



Shropshire and Wrekin

Fire and Rescue Authority

Statement of Accounts

2020/21

Contents

	Page
Narrative Report	3
Annual Governance Statement	16
Statement of Responsibilities	22
Audit Certificate	23
Statement of Accounting Policies	25
Core Financial Statements:	
Comprehensive Income and Expenditure Statement	42
Movement in Reserves Statement	43
Balance Sheet	45
Cash Flow Statement	46
Notes to the Core Financial Statements	47
Pension Fund Accounts	92
Glossary of Terms	93

Narrative Report

Introduction

This is the statement of accounts for Shropshire and Wrekin Fire and Rescue Authority, for the financial year ended 31 March 2021. 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 2020/21 (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 600 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 473,000 people living in 214,000 residential dwellings, 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 an Integrated Risk Management Plan (IRMP) – this establishes how the Authority intends to meet the challenging needs and risks within the community in the short to medium term.

The IRMP 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, Putting Shropshire's Safety First, 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 IRMP 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 IRMP 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 Service Measures – this is a challenging suite of performance targets which were set up with a view to continuously improve and are reviewed and

Narrative Report

updated annually. These measures will confirm whether any changes are required to the Authority's strategies if outputs and outcomes are not as anticipated.

The Authority set the Service challenging targets aiming for an improvement of 25% in performance over 5 years.

The financial year 2020/21 was the fourth year of the Plan and the Service targets were approved by Strategy & Resources Committee in March 2020.

Our Performance

Of the eight service targets set by members, five were achieved, and these included increased performance relating to:

- Numbers of deliberate fires
- The percentage of fires confined to room of origin
- Numbers of fire related deaths and serious injuries
- Numbers of injuries sustained to staff

The Service also achieved an unqualified Value for Money conclusion as part of its external audit for the financial year 2019/20.

The targets that were not achieved were:

- Numbers of accidental primary fires were 472 against a target of 433
- Numbers of accidental dwelling fires were 202 against a target of 186
- The percentage of incidents attended within 15 minutes was 85.6% against a target of 89%.

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.

The Fire Authority suffered large reductions in its grant income in the 2010 Spending Review and subsequent Finance Settlement. A change in risk factors within its needs assessment led to grant reductions of 9.5% in 2011/12 and 3.4% in 2012/13, the highest percentage reduction over these two years. The Authority realised that major budget reductions were crucial to ensure that service delivery to the public of Shropshire did not suffer and embarked upon a major consultation and cost cutting exercise

The Public Value consultation achieved £3million worth of budget cuts across the four years from 2011/12. Further reductions were identified during the Integrated Risk Management (IRMP) Plan consultation and review of the Service to 2020, which included changes to shift patterns worked by full time firefighters and Fire Control staff.

Narrative Report

From 5 January 2016, ministerial responsibility for Fire and Rescue Services was transferred from the then Department of Communities and Local Government (DCLG) to the Home Office, in order to support a radical transformation of how police and fire and rescue services work together. Although DCLG published the finance settlement in February 2016, responsibility for Fire budgets moved to the Home Office on 1 April 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.

In September 2019, the Chancellor of the Exchequer delivered a speech outlining the Spending Round for 2020/21. Pressures around the United Kingdom's exit from the European Union meant that the Comprehensive Spending Review for 2020/21 was delayed, therefore a one year settlement had been undertaken.

The Chancellor announced that no government department would be cut in 2020/21, and that funding would be increased by at least inflation. It proved difficult to determine either the impact of the one year settlement on the Fire sector, or the possible settlements in place for the future years.

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 were again advised to approve a budget for 2020/21, and task officers to update scenario planning as and when more details on future years became available.

Following consideration of the options presented, members approved a revenue budget for 2020/21 and a precept increase of £2.00 per year, or 1.99%.

The Comprehensive Spending Review and Fair Funding Review was due to be carried out during 2020, however this has been delayed due to the global pandemic.

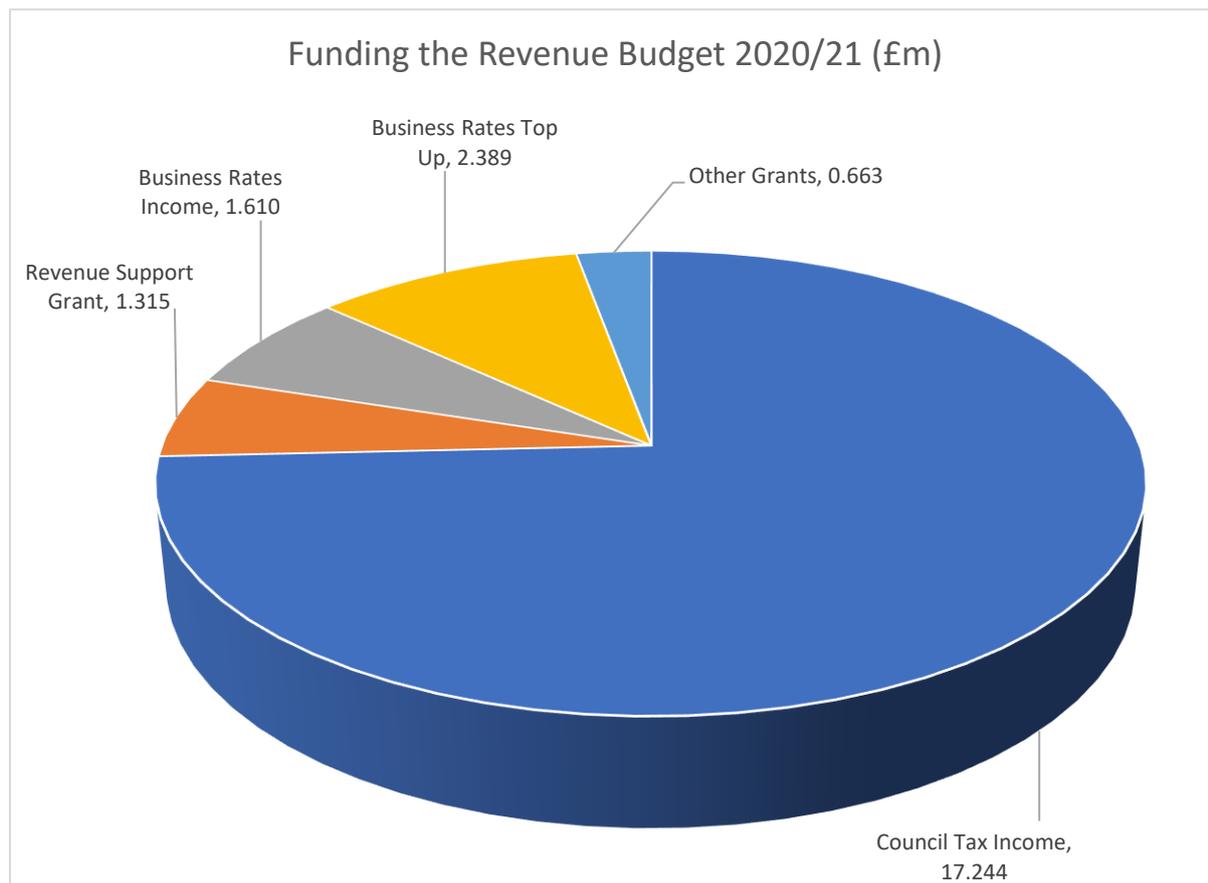
The Authority continues to monitor and review its strategic planning options and is well placed to react to future funding decisions.

Revenue Budget and Expenditure

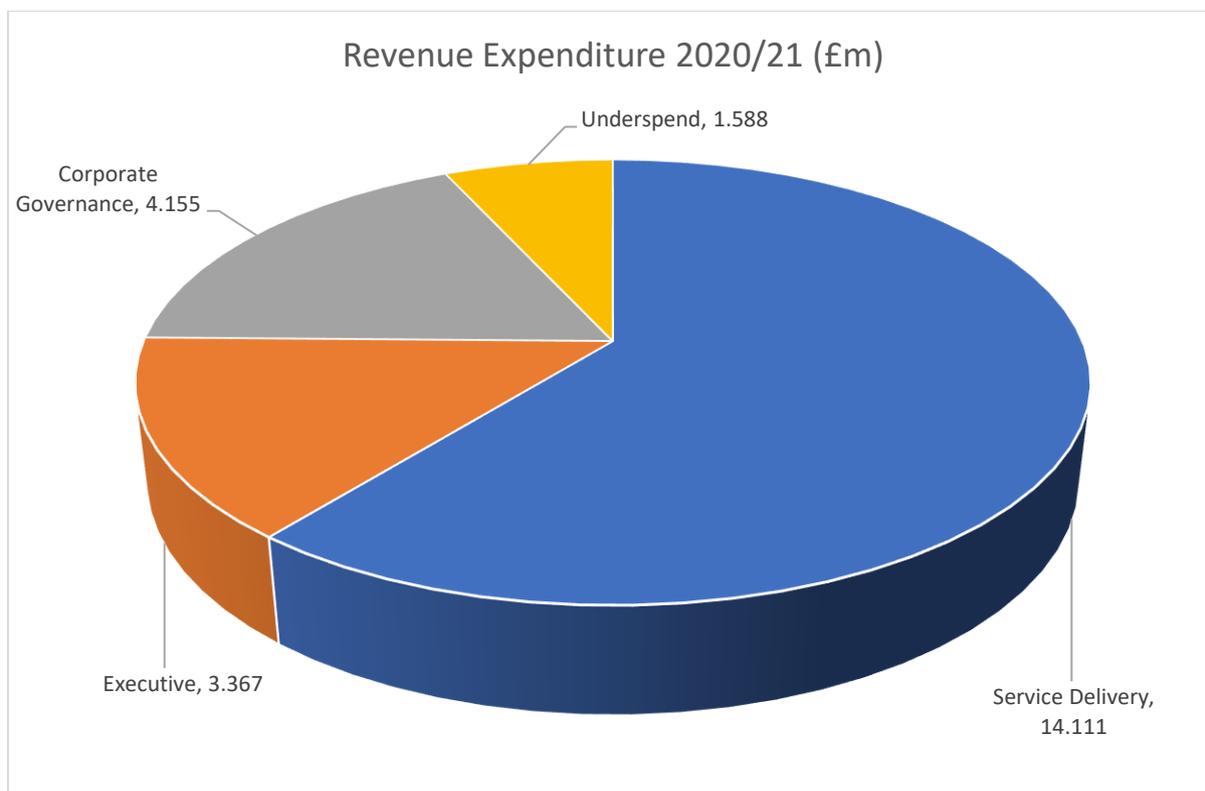
In February 2020, Shropshire and Wrekin Fire Authority approved a revenue budget of £23.221m for 2020/21. This budget quantified the Service's strategic and operational plans, and the further sub division into business areas also enabled individual business plans to be quantified, and achievements monitored.

Narrative Report

The revenue budget for 2020/21 was funded as follows:



During 2020/21 the Fire Authority received regular updates on financial performance and approved changes of £943,000 to the revenue budget. Actual out turn on the revenue budget was £21.633m; further underspends of £645,000 were identified.



Efficiencies and other variances	£'000
Firefighting and control pay	-105
Prevention pay	33
Officers pay	23
Operations pay	-40
Training and Development pay	-19
Subsistence	21
Technical Services	-24
Prevention	21
Consultancy	-19
Other variances	27
Total	-82

Narrative Report

Slipped Income and Expenditure	£'000
Covid 19 support grant	333
Protection grants	142
Property maintenance	114
Development	62
Project salaries	32
Legal fees	22
Training	16
Animal rescue donations	6
Total	727

Income	£'000
Additional grant received	12
Total	12

Capital Expenditure

In 2020/21 the Fire Authority spent £1.356m on capital projects. These can be summarised as follows:

Scheme	£'000
Building Improvements	528
Vehicles and equipment	482
IT Infrastructure	346
Total	1,356

Expenditure on capital projects has been funded from:

Source of Funding	£'000
Capital Reserve	1,139
Major Projects Reserve	217
Total	1,356

Reserves - Overview of the Reserves Strategy

The Fire Authority has set out its financial strategy to 2020/21 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:

Narrative Report

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, with any one-off savings identified 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.

	31 March 2020 £'000	31 March 2021 £'000
General Reserve	577	577
Pensions and Other Staff Issues Reserve	725	725
Extreme Weather Reserve	334	334
Earmarked Capital Reserve	2,509	1,370
Major Projects Capital Reserve	8,625	10,126
ICT Reserve	1,033	1,029
Capital Grants Unapplied Reserve	0	0
Income Volatility Reserve	237	687
Service Transformation Programme Staff Reserve	223	159
Service Delivery Reserve	236	176
Training Reserve	100	17
Operational Equipment Reserve	181	166
Buildings Maintenance Reserve	408	312
General Fund Balance	1,148	1,600
Total	16,336	17,278

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 is anticipated in summer of 2021. The Service awaits the white paper and any subsequent changes.

Fire Alliance – Hereford and Worcester Fire and Rescue Authority

The Fire Authority has entered into a Fire Alliance with Hereford and Worcester Fire and Rescue Authority, to enable the two services to collaborate in a way that creates capacity and resilience for both. The initial four areas of focus were ICT, Fire Control, Integrated Risk Management Planning (IRMP) 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 IRMPS using a single methodology. The outcome of this will be that both services work to a common set of performance measures. Progress has also been made across the other areas with new initiative being developed such as common IT systems, training standards, clinical governance, Fire Investigation standards and procurement specifications. Additionally the Services have committed jointly procuring a joint mobilisation system and current contracts are renewed.

IRMP3 – major improvements at Telford

Following a feasibility study, the Fire Authority have 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. It is anticipated that this will involve the creation of a shared training facility with West Mercia Police, and 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 have been appointed to design and manage the works. Planning permission has been received and a contractor

appointed. Works are due to start on site in June 2021, for completion by December 2023.

Covid 19 Pandemic

The Covid 19 pandemic began to affect most countries in the world during the first quarter of 2020 and the United Kingdom initially went into lockdown in March 2020, followed by further lockdowns in November 2020 and January 2021. The Service undertook significant work to ensure it was best placed to continue to deliver its services and support partners to mitigate the impacts of Covid 19 upon its communities. Intelligence was gained through Health partners by actively engaging in Tactical and Strategic Co ordination Groups.

The Service's capabilities were also communicated to demonstrate how partners could be supported. The Service offered support to a number of different agencies, and assisted in the following ways:

- Working locally and nationally to influence and share data with NFCC, NHS and Local Authorities and prioritise support to vulnerable members of the community.
- Seconding a Station Manager to work with and support Health and Local Authority partners.
- Assisting with risk assessments and traffic management plans for mass vaccine sites throughout the county.
- Training and deploying staff to undertake parking and logistics across mass vaccine sites.
- Training and deploying vaccinators to support the vaccination roll out across the county.
- Supporting transport of non-covid patients to and from hospital through the secondment of 3 members of staff and vehicles.

Plans were produced to deal with a peak absence rate of 20%; however, the Service has experienced much lower absence rates than these initial planning assumptions.

The pandemic has impacted the Service in many different ways:

- **Provision of service** – response plans ensuring continuation of operational activities and close collaboration with cross agency working were implemented, and these are ongoing into the next financial year.
- **Workforce** – this includes continued safety of operational staff and working from home for support staff. Health and wellbeing of employees is paramount and individual circumstances must also be taken into account. Work is ongoing through a Restoration and Renewal Group to identify new ways of working, now and into the future.
- **Supply chains** – use of existing and new suppliers, access to national supply arrangements and increased stock holdings, ensures continued provision of personal protective equipment and other essential equipment.

- **Restoration of service** – The Service have established a Renewal Group, with a focus on key workstreams to ensure continual improvement and learning is taken from the pandemic. This work includes:
 - IT systems, infrastructure and security
 - Use of accommodation
 - New ways of working
 - Use of data to support future decision making
 - Review of existing work processes
 - Environmental impact

Financial management and cash flow – the Authority was not affected by cash flow issues in 2020/21 as a result of the pandemic. Income was received from constituent authorities as expected, and government grants were paid early to ensure that funds were available for continuation of service delivery.

A payment of £445,000 in government grant was made to the Authority in 2020/21 for Covid 19 related expenditure. The Authority also ensured that funds in excess of Covid grants were available in reserves – the Income Volatility Reserve was increased as the 2019/20 accounts were closed.

The Authority successfully bid for a second tranche of Covid grant in February 2021, this will be paid in early 2021/22. This will continue the Authority's collaboration work with NHS on administering vaccines, marshalling vaccination centres and transferring non emergency patients.

Whilst funding was sufficient to ensure that service provision was unaffected in 2019/20, there were concerns about future funding streams, particularly around collection fund balances and council tax base growth.

The Authority has received net surpluses on collection funds for council tax and business rates in recent years. However, due to reduced receipts during 2020/21, deficits were reported on both funds, a proportion of which must be repaid by the Authority. In 2021/22, government grant will be paid to cover 75% of these deficits, with the remaining 25% repayable over 3 years rather than the usual 1 year.

Similarly, growth in the council tax base has resulted in additional precept collection for the Authority in recent years. However, due to a large number of households being supported with payment of council tax, 2021/22 will see only a slight increase in council tax base. Again, government grant will be paid in 2021/22 to cover this loss of tax base growth.

The Financial Statements

The core financial statements are set out on pages 42 to 46 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

Narrative Report

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;
- 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

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.

The governance framework has been in place at Shropshire and Wrekin Fire and Rescue Authority for the period of the 2020/21 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:

Annual Governance Statement

- 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 (2010) 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 2020/21 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;

Annual Governance Statement

- 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 Integrated Risk Management Planning (IRMP) 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 2019/20
 - Annual Plan 2020/21;
 - Annual Audit Letter 2019/20;
 - Budget Monitoring reports;
 - Service Measures Performance reports;
 - The Service Plan 2015/20, 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 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 2020/21 related to:
 - Payroll System, including IT application follow up;
 - Financial Systems, including IT application follow up;
 - Risk Management and Business Continuity Arrangements;
 - Corporate Governance and;
 - Follow Up of Recommendations;

Based on the work undertaken and management responses received, the Head of Internal Audit has offered reasonable assurance for the 2020/21 year that the Authority's framework for governance, risk management and internal control processes is sound and working effectively.

Generally, risks are well managed, but some areas require robust action plans to address significant recommendations that have remained outstanding for over 12 months, to ensure the achievement of the Authority's objectives and protect the control environment. 2020/21 has continued to see the embedding of key business system changes, delivered in the areas of financial and human resources, whilst working in a COVID secure manner and alongside the challenge to continue to deliver savings and increased efficiency.

Internal Audit will be conducting audits in the following areas during 2021/22:

- Payroll System;
- IT Application Infrastructure Review

Annual Governance Statement

- Financial Systems Review;
- Recommendation follow up;
- Risk Management;
- Corporate Governance;
- Review of Annual Governance Statement.

The Effect of Covid 19 on Governance Arrangements

The Covid 19 pandemic began to affect most countries in the world during the first quarter of 2020 and the United Kingdom initially went into lockdown in March 2020, followed by further lockdowns in November 2020 and January 2021. The Service undertook significant work to ensure it was best placed to continue to deliver its services and support partners to mitigate the impacts of Covid 19 upon its communities.

As departments began to work remotely, arrangements were put in place to ensure that governance of the Service was not compromised:

- Under the direction of the Covid Response Group and the Restoration and Renewal Group, new ways of working were introduced and technology supported these changes.
- The Service held virtual Authority and Committee meetings, with protocols put in place to ensure that they ran effectively; the meetings were live streamed to make them available to the public;
- Internal audits were carried out remotely, with no limitation in the scope of the topic being covered;
- The external audit of the Statement of Accounts was carried out remotely by Grant Thornton and the accounts were approved within legislative deadlines;
- The Service's risk management practices continued with additional registers in place for Covid related issues;
- The updated Code of Corporate Governance reflected the changes put in place as a result of the pandemic.

The Restoration and Renewal Group are now reviewing the effectiveness of these adapted arrangements, to learn lessons about what worked well and what could be improved upon. It will be important to retain the benefits and successful working practices into future working arrangements.

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.
- Attendance by the Treasurer or nominated representative at the following statutory meetings held with Fire Authority Members:
 - Meetings of the Fire and Rescue Authority;

Annual Governance Statement

- 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.

Significant Internal Control Issues

No significant issues were raised in the External Auditor's Annual Audit Letter 2019/20. 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 2021. An Annual Governance Statement (AGS) Improvement Plan 2021/22 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 Performance, Audit and Standards Committee and the Service's Service Management Team.

A summary of the areas for further development, contained in the AGS Improvement Plan 2021/22, is given below.

People

Continue to deliver the people strategy including the Whole time and Fire Control shift changes. Produce and implement the actions identified in the On-Call Sustainability Review.

Adopt the new fitness standard whilst assisting with the implementation of fitness support facilities via the refurbishment programme.

Processes

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

Following migration to the new Finance, Payroll and electronic retained payments systems – develop internal processes to ensure full functionality and compliance within these systems.

Systems/IT Infrastructure

Improve security of the corporate network and continue to support the implementation of Emergency Services Network.

Introduce Integrated Communications Control System (ICCS).

Complete Fire Service Rota (FSR) implementation.

Collaborate with Hereford and Worcester Fire and Rescue Service on the Learning Environment Online (LEO) system.

Annual Governance Statement

Implement training activities synchronisation between LEO and EIDRs.

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.

Appliances and Equipment

Deliver the fleet and equipment strategy. To include the introduction of three pumping appliances.

Undertake benefits review of the Incident Command Vehicle.

Deliver the Service improvement workstreams of the Response Capability Programme Board.

Collaboration

Support and monitor the strategic alliance programme plan as it evolves.

Commence work on the new Community Risk Management Plan (CRMP) year 1 outcomes.

All of the areas for improvement are due to be completed by July 2022, with the exception of the Telford project, which has a completion date of November 2023.

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

Statement of Responsibilities

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 2021).

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 2021.

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 24 September 2021.

Chair of the Standards Audit and Performance Committee

Dated:

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

Audit Certificate

The audit certificate is posted separately

Audit Certificate

Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the Fire Authority's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. 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 2020/21, 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. The draft statement must be approved by the Treasurer by 31 July 2021, and the audited statement must be approved by those charged with governance by 30 September 2021.

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

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

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

- **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

- **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, changes in the management 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

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

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.

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 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

Statement of Accounting Policies

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:
 - The return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pensions Reserve.

Statement of Accounting Policies

- 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.

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

Statement of Accounting Policies

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.

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
- 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:

Statement of Accounting Policies

- 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 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:

Statement of Accounting Policies

- 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.

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

Statement of Accounting Policies

- 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.

Heritage Assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental and historical associations. They include historical buildings, civic regalia, orders and decorations (medals), military equipment of scientific interest, and works of art. Authorities are required to account for tangible heritage assets in accordance with FRS 102 s34.

Heritage assets are recognised and measured in accordance with the Fire Authority's policies on Property Plant and Equipment. However, where information on cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements, the Code does not require that the asset is recognised on the Balance Sheet.

12

Leases

Finance Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Statement of Accounting Policies

Non current assets recognised under finance leases are accounted for using the policies applied generally to Property Plant and Equipment, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at the present value of the minimum lease payments. The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the Plant and Equipment, applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution 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.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals paid are charged to the relevant service line in the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease, generally meaning rentals are charged when they become payable.

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 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

Statement of Accounting Policies

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
- 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.

Statement of Accounting Policies

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.

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.

Statement of Accounting Policies

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

2019/20				2020/21		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
6,140	-133	6,007	Executive and Resources	6,198	-23	6,175
3,841	-32	3,809	Corporate Governance	4,259	-81	4,178
14,602	-2	14,600	Service Delivery	14,645	-198	14,447
24,583	-167	24,416	Cost of Services – continuing operations	25,102	-302	24,800
		0	Loss on disposal of non current assets			0
			Other Operating Expenditure			
		256	Interest payable and similar charges			256
		-160	Interest and investment income			-85
		5,585	Net interest on the net defined liability (note 6)			5,298
		5,681	Financing and Investment Income and Expenditure (note 6)			5,469
		-20,475	Precepts and Non Domestic Rates (note 7)			-20,113
		-3,191	Government Grants (notes 7 and 11)			-3,895
		-23,666	Taxation and Non Specific Grant Income (note 7)			-24,008
		6,431	Surplus(-)/ Deficit on Provision of Services			6,261
		-71	Surplus arising on the revaluation of property plant and equipment			334
		235	Remeasurement of the net defined benefit liability (note 13)			31,584
		164	Other Comprehensive Income and Expenditure			31,918
		6,595	Total Comprehensive Income and Expenditure			38,179

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
Balance at 31 March 2020	1,148	15,188	16,336	0	16,336	-205,063	-188,727
Movement in reserves during 2020/21							
Total Comprehensive Income and Expenditure	-6,261	0	-6,261	0	-6,261	-31,917	-38,178
Adjustments between accounting basis & funding basis under regulations (note 4)	7,203	0	7,203	0	7,203	-7,203	0
Increase/- Decrease in 2020/21	942	0	942	0	942	-39,120	-38,178
Balance as at 31 March 2021 cfwd	2,090	15,188	17,278	0	17,278	-244,183	-226,905
Transfers to/from Earmarked Reserves	-490	490	0	0	0	0	0
Balance as at 31 March 2021 cfwd	1,600	15,678	17,278	0	17,278	-244,183	-226,905

Note 24

Note 23

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
Balance at 31 March 2019	485	15,022	15,507	0	15,507	-197,639	-182,132
Movement in reserves during 2019/20							
Total Comprehensive Income and Expenditure	-6,431	0	-6,431	0	-6,431	-164	-6,595
Adjustments between accounting basis & funding basis under regulations (note 4)	7,260	0	7,260	0	7,260	-7,260	0
Increase/- Decrease in 2019/20	829	0	829	0	829	-7,424	-6,595
Balance as at 31 March 2020 cfwd	1,314	15,022	16,336	0	16,336	-205,063	-188,727
Transfers to/from Earmarked Reserves	-166	166	0	0	0	0	0
Balance as at 31 March 2020 cfwd	1,148	15,188	16,336	0	16,336	-205,063	-188,727

Note 24

Note 23

Core Financial Statements

Balance Sheet

1 April 2019 Restated £'000	31 March 2020 Restated £'000		Note	31 March 2021 £'000
		Property Plant and Equipment		
25,978	25,239	Land and Buildings	16	24,462
5,134	4,810	Vehicles Plant Furniture and Equipment	16	4,630
31,112	30,049	Total Long Term Assets		29,092
401	441	Inventories	18	444
3,319	1,993	Short Term Debtors	19	2,051
11,970	9,000	Investments	17	15,000
5,101	10,618	Cash and Cash Equivalent	20	4,725
20,791	22,052	Total Current Assets		22,220
-2,549	-2,707	Short Term Creditors	21	-3,041
0	-120	Short Term Borrowing	17	-160
-2,549	-2,827	Current Liabilities		-3,201
-176	-183	Provisions	22	-175
-5,698	-5,578	Long Term Borrowing	17	-5,418
-225,612	-232,240	Pension Liability	23	-269,423
-231,486	-238,001	Long Term Liabilities		-275,016
-182,132	-188,727	Net Liabilities		-226,905
		Usable Reserves		
485	1,148	General Fund	24	1,600
577	577	General Reserve	24	577
7,484	8,625	Major Projects Capital Reserve	24	10,126
3,222	2,509	Earmarked Capital Reserve	24	1,370
334	334	Extreme Weather Reserve	24	334
809	725	Pensions and Other Staff Issues Reserve	24	725
1,048	1,033	ICT Reserve	24	1,029
250	223	STP Staff Reserve	24	159
237	237	Income Volatility Reserve	24	687
236	236	Service Delivery Reserve	24	176
167	100	Training Reserve	24	17
408	408	Building Maintenance Reserve	24	312
250	181	Operational Equipment Reserve	24	166
		Unusable Reserves		
14,246	13,724	Revaluation Reserve	23	12,754
13,508	13,226	Capital Adjustment Account	23	13,481
-217,392	-223,508	Fire Pensions Reserve	13/23	-258,896
-8,220	-8,732	LGPS Pensions Reserve	13/23	-10,527
371	401	Collection Fund Adjustment Account	23	-729
-152	-174	Accumulated Absences Account	23	-266
-182,132	-188,727	Total Reserves		-226,905

Signed by the Treasurer

Core Financial Statements

Cash Flow Statement

Restated 2019/20 £'000		2020/21 £'000
-6,431	Net (surplus) or deficit on the provision of services	-6,261
9,825	Adjustments to net surplus or deficit on the provision of services for non cash movements (see Note 26)	7,844
96	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (see Note 27)	171
3,490	Net cash flows from operating activities	1,754
2,123	Investing Activities (see Note 28)	-7,356
-96	Financing Activities (see Note 29)	-291
5,517	Net increase or decrease in cash and cash equivalents	-5,893
5,101	Cash and cash equivalents at the beginning of the period	10,618
10,618	Cash and cash equivalents at the end of the reporting period	4,725

Notes to the Core Financial Statements

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
Leases
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.

The following standards have been issued but they will not have a material effect on the financial statements

- Definition of a Business: Amendments to IFRS3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS9, IAS39 and IFRS7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS9, IAS39, IFRS7, IFRS4 and IFRS16

Notes to the Core 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.

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.

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 2021 is not reported as being subject to 'material valuation uncertainty'.

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

Notes to the Core Financial Statements

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. PRIOR PERIOD ADJUSTMENT

Investments

The Fire Authority has identified an error in the way in which investments were categorised in 2019/20. This adjustment is low risk in nature.

In the Authority's accounting policy for investments held, it is stated that investments that mature within 3 months of the acquisition date should be classed as cash equivalents.

In the balance sheet as at 31 March 2020, all investments have been classified as cash equivalents; however some of these investments matured after more than 30 days of acquisition.

In order to correct this error, the Authority has restated the prior year information for 2019/20. A balance sheet for 2018/19 is also shown as it affects the opening balances for 2019/20

	<i>Originally Stated</i> £'000	<i>Restated</i> £'000	<i>Amount of Restatement</i> £'000
2019/20			
Current assets:			
Cash and cash equivalent	19,618	10,618	-9,000
Investments	0	9,000	9,000
1 April 2019			
Current assets:			
Cash and cash equivalent	17,071	5,101	-11,970
Investments	0	11,970	11,970

2019/20	<i>Originally Stated</i> £'000	<i>Restated</i> £'000	<i>Amount of Restatement</i> £'000
Cash Flow Statement:			
Investing activities	-847	2,123	2,970
Cash & cash equivalents at start of period	17,071	5,101	-11,970
Cash & cash equivalents at end of period	19,618	10,618	-9,000

Notes to the Core Financial Statements

Collection Fund Adjustments

The Fire Authority has identified an error in the way in which collection fund balances were incorporated into the accounts in 2019/20. This adjustment is low risk in nature.

In order to correct this error, the Authority has restated the prior year information for 2019/20. A balance sheet for 2018/19 is also shown as it affects the opening balances for 2019/20

2019/20	<i>Originally Stated</i> £'000	<i>Restated</i> £'000	<i>Amount of Restatement</i> £'000
Current assets:			
Debtors	2,482	1,993	-489
Current liabilities:			
Creditors	-3,379	-2,707	672

	<i>Originally Stated</i> £'000	<i>Restated</i> £'000	<i>Amount of Restatement</i> £'000
Long term liabilities:			
Provisions	0	-183	-183
Net movement			0

1 April 2019	<i>Originally Stated</i> £'000	<i>Restated</i> £'000	<i>Amount of Restatement</i> £'000
Current assets:			
Debtors	3,731	3,319	-412
Current liabilities:			
Creditors	-3,137	-2,549	588

	<i>Originally Stated</i> £'000	<i>Restated</i> £'000	<i>Amount of Restatement</i> £'000
Long term liabilities:			
Provisions	0	-176	-176
Net movement			0

Notes to the Core Financial Statements

4. 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

2020/21

	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	3,366	2,393	5,759	416	6,175
Corporate Governance	4,155	0	4,155	23	4,178
Service Delivery	14,111	0	14,111	336	14,447
Net Cost of Services	21,632	2,393	24,025	775	24,800
Financing and Investment Income	0	171	171	5,298	5,469
Precepts and Grants	0	-25,138	-25,138	1,130	-24,008
Surplus (-) or Deficit	21,632	-22,574	-942	7,203	6,261
Opening General Fund balance			16,336		
Surplus / deficit on General Fund balance during year			942		
Closing General Fund balance			17,278		

Notes to the Core Financial Statements

2019/20

	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	3,667	1,459	5,126	881	6,007
Corporate Governance	3,805	0	3,805	4	3,809
Service Delivery	13,780	0	13,780	820	14,600
Net Cost of Services	21,252	1,459	22,711	1,705	24,416
Financing and Investment Income	0	96	96	5,585	5,681
Precepts and Grants	0	-23,636	-23,636	-30	-23,666
Surplus (-) or Deficit	21,252	-22,081	-829	7,260	6,431
Opening General Fund balance			15,507		
Surplus / deficit on General Fund balance during year			872		
Closing General Fund balance			16,379		

Notes to the Core Financial Statements

4a Note to the Expenditure and Funding Analysis

2020/21

	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	658				
External interest	-256				
Invest income	85				
Government grant	1,906				
Capital grant	0				
Total	2,393				
External interest	256				
Investment income	-85				
Precept and grants	-23,233				
MRP		-242			-242
Depreciation		1,979			1,979
Impairment		0			0
Loss on disposal of non current assets		0			0
Capital grant		0			0
Capital from revenue		-1,356			-1,356
Pensions			5,599		5,599
Collection fund				1,130	1,130
Accumulated Absences				93	93
Total	-20,669	381	5,599	1,223	7,203

Notes to the Core Financial Statements

2019/20

	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	319				
External interest	-256				
Invest income	160				
Government grant	1,236				
Capital grant	0				
Total	1,459				
External interest	256				
Investment income	-160				
Precept and grants	-23,636				
MRP		-259			-259
Depreciation		1,972			1,972
Impairment		9			9
Loss on disposal of non current assets		0			0
Capital grant		0			0
Capital from revenue		-847			-847
Pensions			6,393		6,393
Collection fund				-30	-30
Accumulated Absences				22	22
Total	-22,081	875	6,393	-8	7,260

Notes to the Core Financial Statements

4b Expenditure and Income Analysed by Nature

2019/20 £'000		2020/21 £'000
	Expenditure	
23,315	Employee benefit expenses	22,982
4,871	Other service expenses	5,439
1,981	Depreciation and impairment	1,979
256	Interest payments	256
30,423	Total Expenditure	30,656
	Income	
-166	Fees and charges and other service income	-302
-20,475	Income from council tax and business rates	-22,102
-3,191	Government grant and contributions	-1,906
-160	Interest and investment income	-85
-23,992	Total Income	-24,395
6,431	Total Net Expenditure	6,261

Notes to the Core Financial Statements

5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2020/21	General Fund Balance	Movement in Unusable Reserves
	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:		
Reversal of items debited or credited to the Comp I&E Statement:		
Charges for depreciation of non current assets	-1,979	1,979
Revaluation losses on Property Plant and Equipment	0	0
Loss on disposal of non current assets	0	0
Capital grants and contributions applied	0	0
Insertion of items not debited or credited to the Comp I&E Statement:		
Statutory provision for the financing of capital investment	242	-242
Capital expenditure charged against the General Fund Balance	1,356	-1,356
Adjustments primarily involving the Pensions Reserves:		
Reversal of items relating to retirement benefits debited or credited to the Comp I&E Statement	-11,428	11,428
Employer's pensions contributions and direct payments to pensioners payable in the year	5,829	-5,829
Adjustment primarily involving the Collection Fund Adjustment Account:		
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	-1,130	1,130
Adjustment primarily involving the Accumulated Absences Account:		
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	-93	93
Total Adjustments	-7,203	7,203

Notes to the Core Financial Statements

2019/20	General Fund Balance	Movement in Unusable Reserves
	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:		
Reversal of items debited or credited to the Comp I&E Statement:		
Charges for depreciation of non current assets	-1,972	1,972
Revaluation losses on Property Plant and Equipment	-9	9
Loss on disposal of non current assets		
Capital grants and contributions applied		
Insertion of items not debited or credited to the Comp I&E Statement:		
Statutory provision for the financing of capital investment	259	-259
Capital expenditure charged against the General Fund Balance	847	-847
Adjustments primarily involving the Pensions Reserves:		
Reversal of items relating to retirement benefits debited or credited to the Comp I&E Statement	-12,086	12,086
Employer's pensions contributions and direct payments to pensioners payable in the year	5,693	-5,693
Adjustment primarily involving the Collection Fund Adjustment Account:		
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	30	-30
Adjustment primarily involving the Accumulated Absences Account:		
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	-22	22
Total Adjustments	-7,260	7,260

Notes to the Core Financial Statements

6. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2020/21 £'000	2019/20 £'000
Interest payable and similar charges	256	256
Pensions interest cost and expected return on pensions assets	5,298	5,585
Interest receivable and similar income	-85	-160
Total	5,469	5,681

7. TAXATION AND NON SPECIFIC GRANT INCOME

	2020/21 £'000	2019/20 £'000
Precept income	-16,925	-16,595
Non domestic rates	-3,188	-3,880
*Non ringfenced government grants	-3,895	-3,191
Total	-24,008	-23,666

*see also note 11

8. MEMBERS' ALLOWANCES

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

	2020/21 £'000	2019/20 £'000
Allowances	74	67
Expenses	0	0
Total	74	67

Notes to the Core Financial Statements

9. 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	
	2020/21	2019/2020
£50,000 - £54,999	13	9
£55,000 - £59,999	11	9
£60,000 - £64,999	7	2
£65,000 - £69,999	1	0
£70,000 - £74,999	1	2
£75,000 - £79,999	4	2
£80,000 - £84,999	0	0
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0
£95,000 - £99,999	1	1
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	1
£125,000 - £129,999	1	0

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

2020/21

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	127,520	0	127,520	47,565	175,085
Deputy Chief Fire Officer (Apr to Dec 20)	78,315	0	78,315	29,212	107,527
Assistant Chief Fire Officer – Corporate Services	97,043	0	97,043	27,949	124,992
Assistant Chief Fire Officer – Service Delivery (Jan – Mar 21)	24,126	0	24,126	6,948	31,074
Head of Transformation and Collaboration (Mar 21)	6,135	0	6,135	1,767	7,902

Notes to the Core Financial Statements

Head of Transformation and Collaboration (Apr 20 – Feb 21)	70,405	6,538	76,943	20,157	97,100
Head of Operations and Risk Management	78,757	0	78,757	21,481	100,238
Group Manager – Shropshire Rural	66,734	0	66,734	18,268	85,002
Group Manager - Prevention	63,851	0	63,851	18,214	82,065
Group Manager – Training	63,922	0	63,922	18,214	82,136
Group Manager – LFC Secondment	63,162	0	63,162	18,191	81,353
Group Manager – Shrewsbury, Telford and Wrekin	64,720	7,065	71,785	18,495	90,280
Group Manager – Operations	63,937	0	63,937	18,208	82,145
Group Manager – Operational Training and Development	63,922	0	63,922	18,214	82,136
Head of Service Delivery (Apr 20 – Feb 21)	70,783	0	70,783	26,245	97,028
Head of Service Delivery (Mar 21)	6,135	594	6,729	1,767	8,496
Digital Transformation Manager	76,035	0	76,035	12,926	88,961
Head of Resources	61,684	0	61,684	10,480	72,164
Head of Human Resources and Administration	61,648	0	61,648	10,480	72,128
Head of Finance (pro rata)	51,334	0	51,334	8,721	60,055
Planning and Performance Manager	50,164	0	50,164	8,528	58,692

2019/20

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	124,661	0	124,661	46,405	171,066
Deputy Chief Fire Officer (Apr to Dec 19)	76,537	377	76,914	28,453	105,367
Deputy Chief Fire Officer (January to Mar 20)	25,427	0	25,427	9,484	34,911

Notes to the Core Financial Statements

Assistant Chief Fire Officer (April to December 19)	70,959	0	70,959	26,468	97,427
Assistant Chief Fire Officer (January to March 20)	23,828	0	23,828	6,862	30,690
Head of Transformation and Collaboration	71,745	3,370	75,115	23,508	98,623
Head of Operations and Risk Management (April to December 19)	53,778	0	53,778	15,488	69,266
Head of Operations and Risk Management (January to March 20)	16,465	0	16,465	4,742	21,207
Group Manager – Shrewsbury, Telford and Wrekin (April to June 19)	14,303	0	14,303	2,723	17,026
Group Manager – Shrewsbury, Telford and Wrekin (July 19 to March 20)	44,771	2,527	47,298	12,813	60,111
Head of Prevention, Protection and Response	71,822	0	71,822	26,790	98,612
Digital Transformation Manager (September 19 to March 20)	38,859	0	38,859	5,372	44,231
Head of Resources	59,998	5,806	65,804	8,340	74,144
Head of Human Resources and Administration	58,255	0	58,255	8,097	66,352
Head of Finance (pro rata)	49,416	0	49,416	6,869	56,285

10. 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:

	2020/21 £'000	2019/20 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	33	21
Uplift fee	4	5
Refund received	0	-3
Total Audit Fees	37	23

Notes to the Core Financial Statements

11. GRANT INCOME

The Authority credited the following grants to the Comprehensive Income and Expenditure Statement in 2020/21:

	2020/21 £'000	2019/20 £'000
MHCLG Revenue Grants:		
Revenue Support Grant	-1,315	-1,293
Pensions Grant	-1,101	-1,101
Rural Service Delivery Grant	-320	-320
Retail Discount	-29	-33
New Dimension Grant	-6	-8
Doubling of Small Business Rates Relief	-143	-132
Transparency Code Grant	-8	-8
Emergency Services Mobile Comms Project Grant	-75	-59
Empty Property, First Property, Rural Rate Relief Grants	-1	-1
Small Business Rate Relief, Flood Relief, Transitional Relief, Discretionary Scheme Relief and Local News Grant	-7	-6
Business Rates Reconciliation Grant	0	-14
Distribution of Business Rates Levy Account	0	-13
18/19 Adjustment Grant	-95	-76
Multiplier Cap	-71	-58
Covid 19 Support Grant	-579	-69
Protection Uplift Grant	-52	0
Building Risk Review Programme Grant	-60	0
Grenfell Infrastructure Grant	-33	0
Total	-3,895	-3,191

12. 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.

Notes to the Core Financial Statements

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 11.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in note 8.

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 disclosing.

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 Interim 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 £702,873 to Shropshire Council and £219,047 to Telford & Wrekin Council.

Notes to the Core Financial Statements

13. 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. 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. 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

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 2020 already include an allowance for McCloud that is substantially in line with the above eligibility criteria and assumes protected members currently accrue benefits in their legacy scheme. For the 2021 exercise, no further amendments will be included for McCloud. The position will be reviewed again in 2022.

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				
	2020/21 £'000	2019/20 £'000	'1992' 2020/21 £'000	'2006' 2020/21 £'000	'2015' 2020/21 £'000	Total 2020/21 £'000	Total 2019/20 £'000
Comprehensive I&E Statement							
Cost of Services:							
Service cost comprising:							
Current service cost	825	798	2,659	1,574	909	5,142	4,918
Past service cost	0	34	0	163	0	163	751
Financing and Investment Income and Expenditure:							
Net Interest Expense	202	200	4,357	644	79	5,080	5,370
Administration Cost	16	15	0	0	0	0	0
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,043	1,047	7,016	2,381	988	10,385	11,039
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:							
Remeasurements (assets)	-2,494	1,661	0	0	0	0	0
Remeasurements (liabilities)	3,777	-1,727	22,741	6,490	1,070	30,301	301
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	1,283	-66	22,741	6,490	1,070	30,301	301

Notes to the Core Financial Statements

Movement in Reserves Statement Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-1,043	-1,047	-7,016	-2,381	-988	-10,385	-11,039
Actual amount charged against the General Fund Balance for pensions in the year:							
Employers contributions payable to the scheme	-531	-469	-1,194	-877	-554	-2,625	-2,822
Top up Grant			-4,363	1,161	807	-2,395	-2,402
Retirement benefits payable to pensioners	0	0	-278	0	0	-278	-273

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				
	2020/21 £'000	2019/20 £'000	'1992' 2020/21 £'000	'2006' 2020/21 £'000	'2015' 2020/21 £'000	Total 2020/21 £'000	Total 2019/20 £'000
Present value of the defined benefit obligation	27,893	22,966	216,273	37,039	5,584	258,896	223,508
Fair value of plan assets	-17,367	-14,235	0	0	0	0	0
Net liability arising from defined benefit obligation	10,526	8,731	216,273	37,039	5,584	258,896	223,508

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				
	2020/21 £'000	2019/20 £'000	'1992' 2020/21 £'000	'2006' 2020/21 £'000	'2015' 2020/21 £'000	Total 2020/21 £'000	Total 2019/20 £'000
Opening balance 1 April	22,966	23,417	192,351	27,884	3,273	223,508	217,392
Current service cost	825	798	2,659	1,574	909	5,142	4,918
Interest cost	547	584	4,357	644	79	5,080	5,370
Contributions by scheme participants	179	157	517	422	245	1,184	1,145
Benefits paid	-401	-297	-6,352	-138	8	-6,482	-6,369
Remeasurements (actuarial gains and losses):							
Experience (-) gain / loss	-442	-373	-2,003	-117	-75	-2,195	0
(-)Gain/ Loss in financial assumptions	4,219	-204	24,744	6,607	1,145	32,496	4,186
(-)Gain/ Loss in demographic assumptions	0	-1,150	0	0	0	0	-3,885
Past service costs	0	34	0	163	0	163	751
Closing balance 31 March	27,893	22,966	216,273	37,039	5,584	258,896	223,508

Notes to the Core Financial Statements

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

	Shropshire County Pension Fund	
	2020/21 £'000	2019/20 £'000
Opening balance 1 April	14,235	15,198
Interest income	345	384
Administration cost	-16	-15
Remeasurements (assets)	2,494	-1,661
Employer contributions	531	469
Contributions by scheme participants	179	157
Benefits paid	-401	-297
Closing balance 31 March	17,367	14,235

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 £2.395m in 2020/21, and £2.402m in 2019/20.

Covid 19: Since February 2020 there has been substantial volatility in financial markets around the world in relation to the Covid 19 pandemic, and while this has reduced in recent months, the potential for further volatility remains. This may have consequences for asset values, and this will be reflected in the 2020/21 accounting figures. Over the same period, the market volatility has also extended to corporate bonds, and after an initial spike, yields have reduced on AA rated corporate bonds from previous levels. As the discount rate for accounting purposes is based on corporate bond yields, this will also impact on accounting liabilities.

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.

Notes to the Core Financial Statements

The principal assumptions used by the actuary have been:

	Shropshire County Pension Fund		Fire - All Pension Schemes	
	2020/21	2019/20	2020/21	2019/20
Mortality Assumptions: Longevity at 60 (65 County) for future pensioners: Men Women	24.3yrs 26.7yrs	24.2yrs 26.6yrs	28.6yrs 30.7yrs	28.5yrs 30.5yrs
Rate of inflation CPI	2.7%	2.1%	2.7%	2.1%
Rate of increase in salaries - 2015	-	-	3.95%	3.35%
Rate of increase in salaries - other	3.95%	3.35%	4.2%	3.6%
Rate of increase in pensions	2.8%	2.2%	2.8%	2.2%
Rate for discounting scheme liabilities	2.1%	2.4%	2.2%	2.3%

**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 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.

Notes to the Core Financial Statements

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)	833	-833	8,238	-8,238
Rate of inflation (increase or decrease by 0.1%)	504	-504	5,002	-5,002
Rate of increase in salaries (increase or decrease by 0.1%)	84	-84	1,075	-1,075
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	-495	495	-4,928	4,928

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 2021 £'000	31 March 2021 %	31 March 2020 £'000	31 March 2020 %
Equity Investments	8,574	49.4	7,117	50.0
Bonds	3,590	20.7	3,175	22.3
Property	663	3.8	612	4.3
Other Assets	4,540	26.1	3,331	23.4
	17,367	100.0	14,235	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 2019.

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 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 £533,000 expected contributions to the scheme in 2021/22.

Notes to the Core Financial Statements

The weighted average duration of the defined benefit obligation for scheme members is 18 years in 2020/21 (18 years in 2019/20).

The accounts of the Shropshire County Pension Fund include a disclosure note about a material uncertainty in respect of the property funds it holds. Details of these can be found in Note 5 of the Shropshire County Pension Fund Accounts. The Authority's proportion of these funds is approximately 0.8% which equates to £661,000. Therefore, less certainty can be attached to the valuation of these assets at 31 March 2021.

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.

14. CONTINGENT LIABILITY – 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. There is potential obligation upon the Fire Authority. This obligation has not been estimated with any certainty.

15. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was signed off by the Treasurer on xx June 2021. Events taking place after this date are not reflected in the financial statements or notes.

Notes to the Core Financial Statements

16. PROPERTY PLANT AND EQUIPMENT

Movements in 2020/21	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Property Plant & Equipment £'000
Cost or Valuation			
At 1 April 2020	25,274	16,901	42,175
Additions	473	883	1,356
Revaluation increases / -decreases recognised in the Revaluation Reserve	-1,250	0	-1,250
Revaluation increases / -decreases recognised in the Surplus/Deficit on the Provision of Services	0	0	0
At 31 March 2021	24,497	17,784	42,281
Accumulated Depreciation and Impairment			
As at 1 April 2020	35	12,091	12,126
Depreciation charge	916	1,063	1,979
Revaluation	-916	0	-916
At 31 March 2021	35	13,154	13,189
Net Book Value at 31 March 2021	24,462	4,630	29,092
At 31 March 2020	25,239	4,810	30,049

Notes to the Core Financial Statements

Movements in 2019/20	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Property Plant & Equipment £'000
Cost or Valuation			
At 1 April 2019	26,013	16,206	42,219
Additions	152	695	847
Revaluation increases / -decreases recognised in the Revaluation Reserve	-882		-882
Revaluation increases / -decreases recognised in the Surplus/Deficit on the Provision of Services	-9		-9
At 31 March 2020	25,274	16,901	42,175
Accumulated Depreciation and Impairment			
As at 1 April 2019	35	11,072	11,107
Depreciation charge	953	1,019	1,972
Revaluation	-953	0	-953
At 31 March 2020	35	12,091	12,126
Net Book Value at 31 March 2020	25,239	4,810	30,049
At 31 March 2019	25,978	5,134	31,112

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Buildings – 15 to 30 years (land is not depreciated)
- Vehicles, plant, furniture and equipment – 3 to 20 years.

Notes to the Core Financial Statements

Capital Commitments

At 31 March 2021, the Authority had entered into a number of contracts in 2020/21, budgeted to cost £12.051m. The commitments were:

	£'000
Major improvements at Telford	9,244
Replacement of appliances	2,788
Building improvements at Tweeddale	19
Total	12,051

Similar commitments at 31 March 2020 were £310,000.

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 2021, by Chris Wilkinson from Urbanvision, 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, outgoings 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.

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.

Notes to the Core Financial Statements

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 2021 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 2020/21 was undertaken by Chris Wilkinson from Urbanvision, following instruction from the Authority.

Heritage Assets

The Fire Authority has a number of items which can be classed as heritage assets, due to their cultural and historical associations to the Fire Service. These assets have been held within the Service for a number of years, having been originally donated. The Authority does not seek to acquire assets of this nature, and has no intention of disposing of the assets currently held.

These assets, which include fire helmets and medals, are held at Brigade Headquarters in Shrewsbury, and at a number of retained stations throughout the county. The estimated value of the assets held is not material to the statements.

As there are no valuations held for these assets, and valuations could not be obtained at a cost which is commensurate with the benefits to the users of the financial statements, the assets are not recognised in the Balance Sheet in accordance with the Code.

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	4,630	4,630
Carried at fair value as at 31 March 2021	24,462	0	24,462
Total	24,462	4,630	29,092

Notes to the Core Financial Statements

17. FINANCIAL INSTRUMENTS

Categories of Financial Instrument

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

	Long Term		Current	
	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000
Cash and cash equivalents				
Cash and bank accounts	0	0	225	418
Short term deposits with bank	0	0	2,500	3,200
Short term deposits with local authorities	0	0	2,000	7,000
Total cash and cash equivalents	0	0	4,725	10,618
Investments				
Investments with bank	0	0	5,000	7,000
Investments with local authorities	0	0	10,000	2,000
Total investments	0	0	15,000	9,000
Debtors				
Financial assets carried at contract amounts	0	0	113	13
Total debtors	0	0	113	13

	Long Term		Current	
	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000
Borrowings				
Financial liabilities at amortised cost	5,418	5,578	160	120
Total borrowings	5,418	5,578	160	120
Creditors				
*Financial liabilities carried at contract amount	0	0	5	-2
Total creditors	0	0	5	-2

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

Notes to the Core Financial Statements

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:

	2020/21		2019/20	
	Liabilities at amortised cost £'000	Assets – loans and receivables £'000	Liabilities at amortised cost £'000	Assets – loans and receivables £'000
Interest expense	256	0	256	0
Total expense in Surplus or Deficit on the Provision of Services	256	0	256	0
Interest income	0	85	0	160
Total income in Surplus or Deficit on the Provision of Services	0	85	0	160
Net gain /(loss) for the year	256	85	256	160

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. 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

Notes to the Core Financial Statements

that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2021 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 2021		31 March 2020	
	Carrying amount £'000	Fair value (Level 2) £'000	Carrying amount £'000	Fair Value (Level 2) £'000
Financial liabilities	5,578	7,440	5,698	9,232

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

	31 March 2021 £'000	31 March 2020 £'000
Loan Source		
Public Works Loan Board	5,578	5,698
Analysis by Maturity		
Less than 1 year	160	120
Between 1 and 2 years	163	160
Between 2 and 5 years	210	373
Between 5 and 10 years	869	589
Between 10 and 20 years	2,516	2,796
Between 20 and 30 years	0	0
Between 30 and 40 years	1,660	1,660
Between 40 and 50 years	0	0

Notes to the Core Financial Statements

18. INVENTORIES

2020/21	Vehicle Parts £'000	Oil £'000	Diesel £'000	Uniforms £'000	Operational Equipment £'000	Fire Ground Feeding £'000	Total £'000
Balance outstanding at start of year	155	4	9	193	78	2	441
Purchases	134	6	110	165	90	8	513
Recognised as an expense during the year	-183	-4	-108	-129	-78	-8	-510
Balance outstanding at year end	106	6	11	229	90	2	444

2019/20	Vehicle Parts £'000	Oil £'000	Diesel £'000	Uniforms £'000	Operational Equipment £'000	Fire Ground Feeding £'000	Total £'000
Balance outstanding at start of year	137	3	9	210	41	1	401
Purchases	100	4	179	153	122	12	569
Recognised as an expense during the year	-82	-3	-179	-170	-85	-11	-530
Balance outstanding at year end	155	4	9	193	78	2	441

19. 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.

	31 March 2021 £'000	31 March 2020 £'000
Central government bodies	867	499
Other local authorities	712	1,091
Other entities and individuals	472	403
Total	2,051	1,993

Notes to the Core Financial Statements

20. CASH AND CASH EQUIVALENTS

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

	31 March 2021 £'000	31 March 2020 £'000
Cash held by the Authority	0	1
Bank current accounts	225	417
Short term deposits with bank	2,500	3,200
Short term deposits with local authorities	2,000	7,000
Total	4,725	10,618

21. 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.

	31 March 2021 £'000	31 March 2020 £'000
Central government bodies	520	1,086
Other local authorities	1,351	638
Government grants received in advance	393	0
Other entities and individuals	777	983
Total	3,041	2,707

22. PROVISION – NNDR APPEALS

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

	31 March 2021 £'000	31 March 2020 £'000
Balance at 1 April	183	176
Movement during year	-8	7
Balance as at 31 March	175	183

23. UNUSABLE RESERVES

31 March 2020 £'000		31 March 2021 £'000
13,724	Revaluation Reserve	12,754
13,226	Capital Adjustment Account	13,481

Notes to the Core Financial Statements

-8,732	LGPS Pensions Reserve	-10,527
-223,508	Fire Pensions Reserve	-258,896
401	Collection Fund Adjustment Account	-729
-174	Accumulated Absences Account	-266
-205,063	Total Unusable Reserves	-244,183

Notes to the Core Financial Statements

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.

2019/20 £'000		2020/21 £'000
14,246	Balance at 1 April	13,724
118	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0
0	Surplus or deficit on revaluation of non current assets not posted to the Surplus/Deficit on the Provision of Services	-334
-640	Difference between fair value depreciation and historical costs depreciation Upward revaluation of Assets	-636
13,724	Balance as at 31 March	12,754

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.

2019/20 £'000		2020/21 £'000
13,508	Balance at 1 April	13,226
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
-1,972	Charges for depreciation and impairment of non current assets	-1,979
-56	Revaluation losses on Property Plant and Equipment	0
11,480	Total	11,247
640	Adjusting amounts written out of the Revaluation Reserve	636
12,120	Net written out amount of the cost of non current assets consumed in the year	11,883
	Capital financing applied in the year:	
0	Application of grants to capital financing from the Capital Grants Unapplied Account	0
259	Statutory provision for the financing of capital investment charged against the General Fund balance	242
847	Capital expenditure charged against the General Fund balance	1,356
13,226	Balance as at 31 March	13,481

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.

2019/20 £'000				2020/21 £'000		
Fire	LGPS	Total		Fire	LGPS	Total
217,392	8,220	225,612	Balance at 1 April	223,508	8,732	232,240
301	-66	235	Actuarial gains or losses on pensions assets and liabilities	30,301	1,283	31,584
11,039	1,047	12,086	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	10,385	1,043	11,428
-5,224	-469	-5,693	Employer's pension contributions and direct payments to pensioners payable in the year	-5,298	-531	-5,829
223,508	8,732	232,240	Balance at 31 March	258,896	10,527	269,423

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.

2019/20 £'000		2020/21 £'000
371	Balance at 1 April	401
30	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	-1,130
401	Balance at 31 March	-729

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.

2019/20 £'000		2020/21 £'000
-152	Balance at 1 April	-174
152	Settlement or cancellation of accrual made at the end of the preceding year	174
0	Amount accrued at the end of the current year	0
-174	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	-266
-174	Balance at 31 March	-266

Notes to the Core Financial Statements

24. 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 2019 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	Balance 31 Mar 2020 £'000	Transfers Out 2020/21 £'000	Transfers In 2020/21 £'000	Balance 31 Mar 2021 £'000
General Fund Balance	485	-485	1,148	1,148	-1,148	1,600	1,600
General Reserve	577	0	0	577	0	0	577
Major Projects Capital Reserve	7,484	-134	1,275	8,625	-217	1,718	10,126
Earmarked Capital Reserve	3,222	-713	0	2,509	-1,139	0	1,370
Extreme Weather Reserve	334	0	0	334	0	0	334
Pensions and Other Staff Issues Reserve	809	-84	0	725	0	0	725
ICT Reserve	1,048	-15	0	1,033	-4	0	1,029
STP Staff Reserve	250	-27	0	223	-164	100	159
Income Volatility Reserve	237	0	0	237	0	450	687
Service Delivery Reserve	236	0	0	236	-60	0	176
Training Reserve	167	-67	0	100	-83	0	17
Building Maintenance Reserve	408	0	0	408	-96	0	312
Operational Equipment Reserve	250	-69	0	181	-85	70	166
Total	15,507	-1,594	2,423	16,336	-2,996	3,938	17,278

Notes to the Core Financial Statements

25. 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.

	2020/21 £'000	2019/20 £'000
Opening Capital Financing Requirement	3,100	3,359
<i>Capital investment</i>		
Property Plant and Equipment	1,356	847
<i>Sources of Finance</i>		
Government grants and other contributions	0	0
Sums set aside from revenue:		
Direct revenue contributions	-1,356	-847
MRP	-242	-259
Closing Capital Financing Requirement	2,858	3,100
Explanation of movements in year		
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)	-242	-259
Increase / -decrease in Capital Financing Requirement	-242	-259

Notes to the Core Financial Statements

26. CASH FLOW STATEMENT – NON CASH ITEMS

2019/20 £'000		2020/21 £'000
-1,972	Depreciation	-1,979
-9	Losses on asset revaluations	0
-6,393	IAS19 pension adjustments	-5,599
30	Collection Fund adjustment	-1,130
-22	Accumulated Absences adjustment	-93
39	Movement on stocks	3
-121	Movement on creditors	519
-1,377	Movement on debtors	435
9,825		-7,844

27. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2019/20 £'000		2020/21 £'000
160	Interest received	85
-256	Interest paid	-256
-96	Net Interest	-171

28. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2019/20 £'000		2020/21 £'000
847	Purchase of property plant and equipment	1,356
-2,970	Other payments from investing activities	6,000
-2,123	Net cash flows from investing activities	7,356

Notes to the Core Financial Statements

29. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2019/20 £'000		2020/21 £'000
-160	Other receipts from financing activities	-85
256	Other payments for financing activities	376
96	Net cash flows from financing activities	291

Pension Fund Accounts

Year ended 31 March 2020 £'000		Year ended 31 March 2021 £'000
	Income to the fund	
	Contributions receivable:	
	From employer:	
-440	Normal: 1992 scheme	-306
-49	Normal: 2006 scheme	-40
-75	Normal: 2006 modified scheme	-62
-1,986	Normal: 2015 scheme	-2,217
-44	Early Retirements	-11
	From members:	
-177	Normal: 1992 scheme	-125
-19	Normal: 2006 scheme	-15
-29	Normal: 2006 modified scheme	-24
-877	Normal: 2015 scheme	-980
-43	Past Service: 2006 modified scheme	-40
	Transfers in:	
	Individual transfers from other schemes	-11
-3,739	Income to the Fund	-3,831
	Spending from the Fund:	
	Benefits payable:	
4,867	Pensions	4,991
1,231	Commutations on pensions and lump sum retirement benefits	1,273
	Payments to and on account of leavers:	
2	Individual transfers out of the scheme	0
2,361	Deficit / surplus for the year before top up grant receivable from Central Government	2,433
-2,151	Top Up grant received	-1,850
-210	Top Up grant receivable	-583
0	Net amount receivable for the year	0

Pension Fund Accounts

Net Assets Statement as at 31 March 2021

2019/20 £'000	Current Assets	2020/21 £'000
210	Top Up grant receivable from Government	583
	Current Liabilities	
-210	Amounts due to General Fund	-583
0		0

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 25.

Glossary of Terms

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

DCLG

The Department of Communities and Local Government (now the Ministry of Housing Communities and Local Government) – the Government department which had responsibility for the Fire and Rescue Service until 5 January 2016. Responsibility for Fire then transferred to the Home Office.

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.

Finance Lease

Leases which transfer the risks and rewards of ownership of a fixed asset to the lessee and such assets are included within the non current assets in the balance sheet.

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

Glossary of Terms

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

Operating Leases

Leases where the ownership of the asset remains with the lessor, and the annual rental is charged to the revenue account.

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 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.