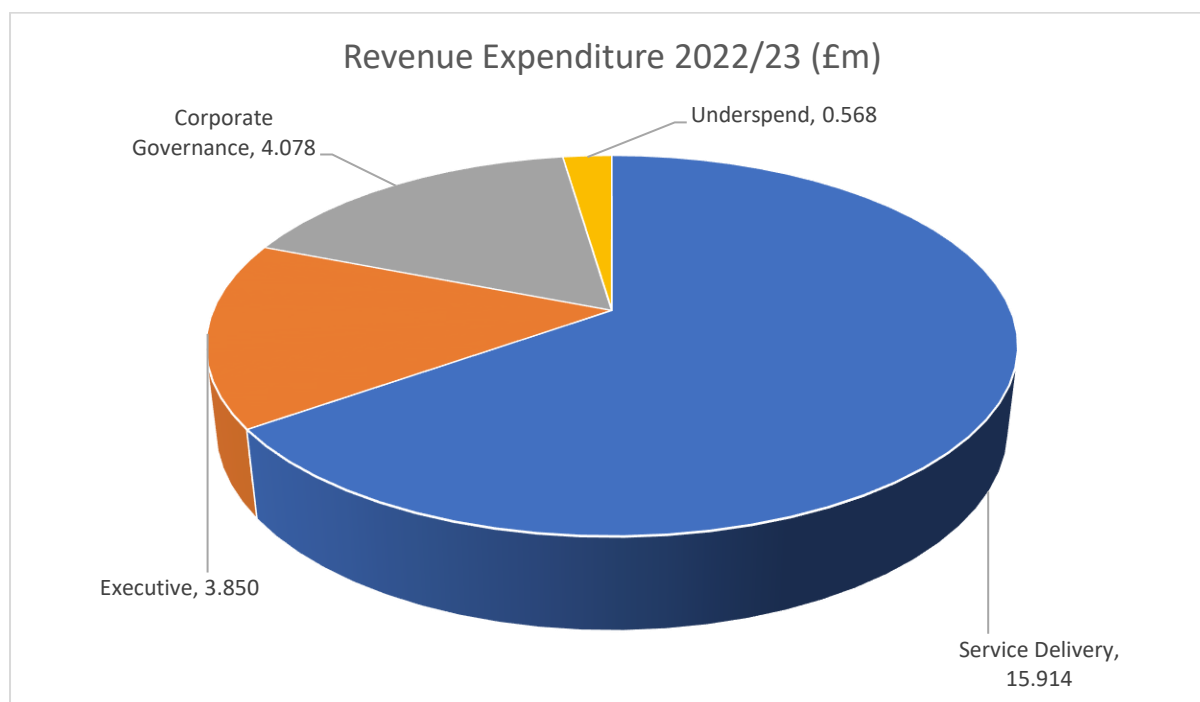
The revenue budget for 2022/23 was funded as follows:



Additional grants were provided by the government to compensate for business rates reductions. These have been shown in the graph above within 'Other Grants'.

# Narrative Report

During 2022/23 the Fire Authority received regular updates on financial performance and approved changes of £572,000 to the revenue budget. Actual out turn on the revenue budget was £23.259; further variances of £579,000 were identified.



<b>Efficiencies and other variances</b>	<b>£'000</b>
Firefighting and control pay	71
On call firefighting pay	20
Training pay	14
Resources pay	-28
Prevention pay	29
Corporate support and Human Resources pay	46
Other pay	23
Technical Services	-95
ICT	49
Operations	31
Other variances	-8
Contingency balance	162
<b>Total</b>	<b>314</b>



# Narrative Report

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<b>Slipped Income and Expenditure</b>	<b>£'000</b>
Operations pay	15
Protection grants and costs	125
Audit grants	12
Community safety initiative set up costs	25
On call project costs	12
Building maintenance	56
Smoke alarms and costs	20
<b>Total</b>	<b>265</b>

<b>Income</b>	<b>£'000</b>
Additional grant received	572
	<b>572</b>

## Capital Expenditure

In 2022/23 the Fire Authority spent £5.539m on capital projects. These can be summarised as follows:

<b>Scheme</b>	<b>£'000</b>
Building Improvements	3,152
Vehicles and equipment	2,117
IT Infrastructure	270
<b>Total</b>	<b>5,539</b>

Expenditure on capital projects has been funded from:

<b>Source of Funding</b>	<b>£'000</b>
Major Projects Reserve	2,723
ICT Reserve	184
Capital receipts	88
Revenue	46
Borrowing	2,498
<b>Total</b>	<b>5,539</b>

# Narrative Report

## Reserves - Overview of the Reserves Strategy

The Fire Authority has set out its financial strategy to 2022/23 in its Medium Term Financial Plan, and its reserves policy is an integral part of this Plan. The level of reserves that the Authority holds has been driven by the following principles:

**To fund major projects, thereby avoiding debt charges into the long term** - the Authority has used reserves successfully in recent years to fund its capital programme, most notably the fire station, workshop and headquarters in Shrewsbury. The Capital reserves and the ICT reserve will continue to be used to fund the capital programme into the medium term, most notably the major refurbishment works at Telford's fire station and training centre. Any one-off savings identified in future can be used to replace funds.

**To fund unexpected and undetermined expenditure that cannot be met by a reducing revenue budget** - an example of this is the contributions that have been made to the Service Transformation Programme Staff Reserve, to provide staffing capacity for projects.

**To support revenue expenditure and smooth out fluctuations in the revenue budget** - the Fire Authority is focussed on the challenges that it will face into the medium term, and officers will review all aspects of the revenue budget in order to meet these deficits. A number of reserves have been created to address and support some areas of the revenue budget, and reviews are currently being carried out to identify smarter use of the Authority's resources. These reserves will act as enablers to reduce the revenue budget, and safeguard the service delivered to the people of Shropshire.

A summary of the position on each reserve is shown below.

	<b>31 March 2022 £'000</b>	<b>31 March 2023 £'000</b>
General Reserve	577	577
Pensions and Other Staff Issues Reserve	687	687
Extreme Weather Reserve	219	219
Earmarked Capital Reserve	0	0
Major Projects Capital Reserve	9,147	6,634
ICT Reserve	1,104	834
Usable Capital Receipts Reserve	0	41
Income Volatility Reserve	687	687
Service Transformation Programme Staff Reserve	27	869
Service Delivery Reserve	125	118
Training Reserve	51	13
Operational Equipment Reserve	213	116
Buildings Maintenance Reserve	312	300
General Fund Balance	1,153	1,723
<b>Total</b>	<b>14,302</b>	<b>12,818</b>

Each of the Fire Authority's reserves are explained in the Statement of Accounting Policies.

## **The Year Ahead**

### **Potential transfer of governance - West Mercia Police and Crime Commissioner**

In June 2020, a decision was made by the Home Secretary, that the original business case put forward in 2017 for the West Mercia Police and Crime Commissioner (WMPCC), to take on governance of Shropshire Fire and Rescue Service, should be reviewed in light of events that have taken place since the original decision was made to grant a transfer of governance in 2018. The Home Secretary stated further that any new or revised business case should not be put forward for consideration until after the PCC elections in May 2021.

In 2020 the Home Office commissioned a review of the role and function of PCCs, including the potential for them to assume a fire governance role, and a white paper was published in Spring 2022. The Fire Authority reviewed the white paper and issued a formal response in the summer. Government response to submissions is still awaited.

### **Fire Alliance – Hereford and Worcester Fire and Rescue Authority**

The Fire Authority has an established Fire Alliance with Hereford and Worcester Fire and Rescue Authority. This enables the two services to collaborate in ways that create capacity and resilience for both. The initial four areas of focus were ICT, Fire Control, Community Risk Management Planning (CRMP) and procurement. These areas were believed to be of value in themselves but would also serve as the bedrock for any more expansive or deeper collaboration. The expectation is that this arrangement will support both services in achieving their aim of continuing to meet community needs within a challenging financial climate.

Both Services have now developed and delivered their Community Risk Management Plans using a single methodology and working to a common set of performance measures. Several IT systems have been harmonised and jointly procured and progress has also been made in bringing together areas such as procurement, training provision and fire investigation.

Operational collaborations, such as those mentioned above, will continue to be undertaken as business as usual activity, but the primary focus of both services will be to align their control room functions through the procurement of a new Command and Control system, so that they are able to rapidly and seamlessly combine and support each other in the event of a major incident, a system failure or spate conditions.

### **IRMP3 – major improvements at Telford**

Following a feasibility study, the Fire Authority agreed a £12m project for the refurbishment of Telford Central Fire Station to provide accommodation for continued

operational response and training activities, together with improved incident command and management, and accommodation with our partners to provide an enhanced command facility to support the operations of the Local Resilience Forum. This will result in significant improvement in the ability of all partners to deal with major incidents in Shropshire.

A technical project manager and an architect were appointed to design and manage the works. Planning permission was received, and a contractor appointed. Works started on site in June 2021, for completion by March 2023. Significant technical issues have been identified with the existing structure which will result in additional time being taken and cost incurred, with a likely final cost of £15m, and estimated completion date of March 2024. Additional costs are likely to be covered by further reserve contributions and uplifted debt charge budgets.

## **McCloud Sargeant – Age Discrimination case**

Employment tribunal cases were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination. The Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounted to unlawful discrimination.

In February 2021, the Government confirmed their approach to remedying age discrimination. In the case of the Fire Schemes, the key feature of the proposed remedy was to extend the final salary protection to 31 March 2022 and to give protected members a one off choice, in relation to the protected period of 1 April 2015 to 31 March 2022, to either retain their legacy final salary benefits or the reformed career average benefits. This applied to members who were active on or before 31 March 2012 and either remain in active service or left service before 1 April 2015 (including to those members who no longer have a benefit entitlement from the Schemes). It has now been announced that members will make this choice at retirement ('deferred choice' approach). It is assumed that during the protected period members will accrue service in their legacy scheme. All active members in service as at 31 March 2022 would then accrue benefits in the reformed career average scheme.

Applying the remedy of age discrimination in the Fire schemes is a significant undertaking for local authorities and their pension schemes administrators. In addition, there is an immediate detriment process to be undertaken, involving those scheme members who have already retired, and those who are about to retire. The lack of clarity around whether payments are legitimate charges on the Pensions Account has resulted in increased financial risk for the Authority, not least as the legislation around retrospective remedy is not expected until October 2023.

At March 2022, the Authority approved that all payments under immediate detriment were to be paused until further clarity was received around legitimate payments. No changes have been made during 2022/23.

## **Matthews – Modified 2006 Pension Scheme**

Following the Matthews vs Kent and Medway Towns Fire Authority & others court ruling, retained firefighters employed between 1 July 2000 and 5 April 2006 were allowed to join the Firefighters' Pension Scheme 2006 (FPS2006) as 'special' members.

A time limited options exercise took place between 2014 and 2015 to allow eligible individuals to join the FPS. While the benefits awarded to special members largely mirrored the FPS1992, the FPS2006 was amended as the FPS1992 was closed.

More work has taken place on the pensions aspect of the case, and the judgment held that remedy could extend back before the Part-time Workers Directive was required to be implemented on 7 April 2000.

Retained firefighters in scope will be able to purchase pension entitlement as a special member for some of all of their service between 7 April 2000 and 5 April 2006, and /or continuous service from 5 April 2006.

A second options exercise is underway but any obligation has not been calculated with certainty.

## **Strategic Improvement Reviews**

The Service Plan for 2022/23 will launch seven strategic improvement reviews, covering the sustainability of the Service's on call service, the productivity and efficiency of the Service and how its resources are used, and how these are identified, measured and reported. The reviews are planned to run concurrently over the remaining 3 years of the Community Risk Management Plan (CRMP).

In January 2022, the Service's senior management team held a strategic planning day and 3 of these reviews were prioritised in terms of capacity and funding, for the coming year:

**On call sustainability review** - Shropshire has been proud to have had the highest performing on-call system in the country with an average availability of from line appliances of over 97%. However, the current on call system needs to be overhauled if Shropshire is to continue to benefit from nationally leading levels of performance. This review will cover greater flexibility of contracts, more opportunities for development, increased recruitment and pay.

**Operational resource review** - this review will consider the Service's specialist capability including off road, working at height and water. The purpose of this is to ensure the most effective, efficient, and economical capabilities to meet the risks identified in the Community Risk Management Plan. As well as identifying investment, the review will also assess where reductions in operational capability might be made, should budgetary restrictions require them, and which might have the least detrimental effect on risk.

**Alliance command, control and mobilisation** - The Service is now 2 years into a collaborative project with Hereford & Worcester Fire and Rescue Service to design a command and control function that allows both Services to operate autonomously but be able to combine in periods of crisis or spate to rapidly increase capacity and resilience. The project is currently specifying a joint command and control system with phased implementation timetable to coincide with the Telford refurbishment project.

Following the submission of the Authority's Efficiency and Productivity Plan to the Home Office, officer resources will also be focussed on the identification of efficiency savings and productivity improvements, with the aim of reporting to the Fire Authority as budget setting begins for 2023/24.

## The Financial Statements

The core financial statements are set out on pages 43 to 47 and are supported by a Statement of Accounting Policies. Explanatory notes follow the accounting statements.

The purpose of these core financial statements is given below.

**Comprehensive Income and Expenditure Statement** - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

**Movement in Reserves Statement** - This statement shows the movement in the year on the different reserves held by the Authority, analysed into usable reserves, which are those that can be applied to fund expenditure or reduce local taxation, and other reserves.

- The Total Comprehensive Income and Expenditure line shows the true economic cost of providing the Authority's services. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.
- The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

**Balance Sheet** - This shows the value, as at the balance sheet date, of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held. Reserves are held in two categories:

- Usable reserves – those that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use;

# Narrative Report

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- Unusable reserves – those that the Authority is not able to use to provide services. These reserves hold unrealised gains and losses until assets are sold (ie Revaluation Reserve) or contain timing differences (shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’).

**Cash Flow Statement** - This statement shows the changes in cash and cash equivalents of the Authority during the accounting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

- The amount of net cash flows generating from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.
- Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority’s future service delivery.
- Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Authority.

# Annual Governance Statement

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## Scope of Responsibility

Shropshire and Wrekin Fire and Rescue Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, used economically, efficiently and effectively.

The Fire Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Fire Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Fire Authority has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government 2016'.

This Statement explains how the Fire Authority has complied with the Code and meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

The Accounts and Audit (Amendment) Regulation 2021 was passed to amend the dates by which the Statement of Accounts must be approved and published.

## The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the Fire Authority is directed and controlled, and the activities through which it accounts to, engages with, and leads the community. It enables the Fire Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable, and not absolute, assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Shropshire and Wrekin Fire and Rescue Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact, should they be realised, and to manage them efficiently, effectively and economically.



# Annual Governance Statement

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The governance framework has been in place at Shropshire and Wrekin Fire and Rescue Authority for the period of the 2022/23 accounts and up to the date of approval of the Annual Report and Statement of Accounts.

## The Governance Framework

The Fire Authority's governance framework comprises many systems, policies, procedures and operations in place to:

- identify and communicate the Authority's vision of its purpose and intended outcomes for citizens and service users;
- review the Authority's vision and its implications for the Authority's governance arrangements;
- define and document the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the Authority and partnership arrangements;
- develop, communicate and embed codes of conduct, which define the standards of behaviour for members and staff;
- review and update standing orders, standing financial instructions, the scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
- ensure the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) and, where they do not, explain why and how they deliver the same impact;
- ensure effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014)
- undertake the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities (2018);
- ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- ensure the Authority's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019) and, where they do not explain why and how they deliver the same impact;
- enable whistleblowing and the receiving and investigating of complaints from the public;
- identify the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training;
- establish clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation; and
- ensure good governance arrangements in respect of partnerships and other joint working and reflecting these in the Authority's overall governance arrangements.

## Review of Effectiveness

The Fire Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority, who have overall responsibility for the development and maintenance of the governance environment, as well as:

- the Treasurer;
- the Fire Authority's Monitoring Officer;
- Legal advisors to the Fire Authority;
- Internal Auditors; and
- Managers within the Fire Authority, who have day-to-day responsibility for ensuring the governance framework is functioning correctly.

Comments made by the External Auditors and other review agencies and inspectorates in their Annual Audit Letters and other reports also contribute to this review.

Throughout 2022/23 the Fire Authority has maintained, reviewed and improved its system of internal control in a number of ways. In particular:

- a. The Authority continues to monitor expenditure for all capital schemes;
- b. Ongoing review of the Authority's employment policies is undertaken and, where necessary, policies are modified or created to ensure compliance with all applicable legislation;
- c. The Service Transformation Programme, which includes Community Risk Management Planning (CRMP) Projects and activities that Service Managers believe will deliver a sustainable service to the community into the future. Central to the Programme will be the continued investment in technology and systems to improve back-office efficiency and provide operations with technology to improve service delivery. The Programme, which dovetails into the Service's Financial and Service planning processes, will ensure that the appropriate level of control and visibility of all projects, reviews and activities are maintained throughout the lifecycle of the Programme.
- d. The Service has continued to invest significantly in its Information and Communications Technology and command and control infrastructure.
- e. The Fire Authority has received and/or adopted:
  - Statement of Accounts 2021/22;
  - Annual Plan 2022/23;
  - Annual Audit Letter 2021/22;
  - Budget Monitoring reports;
  - Service Measures Performance reports;
  - The Service Plan 2021/25, strategy and budget.
- f. The Fire Authority's Service Management Team of officers carries out a continuous assessment of the implementation of policies and procedures throughout the organisation, including following up on progress made towards last year's Improvement Plan.
- g. Internal audits have been undertaken with several planned reviews of systems and internal control procedures across a range of functions in the Fire Authority. Each review contains an opinion on the internal controls in

# Annual Governance Statement

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place and any weaknesses result in recommendations for improvement, which are agreed and implemented by management. Progress against these recommendations is monitored by the Risk Management Group, with regular reports to the Service Management Team and to the Standards, Audit and Performance Committee.

- h. Audits completed by Internal Audit during 2022/23 related to:
- Finance - Creditors;
  - Finance - Main Ledger;
  - Finance - Sundry Debtors;
  - Management and Statistical Data;
  - Procurement;
  - Risk Management.

Based on the work undertaken and management responses received, the Head of Internal Audit has offered reasonable assurance for the 2022/23 year that the Authority's framework for governance, risk management and internal control processes is sound and working effectively.

Generally, risks are well managed and 2022/23 has continued to see progress in the embedding of key business system changes. Whilst there are no known concerns around the IT environment, this aspect has not been reviewed in the current year.

Internal Audit will be conducting audits in the following areas during 2023/24:

- Payroll;
- Business Continuity;
- Procurement and Projects;
- Stores;
- Fleet Maintenance;
- Community Engagement and Safety.

## **The Role of the Chief Financial Officer**

The Authority is compliant with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

A Service Level Agreement has been put in place between Shropshire Council and Shropshire and Wrekin Fire and Rescue Authority, for the provision of financial advice and representation.

Shropshire Council's Executive Director of Resources acts as Treasurer to Shropshire and Wrekin Fire and Rescue Authority to ensure the sound administration of the financial affairs of the Authority, as required by the statutory duties associated with section 151 of the Local Government Act 1972, the Local Government Finance Act 1988 and the Accounts and Audit Regulations 2015.

The Chief Financial Officer's role is discharged through:

- Provision of advice and support on application of accounting policies and procedures and adherence to International Financial Reporting Standards.

# Annual Governance Statement

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- Attendance by the Treasurer or nominated representative at the following statutory meetings held with Fire Authority Members:
  - Meetings of the Fire and Rescue Authority;
  - Meetings of the Strategy and Resources Committee; and
  - Meetings of the Standards, Audit and Performance Committee.
- Regular Chair's briefings and internal meetings, as well as regular liaison with the internal Head of Finance (Deputy Section 151 Officer), and the internal Fire Authority Finance Team.

In addition to the provision of section 151 duties, Shropshire Council provides access to a number of services, for example the Fire Authority's Finance Team will have direct access to the Council's Financial Forward Planning Team and can provide resilience and development through staff rotation and secondments.

The Council endeavours to consult with the Fire Authority on any key or principal decisions, outside the formal services agreed within the service level agreement.

## CIPFA Financial Management Code

The CIPFA Financial Management Code (the FM Code) is designed to support good practice in financial management and assist in demonstrating the Fire Authority's financial sustainability. Compliance with the FM Code is the collective responsibility of elected members, the Chief Finance Officer and the senior leadership of the organisation.

The way compliance with the FM Code is demonstrated should be proportionate to the circumstances of each local authority.

The six principles of good financial management have been developed to focus on an approach which will determine whether, in applying the standards of financial management, a local authority is financially sustainable. The principles are:

**Organisational Leadership** – demonstrating clear strategic direction based on a vision where financial management is embedded into organisational culture

**Accountability** – medium term financial planning that drives the annual budget process and is supported by effective risk management, quality supporting data and whole life costs

**Transparency** – financial management is undertaken with transparency, using consistent meaning and understandable data, reported frequently with evidence of officer action and elected member decision making

**Standards** – adherence to professional standards is promoted by the leadership team and evidenced

**Assurance** – sources of assurance are recognised as an effective tool for financial management, including political scrutiny and the results of internal and external audit and inspection

**Sustainability** – long term sustainability of services is at the centre of all financial management processes and is evidenced by prudent use of public resources.

The Authority has demonstrated a sound system of financial management which is evidenced by a number of internal and external inspections, including Grant Thornton and Her Majesty's Inspectorate of Constabulary and Fire and Rescue

# Annual Governance Statement

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Services (HMICFRS). Officers will continue to work with members and partners to identify and improve performance against the principles detailed within the FM Code.

## Significant Internal Control Issues

No significant issues were raised in the External Auditor's Annual Audit Letter 2021/22. The relatively minor points arising from these reviews are being used to enhance the existing system of controls.

The Fire Authority undertook a review of its systems of internal control, which underpin its governance framework, between January and March 2023. An Annual Governance Statement (AGS) Improvement Plan 2023/24 has been produced, based on the findings from this process. Progress made against the Plan will be monitored by the Risk Management Group, with regular progress reports to the Fire Authority's Standards, Audit and Performance Committee and the Service's Service Management Team.

A summary of the areas for further development, contained in the AGS Improvement Plan 2023/24, is given below.

## People

Implement the actions identified in the On-Call Sustainability Review through the delivery of the OCS Project.

Implementation of fitness support facilities via the refurbishment programme.

## Processes

Through the Service Programme Board continue to replace paper-based processes with streamlined electronic workflows.

## Systems/IT Infrastructure

Continual improvement of network security to a standard for adopting the implementation of the Emergency Service Network that guards against cyber threats and minimises disruption to daily operations.

Enhance the workflows in Fire Service Rota (FSR) to incorporate as many pay elements as possible so that manual processes are removed.

## Building Facilities

Deliver the property capital schemes including the Telford Central Fire Station redevelopment project.

Introduce improvements to station access and security at all SFRS sites.

Review training facilities across the estate and consider feasibility study outcomes.

# Annual Governance Statement

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## Appliances and Equipment

Deliver the fleet and equipment strategy to include the introduction of new pumping and specialist appliances.

## Collaboration

Oversee the replacement of the new Command and Control system.

## Operations

Undertake an operations resource and capability review to support the next Community Risk Management Plan (CRMP) which will come into effect in 2025.

Signed:		
Cllr Roger Evans	Simon Hardiman	James Walton
Chair of Standards, Audit and Performance Committee	Chief Fire Officer	Treasurer

# Statement of Responsibilities

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## The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice') is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year (ended 31 March 2023).

In preparing this Statement of Accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice and current regulations.

The Treasurer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

## Certificate of the Treasurer

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and of its income and expenditure for the year ended 31 March 2023.

## TREASURER

Dated:

## The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Treasurer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

## Approved by the Authority

The Statement of Accounts was approved at a meeting of the Standards Audit and Performance Committee on 28 September 2023.

## Chair of the Standards Audit and Performance Committee

Dated:

\*A signed copy of the statement is held at Brigade Headquarters

# Audit Certificate

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# Audit Certificate

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# Audit Certificate

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# Statement of Accounting Policies

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## 1 General Principles

The Statement of Accounts summarises the Fire Authority's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. The Fire Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the statement to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Accounting Standards (IFRS).

Due to the Coronavirus pandemic, the Accounts and Audit (Amendment) Regulation 2020 was passed to amend the dates by which the Statement of Accounts must be approved and published for 2021/22 and 2021/22. Dates have now reverted back to 31 May 2023 for draft approval of the 2022/23 Statement of Accounts and 30 September for final approval and publication.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Statement of Accounts have been produced on a going concern basis; this assumes that the Fire Authority's functions and services will continue in operational existence for the foreseeable future.

## 2 Accruals of Expenditure and Income

Activity is accounted for in the year it takes place, not simply when cash payments are made or received. In particular:

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income (which includes council tax and rates income) and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

# Statement of Accounting Policies

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## **3 Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Fire Authority's cash management.

## **4 Provisions**

Provisions are made when an event has taken place that gives the Fire Authority an obligation that probably requires payment, but where the timing of the payment is uncertain. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Fire Authority becomes aware of the obligation, based on the best estimate of the likely payment. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of the financial year, and where it is likely that payment does not need to be made, the provision is reversed and credited back to the relevant service.

### **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of the transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts in the prior period.

### **Council Tax and Non Domestic Rates (NDR)**

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore,

## Statement of Accounting Policies

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the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Council Tax Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

### 5 **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Fire Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Fire Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the financial statements.

### 6 **Reserves**

The Fire Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in that year, to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so there is no net charge against council tax for the expenditure.

The Authority holds the following reserves:

- **General Fund** – this is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. Any balance of funds at the end of the year is held as a General Fund balance.
- **General Reserve** – A risk assessment of the pressures likely to face the Authority is undertaken, and the current balance on this reserve represents those identified risks, in proportion to the probability of their occurrence.

## Statement of Accounting Policies

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- **Pensions and Other Staff Issues Reserve** – set up as a result of the introduction of the new Firefighters Pension Scheme on 1 April 2006, the original reserve was required to pay for unexpected sickness retirements and other payments, which remain the responsibility of the Authority's revenue account. In 2008/09, the reserve was expanded to cover other staff matters, including the costs following the Retained Firefighters & Part Time Regulations Tribunal.
- **Extreme Weather Reserve** – costs for incidents attended by retained firefighters have now been budgeted for at average levels in the revenue account; this reserve will cover the costs of increased activity incurred as a result of adverse weather conditions.
- **Major Projects Capital Reserve** – this reserve is made up of budgeted contributions and unspent balances from previous years. It was used to part fund the Authority's refurbishment of the headquarters, workshop and fire station at Shrewsbury, with the balance remaining to be used against future major building projects, notably the Stafford Park site in Telford.
- **Earmarked Capital Reserve** – this reserve is used to fund smaller capital projects, therefore reducing the need to borrow.
- **ICT Reserve** - this reserve was established using unspent balances from 2010/11 and approved budgets for ICT projects. It is intended that this reserve will be used to manage information technology and communications issues as they arise, and ensure a consistent and managed approach to ICT investment.
- **Capital Grants Unapplied Reserve** – this reserve holds grants and contributions paid to the Fire Authority, for which conditions for use have not been met, or expenditure has not been incurred
- **Service Transformation Programme (STP) Staff Reserve** – the STP is a high level programme of activities, which will be completed to ensure that the Service is best placed to meet the challenges it is likely to face over the coming years. Funding for projects identified as part of the programme have been taken into account in the revenue budget and the capital programme. This reserve was set up to cover the staff elements of the projects.

## Statement of Accounting Policies

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- **Income Volatility Reserve** – A number of changes were introduced in 2013/14 which affected the way in which the Fire Authority is funded, and the levels of funding that will be achieved. This reserve was set up to smooth any volatility or fluctuations in the funding received against estimates in the Service Plan.
- **Service Delivery Reserve** – this reserve was set up to fund initiatives in service delivery and prevention.
- **Training Reserve** - there have been, and will continue to be, movements and changes in the structure of the Service, which will inevitably require additional training and development of staff. This reserve was created to enable this training and development to be carried out, without adding additional pressure to the revenue budget.
- **Operational Equipment Reserve** - this reserve was established to help provide some stability in this area of the revenue budget. Where a need for new equipment is identified, contributions can be made from the reserve, and any ongoing requirements for the equipment can be established.
- **Building Maintenance Reserve** - The revenue budget in this area is used to fund preventative or controlled maintenance in line with the Authority's Asset Management Plan, and also covers unexpected reactive maintenance. This reserve was created to deal with exceptional, unexpected repairs that do not require a regular revenue budget.

Certain reserves are kept to manage the accounting processes for Property Plant and Equipment and other adjustments and do not represent usable resources for the Authority:

- **Revaluation Reserve** – this replaced the Fixed Asset Replacement Account (FARA), and represents net gains on assets that have been revalued after 1 April 2007.
- **Capital Adjustment Account** – the opening balance on this account was created from the balances on the FARA and the Capital Financing Account. It reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.
- **Collection Fund Adjustment Account** – This account manages the differences arising from the recognition of income in the Comprehensive Income and Expenditure Statement as it falls due from the council tax payers and business rates payers, compared with the

# Statement of Accounting Policies

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statutory arrangements for paying across amounts to the General Fund from the Collection Funds.

- **Accumulated Absences Account** – This account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not yet taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to and from the account.

## 7 Employee Benefits

### **Benefits Payable During Employment**

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave, paid sick leave and non monetary benefits such as cars, and are recognised as an expense for services in the year in which employees render service to the Fire Authority.

An accrual is made for the cost of the holiday entitlements earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movements in Reserves Statement so that holiday benefits are charged to revenue in the year in which the holiday absence occurs.

The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision made by the Authority to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

### **Post Employment Benefits**

Employees of the Fire Authority are members of five separate pension schemes:

#### **Firefighters Pension Schemes**

**Firefighters Pension Scheme 1992** - this is a statutory un-funded defined benefit final salary scheme and has been closed to new entrants since 6 April 2006.



## Statement of Accounting Policies

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**New Firefighters' Pension Scheme 2006** – this is also a statutory unfunded defined benefit final salary scheme.

On 1 April 2006, new financial arrangements were introduced for both the 1992 and the 2006 Pension Firefighter Pension Schemes.

Both schemes are regulated by the Home Office. Contributions to the schemes are made by firefighters and employers, which are paid into a separate Pension Fund Account, from which most commutations and pension payments are made. Any deficit on this account will be met by the Home Office, and any surplus at the end of the year must be paid back to the Home Office.

The introduction of the 2006 scheme enabled firefighters on the Retained Duty System to contribute to a pension scheme, although those who choose not to join will still be eligible to receive a payment following an injury whilst on duty.

**Retained Modified Scheme** - the exclusion of retained firefighters from the Firefighters Pension Scheme 1992 was challenged under the Part-Time Workers (Prevention of Less Favourable Treatment) Regulations 2000. As a result a settlement was reached allowing retained firefighters, with service between 1 July 2000 and 6 April 2006, to have "special" membership of Firefighters Pension Scheme 2006 based on their employment during this time period.

To implement this settlement the Modified Scheme was created providing retrospective benefits for those eligible to join who elect for special membership, and who pay the appropriate contributions.

**Firefighters Pension Scheme 2015** – this is a career average scheme, and is available to operational firefighters appointed on or after 1 April 2015. Serving firefighters will also have been transferred into the scheme, unless they have protected status under one of the existing schemes. The scheme is regulated by the Home Office.

***From 1 April 2022, all remaining members of the 1992 scheme and the 2006 scheme were transferred to the 2015 career average scheme.***

**Local Government Pension Scheme** – non operational staff are eligible for membership of the Shropshire County Pension Fund, which is administered by Shropshire Council. The pension costs charged to the Authority's accounts in respect of support staff are equal to the contributions paid to the funded scheme for those employees. The amount of these contributions is determined by regular actuarial valuations. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Shropshire County Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial

## Statement of Accounting Policies

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basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate detailed in a note to the accounts (based on the indicative rate of return on high quality corporate bonds).
- The assets of Shropshire County Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.

### Accounting for Pensions

The change in the net pensions liability is analysed into the following components:

- **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
- **Past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributable Costs.
- **Net Interest on the defined liability (asset)** – ie net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- **Remeasurements** comprising:

## Statement of Accounting Policies

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- The return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pensions Reserve.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.
- **Contributions paid to the pension funds** – cash paid as employer's contributions to the pension schemes.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension schemes in the year, not the amount calculated according to the relevant accounting standard. In the Movement in Reserves Statement, this means there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension schemes and any amounts payable to schemes but unpaid at the year end. The negative balances that arise on the Pension Reserves thereby measure the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

### **8 VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid recoverable from it.

### **9 Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with management reporting practices.

### **10 Intangible Assets**

Expenditure on non monetary assets that do not have physical substance but are controlled by the Fire Authority as a result of past events (i.e. software licences) is capitalised when it is expected future economic benefits or service potential will flow from the intangible asset to the Fire Authority.

### **11 Property Plant and Equipment**

Assets that have physical substance are held for use in the production or supply of goods or services, for rental to others, or administration purposes and that are expected to be used during more than one financial year are classified as Property Plant and Equipment.

# Statement of Accounting Policies

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## Recognition

Expenditure on the acquisition, creation or enhancement of Property Plant and Equipment is capitalised on an accruals basis, provided it is probable that the future economic benefits or service potential associated with the item will flow to the Fire Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

The de minimis level for Property Plant and Equipment is £10,000.

## Measurement

Property Plant and Equipment is valued on the bases recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

Operational properties and other operational assets are carried in the Balance Sheet using the following measurement bases:

- Depreciated Replacement Cost (DRC) for specialised properties
- Open Market Value (OMV) for non specialised properties.

There are no holdings of non operational assets or community assets, with all fire stations and Service Headquarters and workshops being classified as operational assets.

## Valuation

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end. All land and buildings are currently valued every year. Items within a class of Property Plant and Equipment are revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates.

Where buildings are being revalued following a renovation to modern standards, it may be appropriate to increase the useful economic life to longer than 30 years.

The current value of land and buildings is determined by appraisal of appropriate evidence, that is normally undertaken by professionally qualified valuers, who:

- Hold a recognised and relevant professional qualification

## Statement of Accounting Policies

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- Have sufficient current local and national knowledge of the market, and
- Have the skills and understanding to undertake the valuations competently.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the revaluation gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

### **Impairment**

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve, or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for

## Statement of Accounting Policies

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depreciation that would have been charged if the loss had not been recognised.

### **Depreciation**

Depreciation is provided for on all Property Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives.

An exception is made for assets without a determinable finite useful life (ie freehold land) and assets that are not yet available for use (ie assets under construction).

Depreciation is provided on the following bases:

- Fire stations and other buildings – straight line allocation over the life of the property as estimated by the valuer.
- Vehicles, plant and equipment – straight line allocation over the life of the asset, as advised by a suitably qualified officer.

Where an item of Property Plant and Equipment has major components whose value makes up more than 25% of the total asset value, the components are depreciated separately.

Currently there are no components of any asset that are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **Disposal**

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts must be credited to the Capital Receipts Reserve and can only be used for new capital investment. Receipts are appropriated to the Reserve from the General Funds Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

# Statement of Accounting Policies

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## **Charges to Revenue for Non Current Assets**

Services are debited with the following amounts to record the cost of holding non current assets during the year:

- Depreciation attributable to the assets used by each service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the loss can be written off
- Amortisation of intangible fixed assets attributable to the service.

The Fire Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Fire Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution of MRP (Minimum Revenue Provision) in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 came into effect on 31 March 2008. These regulations updated the requirement to make provision for the repayment of debt (MRP).

From 2008/09, the following policy has been adopted:

- For all borrowing incurred during or before 2006/07, the MRP applied is calculated on the basis of 4% of the Capital Financing Requirement (CFR). A further voluntary provision of 4% is made for all assets other than land and buildings.
- For all borrowing incurred during and after 2007/08, the MRP applied from 2008/09 is calculated on the basis of the Asset Life Method. This method has been selected because it charges the financing costs of assets over the lives of those assets in equal instalments each year, and follows the same principles made by the Authority from 2006/07.

## **13 Financial Assets**

The Authority has financial assets which are classified in the Code as loans and receivables, which are assets that have fixed or determinable payments but are not quoted in an active market. They are initially measured at fair value and carried at their amortised cost in the Balance Sheet. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the Authority's loans, this means the amount presented in the Balance Sheet is the outstanding principal receivable and the interest credited to the

# Statement of Accounting Policies

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Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

## 14 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Fire Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all of the borrowings the Fire Authority has, this means the amount presented in the Balance Sheet is the outstanding principal repayable, and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

### Fair Value Measurement

The Authority measures some of its financial instruments such as borrowings at fair value at each reporting date. Fair value is the price that would be received to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to transfer the liability takes place either:

- a) In the principal market for the liability, or
- b) In the absence of a principal market, in the most advantageous market for the liability.

The Authority measures the fair value of the liability using the assumptions that market participants would use when pricing the liability, assuming that the market participants act in their economic best interest.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable outputs.

Inputs to the valuation techniques in respect of liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical liabilities that the Authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the liability, either directly or indirectly



## Statement of Accounting Policies

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- Level 3 – unobservable inputs for the liability.

### 15 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value, on a first in first out basis. Obsolescent inventory is written off during the year.

### 16 Investments

The CIPFA Code of Practice for Treasury Management in Local Authorities, which governs the way in which surplus cash is invested, has been adopted. The Authority's surplus cash is invested with other local authorities, approved banks and building societies, as authorised in the Authority's Treasury Policy Statement.

Investments that mature in no more than three months from the date of acquisition, and that are readily convertible to known amounts with insignificant risk of a change in value, are categorised as cash equivalents in the financial statements.

### 17 Government Grants

Whether paid on account, by instalments or in arrears, government grants are recognised as due to the Fire Authority when there is reasonable assurance that:

- The Fire Authority will comply with the conditions attached to the payments, and
- The grant will be received.

Amounts recognised as due to the Fire Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant have been satisfied. Conditions are stipulations that specify the future economic benefits or service potential embodied in the asset acquired using the grant are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant is credited to the relevant service line (attributable revenue grants), or Taxation and Non Specific Grants Income (non ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where revenue grants and contributions have been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant recognised as income is transferred to an earmarked reserve. This transfer is recognised in the Movement in Reserves Statement.

## **Statement of Accounting Policies**

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Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustments Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

**18 Exceptional Items**

Where items of income or expenditure are material, their nature and amount is disclosed separately either on the face of the Comprehensive Income and Expenditure Statement, or in the notes to the financial statements.

**19 Events after the Reporting Period**

Events may occur between the financial year end and the date that the Statement of Accounts is authorised for issue. Any such events occurring that would have a material financial impact on the financial statements would be adjusted.

# Core Financial Statements

## Comprehensive Income and Expenditure Statement

2021/22				2022/23		
Gross Expenditure	Gross Expenditure	Gross Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
8,922	-3	8,919	Executive and Resources	9,775	-5	9,770
4,602	-25	4,577	Corporate Governance	4,188	-44	4,144
16,050	-215	15,835	Service Delivery	16,715	-374	16,341
<b>29,574</b>	<b>-243</b>	<b>29,331</b>	<b>Cost of Services – continuing operations</b>	<b>30,678</b>	<b>-423</b>	<b>30,255</b>
			Loss on disposal of non current assets			76
			<b>Other Operating Expenditure</b>			<b>76</b>
		246	Interest payable and similar charges			238
		-35	Interest and investment income			-272
		5,862	Net interest on the net defined liability (note 5)			8,013
		<b>6,073</b>	<b>Financing and Investment Income and Expenditure (note 5)</b>			<b>7,979</b>
		-21,293	Precepts and Non Domestic Rates (note 6)			-22,017
		-4,533	Government Grants (notes 6 and 10)			-4,333
		<b>-25,826</b>	<b>Taxation and Non Specific Grant Income (note 6)</b>			<b>-26,350</b>
		<b>9,578</b>	<b>Surplus(-)/ Deficit on Provision of Services</b>			<b>11,960</b>
		-1,074	Surplus arising on the revaluation of property plant and equipment			-2,272
		11,921	Remeasurement of the net defined benefit liability (note 12)			-112,028
		<b>10,847</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>-114,300</b>
		<b>20,425</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>-102,340</b>

# Core Financial Statements

## Movement in Reserves Statement

	Non Earmarked General Fund Balance £'000	Ear-marked General Fund Balance £'000	Total General Fund Balance £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2022</b>	<b>1,153</b>	<b>13,149</b>	<b>14,302</b>	<b>0</b>	<b>14,302</b>	<b>-261,632</b>	<b>-247,330</b>
<b>Movement in reserves during 2022/23</b>							
Total Comprehensive Income and Expenditure	-11,960		-11,960	0	-11,960	114,300	102,340
Adjustments between accounting basis & funding basis under regulations (note 4)	10,476		10,476	0	10,476	-10,476	0
<b>Increase/- Decrease in 2022/23</b>	<b>-1,484</b>		<b>-1,484</b>	<b>0</b>	<b>-1,484</b>	<b>103,824</b>	<b>102,340</b>
<b>Balance as at 31 March 2023 cfwd</b>	<b>-331</b>	<b>13,149</b>	<b>12,818</b>	<b>0</b>	<b>12,818</b>	<b>-157,808</b>	<b>-144,990</b>
Transfers to/from Earmarked Reserves	2,054	-2,054	0	0	0	0	0
<b>Balance as at 31 March 2023 cfwd</b>	<b>1,723</b>	<b>11,095</b>	<b>12,818</b>	<b>0</b>	<b>12,818</b>	<b>-157,808</b>	<b>-144,990</b>

Note 23

Note 22

# Core Financial Statements

## Movement in Reserves Statement

	Non Earmarked General Fund Balance £'000	Ear-marked General Fund Balance £'000	Total General Fund Balance £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2021</b>	<b>1,600</b>	<b>15,678</b>	<b>17,278</b>	<b>0</b>	<b>17,278</b>	<b>-244,183</b>	<b>-226,905</b>
<b>Movement in reserves during 2021/22</b>							
Total Comprehensive Income and Expenditure	-9,578		-9,578	0	-9,578	-10,847	-20,425
Adjustments between accounting basis & funding basis under regulations (note 4)	6,602		6,602	0	6,602	-6,602	0
<b>Increase/-Decrease in 2021/22</b>	<b>-2,976</b>		<b>-2,976</b>	<b>0</b>	<b>-2,976</b>	<b>-17,449</b>	<b>-20,425</b>
<b>Balance as at 31 March 2022 cfwd</b>	<b>-1,376</b>	<b>15,678</b>	<b>14,302</b>	<b>0</b>	<b>14,302</b>	<b>-261,632</b>	<b>-247,330</b>
Transfers to/from Earmarked Reserves	2,529	-2,529	0	0	0	0	0
<b>Balance as at 31 March 2022 cfwd</b>	<b>1,153</b>	<b>13,149</b>	<b>14,302</b>	<b>0</b>	<b>14,302</b>	<b>-261,632</b>	<b>-247,330</b>

Note 23

Note 22

# Core Financial Statements

## Balance Sheet

31 March 2022 £'000		Note	31 March 2023 £'000
	<b>Property Plant and Equipment</b>		
25,679	Land and Buildings	15	27,570
6,391	Vehicles Plant Furniture and Equipment	15	7,388
<b>32,070</b>	<b>Total Long Term Assets</b>		<b>34,958</b>
538	Inventories	17	342
2,087	Short Term Debtors	18	2,474
9,000	Investments	16	6,000
7,293	Cash and Cash Equivalent	19	4,762
<b>18,918</b>	<b>Total Current Assets</b>		<b>13,578</b>
-4,304	Short Term Creditors	20	-2,961
-163	Short Term Borrowing	16	0
<b>-4,467</b>	<b>Current Liabilities</b>		<b>-2,961</b>
-43	Provisions	21	-149
-5,255	Long Term Borrowing	16	-5,255
-288,553	Pension Liability	22	-185,161
<b>-293,851</b>	<b>Long Term Liabilities</b>		<b>-190,565</b>
<b>-247,330</b>	<b>Net Liabilities</b>		<b>-144,990</b>
	<b>Usable Reserves</b>		
1,153	General Fund	23	1,723
577	General Reserve	23	577
9,147	Major Projects Capital Reserve	23	6,634
219	Extreme Weather Reserve	23	219
687	Pensions and Other Staff Issues Reserve	23	687
1,104	ICT Reserve	23	834
27	STP Staff Reserve	23	869
687	Income Volatility Reserve	23	687
125	Service Delivery Reserve	23	118
51	Training Reserve	23	13
312	Building Maintenance Reserve	23	300
213	Operational Equipment Reserve	23	116
0	Usable Capital Receipts Reserve	23	41
	<b>Unusable Reserves</b>		
13,124	Revaluation Reserve	22	14,648
13,854	Capital Adjustment Account	22	12,705
-278,733	Fire Pensions Reserve	12/22	-183,335
-9,820	LGPS Pensions Reserve	12/22	-1,826
85	Collection Fund Adjustment Account	22	170
-142	Accumulated Absences Account	22	-170
<b>-247,330</b>	<b>Total Reserves</b>		<b>-144,990</b>

Signed by the Treasurer

## Core Financial Statements

### Cash Flow Statement

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2021/22 £'000		2022/23 £'000
-9,578	Net (surplus) or deficit on the provision of services	-11,960
12,454	Adjustments to net surplus or deficit on the provision of services for non cash movements (see Note 25)	12,133
211	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (see Note 26)	-34
3,087	Net cash flows from operating activities	139
-149	Investing Activities (see Note 27)	-2,540
-371	Financing Activities (see Note 28)	-129
2,567	Net increase or decrease in cash and cash equivalents	-2,530
4,725	Cash and cash equivalents at the beginning of the period	7,292
<b>7,292</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>4,762</b>

# Notes to the Core Financial Statements

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## 1. ACCOUNTING POLICIES

The following accounting policies are relevant to an understanding of the financial statements, and have been applied during their preparation:

Accruals of expenditure and income  
Cash and cash equivalents  
Provisions  
Reserves  
Employee benefits  
Overheads and support services  
Property Plant and Equipment  
Financial Liabilities  
Inventories  
Investments  
Government Grants

### **Accounting standards that have been issued but have not yet been adopted**

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Authority.

There are no standards issued that will have a material effect on the financial statements.

## 2. ASSUMPTIONS MADE ABOUT THE FUTURE, OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGEMENTS

The Statement of Accounts contains estimated figures based on assumptions made by the Authority about the future or that are otherwise uncertain. As some balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Estimates are made taking into account historical experience, current trends and other relevant factors:

### **Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.

A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. They provide an assessment of changes in the assumptions used in estimating the pension and assets included in the accounts according to the requirements of IAS19.



# Notes to the Core Financial Statements

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## **Property Plant and Equipment**

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, although the Authority does not feel that this poses any immediate quantifiable risk.

Property is valued at depreciated replacement cost, and this is based on an estimate of the gross replacement cost of the building. The Authority engages a qualified valuer to offer expert advice about the assumptions to be applied.

In applying the accounting policies set out in note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

## **Future Levels of Funding**

There is a high level of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close fire stations and reduce levels of service delivery.

## **3. EXPENDITURE AND FUNDING ANALYSIS**

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Authority (ie government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Authority's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

# Notes to the Core Financial Statements

2022/23

	As reported for resource management	Adjustment to arrive at the net amount chargeable to the General Fund balance (Note 4a)	Net expenditure chargeable to the General Fund balance	Adjustments between funding and accounting basis (Note 5)	Net expenditure in the Comprehen- sive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Executive & Resources	3,268	4,524	7,792	1,978	9,770
Corporate Governance	4,078	0	4,078	66	4,144
Service Delivery	15,913	0	15,913	428	16,341
<b>Net Cost of Services</b>	<b>23,259</b>	<b>4,524</b>	<b>27,783</b>	<b>2,472</b>	<b>30,255</b>
Loss on disposal of non current assets				76	76
Financing and Investment Income		-34	-34	8,013	7,979
Precepts and Grants		-26,265	-26,265	-85	-26,350
<b>Surplus (-) or Deficit</b>	<b>23,259</b>	<b>-21,774</b>	<b>1,484</b>	<b>10,476</b>	<b>11,960</b>
Opening General Fund balance			14,302		
Surplus / deficit on General Fund balance during year			-3,207		
Closing General Fund balance			<b>11,095</b>		

## Notes to the Core Financial Statements

2021/22

	As reported for resource management	Adjustment to arrive at the net amount chargeable to the General Fund balance (Note 4a)	Net expenditure chargeable to the General Fund balance	Adjustments between funding and accounting basis (Note 5)	Net expenditure in the Comprehen- sive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Executive and Resources	2,837	5,407	8,244	675	8,919
Corporate Governance	4,399	0	4,399	178	4,577
Service Delivery	15,134	0	15,134	701	15,835
<b>Net Cost of Services</b>	<b>22,370</b>	<b>5,407</b>	<b>27,777</b>	<b>1,554</b>	<b>29,331</b>
Financing and Investment Income		211	211	5,862	6,073
Precepts and Grants	0	-25,012	-25,012	-814	-25,826
<b>Surplus (-) or Deficit</b>	<b>22,370</b>	<b>-19,394</b>	<b>2,976</b>	<b>6,602</b>	<b>9,578</b>
Opening General Fund balance			17,278		
Surplus / deficit on General Fund balance during year			-2,976		
Closing General Fund balance			<b>14,302</b>		

# Notes to the Core Financial Statements

## 4a Note to the Expenditure and Funding Analysis

2022/23

	Adjustments to arrive at amount chargeable to General Fund	Adjust- ment for capital purposes	Net change for the Pensions Account	Other differ- ences	Total adjustment between funding and accounting basis
	£'000	£'000	£'000	£'000	£'000
Conts to reserves	3,207				
External interest	-238				
Invest income	272				
Government grant	1,283				
Capital grant	0				
<b>Total</b>	<b>4,524</b>				
External interest	238				
Investment income	-272				
Precept and grants	-24,983				
MRP		-198			-198
Depreciation		2,413			2,413
Impairment		2,436			2,436
Loss on disposal of non current assets		76			76
Capital grant		0			0
Capital from revenue		-2,830			-2,830
Pensions			8,636		8,636
Collection fund				-85	-85
Accumulated Absences				28	28
<b>Total</b>	<b>-20,493</b>	<b>1,897</b>	<b>8,636</b>	<b>-57</b>	<b>10,476</b>

# Notes to the Core Financial Statements

2021/22

	Adjustments to arrive at amount chargeable to General Fund	Adjust- ment for capital purposes	Net change for the Pensions Account	Other differ- ences	Total adjustment between funding and accounting basis
	£'000	£'000	£'000	£'000	£'000
Conts to reserves	4,129				
External interest	-246				
Invest income	35				
Government grant	1,489				
Capital grant	0				
<b>Total</b>	<b>5,407</b>				
External interest	246				
Investment income	-35				
Precept and grants	-23,523				
MRP		-146			-146
Depreciation		2,353			2,353
Impairment					
Loss on disposal of non current assets		1,891			1,891
Capital grant		0			0
Capital from revenue		-3,766			-3,766
Pensions			7,209		7,209
Collection fund				-814	-814
Accumulated Absences				-125	-125
<b>Total</b>	<b>17,385</b>	<b>332</b>	<b>7,209</b>	<b>-939</b>	<b>6,602</b>

## Notes to the Core Financial Statements

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### 4b Expenditure and Income Analysed by Nature

2021/22 £'000		2022/23 £'000
	<b>Expenditure</b>	
25,269	Employee benefit expenses	27,472
5,924	Other service expenses	6,446
4,244	Depreciation and impairment	4,849
246	Interest payments	238
<b>35,683</b>	<b>Total Expenditure</b>	<b>39,005</b>
	<b>Income</b>	
-244	Fees and charges and other service income	-423
-24,337	Income from council tax and business rates	-25,067
-1,489	Government grant and contributions	-1,283
-35	Interest and investment income	-272
<b>-26,105</b>	<b>Total Income</b>	<b>-27,045</b>
<b>9,578</b>	<b>Total Net Expenditure</b>	<b>11,960</b>

# Notes to the Core Financial Statements

## 4. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2022/23	General Fund Balance	Movement in Unusable Reserves
	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
<b>Reversal of items debited or credited to the Comp I&amp;E Statement:</b>		
Charges for depreciation of non current assets	-2,413	2,413
Revaluation losses on Property Plant and Equipment	-2,436	2,436
Loss on disposal on non current assets	-76	76
<b>Insertion of items not debited or credited to the Comp I&amp;E Statement:</b>		
Statutory provision for the financing of capital investment	198	-198
Capital expenditure charged against the General Fund Balance	2,830	-2,830
<b>Adjustments primarily involving the Pensions Reserves:</b>		
Reversal of items relating to retirement benefits debited or credited to the Comp I&E Statement	-15,307	15,307
Employer's pensions contributions and direct payments to pensioners payable in the year	6,671	-6,671
<b>Adjustment primarily involving the Collection Fund Adjustment Account:</b>		
Amount by which council tax income credited to the Comp I&E Statement is different from council tax calculated for the year in accordance with statutory requirements	85	-85
<b>Adjustment primarily involving the Accumulated Absences Account:</b>		
Amount by which officer remuneration charged to the Comp I&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-28	28
<b>Total Adjustments</b>	<b>-10,476</b>	<b>10,476</b>

## Notes to the Core Financial Statements

<b>2021/22</b>	<b>General Fund Balance</b>	<b>Movement in Unusable Reserves</b>
	<b>£'000</b>	<b>£'000</b>
<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
<b>Reversal of items debited or credited to the Comp I&amp;E Statement:</b>		
Charges for depreciation of non current assets	-2,353	2,353
Revaluation losses on Property Plant and Equipment	-1,891	1,891
<b>Insertion of items not debited or credited to the Comp I&amp;E Statement:</b>		
Statutory provision for the financing of capital investment	146	-146
Capital expenditure charged against the General Fund Balance	3,766	-3,766
<b>Adjustments primarily involving the Pensions Reserves:</b>		
Reversal of items relating to retirement benefits debited or credited to the Comp I&E Statement	-13,793	13,793
Employer's pensions contributions and direct payments to pensioners payable in the year	6,584	-6,584
<b>Adjustment primarily involving the Collection Fund Adjustment Account:</b>		
Amount by which council tax income credited to the Comp I&E Statement is different from council tax calculated for the year in accordance with statutory requirements	814	-814
<b>Adjustment primarily involving the Accumulated Absences Account:</b>		
Amount by which officer remuneration charged to the Comp I&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	125	-125
<b>Total Adjustments</b>	<b>-6,602</b>	<b>6,602</b>



# Notes to the Core Financial Statements

## 5. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	<b>2022/23 £'000</b>	<b>2021/22 £'000</b>
Interest payable and similar charges	238	246
Pensions interest cost and expected return on pensions assets	8,013	5,862
Interest receivable and similar income	-272	-35
<b>Total</b>	<b>7,979</b>	<b>6,073</b>

## 6. TAXATION AND NON SPECIFIC GRANT INCOME

	<b>2022/23 £'000</b>	<b>2021/22 £'000</b>
Precept income	-18,295	-17,619
Non domestic rates	-3,722	-3,674
<b>Sub total</b>	<b>-22,017</b>	<b>-21,293</b>
*Non ringfenced government grants	-4,333	-4,533
<b>Total</b>	<b>-26,350</b>	<b>-25,826</b>

\*see also note 10

## 7. MEMBERS' ALLOWANCES

The Authority paid the following amounts to members of the Authority during the year.

	<b>2022/23 £'000</b>	<b>2021/22 £'000</b>
Allowances	86	77
Expenses	0	0
<b>Total</b>	<b>86</b>	<b>77</b>

# Notes to the Core Financial Statements

## 8. OFFICERS REMUNERATION

The number of employees whose remuneration, excluding pension contributions was £50,000 or more in bands of £5,000 were:

Remuneration band	Number of Employees	
	2022/23	2021/22
£50,000 - £54,999	16	13
£55,000 - £59,999	15	16
£60,000 - £64,999	7	5
£65,000 - £69,999	4	1
£70,000 - £74,999	1	3
£75,000 - £79,999	2	1
£80,000 - £84,999	1	0
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0
£95,000 - £99,999	0	2
£100,000 - £104,999	2	0
£105,000 - £109,999	1	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	0	1

Where applicable, these bandings include officers whose salaries are shown in the table below.

### 2022/23

Senior officers' emoluments – salary is between £50,000 and £150,000 per year:

Post	Salary & allowances £	Benefits in kind £	Total £	Pension Conts. £	Total £
Chief Fire Officer (April 22 to Dec 22)	100,178	0	100,178	28,851	129,029
Chief Fire Officer (Jan 23 to Mar 23)	32,810	0	32,810	9,449	42,259
Assistant Chief Fire Officer – Corporate Services (April 22 to Dec 22)	76,184	0	76,184	21,941	98,125
Assistant Chief Fire Officer – Corporate Services (Jan 23 to Mar 23)	24,951	0	24,951	4,700	29,651
Assistant Chief Fire Officer – Service Delivery	101,136	0	101,136	29,127	130,263

## Notes to the Core Financial Statements

Head of Transformation and Collaboration	79,189	0	79,189	22,806	101,995
Head of Operations and Risk Management	78,004	0	78,004	20,927	98,931
Group Manager – Shropshire Rural	61,519	0	61,519	17,224	78,743
Area Manager – Resources Review (April 22 to Aug 22)	30,828	178	31,006	8,793	39,799
Group Manager - Prevention	68,738	0	68,738	19,712	88,450
Group Manager – LFC Secondment	67,809	0	67,809	19,529	87,338
Group Manager – Shrewsbury, Telford and Wrekin	66,158	0	66,158	18,246	84,404
Group Manager – Operations	70,451	0	70,451	20,259	90,710
Group Manager – Operational Training and Development	68,012	0	68,012	19,499	87,511
Head of Service Delivery (April 22 to Dec 22)	59,169	5,798	64,967	16,955	81,922
Head of Service Delivery (Jan 23 to Mar 23)	18,044	0	18,044	4,958	23,002
Group Manager – Shrewsbury, Telford and Wrekin (Apr 22 to Dec 22)	50,760	0	50,760	13,966	64,726
Group Manager – Shrewsbury, Telford and Wrekin (Jan 23 to Mar 23)	15,398	0	15,398	4,280	19,678
Head of Resources	64,652	714	65,366	10,991	76,357
Head of Human Resources and Administration	64,652	0	64,652	10,991	75,643
Head of Finance (pro rata)	52,595	0	52,595	8,941	61,536
Planning and Performance Manager	52,967	0	52,967	9,004	61,971

### 2021/22

Senior officers' emoluments – salary is between £50,000 and £150,000 per year:

Post	Salary & allowances £	Benefits in kind £	Total £	Pension Conts. £	Total £
Chief Fire Officer	129,277	0	129,277	48,220	177,497

## Notes to the Core Financial Statements

Assistant Chief Fire Officer – Corporate Services	98,314	0	98,314	28,314	126,628
Assistant Chief Fire Officer – Service Delivery	98,314	0	98,314	28,314	126,628
Head of Transformation and Collaboration	73,905	0	73,905	28,088	101,993
Head of Operations and Risk Management	74,743	304	75,047	21,441	96,488
Group Manager – Shropshire Rural (Apr 21 – Jul 21)	22,128	0	22,128	6,006	28,134
Group Manager - Prevention (Aug 21 – Mar 22)	45,202	0	45,202	13,018	58,220
Group Manager – LFC Secondment	64,188	0	64,188	18,486	82,674
Group Manager – Shrewsbury, Telford and Wrekin (Apr 21 – Jul 21)	19,281	2,513	21,794	5,468	27,262
Group Manager – Operations	66,899	0	66,899	18,790	85,689
Group Manager – Operational Training and Development (Apr – Jul 21)	18,986	0	18,986	5,468	24,454
Head of Service Delivery	74,723	7,304	82,027	21,441	103,468
Head of Operations and Risk Management (Aug 21 – Mar 22)	48,176	0	48,176	13,514	61,690
Group Manager – Shrewsbury, Telford and Wrekin (Aug 21 to Mar 22)	45,202	0	45,202	13,018	58,220
Head of Resources	62,727	357	63,084	10,664	73,748
Head of Human Resources and Administration	62,727	0	62,727	10,664	73,391
Head of Finance (pro rata)	52,753	0	52,753	8,964	61,717
Planning and Performance Manager	51,042	0	51,042	8,677	59,719

## Notes to the Core Financial Statements

### 9. EXTERNAL AUDIT COSTS

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts and statutory inspections to non audit services provided by the Authority's external auditors:

	2022/23 £'000	2021/22 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	27	25
Uplift fee		26
Refund received		-4
<b>Total Audit Fees</b>	<b>27</b>	<b>46</b>

### 10. GRANT INCOME

The Authority credited the following grants to the Comprehensive Income and Expenditure Statement in 2022/23:

	2022/23 £'000	2021/22 £'000
<b>MHCLG Revenue Grants:</b>		
Revenue Support Grant	-1,363	-1,322
Pensions Grant	-1,101	-1,101
Rural Service Delivery Grant	-336	-336
Business Rates Reconciliation Grants	-753	-373
New Dimension Grant	-7	-7
Business Rates Reconciliation Grant	-317	-766
Transparency Code Grant	-8	-8
Emergency Services Mobile Comms Project Grant	-54	-65
Flood Relief	-1	0
Council Tax Support Grant		-249
Services Grant	-270	0
Covid 19 Support Grant		-77
Protection Uplift Grant	-97	-105
Levy Surplus Grant	-33	0
Smoke Alarms Grant	-4	0
Redmond Review – Audit Fees Grant	-12	-11
TIG	23	-23
Pensions Administration Grant		-90
<b>Total</b>	<b>-4,333</b>	<b>-4,533</b>

# Notes to the Core Financial Statements

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## 11. RELATED PARTIES

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

### Central Government

The UK Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides a proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (ie council tax bills). Grants received from government departments are set out in note 10.

### Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in note 7.

There are no instances of transactions involving these related parties which require disclosure.

### Officers

There are no instances of transactions involving these related parties which require disclosure.

### Other Public Bodies (subject to common control by the UK Government)

The Associate Director: Policy & Governance at Telford & Wrekin Council is also the Clerk of Shropshire and Wrekin Fire Authority.

The Executive Director of Resources at Shropshire Council is also the Treasurer of Shropshire and Wrekin Fire Authority.

Shropshire Council and Telford & Wrekin Council provide a number of support services for Shropshire and Wrekin Fire Authority. The gross payments made to these authorities were £448,357 to Shropshire Council and £231,345 to Telford & Wrekin Council.

# Notes to the Core Financial Statements

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## 12. PARTICIPATION IN PENSION SCHEMES

As part of the terms and conditions of employment of its officers and other employees, the Fire Authority makes contributions towards the cost of retirement benefits. Although these benefits will not actually be payable until the employees retire, the Fire Authority has a commitment to make the payments, and this commitment needs to be disclosed at the time employees earn their future entitlement.

The Fire Authority participates in four pension schemes:

**Local Government Pension Scheme:** non operational staff are eligible for membership of the Shropshire County Pension Fund administered by Shropshire Council. This is a funded defined benefit average salary scheme, meaning that the Fire Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The Shropshire County Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of Shropshire Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the Committee.

**Firefighters Pension Schemes (three of the four schemes):** on 1 April 2006 new financial arrangements were introduced for both the 1992 and the newly established 2006 Firefighter Pension Schemes.

The Firefighters' Pension Scheme 2015 was introduced at the beginning of the financial year 2015/16. This is a career average scheme, and is available to operational firefighters appointed on or after 1 April 2015. At that time, serving firefighters were transferred into the scheme, unless they had protected status under one of the existing schemes. The scheme is regulated by the Home Office. All schemes are unfunded, defined benefit schemes, and are regulated by the Home Office. Contributions to the schemes are made by the Fire Authority and employees, and are paid into a separate Pensions Fund Account, from which most commutations and regular payments will be made. Any deficit on this account will be met by the Home Office, and any surplus at the end of the year will be paid back to the Home Office.

The **principal risks** to the Authority of the schemes are the longevity assumptions, statutory changes to the schemes (ie large scale withdrawals from the schemes), changes to inflation, and in the case of the Local Government Pension Scheme, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute as described in the accounting policies.

### **Impact of McCloud / Sargeant ruling on pension accounts disclosure**

Two employment tribunal cases were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the

## Notes to the Core Financial Statements

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introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounted to unlawful discrimination. On 27 June 2019 the Supreme Court denied the Government's request for an appeal in the case.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to Firefighters' Pension Schemes and LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and the Treasury published the response to their consultation on 4 February 2021, confirming their approach to remedying age discrimination, in line with their proposals.

In the case of the Fire Schemes, the key feature of the proposed remedy was to extend the final salary protection to 31 March 2022 and to give protected members a one off choice, in relation to the protected period of 1 April 2015 to 31 March 2022, to either retain their legacy final salary benefits or the reformed career average benefits. This applied to members who were active on or before 31 March 2012 and either remain in active service or left service before 1 April 2015 (including to those members who no longer have a benefit entitlement from the Schemes). It has now been announced that members will make this choice at retirement ('deferred choice' approach). It is assumed that during the protected period members will accrue service in their legacy scheme. All active members in service as at 31 March 2022 would then accrue benefits in the reformed career average scheme.

The accounting figures prepared in 2021 included an allowance for McCloud that was substantially in line with the above eligibility criteria and assumes protected members currently accrue benefits in their legacy scheme. As the fire schemes have been fully recalculated, this assumption has been included within the figures.

### **Impact of Matthews ruling on pension accounts disclosure**

Following the Matthews vs Kent and Medway Towns Fire Authority & others court ruling, retained firefighters employed between 1 July 2000 and 5 April 2006 were allowed to join the Firefighters' Pension Scheme 2006 (FPS2006) as 'special' members.

A time limited options exercise took place between 2014 and 2015 to allow eligible individuals to join the FPS. While the benefits awarded to special members largely mirrored the FPS1992, the FPS2006 was amended as the FPS1992 was closed.



## **Notes to the Core Financial Statements**

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More work has taken place on the pensions aspect of the case, and the judgment held that remedy could extend back before the Part-time Workers Directive was required to be implemented on 7 April 2000.

Retained firefighters in scope will be able to purchase pension entitlement as a special member for some of all of their service between 7 April 2000 and 5 April 2006, and /or continuous service from 5 April 2006.

A second options exercise is underway but any obligation has not been calculated with certainty.

### **Transactions Relating to Retirement Benefits**

The costs of retirement benefits are recognised in the reported cost of services when they are earned by employees, rather than when the benefits are actually paid as pensions. However the required charge against council tax is based on the cash payable in the year, so the real cost of post employment and retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

## Notes to the Core Financial Statements

	Shropshire County Pension Fund		Fire Pension Schemes				
	2022/23 £'000	2021/22 £'000	'1992' 2022/23 £'000	'2006' 2022/23 £'000	'2015' 2022/23 £'000	Total 2022/23 £'000	Total 2021/22 £'000
<b>Comprehensive I&amp;E Statement</b>							
<b>Cost of Services:</b>							
Service cost comprising:							
Current service cost	1,224	1,119	648	0	5,282	5,930	6,592
Past service cost	0	0	0	140	0	140	220
<b>Financing and Investment Income and Expenditure:</b>							
Net Interest Expense	267	215	6,328	1,096	297	7,721	5,630
Administration Cost	25	17	0	0	0	0	0
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,516</b>	<b>1,351</b>	<b>6,976</b>	<b>1,236</b>	<b>5,579</b>	<b>13,791</b>	<b>12,442</b>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:							
Remeasurements (assets)	-2	-869	0	0	0	0	0
Remeasurements (liabilities)	-8,907	-630	-73,759	-20,090	-9,270	-103,119	13,420
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>-8,909</b>	<b>-1,499</b>	<b>-73,759</b>	<b>-20,090</b>	<b>-9,270</b>	<b>-103,119</b>	<b>13,420</b>
<b>Movement in Reserves Statement</b>							
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-1,516	-1,351	-6,976	-1,236	-5,579	-13,791	-12,442

## Notes to the Core Financial Statements

<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>							
Employers contributions payable to the scheme	-601	-559	0	0	-2,689	-2,689	-2,966
Top up Grant			6,641	321	-3,895	-3,067	-3,059
Retirement benefits payable to pensioners	0	0	0	-314	0	-314	-290

### Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

	Shropshire County Pension Fund		Fire Pension Schemes				
	2022/23 £'000	2021/22 £'000	'1992' 2022/23 £'000	'2006' 2022/23 £'000	'2015' 2022/23 £'000	Total 2022/23 £'000	Total 2021/22 £'000
Present value of the defined benefit obligation	21,249	28,716	224,534	20,127	7,479	252,140	278,733
Fair value of plan assets	-19,424	-18,897	0	0	0	0	0
<b>Net liability arising from defined benefit obligation</b>	<b>1,825</b>	<b>9,819</b>	<b>224,534</b>	<b>20,127</b>	<b>7,479</b>	<b>252,140</b>	<b>278,733</b>

# Notes to the Core Financial Statements

## Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of the movements in the fair value of scheme liabilities:

Funded Liabilities	Shropshire County Pension Fund		Fire Pension Schemes				
	2022/23 £'000	2021/22 £'000	'1992' 2022/23 £'000	'2006' 2022/23 £'000	'2015' 2022/23 £'000	Total 2022/23 £'000	Total 2021/22 £'000
Opening balance 1 April	28,716	27,893	229,467	39,302	9,964	278,733	258,896
Current service cost	1,224	1,119	648	0	5,282	5,930	6,592
Interest cost	796	583	6,328	1,096	297	7,721	5,630
Contributions by scheme participants	200	185	0	28	1,194	1,222	1,215
Benefits paid	-780	-434	-6,955	-349	12	-7,292	-7,240
Remeasurements (actuarial gains and losses):							
Experience (-) gain / loss	4,154	71	11,875	820	1,421	14,116	16,005
(-)Gain/ Loss in financial assumptions	-12,693	-519	-84,538	-20,617	-10,543	-115,698	0
(-)Gain/ Loss in demographic assumptions	-368	-182	-1,096	-293	-148	-1,537	-2,585
Past service costs	0	0	0	140	0	140	220
Closing balance 31 March	<b>21,249</b>	<b>28,716</b>	<b>155,729</b>	<b>20,127</b>	<b>7,479</b>	<b>183,335</b>	<b>278,733</b>

Reconciliation of present value of the scheme assets (defined benefit obligation):

	Shropshire County Pension Fund	
	2022/23 £'000	2021/22 £'000
Opening balance 1 April	18,897	17,367
Interest income	529	368
Administration cost	-25	-17
Remeasurements (assets)	2	869
Employer contributions	601	559
Contributions by scheme participants	200	185
Benefits paid	-780	-434
Closing balance 31 March	<b>19,424</b>	<b>18,897</b>

## Notes to the Core Financial Statements

The firefighter schemes are unfunded with no assets held, and so are not included in the reconciliation of assets.

**Top up grant** - these are grants payable by government, to those fire authorities whose Pension Fund Accounts are in a deficit position. The grant assists employers with management of benefit payments under the Fire pension schemes.

Top up grant has been included within employer contributions as income into the schemes. Disclosures in the statement reflect top up grant of £3.067m in 2022/23, and £3.059m in 2021/22.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Fire Schemes and the Shropshire County Pension Fund liabilities have been assessed by Mercers, an independent firm of actuaries, with estimates for the Shropshire County Pension Fund incorporating the outcomes of the 2016 actuarial valuation.

The principal assumptions used by the actuary have been:

	Shropshire County Pension Fund		Fire - All Pension Schemes	
	2022/23	2021/22	2022/23	2021/22
<b>Mortality Assumptions:</b>				
Longevity at 60 (65 County) for future pensioners: Men	23.5yrs	24.1yrs	27.9yrs	28.4yrs
Women	26.3yrs	26.7yrs	30.1yrs	30.6yrs
Rate of inflation CPI	2.7%	3.3%	2.7%	3.3%
Rate of increase in salaries - 2015	-	-	3.95%	4.55%
Rate of increase in salaries - other	3.95%	4.55%	4.2%	4.8%
Rate of increase in pensions	2.8%	3.4%	2.8%	3.4%
Rate for discounting scheme liabilities	4.8%	2.8%	4.8%	2.8%

*\*Increase for 2015 scheme is the rate of revaluation of CARE pensions*

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some or all of the

## Notes to the Core Financial Statements

assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the schemes, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used for the previous period.

### Impact on the Defined Benefit Obligation in the Schemes

	Shropshire County Pension Fund		Fire Pension Schemes	
	Increase in assumption £'000	Decrease in assumption £'000	Increase in assumption £'000	Decrease in assumption £'000
Longevity (increase or decrease in one year)	-417	417	-3,998	3,998
Rate of inflation (increase or decrease by 0.1%)	-1,006	1,006	-7,911	7,911
Rate of increase in salaries (increase or decrease by 0.1%)	-179	179	-1,780	1,780
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,838	-1,838	12,396	-12,396

The Fire Pension Schemes have no assets to cover their liabilities. The Shropshire County Pension Fund's assets consist of the following categories, by proportion of the total assets held.

	31 March 2023 £'000	31 March 2023 %	31 March 2022 £'000	31 March 2022 %
Equity Investments	9,947	51.2	9,562	50.6
Bonds	3,640	18.7	3,579	18.9
Property	645	3.3	705	3.7
Other Assets	5,192	26.8	5,051	26.8
	19,424	100.0	18,897	100.0

### Impact on the Authority's Cash Flows – Local Government Pension Scheme

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The administering authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over approximately 22 years. Funding levels are monitored on an annual basis. The latest triennial valuation was completed in 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pension Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a

## Notes to the Core Financial Statements

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common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Authority anticipated to pay £541,000 expected contributions to the scheme in 2023/24.

The weighted average duration of the defined benefit obligation for scheme members is 19 years in 2022/23 (18 years in 2021/22).

**Injury Awards** – the level of injury awards payable to eligible members is dependent on the salary, service and also degree of disablement of the member at the time the injury is incurred. Therefore, in line with IFRS Code of Practice, the assumption that such awards are “not usually subject to the same degree of uncertainty as the measurement of post-employment benefits” can be rebutted and injury awards are therefore accounted for, under IAS19, in the same manner as for the main pension scheme benefits.

The majority of injury awards have been made to members of the 1992 pension scheme and are therefore reported as part of this scheme.

### 13. CONTINGENT LIABILITIES

**McCloud Sargeant** - On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to Firefighters’ Pension Schemes and LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and the Treasury published the response to their consultation on 4 February 2021, confirming their approach to remedying age discrimination, in line with their proposals.

**Matthews** – In 2014 /2015, it was ruled that retained firefighters employed between 1 July 2000 and 5 April 2006 were allowed to join the Firefighters’ Pension Scheme 2006 (FPS2006) as ‘special’ members.

A time limited options exercise took place between 2014 and 2015 to allow eligible individuals to join the FPS. While the benefits awarded to special members largely mirrored the FPS1992, the FPS2006 was amended as the FPS1992 was closed.

Retained firefighters in scope will be able to purchase pension entitlement as a special member for some of all of their service between 7 April 2000 and 5 April 2006, and /or continuous service from 5 April 2006. A second options exercise is underway.

There are potential obligations upon the Fire Authority. These obligations have not been estimated with any certainty.

Further information can be found on page 12.

### 14. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was signed off by the Treasurer on 5 June 2023. Events taking place after this date are not reflected in the financial statements or notes.

## Notes to the Core Financial Statements

### 15. PROPERTY PLANT AND EQUIPMENT

Movements in 2022/23	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Property Plant & Equipment £'000
<b>Cost or Valuation</b>			
<b>At 1 April 2022</b>	<b>25,714</b>	<b>20,615</b>	<b>46,329</b>
Additions	3,152	2,388	5,540
Revaluation increases / -decreases recognised in the Revaluation Reserve	1,175	0	1,175
Revaluation increases / -decreases recognised in the Surplus/Deficit on the Provision of Services	-2,436	0	-2,436
Disposals		-142	-142
<b>At 31 March 2023</b>	<b>27,605</b>	<b>22,861</b>	<b>50,466</b>
<b>Accumulated Depreciation and Impairment</b>			
<b>As at 1 April 2022</b>	<b>35</b>	<b>14,224</b>	<b>14,259</b>
Depreciation charge	1,097	1,316	2,413
Revaluation	-1,097	0	-1,097
Disposals	0	-67	-67
<b>At 31 March 2023</b>	<b>35</b>	<b>15,473</b>	<b>15,508</b>
<b>Net Book Value at 31 March 2023</b>	<b>27,570</b>	<b>7,388</b>	<b>34,958</b>
<b>At 31 March 2022</b>	<b>25,679</b>	<b>6,391</b>	<b>32,070</b>



## Notes to the Core Financial Statements

<b>Movements in 2021/221</b>	<b>Land &amp; Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Property Plant &amp; Equipment £'000</b>
<b>Cost or Valuation</b>			
<b>At 1 April 2021</b>	24,497	17,783	42,280
Additions	3,317	2,832	6,149
Revaluation increases / -decreases recognised in the Revaluation Reserve	-208	0	-208
Revaluation increases / -decreases recognised in the Surplus/Deficit on the Provision of Services	-1,892	0	-1,892
<b>At 31 March 2022</b>	<b>25,714</b>	<b>20,615</b>	<b>46,329</b>
<b>Accumulated Depreciation and Impairment</b>			
<b>As at 1 April 2021</b>	35	13,153	13,188
Depreciation charge	1,281	1,071	2,352
Revaluation	-1,281	0	-1,281
<b>At 31 March 2022</b>	<b>35</b>	<b>14,224</b>	<b>14,259</b>
<b>Net Book Value at 31 March 2022</b>	<b>25,679</b>	<b>6,391</b>	<b>32,070</b>
<b>At 31 March 2021</b>	<b>24,462</b>	<b>4,630</b>	<b>29,092</b>

### Depreciation

Depreciation is provided on the following bases:

- Fire stations and other buildings – straight line allocation over the life of the property as estimated by the valuer.
- Vehicles, plant and equipment – straight line allocation over the life of the asset, as advised by a suitably qualified officer.

# Notes to the Core Financial Statements

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## Capital Commitments

At 31 March 2023, the Authority had entered into a number of contracts in 2022/23.

The commitments were:

	<b>£'000</b>
Major improvements at Telford	9,939
Firekit replacement	114
Alerters	115
Improvements at stations	117
ICT equipment	12
Light vehicle replacement	37
<b>Total</b>	<b>10,334</b>

Similar commitments at 31 March 2021 were £7.679m.

## Revaluations

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Valuations of land and buildings have been carried out at 31 March 2023, by Chris Wilkinson from Capita, under instruction from the Authority. The valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The valuations have been undertaken on the following assumptions:-

- The properties are free from any undisclosed onerous burdens, outgoing or restrictions and good title can be shown.
- The land and properties are not contaminated (including Radon Gas)
- The properties and their values are unaffected by any matters which could be revealed by Local Search or inspection of any register and the use and occupation of the asset is lawful.
- In valuing the property, plant and machinery has been excluded unless forming part of the structure and normally valued with the buildings.
- The report does not take account of any liability for taxation which may arise on disposal whether actual or notional.
- Details of title have been taken from previous records supplied by Shropshire Fire and Rescue Service.
- Where there are user rights these have not been considered as having a value because of the inability to transfer such rights.
- Where the property in the ownership of Shropshire Fire and Rescue Service is subject to user rights, the value of the affected parts of the property have been excluded, except where the occupation has approximately twelve months or less to run to the expiry date.

## Notes to the Core Financial Statements

Items within a class of property plant and equipment are revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates.

The pandemic and the measures taken to tackle Covid 19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date, property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, the valuation of property as at 31 March 2023 is not reported as being subject to 'material valuation uncertainty' as defined by VPS3 and VPGA10 of the RICS Valuation – Global Standards.

In addition to the programme of full valuation, an impairment review of the Authority's land and buildings is undertaken at the end of each financial year. The review for 2021/22 was undertaken by Chris Wilkinson from Urbanvision, following instruction from the Authority.

### Valuation of Non Current Assets carried at Current Value

	Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Total £'000
Carried at historical cost	0	7,388	7,388
Carried at fair value as at 31 March 2022	27,570	0	27,570
<b>Total</b>	<b>27,570</b>	<b>7,388</b>	<b>34,958</b>

## 16. FINANCIAL INSTRUMENTS

### Categories of Financial Instrument

The following categories of financial instrument are carried in the Balance Sheet:

	Long Term		Current	
	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
<b>Cash and cash equivalents</b>				
Cash and bank accounts	0	0	-38	-7
Short term deposits with bank	0	0	4,800	7,300
Short term deposits with local authorities	0	0	0	0
<b>Total cash and cash equivalents</b>	<b>0</b>	<b>0</b>	<b>4,762</b>	<b>7,293</b>
<b>Investments</b>				
Investments with bank	0	0	3,000	7,000
Investments with local authorities	0	0	3,000	2,000
<b>Total investments</b>	<b>0</b>	<b>0</b>	<b>6,000</b>	<b>9,000</b>
<b>Debtors</b>				

## Notes to the Core Financial Statements

Financial assets carried at contract amounts	0	0	87	12
<b>Total debtors</b>	<b>0</b>	<b>0</b>	<b>87</b>	<b>12</b>

	Long Term		Current	
	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
<b>Borrowings</b>				
Financial liabilities at amortised cost	5,255	5,418	0	163
<b>Total borrowings</b>	<b>5,255</b>	<b>5,418</b>	<b>0</b>	<b>163</b>
<b>Creditors</b>				
*Financial liabilities carried at contract amount	0	0	1	9
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>9</b>

\*Both entries have been amended to exclude central and local government transactions

### Financial Instrument Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2022/23		2021/22	
	Liabilities at amortised cost £'000	Assets – loans and receivables £'000	Liabilities at amortised cost £'000	Assets – loans and receivables £'000
Interest expense	238	0	246	0
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>238</b>	<b>0</b>	<b>246</b>	<b>0</b>
Interest income	0	272	0	35
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>272</b>	<b>0</b>	<b>35</b>
<b>Net gain /(loss) for the year</b>	<b>238</b>	<b>272</b>	<b>246</b>	<b>35</b>

**Nature and extent of risk arising from financial instruments:** The Authority's activities expose it to a variety of financial risks:

**Credit Risk** –this is the possibility other parties may fail to pay amounts due to the Authority. This arises from the lending of surplus funds to banks, building societies and other local authorities, as well as credit exposures to the Authority's customers.

# Notes to the Core Financial Statements

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The Authority, with support and guidance from Treasury Services at Shropshire Council, work to minimise the exposure to the unpredictability of financial markets and to protect the financial resources available to fund services.

The Authority has adopted CIPFA's Code of Treasury Management Practices, and an Annual Treasury Management Strategy has also been approved by the Authority.

**Liquidity Risk** – this is the possibility the Authority may not have funds available to meet its commitments to make payments. As the Authority has ready access to borrowings, there is no significant risk it will be unable to raise finance to meet its commitments.

**Market Risk** – this is the possibility financial loss might arise for the Authority as a result of changes in such measures as interest rates. Changes in interest receivable on variable rate investments will be posted to the Comprehensive Income and Expenditure Statement and will therefore directly affect the General Fund Balance.

## Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2023 of 4.05% to 5.125% for loans from the PWLB
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as followed:

	31 March 2023		31 March 2022	
	Carrying amount £'000	Carrying amount £'000	Carrying amount £'000	Fair Value (Level 2) £'000
Financial liabilities	5,255	5,766	5,418	6,737

# Notes to the Core Financial Statements

Additional information in respect of the Authority's borrowing is given below

	<b>31 March 2023 £'000</b>	<b>31 March 2022 £'000</b>
<b>Loan Source</b>		
Public Works Loan Board	5,255	5,418
<b>Analysis by Maturity</b>		
Less than 1 year	0	163
Between 1 and 2 years	210	210
Between 2 and 5 years	589	389
Between 5 and 10 years	1,448	1,107
Between 10 and 20 years	1,348	1,889
Between 20 and 30 years	1,130	800
Between 30 and 40 years	530	860
Between 40 and 50 years	0	0

## 17. INVENTORIES

<b>2022/23</b>	<b>Vehicle Parts £'000</b>	<b>Oil £'000</b>	<b>Diesel £'000</b>	<b>Uniforms £'000</b>	<b>Operational Equipment £'000</b>	<b>Fire Ground Feeding £'000</b>	<b>Total £'000</b>
<b>Balance outstanding at start of year</b>	<b>119</b>	<b>5</b>	<b>26</b>	<b>266</b>	<b>120</b>	<b>2</b>	<b>538</b>
Purchases	71	5	76	143	136	7	438
Recognised as an expense during the year	75	7	93	280	172	7	634
<b>Balance outstanding at year end</b>	<b>115</b>	<b>3</b>	<b>9</b>	<b>129</b>	<b>84</b>	<b>2</b>	<b>342</b>

<b>2021/22</b>	<b>Vehicle Parts £'000</b>	<b>Oil £'000</b>	<b>Diesel £'000</b>	<b>Uniforms £'000</b>	<b>Operational Equipment £'000</b>	<b>Fire Ground Feeding £'000</b>	<b>Total £'000</b>
<b>Balance outstanding at start of year</b>	<b>106</b>	<b>6</b>	<b>11</b>	<b>229</b>	<b>90</b>	<b>2</b>	<b>444</b>
Purchases	141	4	187	216	147	17	712
Recognised as an expense during the year	128	5	172	179	117	17	618
<b>Balance outstanding at year end</b>	<b>119</b>	<b>5</b>	<b>26</b>	<b>266</b>	<b>120</b>	<b>2</b>	<b>538</b>

# Notes to the Core Financial Statements

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## 18. DEBTORS

Debtors represent sums owed to the Authority for supplies and services provided before 31 March in the relevant year but still outstanding at that date.

	<b>31 March 2023 £'000</b>	<b>31 March 2022 £'000</b>
Central government bodies	1,247	948
Other local authorities	869	853
Other entities and individuals	357	286
<b>Total</b>	<b>2,473</b>	<b>2,087</b>

## 19. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

	<b>31 March 2023 £'000</b>	<b>31 March 2022 £'000</b>
Cash held by the Authority	0	0
Bank current accounts	-38	-7
Short term deposits with bank	4,800	7,300
Short term deposits with local authorities	0	0
<b>Total</b>	<b>4,762</b>	<b>7,293</b>

## 20. CREDITORS

These represent sums owed by the Authority for supplies and services provided before 31 March in the relevant year but still outstanding at that date.

	<b>31 March 2023 £'000</b>	<b>31 March 2022 £'000</b>
Central government bodies	598	500
Other local authorities	565	736
Government grants received in advance	834	880
Other entities and individuals	964	2,188
<b>Total</b>	<b>2,961</b>	<b>4,304</b>

## Notes to the Core Financial Statements

### 21. PROVISION – NNDR APPEALS

This reflects the Authority's share of appeals made by NNDR payers at billing authorities

	<b>31 March 2023 £'000</b>	<b>31 March 2022 £'000</b>
Balance at 1 April	43	175
Movement during year	106	-132
<b>Balance as at 31 March</b>	<b>149</b>	<b>43</b>

### 22. UNUSABLE RESERVES

<b>31 March 2022 £'000</b>		<b>31 March 2023 £'000</b>
13,124	Revaluation Reserve	14,648
13,854	Capital Adjustment Account	12,705
-9,820	LGPS Pensions Reserve	-1,826
-278,733	Fire Pensions Reserve	-183,335
85	Collection Fund Adjustment Account	170
-142	Accumulated Absences Account	-170
<b>-261,632</b>	<b>Total Unusable Reserves</b>	<b>-157,808</b>



# Notes to the Core Financial Statements

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## Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property Plant and Equipment. The balance is reduced when the assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

<b>2021/22 £'000</b>		<b>2022/23 £'000</b>
12,754	Balance at 1 April	13,124
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0
1,074	Surplus or deficit on revaluation of non current assets not posted to the Surplus/Deficit on the Provision of Services	2,272
-704	Difference between fair value depreciation and historical costs depreciation  Upward revaluation of Assets	-748
<b>13,124</b>	<b>Balance as at 31 March</b>	<b>14,648</b>

## Notes to the Core Financial Statements

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairments losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains revaluation gains accumulated on Property Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains. Note 4 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

<b>2021/22 £'000</b>		<b>2022/23 £'000</b>
13,481	<b>Balance at 1 April</b>	13,854
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
-2,353	Charges for depreciation and impairment of non current assets	-2,413
	Loss on sale of Property Plant and Equipment	-76
-1,891	Revaluation losses on Property Plant and Equipment	-2,436
<b>9,237</b>	<b>Total</b>	<b>8,929</b>
704	Adjusting amounts written out of the Revaluation Reserve	748
	<b>Net written out amount of the cost of non current assets consumed in the year</b>	
	Capital financing applied in the year:	
0	Application of grants to capital financing from the Capital Grants Unapplied Account	0
147	Statutory provision for the financing of capital investment charged against the General Fund balance	198
3,766	Capital expenditure charged against the General Fund balance	2,830
<b>13,854</b>	<b>Balance as at 31 March</b>	<b>12,705</b>

# Notes to the Core Financial Statements

## Pensions Reserves

The Pensions Reserves absorb the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserves therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has to set aside to meet them. The statutory arrangements will ensure funding will have been set aside by the time the benefits come to be paid.

2021/22 £'000				2022/23 £'000		
Fire	LGPS	Total		Fire	LGPS	Total
<b>258,896</b>	<b>10,527</b>	<b>269,423</b>	<b>Balance at 1 April</b>	<b>278,733</b>	<b>9,820</b>	<b>288,553</b>
13,420	-1,499	11,921	Actuarial gains or losses on pensions assets and liabilities	-103,119	-8,909	-112,028
12,442	1,351	13,793	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	13,791	1,516	15,307
-6,025	-559	-6,584	Employer's pension contributions and direct payments to pensioners payable in the year	-6,070	-601	-6,671
<b>278,733</b>	<b>9,820</b>	<b>288,553</b>	<b>Balance at 31 March</b>	<b>183,335</b>	<b>1,826</b>	<b>185,161</b>

# Notes to the Core Financial Statements

## Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

<b>2021/22 £'000</b>		<b>2022/23 £'000</b>
-729	<b>Balance at 1 April</b>	85
814	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	85
<b>85</b>	<b>Balance at 31 March</b>	<b>170</b>

## Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, ie annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

<b>2021/22 £'000</b>		<b>2022/23 £'000</b>
-266	Balance at 1 April	-142
266	Settlement or cancellation of accrual made at the end of the preceding year	142
0	Amount accrued at the end of the current year	0
-142	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-170
<b>-142</b>	<b>Balance at 31 March</b>	<b>-170</b>

# Notes to the Core Financial Statements

## 23. USABLE RESERVES

The Fire Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

### Transfers To / From Earmarked Reserves

	Balance 31 Mar 2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	Balance 31 Mar 2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	Balance 31 Mar 2023 £'000
General Fund Balance	1,600	-1,600	1,153	1,153	-1,153		
General Reserve	577	0	0	577	0	0	577
Major Projects Capital Reserve	10,126	-1,618	639	9,147	-2,695	182	6,634
Earmarked Capital Reserve	1,370	-1,620	250	0	0	0	0
Extreme Weather Reserve	334	-115	0	219	0	0	219
Pensions and Other Staff Issues Reserve	725	-83	45	687	0	0	687
ICT Reserve	1,029	-175	250	1,104	-270	0	834
STP Staff Reserve	159	-302	170	27	-478	1,320	869
Income Volatility Reserve	687	0	0	687	0	0	687
Service Delivery Reserve	176	-57	6	125	-7	0	118
Training Reserve	17	-66	100	51	-38	0	13
Building Maintenance Reserve	312	0	0	312	-12	0	300
Operational Equipment Reserve	166	-13	60	213	-97	0	116
Usable Capital Receipts Reserve	0	0	0	0	-88	129	41
<b>Total</b>	<b>17,278</b>	<b>-5,649</b>	<b>2,673</b>	<b>14,302</b>	<b>-4,838</b>	<b>1,631</b>	<b>11,095</b>

## Notes to the Core Financial Statements

### 24. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

	<b>2022/23 £'000</b>	<b>2021/22 £'000</b>
<b>Opening Capital Financing Requirement</b>	<b>5,095</b>	<b>2,858</b>
<i>Capital investment</i>		
Property Plant and Equipment	5,539	6,149
<i>Sources of Finance</i>		
Government grants and other contributions	0	0
Sums set aside from revenue:		
Direct revenue contributions	-2,830	-3,766
MRP	-198	-146
<b>Closing Capital Financing Requirement</b>	<b>7,606</b>	<b>5,095</b>
<b>Explanation of movements in year</b>		
Decrease in underlying need to borrowing (supported by government financial assistance)	0	0
Increase / -decrease in underlying need to borrowing (unsupported by government financial assistance)	2,511	2,237
<b>Increase / -decrease in Capital Financing Requirement</b>	<b>2,511</b>	<b>2,237</b>

## Notes to the Core Financial Statements

### 25. CASH FLOW STATEMENT – NON CASH ITEMS

2021/22 £'000		2022/23 £'000
-2,353	Depreciation	-2,413
-1,891	Losses on asset revaluations	-2,436
	Loss on sale of non current assets	-76
-7,209	IAS19 pension adjustments	-8,636
814	Collection Fund adjustment	85
125	Accumulated Absences adjustment	-28
95	Movement on stocks	-196
-2,089	Movement on creditors	1,306
54	Movement on debtors	261
<b>-12,454</b>		<b>-12,133</b>

### 26. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2021/22 £'000		2022/23 £'000
35	Interest received	272
-246	Interest paid	-238
<b>-211</b>	<b>Net Interest</b>	<b>34</b>

### 27. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2021/22 £'000		2022/23 £'000
6,149	Purchase of property plant and equipment	5,539
-6,000	Other payments from investing activities	-3,000
<b>149</b>	<b>Net cash flows from investing activities</b>	<b>2,539</b>

## Notes to the Core Financial Statements

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### 28. CASH FLOW STATEMENT – FINANCING ACTIVITIES

<b>2021/22</b> <b>£'000</b>		<b>2022/23</b> <b>£'000</b>
-35	Other receipts from financing activities	-272
406	Other payments for financing activities	401
<b>371</b>	<b>Net cash flows from financing activities</b>	<b>129</b>



## Pension Fund Accounts

Year ended 31 March 2022 £'000		Year ended 31 March 2023 £'000
	<b>Income to the fund</b>	
	<b>Contributions receivable:</b>	
	<b>From employer:</b>	
-200	Normal: 1992 scheme	0
-37	Normal: 2006 scheme	0
-46	Normal: 2006 modified scheme	0
-2,394	Normal: 2015 scheme	-2,689
-84	Early Retirements	-84
	<b>From members:</b>	
-82	Normal: 1992 scheme	0
-14	Normal: 2006 scheme	0
-28	Normal: 2006 modified scheme	0
-1,057	Normal: 2015 scheme	-1,194
-35	Past Service: 2006 modified scheme	-30
	<b>Transfers in:</b>	
-38	Individual transfers from other schemes	-26
<b>-4,015</b>	<b>Income to the Fund</b>	<b>-4,023</b>
	<b>Spending from the Fund:</b>	
	<b>Benefits payable:</b>	
5,217	Pensions	5,558
1,745	Commutations on pensions and lump sum retirement benefits	1,447
	<b>Payments to and on account of leavers:</b>	
0	Individual transfers out of the scheme	0
<b>2,947</b>	<b>Deficit / surplus for the year before top up grant receivable from Central Government</b>	<b>2,982</b>
-2,084	Top Up grant received	-1,946
-863	Top Up grant	-1,036
<b>0</b>	<b>Net amount receivable for the year</b>	<b>0</b>

## Pension Fund Accounts

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### Net Assets Statement as at 31 March 2022

2021/22 £'000	Current Assets	2022/22 £'000
863	Top Up grant receivable from Government	1,036
	<b>Current Liabilities</b>	
-863	Amounts due to General Fund	-1,036
<b>0</b>		<b>0</b>

### Notes to the Pension Fund Accounts

- 1. Firefighters Pension Schemes** – on 1 April 2006 new financial arrangements were introduced for both the 1992 and the newly established 2006 Firefighter Pension Schemes. The Pension fund was established under the Firefighters Pension Fund Regulations 2006.  
The Firefighters' Pension Scheme 2015 was introduced at the beginning of the financial year. This is a career average scheme, and is available to operational firefighters appointed on or after 1 April 2015. Serving firefighters will also have been transferred into the scheme, unless they have protected status under one of the existing schemes. The scheme is regulated by the Home Office.
- 2.** The Pension Fund is regulated by Home Office, and the pension schemes are managed and administered locally by each Fire Authority. Both are unfunded, defined benefit schemes; contributions to the schemes are made by firefighters and employers, and paid into the Fund, from which most commutations and regular pension payments are made. Any deficit on the Fund will be met by Government, and any surplus at the end of the year will be repaid to Government.
- 3.** The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end; information on the Authority's long term pensions obligations can be found at note 13 to the main financial statements.
- 4.** Employees and employers contribution levels are set nationally by the Home Office and subject to triennial revaluation by the Government's Actuary Department.
- 5.** The accounts are prepared in accordance with the same Code of Practice and accounting policies as the main financial statements – they can be found at page 28.

# Glossary of Terms

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## **Accrual**

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

## **Capital Adjustment Account**

Provides a balancing mechanism between the different rates at which assets are depreciated under IFRS and are financed through capital controls system.

## **Capital Expenditure**

Expenditure on the acquisition of non current assets such as land, buildings, vehicles and equipment which are of long term value, or expenditure which adds to and not merely maintains the value of existing assets.

## **Capital Receipts**

Money received from the sale of capital assets such as vehicles, which may be used to repay outstanding debt or finance new assets.

## **CIPFA**

The Chartered Institute of Public Finance and Accountancy.

## **Capital Financing Requirement**

This measures the underlying need to borrow to finance capital expenditure.

## **Collection Fund Adjustment Account**

Provides a mechanism for recognising the Fire Authority's share of the Collection Fund surplus / deficits at the end of the year.

## **Corporate and Democratic Core**

Represents the costs of corporate policy making and member based activities. Other costs relate to the general running of the Fire Authority including corporate management and public accountability.

## **Council Tax**

The means of raising money locally which pays for Fire Authority services. This is a property based tax where the amount levied is dependant on the valuation of each dwelling.

## **Creditors**

Amount owed by an organisation for work done, goods received, or services rendered to the organisation within the accounting period but for which payment has not been made.

## **Current Assets**

Items from which the Fire Authority derives a benefit but which will be consumed or realised during the next accounting period, ie stocks, debtors, cash.

## **Current Liabilities**

Amounts which will become payable in the next accounting period ie creditors.

# Glossary of Terms

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## **Debtors**

Sums of money due to the Fire Authority for goods sold or services rendered but for which payment has not been received at the balance sheet date.

**Depreciation** – the measure of the wearing out, consumption, or other reduction in the useful economic life of a non current asset, whether arising from use, passage of time or obsolescence through technological or other changes.

## **Government Grants**

Assistance by government in the form of cash or transfers of assets to authorities, in return for past or future compliance with certain conditions relating to the activities of the Fire Authority.

## **Heritage Assets**

Assets preserved in trust for future generations because of their cultural, environmental or historical associations, which have historical, artistic, scientific or environmental qualities, and which are held and maintained by the Fire Authority principally for the contribution to knowledge and culture.

## **Home Office**

The Government department with responsibility for the Fire and Rescue Service from 5 January 2016.

## **Impairment**

A reduction in the value of a non current asset below its carrying amount on the balance sheet.

## **International Accounting Standards (IAS)**

## **International Financial Accounting Standards (IFRS)**

The framework of standards within which the financial statements are prepared.

## **Long Term Borrowing**

Loans that are raised with external bodies, for periods of more than one year.

## **Minimum Revenue Provision (MRP)**

The minimum amount which must be charged to the revenue account each year to set aside for provision for credit liabilities, previously 4% of the capital financing requirement.

## **Non Current Assets**

Assets that yield benefits to the Fire Authority and the services it provides for a period of more than one year.

## **Operational Assets**

Non current assets held and occupied, used or consumed by the Fire Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

## **PCC**

The Police and Crime Commissioner – this is a directly elected role which oversees policing and ensures that police forces are effective. The Police and Crime Act 2017

# Glossary of Terms

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now enables the PCC to take on responsibility for Fire and Rescue Services where a local case is made.

## **Revaluation Reserve**

Contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation.

## **Revenue Support Grant**

Government grant in aid of the Fire Authority's services generally. It is based upon the Government's assessment of how much the Fire Authority needs to spend in order to provide a standard level of service.

## **Stocks**

The amount of unused or unconsumed stocks held in expectation of future use.

## **Useful Life**

The period over which the Fire Authority will derive benefits from the use of a non current asset.

## **Virement**

The transfer of resources between budget heads. Virements must be properly authorised by the appropriate committee or by officers under delegated powers.