



**Shropshire and Wrekin**  
Fire and Rescue Authority

# **Statement of Accounts**

2019/20

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# Narrative Report

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## Introduction

This is the statement of accounts for Shropshire and Wrekin Fire and Rescue Authority, for the financial year ended 31 March 2020. 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 2019/20 (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

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 2019/20 was the third year of the Plan and the Service targets were approved by Strategy & Resources Committee in March 2019.

## **Our Performance**

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

- Numbers of deliberate fires
- Numbers of accidental primary fires
- Numbers of accidental dwelling fires
- 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 2018/19.

The targets that were not achieved were:

- The percentage of fires confined to room of origin was 89% against a target of 89.5%
- The percentage of incidents attended within 15 minutes was 84.1% against a target of 89%.

## **Financial Performance**

The Fire Authority has been successful over the last seven years, during a period of major public spending cuts, in identifying and implementing revenue budget reductions. Strategic planning 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's 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.

From 5 January 2016, ministerial responsibility for Fire and Rescue Services was transferred from the 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.

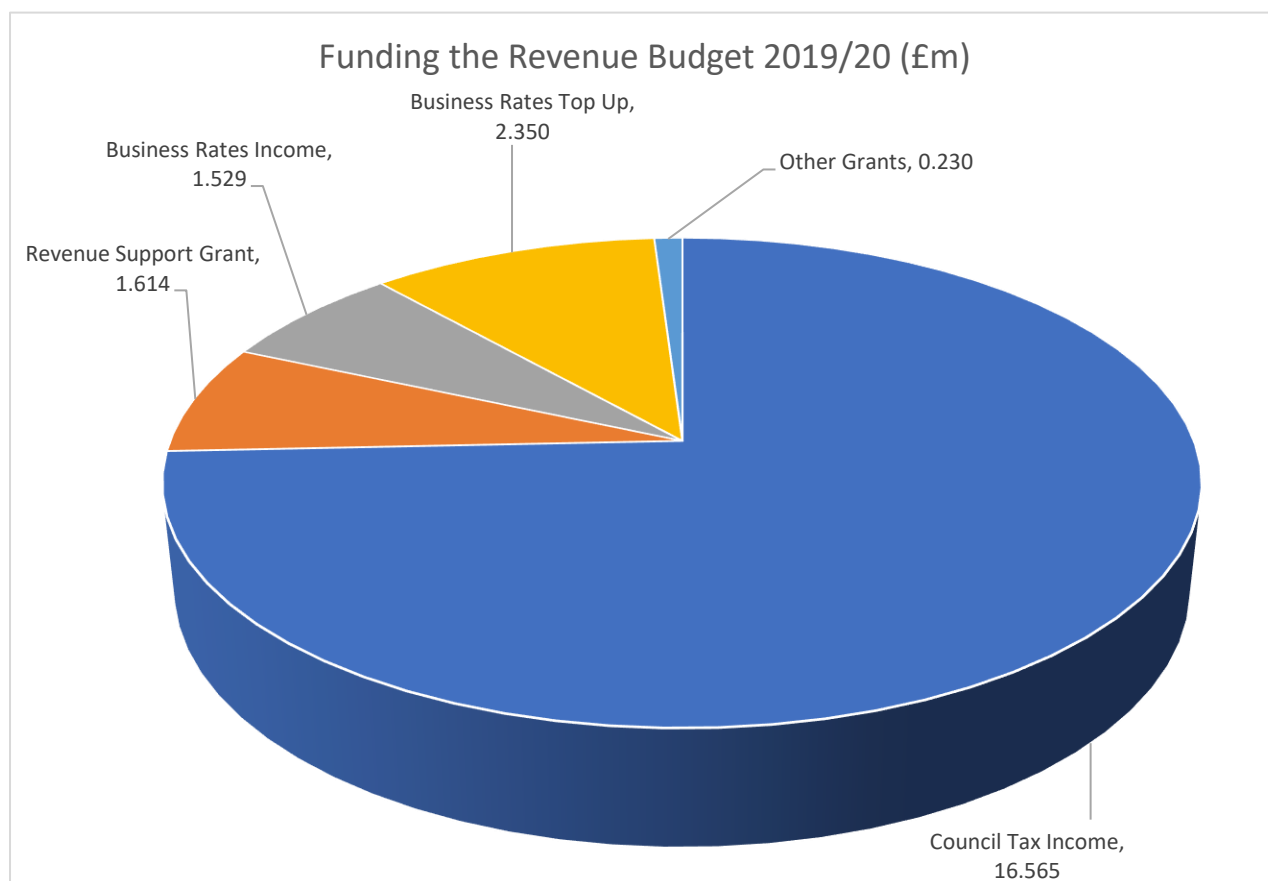
Local authorities were issued with a provisional four year settlement which covered the financial years 2016/17 to 2019/20, and were told that these settlements would be confirmed over the period, if Efficiency Plans covering the same period were produced and submitted to the Home Office. Following the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

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 2019, Shropshire and Wrekin Fire Authority approved a revenue budget of £22.288m for 2019/20. 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.

The revenue budget for 2019/20 was funded as follows:



The Authority saw a reduction in its government grant of 17% and the settlement was in line with provisional figures provided following acceptance of the Efficiency Plan.

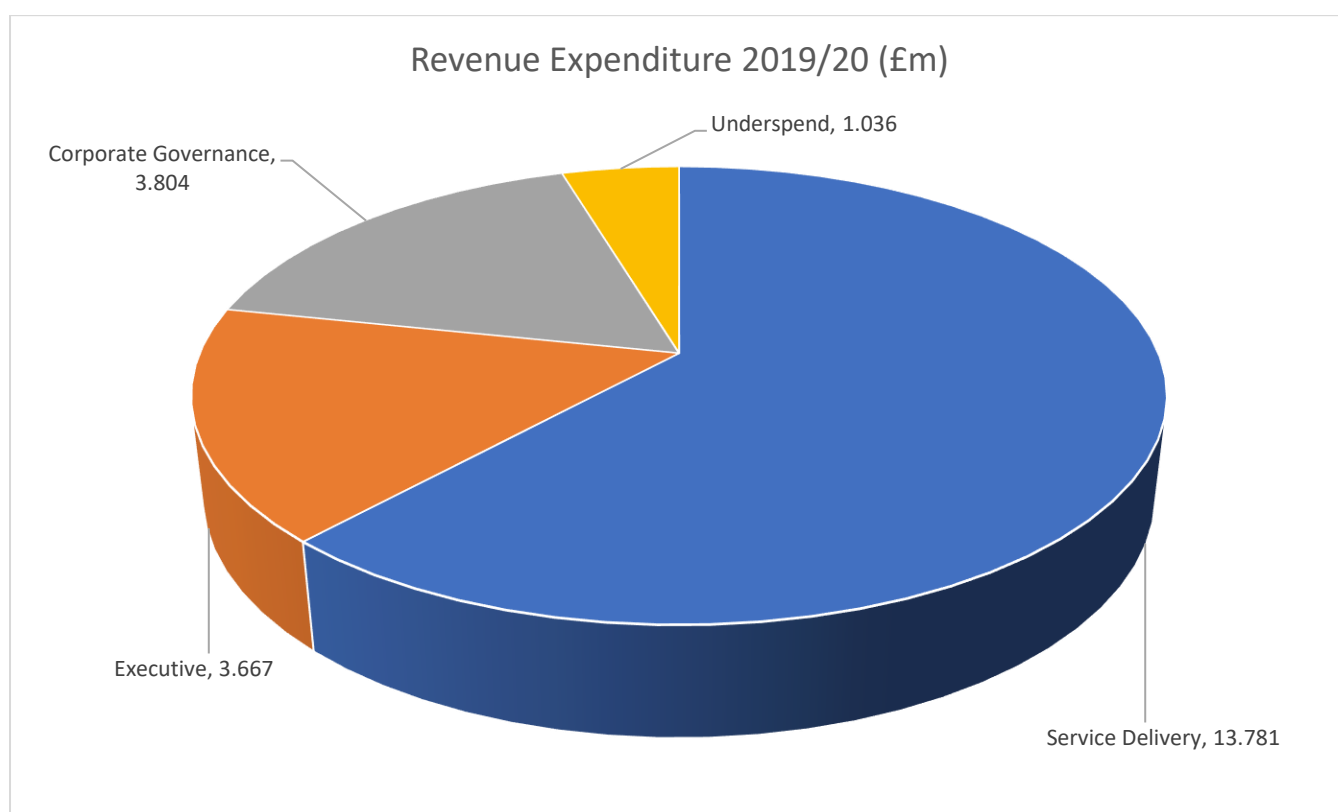
**Fire pension scheme revaluations** – reforms made to public sector pension schemes in 2015 saw the introduction of career average re-valued earnings (CARE) schemes, along with a new framework for actuarial valuations.

The second of these valuations was carried out in 2016, covering benefits for members employed between April 2019 and March 2023. Actions to implement the findings of the valuation have seen employer contribution rates increase from 17.6% to 30.2%, an annual increase for the Fire Authority of £1million.

Although the Treasury provided a grant to cover this rate increase in 2019/20 (continuing into 2020/21), this development is a major factor in how the Fire Authority will fund the revenue budget into the medium term.

In terms of precept strategy, it was announced that fire authorities could increase precept by up to 3% without triggering a referendum, and it was agreed that the precept would be increased by 2.99% on the revenue budget, or 5 pence per week for a Band D household.

During 2019/20 the Fire Authority received regular updates on financial performance and approved changes of £738,000 to the revenue budget. Actual out turn on the revenue budget was £21.252m; underspends of £298,000 were identified.





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<b>Efficiencies and other variances</b>	<b>£'000</b>
Pay variances	84
Legal Services	28
Training	32
Prevention	20
Income and grant	-24
Technical Services	12
Other variances	15
<b>Total</b>	<b>167</b>

<b>Slipped Income and Expenditure</b>	<b>£'000</b>
Covid 19 support grant	62
Legal fees	31
Property maintenance	21
Development	11
Animal rescue donations	6
<b>Total</b>	<b>131</b>

<b>Income</b>	<b>£'000</b>
Additional grant received	112
<b>Total</b>	<b>112</b>

## Capital Expenditure

In 2019/20 the Fire Authority spent £0.847m on capital projects. These can be summarised as follows:

<b>Scheme</b>	<b>£'000</b>
Building Improvements	152
Vehicles and equipment	633
IT Infrastructure	62
<b>Total</b>	<b>847</b>

Expenditure on capital projects has been funded from:

Source of Funding	£'000
Capital Reserve	713
Major Projects Reserve	134
<b>Total</b>	<b>847</b>

## Reserves - Overview of the Reserves Strategy

The Fire Authority has set out its financial strategy to 2019/20 in its Service Plan, and its reserves policy is an integral part of this Plan. The level of reserves that the Authority holds has been driven by the following principles:

**To fund major projects, thereby avoiding debt charges into the long term** - the Authority has used reserves successfully in recent years to fund its capital programme, most notably the fire station, workshop and headquarters in Shrewsbury. The Capital reserves and the ICT reserve will continue to be used to fund the capital programme into the medium term, 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 by 2019/20, and officers are reviewing 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.

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

	<b>31 March 2019 £'000</b>	<b>31 March 2020 £'000</b>
General Reserve	577	577
Pensions and Other Staff Issues Reserve	809	725
Extreme Weather Reserve	334	334
Earmarked Capital Reserve	3,222	2,509
Major Projects Capital Reserve	7,484	8,625
ICT Reserve	1,048	1,033
Capital Grants Unapplied Reserve	0	0
Income Volatility Reserve	237	237
Service Transformation Programme Staff Reserve	250	223
Service Delivery Reserve	236	236
Training Reserve	167	100
Operational Equipment Reserve	250	181
Buildings Maintenance Reserve	408	408
General Fund Balance	485	1,148
<b>Total</b>	<b>15,507</b>	<b>16,336</b>

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

## **Local Authority Controlled Company - Shropshire Fire Risk Management Services Limited**

Shropshire Fire Risk Management Services Limited is wholly owned by Shropshire and Wrekin Fire Authority. The company began trading on 16 July 2013.

The company employs no staff directly, using staff seconded from the Authority.

Shropshire Fire Risk Management Services Limited's accounting year end is 31 March 2020, corresponding with the Fire Authority. The company's accounts were prepared under UK GAAP and independently audited. The company has been dormant for the financial year 2019/20.

Group accounts have not been prepared because the net income, expenditure, assets and liabilities of the company do not have a material impact on the results reported.

At its meeting in February 2018, the Fire Authority agreed that the company should be placed in hibernation, which retained the opportunity to resume trading at a future date, and provided an intention to support the company as a going concern.

The SFRMS Board advised the Fire Authority at its meeting in October 2019 that, while the continuation of the company had been worthwhile, it would not be able to put itself in a position of financial sustainability in its current model without significant investment.

The Directors of SFRMS recognised that it is more important that the Fire and Rescue Service is now able to focus its limited resources on maintaining and improving delivery of its core functions. Collaboration with emergency services and other partners will bring about improved resilience and capacity in the longer term but that takes considerable resources in the early phases.

The Fire Authority recognised and considered the Board's comments and agreed that the company should be formally closed.

## **The Year Ahead**

### **West Mercia Police and Crime Commissioner – transfer of governance arrangements**

In June 2017, the Police and Crime Commissioner (PCC) for West Mercia, John Campion, produced a business case concerning the transfer of the governance arrangements of Shropshire and Wrekin, and Hereford and Worcester Fire Authorities to the PCC.

Local authorities, stakeholders and members of the public were consulted on the plans. However, as the local authorities were all opposed to the plans, there was a requirement for an independent assessment of the business case. This was conducted by the Chartered Institute of Public Finance and Accountancy (CIPFA) in December 2017.

Following consideration of this assessment, the Home Secretary approved the transfer of governance arrangements to the PCC in March 2018. Transfer of governance to the PCC was due to take place on 1 June 2018, following the laying of a statutory instrument in Parliament.

The process undertaken to reach this decision was contested by the Fire Authority, and it was found that, although there were nuances in the decision making process on the statutory tests, the former Home Secretary's decision to transfer governance was lawful.

In June 2020, a decision was made by the Home Secretary that the original business case put forward by the West Mercia PCC 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 has stated further that any new or revised business case should not be put forward for consideration until after the PCC elections in May 2021.

## **Integrated Risk Management Plan (IRMP)**

### **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 and design work is progressing. A full planning application has been submitted and determination is still awaited. This will be followed by a tender process for construction works. Start on site is anticipated at the end of 2020 or start of 2021, with construction expected to take between 18 and 24 months.

The planned tender has been put back due to the Covid 19 pandemic. This has impacted on the architects ability to complete the tender documentation and pending an assessment of the construction industry's ability to provide competitive bids at this time. It is now anticipated that tenders will be issued towards the end of 2020, with a similar 5-6 month delay to starting on site. These dates are subject to a further assessment of risks, including the potential of a second lockdown period.

### **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 their two services to collaborate in a way that creates capacity and resilience for both. The first four areas of focus are ICT, Fire Control, Integrated Risk Management Planning (IRMP) and procurement. These areas are believed to be of value in themselves but will 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.

### **Covid 19 Pandemic**

The current Covid 19 pandemic began to affect most countries in the world during the first quarter of 2020 and the United Kingdom went into lockdown in March 2020. Since notification and awareness of the pandemic, the Service has undertaken significant work to ensure it is 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:

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- Working locally and nationally to influence and share data with NHS Improvement and NHS England, to identify and prioritise support to vulnerable members of the community
- Allocating a dedicated resource to work alongside military planning officers to assist with the logistics and management of deaths due to Covid 19
- Assisting with the delivery of personal protective equipment for primary and social care settings within Telford & Wrekin and Shropshire
- Deploying Prevention team members to support Shropshire Council with welfare checks of vulnerable and shielding individuals.

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 impact of the pandemic on the Service going forward is unknown but there are number of areas for consideration in the next financial year:

- **Provision of service** – response plans ensuring continuation of operational activities and close collaboration with cross agency working have been implemented
- **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.
- **Supply chains** – use of existing suppliers as well as sourcing of new markets to ensure continued provision of personal protective equipment and other essential equipment
- **Financial management and cash flow** – the potential issue around income from constituent authorities has been reviewed and there is no immediate cause for concern. Government grants have been paid to local authorities early to ensure that funds are available for continuation of service and grants of £445,000 have been paid to the Fire Authority for Covid 19 related expenditure. General and Income Volatility Reserves are also available for use if funds in excess of grant provision are required
- **Future financial issues** – the effect of the pandemic on future income of the constituent authorities will be monitored closely over the next financial year to assess the potential impact on the Service's revenue budget into the medium term.
- **Restoration of service** – a phased approach will be taken to restore the functions of the Service following the pandemic. Key areas will include the resuming of training, prevention and protection activities, recruitment of staff and the return of office based functions to Service buildings.

## The Financial Statements

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

The purpose of these core financial statements is given below.

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

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

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

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

- Usable reserves – those that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use;
- Unusable reserves – those that the Authority is not able to use to provide services. These reserves hold unrealised gains and losses until assets are sold (ie Revaluation Reserve) or contain timing differences (shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations').

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

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

# Annual Governance Statement

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## Scope of Responsibility

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

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

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

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

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

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 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 2019/20 accounts and up to the date of approval of the Annual Report and Statement of Accounts.

## **The Governance Framework**

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

- identify and communicate the Authority's vision of its purpose and intended outcomes for citizens and service users;
- review the Authority's vision and its implications for the Authority's governance arrangements;
- define and document the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the Authority and partnership arrangements;
- develop, communicate and embed codes of conduct, which define the standards of behaviour for Members and staff;
- review and update standing orders, standing financial instructions, the scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
- ensure the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) and, where they do not, explain why and how they deliver the same impact;
- ensure effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014)
- undertake the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities (2018);
- ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- ensure the Authority's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not explain why and how they deliver the same impact;
- enable whistle-blowing 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 2019/20, the Fire Authority has maintained, reviewed and improved its system of internal control in a number of ways. In particular:

- a. The Authority continues to monitor expenditure for all capital schemes;
- b. Ongoing review of the Authority's employment policies is undertaken and, where necessary, policies are modified or created to ensure compliance with all applicable legislation;
- c. The Service Transformation Programme, which includes 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 2018/19;
  - Annual Plan 2019/20;
  - Annual Audit Letter 2018/19;
  - Budget Monitoring reports;
  - Service Measures Performance reports;
  - The Service Plan 2015/20, strategy and budget.

# Annual Governance Statement

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- 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 a number of 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 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 Audit and Performance Management Committee.
- h. Audits completed by Internal Audit during 2019/20 related to:
  - Payroll Processes;
  - Financial Systems;
  - Risk Management and Business Continuity Arrangements;
  - Corporate Governance;
  - Follow Up of Recommendations, general and investigation;
  - Contract Management;
  - Payroll System IT application;
  - Finance System IT application;

Based on the work undertaken and management responses received; the Head of Audit has offered reasonable assurance for the 2019/20 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 the introduction of, compliance with or improvement to internal controls to ensure the achievement of the Authority's objectives. 2019/20 has continued to see the embedding of key business system changes delivered in financial and human resources, alongside the challenge to continue to deliver savings and increased efficiency.

Internal Audit will be conducting audits in the following areas during 2020/21:

- Payroll System;
- IT Application Review - Payroll and Finance System Follow Up;
- IT General Follow Up;
- Financial Systems Review;
- Recommendation follow up;
- NFI;
- Risk Management;
- Corporate Governance;
- Review of Annual Governance Statement;

# Annual Governance Statement

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## **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 Director of Finance, Governance and Assurance, 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;
  - 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 2018/19. 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 2020. An Annual Governance Statement (AGS) Improvement Plan 2020/21 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.

# Annual Governance Statement

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A summary of the areas for further development, contained in the AGS Improvement Plan 2020/21, is given below.

## People

Continue to deliver the people strategy including the Wholetime and Fire Control shift changes. Carry out a review of the Retained Duty Service (RDS).

## 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.

Introduce the time and attendance system.

Collaborate with Hereford and Worcester Fire and Rescue Service on the Learning Environment Online (LEO) system. Implement training activities synchronisation between LEO and EIDRs.

Improve security and resilience of the infrastructure by replacing equipment that is reaching end of life with the latest emerging trends in technology.

## Building Facilities

Deliver the property strategy.

To include Telford Central, refurbishment. 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

Develop the strategic alliance programme plan.

Commence work on the new Community Risk Management Plan/ Integrated Risk Management Plan (CRMP/IRMP).

Signed:		
Cllr	Rod Hammerton	James Walton
Chair of Audit and Performance Management Committee	Chief Fire Officer	Treasurer

# Statement of Responsibilities

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## The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice') is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year (ended 31 March 2020).

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 2020.

## 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 Audit and Performance Management Committee on 24 September 2020.

## Chair of the Audit and Performance Committee

Dated:

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

# Audit Certificate

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHROPSHIRE AND WREKIN FIRE AND RESCUE AUTHORITY

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Shropshire and Wrekin Fire and Rescue Authority (the 'Authority') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and notes to the Pension Fund accounts. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Treasurer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable

# Audit Certificate

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factors or all possible future implications for an authority associated with these particular events.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Treasurer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

## Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to Note 2 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of land and buildings as at 31 March 2020. As disclosed in Note 2 to the financial statements, the current global pandemic has meant that the valuer is faced with an unprecedented set of circumstances upon which to base a judgement. Valuations are therefore reported on the basis of 'material uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty, and a higher degree of caution, should be attached to the valuations than normally would be the case. Our opinion is not modified in respect of this matter.

## Other information

The Treasurer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, the Annual Governance Statement and the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.



# Audit Certificate

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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.  
We have nothing to report in this regard.

## **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.  
We have nothing to report in this regard.

## **Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report, the Annual Governance Statement and the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

# Audit Certificate

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## **Responsibilities of the Authority, the Treasurer and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities set out on page 22, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Treasurer. The Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Standards, Audit and Performance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS -  
CONCLUSION ON THE AUTHORITY'S ARRANGEMENTS FOR SECURING  
ECONOMY, EFFICIENCY AND EFFECTIVENESS IN ITS USE OF RESOURCES

## **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

# Audit Certificate

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## **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

## **Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## **Report on other legal and regulatory requirements - Certificate**

We certify that we have completed the audit of the financial statements of Shropshire and Wrekin Fire and Rescue Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

# Audit Certificate

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## **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Richard Percival*

Richard Percival, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

**26 November 2020**

# Statement of Accounting Policies

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## 1 General Principles

The Statement of Accounts summarises the Fire Authority's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. 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 2019/20, 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 August 2020, and the audited statement must be approved by those charged with governance by 30 November 2020.

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

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

## 2 Accruals of Expenditure and Income

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

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

# Statement of Accounting Policies

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## **3 Cash and Cash Equivalents**

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

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

## **4 Provisions**

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

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

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

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

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

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

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

## Statement of Accounting Policies

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

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

### 5 **Contingent Liabilities**

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

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

### 6 **Reserves**

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

The Authority holds the following reserves:

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

## Statement of Accounting Policies

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



## Statement of Accounting Policies

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- **Income Volatility Reserve** – A number of changes were introduced in 2013/14 which affected the way in which the Fire Authority is funded, and the levels of funding that will be achieved. This reserve was set up to smooth any volatility or fluctuations in the funding received against estimates in the Service Plan.
- **Service Delivery Reserve** – this reserve was set up to fund initiatives in service delivery and prevention.
- **Training Reserve** - there have been, and will continue to be, 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

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

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

## 7 Employee Benefits

### **Benefits Payable During Employment**

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

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

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

### **Termination Benefits**

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

### **Post Employment Benefits**

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

### **Firefighters Pension Schemes**

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

## Statement of Accounting Policies

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

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

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

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

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

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

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

**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

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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

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- 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

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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

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- 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

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- 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

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- 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

# Statement of Accounting Policies

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the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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**

## Statement of Accounting Policies

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

### **Fair Value Measurement**

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

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

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

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

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

- Level 1 – quoted prices (unadjusted) in active markets for identical liabilities that the Authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the liability, either directly or indirectly
- Level 3 – unobservable inputs for the liability.

# Statement of Accounting Policies

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## 15 Inventories

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

## 16 Investments

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

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

## 17 Government Grants

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

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund

## Statement of Accounting Policies

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Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustments Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

**18      Exceptional Items**

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

**19      Events after the Reporting Period**

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

# Core Financial Statements

## Comprehensive Income and Expenditure Statement

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2018/19				2019/20		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
6,313	-181	6,132	Executive and Resources	6,140	133	6,007
3,683	-7	3,676	Corporate Governance	3,841	32	3,809
22,256	-5	22,251	Service Delivery	14,602	2	14,600
<b>32,252</b>	<b>-193</b>	<b>32,059</b>	<b>Cost of Services – continuing operations</b>	<b>24,583</b>	<b>167</b>	<b>24,416</b>
		0	Loss on disposal of non current assets			0
		<b>0</b>	<b>Other Operating Expenditure</b>			
		256	Interest payable and similar charges			256
		-130	Interest and investment income			-160
		5,296	Net interest on the net defined liability (note 5)			5,585
		<b>5,422</b>	<b>Financing and Investment Income and Expenditure (note 5)</b>			<b>5,681</b>
		-19,634	Precepts (note 6)			-20,475
		-2,325	Government Grants (notes 6 and 10)			-3,191
		<b>-21,959</b>	<b>Taxation and Non Specific Grant Income (note 6)</b>			<b>-23,666</b>
		<b>15,522</b>	<b>Surplus(-)/ Deficit on Provision of Services</b>			<b>6,431</b>
		-657	Surplus arising on the revaluation of property plant and equipment			-71
		12,766	Remeasurement of the net defined benefit liability (note 13)			235
		<b>12,109</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>164</b>
		<b>27,631</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>6,595</b>

# Core Financial Statements

## Movement in Reserves Statement

	Non Earmarked General Fund Balance £'000	Ear- marked General Fund Balance £'000	Total General Fund Balance £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2019</b>	<b>485</b>	<b>15,022</b>	<b>15,507</b>	<b>0</b>	<b>15,507</b>	<b>-197,639</b>	<b>-182,132</b>
<b>Movement in reserves during 2019/20</b>							
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
<b>Increase/- Decrease in 2019/20</b>	<b>829</b>	<b>0</b>	<b>829</b>	<b>0</b>	<b>829</b>	<b>-7,424</b>	<b>-6,595</b>
<b>Balance as at 31 March 2020 cfwd</b>	<b>1,314</b>	<b>15,022</b>	<b>16,336</b>	<b>0</b>	<b>16,336</b>	<b>-205,063</b>	<b>-188,727</b>
Transfers to/from Earmarked Reserves	-166	166	0	0	0	0	0
<b>Balance as at 31 March 2020 cfwd</b>	<b>1,148</b>	<b>15,188</b>	<b>16,336</b>	<b>0</b>	<b>16,336</b>	<b>-205,063</b>	<b>-188,727</b>
	<b>Note 22</b>		<b>Note 23</b>		<b>Note 21</b>		

# Core Financial Statements

## Movement in Reserves Statement

	Non Earmarked General Fund Balance £'000	Ear-marked General Fund Balance £'000	Total General Fund Balance £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2018</b>	<b>528</b>	<b>15,606</b>	<b>16,134</b>	<b>1,563</b>	<b>17,697</b>	<b>-172,198</b>	<b>-154,501</b>
<b>Movement in reserves during 2018/19</b>							
Total Comprehensive Income and Expenditure	-15,522	0	-15,522	0	-15,522	-12,109	-27,631
Adjustments between accounting basis & funding basis under regulations (note 4)	13,332	0	13,332	0	13,332	-13,332	0
<b>Increase/- Decrease in 2018/19</b>	<b>-2,190</b>	<b>0</b>	<b>-2,190</b>	<b>0</b>	<b>-2,190</b>	<b>-25,441</b>	<b>-27,631</b>
<b>Balance as at 31 March 2019 cfwd</b>	<b>-1,662</b>	<b>15,606</b>	<b>13,944</b>	<b>1,563</b>	<b>15,507</b>	<b>-197,639</b>	<b>-182,132</b>
Transfers to/from Earmarked Reserves	2,147	-584	1,563	-1,563	0	0	0
<b>Balance as at 31 March 2019 cfwd</b>	<b>485</b>	<b>15,022</b>	<b>15,507</b>	<b>0</b>	<b>15,507</b>	<b>-197,639</b>	<b>-182,132</b>

Note 22

Note 23

Note 21



# Core Financial Statements

## Balance Sheet

31 March 2019 £'000		Notes	31 March 2020 £'000
	<b>Property Plant and Equipment</b>		
25,978	Land and Buildings	15	25,239
5,134	Vehicles Plant Furniture and Equipment	15	4,810
<b>31,112</b>	<b>Total Long Term Assets</b>		<b>30,049</b>
401	Inventories	17	441
3,731	Short Term Debtors	18	2,482
17,071	Cash and Cash Equivalent	19	19,618
<b>21,203</b>	<b>Total Current Assets</b>		<b>22,541</b>
-3,137	Short Term Creditors	20	-3,379
0	Short Term Borrowing	16	-120
<b>-3,137</b>	<b>Current Liabilities</b>		<b>-3,499</b>
-5,698	Long Term Borrowing	16	-5,578
-225,612	Pension Liability	21	-232,240
<b>-231,310</b>	<b>Long Term Liabilities</b>		<b>-237,818</b>
<b>-182,132</b>	<b>Net Liabilities</b>		<b>-188,727</b>
	<b>Usable Reserves</b>		
485	General Fund	22	1,148
577	General Reserve	22	577
7,484	Major Projects Capital Reserve	22	8,625
3,222	Earmarked Capital Reserve	22	2,509
334	Extreme Weather Reserve	22	334
809	Pensions and Other Staff Issues Reserve	22	725
1,048	ICT Reserve	22	1,033
250	STP Staff Reserve	22	223
237	Income Volatility Reserve	22	237
236	Service Delivery Reserve	22	236
167	Training Reserve	22	100
408	Building Maintenance Reserve	22	408
250	Operational Equipment Reserve	22	181
0	Capital Grants Unapplied Reserve	23	0
	<b>Unusable Reserves</b>		
14,246	Revaluation Reserve	21	13,724
13,508	Capital Adjustment Account	21	13,226
-217,392	Fire Pensions Reserve	12 & 21	-223,508
-8,220	LGPS Pensions Reserve	12 & 21	-8,732
371	Collection Fund Adjustment Account	21	401
-152	Accumulated Absences Account	21	-174
<b>-182,132</b>	<b>Total Reserves</b>		<b>-188,727</b>

Signed by the Treasurer

## Core Financial Statements

### Cash Flow Statement

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<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
-15,522	Net (surplus) or deficit on the provision of services	-6,431
16,492	Adjustments to net surplus or deficit on the provision of services for non cash movements (see Note 25)	9,825
126	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (see Note 26)	96
1,096	Net cash flows from operating activities	3,490
-3,201	Investing Activities (see Note 27)	-847
-126	Financing Activities (see Note 28)	-96
-2,231	Net increase or decrease in cash and cash equivalents	2,547
19,302	Cash and cash equivalents at the beginning of the period	17,071
<b>17,071</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>19,618</b>

# Notes to the Core Financial Statements

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## 1. ACCOUNTING POLICIES

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

Accruals of expenditure and income  
Cash and cash equivalents  
Provisions  
Reserves  
Employee benefits  
Overheads and support services  
Property Plant and Equipment  
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

**IFRS 16 Leases** - CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021.

## 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. 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.

### **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 current global pandemic has meant that the valuer is faced with an unprecedented set of circumstances upon which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case.

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

The critical judgements made in the Statement of Accounts are:

### **Future Levels of Funding**

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

## 3. EXPENDITURE AND FUNDING ANALYSIS

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Authority (ie government grants, council tax and business rates) for the year has been used in providing services in

## Notes to the Core Financial Statements

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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

2019/20

	As reported for resource management  £'000	Adjustment to arrive at the net amount chargeable to the General Fund balance (Note 4)  £'000	Net expenditure chargeable to the General Fund balance  £'000	Adjustments between funding and accounting basis (Note 3a)  £'000	Net expenditure in the Comprehen- sive Income and Expenditure Statement  £'000
Executive and Resources	3,667	1,465	5,132	875	6,007
Corporate Governance	3,805	4	3,809	0	3,809
Service Delivery	13,780	798	14,578	22	14,600
<b>Net Cost of Services</b>	<b>21,252</b>	<b>2,267</b>	<b>23,519</b>	<b>897</b>	<b>24,416</b>
Pensions	0	-808	-808	808	0
Financing and Investment Income	0	96	96	5,585	5,681
Precepts and Grants	0	-23,636	-23,636	-30	-23,666
<b>Surplus (-) or Deficit</b>	<b>21,252</b>	<b>-22,081</b>	<b>-829</b>	<b>7,260</b>	<b>6,431</b>
Opening General Fund balance			15,507		
Surplus / deficit on General Fund balance during year			872		
Closing General Fund balance			<b>16,379</b>		

# Notes to the Core Financial Statements

2018/19

	As reported for resource management  £'000	Adjustment to arrive at the net amount chargeable to the General Fund balance (Note 4)  £'000	Net expenditure chargeable to the General Fund balance  £'000	Adjustments between funding and accounting basis (Note 3a)  £'000	Net expenditure in the Comprehen- sive Income and Expenditure Statement  £'000
Executive and Resources	4,944	2,613	7,557	-1,425	6,132
Corporate Governance	3,689	-13	3,676	0	3,676
Service Delivery	12,652	9,568	22,220	31	22,251
<b>Net Cost of Services</b>	<b>21,285</b>	<b>12,168</b>	<b>33,453</b>	<b>-1,394</b>	<b>32,059</b>
Pensions	0	-9,533	-9,533	9,533	0
Financing and Investment Income	0	126	126	5,296	5,422
Precepts and Grants	0	-21,856	-21,856	-103	-21,959
<b>Surplus (-) or Deficit</b>	<b>21,285</b>	<b>-19,095</b>	<b>2,190</b>	<b>13,332</b>	<b>15,522</b>
Opening General Fund balance			16,134		
Surplus / deficit on General Fund balance during year			-627		
Closing General Fund balance			<b>15,507</b>		

# Notes to the Core Financial Statements

## 3a Note to the Expenditure and Funding Analysis

2019/20

	Adjustments to arrive at amount chargeable to General Fund  £'000	Adjust- ment for capital purposes  £'000	Net change for the Pensions Account  £'000	Other differ- ences  £'000	Total adjustment between funding and accounting basis  £'000
Conts to reserves	319				
External interest	-256				
Invest income	160				
Government grant	1,236				
Capital grant	0				
Pensions	-808				
<b>Total</b>	<b>651</b>				
External interest	256				
Investment income	-160				
Pensions	808				
Precept and grants	-23,636				
MRP		-259			<b>-259</b>
Depreciation		1,972			<b>1,972</b>
Impairment		9			<b>9</b>
Loss on disposal of non current assets		0			<b>0</b>
Capital grant		0			<b>0</b>
Capital from revenue		-847			<b>-847</b>
Pensions			6,393		<b>6,393</b>
Collection fund				-30	<b>-30</b>
Accumulated Absences				22	<b>22</b>
<b>Total</b>	<b>-22,081</b>	<b>875</b>	<b>6,393</b>	<b>-8</b>	<b>7,260</b>



# Notes to the Core Financial Statements

2018/19

	Adjustments to arrive at amount chargeable to General Fund  £'000	Adjust- ment for capital purposes  £'000	Net change for the Pensions Account  £'000	Other differ- ences  £'000	Total adjustment between funding and accounting basis  £'000
Conts to reserves	1,112				
External interest	-256				
Invest income	130				
Government grant	86				
Capital grant	1,563				
Pensions	9,633				
<b>Total</b>	<b>12,268</b>				
External interest	256				
Investment income	-130				
Pensions	-9,633				
Precept and grants	-21,856				
MRP		-258			<b>-258</b>
Depreciation		2,034			<b>2,034</b>
Impairment					
Loss on disposal of non current assets		0			<b>0</b>
Capital grant		-1,563			<b>-1,563</b>
Capital from revenue		-1,638			<b>-1,638</b>
Pensions			14,829		<b>14,829</b>
Collection fund				-103	<b>-103</b>
Accumulated Absences				31	<b>31</b>
<b>Total</b>	<b>-19,095</b>	<b>-1,425</b>	<b>14,829</b>	<b>-72</b>	<b>13,332</b>

## Notes to the Core Financial Statements

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### 3b Expenditure and Income Analysed by Nature

2018/19 £'000		2019/20 £'000
	<b>Expenditure</b>	
29,935	Employee benefit expenses	23,315
5,576	Other service expenses	4,871
2,034	Depreciation and impairment	1,981
0	Loss on disposal of non current assets	0
256	Interest payments	256
<b>37,801</b>	<b>Total Expenditure</b>	<b>30,423</b>
	<b>Income</b>	
-189	Fees and charges and other service income	-166
-19,635	Income from council tax and business rates	-20,475
-2,325	Government grant and contributions	-3,191
-130	Interest and investment income	-160
<b>-22,279</b>	<b>Total Income</b>	<b>-23,992</b>
<b>15,522</b>	<b>Total Net Expenditure</b>	<b>6,431</b>

# Notes to the Core Financial Statements

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

2019/20	General Fund Balance £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
<b>Reversal of items debited or credited to the Comp I&amp;E Statement:</b>		
Charges for depreciation of non current assets	-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		
<b>Insertion of items not debited or credited to the Comp I&amp;E Statement:</b>		
Statutory provision for the financing of capital investment	259	-259
Capital expenditure charged against the General Fund Balance	847	-847
<b>Adjustments primarily involving the Pensions Reserves:</b>		
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
<b>Adjustment primarily involving the Collection Fund Adjustment Account:</b>		
Amount by which council tax income credited to the Comp I&E Statement is different from council tax calculated for the year in accordance with statutory requirements	30	-30
<b>Adjustment primarily involving the Accumulated Absences Account:</b>		
Amount by which officer remuneration charged to the Comp I&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-22	22
<b>Total Adjustments</b>	<b>-7,260</b>	<b>7,260</b>

# Notes to the Core Financial Statements

2018/19	General Fund Balance £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
<b>Reversal of items debited or credited to the Comp I&amp;E Statement:</b>		
Charges for depreciation of non current assets	-2,034	2,034
Revaluation losses on Property Plant and Equipment	0	0
Loss on disposal of non current assets	0	0
Capital grants and contributions applied	1,563	-1,563
<b>Insertion of items not debited or credited to the Comp I&amp;E Statement:</b>		
Statutory provision for the financing of capital investment	258	-258
Capital expenditure charged against the General Fund Balance	1,638	-1,638
<b>Adjustments primarily involving the Pensions Reserves:</b>		
Reversal of items relating to retirement benefits debited or credited to the Comp I&E Statement	-19,839	19,839
Employer's pensions contributions and direct payments to pensioners payable in the year	5,010	-5,010
<b>Adjustment primarily involving the Collection Fund Adjustment Account:</b>		
Amount by which council tax income credited to the Comp I&E Statement is different from council tax calculated for the year in accordance with statutory requirements	103	-103
<b>Adjustment primarily involving the Accumulated Absences Account:</b>		
Amount by which officer remuneration charged to the Comp I&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-31	31
<b>Total Adjustments</b>	<b>-13,332</b>	<b>13,332</b>

# Notes to the Core Financial Statements

## 5. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2019/20 £'000	2018/19 £'000
Interest payable and similar charges	256	256
Pensions interest cost and expected return on pensions assets	5,585	5,296
Interest receivable and similar income	-160	-130
<b>Total</b>	<b>5,681</b>	<b>5,422</b>

## 6. TAXATION AND NON SPECIFIC GRANT INCOME

	2019/20 £'000	2018/19 £'000
Precept income	-16,595	-15,853
Non domestic rates	-3,880	-3,781
*Non ringfenced government grants	-3,191	-2,325
<b>Total</b>	<b>-23,666</b>	<b>-21,959</b>

\*see also note 10

## 7. MEMBERS' ALLOWANCES

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

	2019/20 £'000	2018/19 £'000
Allowances	67	68
Expenses	0	1
<b>Total</b>	<b>67</b>	<b>69</b>

# Notes to the Core Financial Statements

## 8. OFFICERS REMUNERATION

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

Remuneration band	Number of Employees	
	2019/2020	2018/2019
£50,000 - £54,999	9	5
£55,000 - £59,999	9	8
£60,000 - £64,999	2	3
£65,000 - £69,999	0	3
£70,000 - £74,999	2	1
£75,000 - £79,999	2	0
£80,000 - £84,999	0	0
£85,000 - £89,999	0	0
£90,000 - £94,999	0	1
£95,000 - £99,999	1	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	1
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	1	1

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

### 2019/20

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

Post	Salary & allowances £	Benefits in kind £	Total £	Pension Confs. £	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
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	75,155	23,508	98,622

## Notes to the Core Financial Statements

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	56,284

### 2018/19

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	124,564	0	124,564	26,995	151,559
Deputy Chief Fire Officer	102,196	5,157	107,353	22,064	129,417
Assistant Chief Fire Officer	94,656	0	94,656	20,523	115,179
Head of Transformation and Collaboration	66,561	3,490	70,051	14,283	84,334
Head of Operations and Risk Management	65,642	0	65,642	9,318	74,960
Group Manager – Shrewsbury, Telford and Wrekin	61,572	0	61,572	11,077	72,649
Head of Prevention, Protection and Response	70,703	0	70,703	15,277	85,980
Head of Resources	59,012	4,858	63,870	8,175	72,045

## Notes to the Core Financial Statements

Head of Human Resources and Administration	55,481	0	55,481	7,701	63,182
Head of Finance (pro rata)	48,159	0	48,159	6,709	54,868

### 9. EXTERNAL AUDIT COSTS

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

	2019/20 £'000	2018/19 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	21	22
Uplift fee	5	
Refund received December 2019	-3	0
<b>Total Audit Fees</b>	<b>23</b>	<b>22</b>

### 10. GRANT INCOME

The Authority credited the following grants to the Comprehensive Income and Expenditure Statement in 2019/20:

	2019/20 £'000	2018/19 £'000
<b>MHCLG Revenue Grants:</b>		
Revenue Support Grant	-1,293	-1,560
Pensions Grant	-1,101	0
Rural Service Delivery Grant	-320	-320
Retail Discount	-33	0
New Dimension Grant	-8	0
Doubling of Small Business Rates Relief	-132	-121
Transparency Code Grant	-8	-8
Emergency Services Mobile Comms Project Grant	-59	-86
Empty Property, First Property, Rural Rate Relief Grants	-1	-2
Small Business Rate Relief, Flood Relief, Transitional Relief, Discretionary Scheme Relief and Local News Grant	-6	-10



## Notes to the Core Financial Statements

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Business Rates Reconciliation Grant	-14	-71
Distribution of Business Rates Levy Account	-13	-59
18/19 Adjustment Grant	-76	-53
Multiplier Cap	-58	-35
Covid 19 Support Grant	-69	0
<b>Total</b>	<b>-3,191</b>	<b>-2,325</b>

### 11. RELATED PARTIES

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

#### Central Government

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

#### Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in note 7.

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

#### Officers

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

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

The Assistant Director, Governance, Procurement and Commissioning at Telford & Wrekin Council was also the Clerk of Shropshire and Wrekin Fire Authority.

The Director of Finance, Governance and Assurance at Shropshire Council was also the Treasurer of Shropshire and Wrekin Fire Authority.

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

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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 £766,451 to Shropshire Council and £214,086 to Telford & Wrekin Council.

## 12. PARTICIPATION IN PENSION SCHEMES

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

The Fire Authority participates in four pension schemes:

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

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

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

The Firefighters' Pension Scheme 2015 was introduced at the beginning of the financial year 2015/16. This is a career average scheme, and is available to operational firefighters appointed on or after 1 April 2015. 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.

# Notes to the Core Financial Statements

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

Claims have been made in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Firefighters Pension Regulations 2015 and in December 2018 the Court of Appeal ( McCloud / Sargeant ) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination.

The Government sought permission to appeal this decision, but this was refused. The Court will subsequently require steps to be taken to compensate employees who were transferred to the new schemes potentially including Firefighters Pension Scheme members. This has led to an increase in Firefighters Pension Scheme liabilities, which has been calculated by the Authority's actuaries using specific assumptions. The increase in scheme liabilities as a result of the judgment has been calculated at approximately 4.4% This is based on one potential remedy and depending on the actual remedy and its applicability to the Firefighters Pension Scheme, this will need to be revisited in the light of further direction from the courts.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates. The next Firefighters Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24 and authorities will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process.

The impact of an increase in annual pension payments arising from McCloud / Sargeant is determined through The Firefighters Pension Scheme (England) Order 2006. These require a fire authority to maintain a pension fund into which employee and employer contributions are paid and out of which pension payments to retirees are made. If the pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the fire authority in the form of a central government top-up grant.

As at 31 March 2020, there are no definitive details in relation to the remedy for the Firefighters Pension Schemes. The accounting figures as at 31 March 2020 continue to reflect the potential costs arising from the McCloud judgment on an approximate basis.

## **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				
	2019/20 £'000	2018/19 £'000	'1992' 2019/20 £'000	'2006' 2019/20 £'000	'2015' 2019/20 £'000	Total 2019/20 £'000	Total 2018/19 £'000
<b>Comprehensive I&amp;E Statement</b>							
<b>Cost of Services:</b>							
Service cost comprising:							
Current service cost	798	668	2,657	1,462	799	4,918	4,261
Past service cost	34	214	553	198	0	751	9,400
<b>Financing and Investment Income and Expenditure:</b>							
Net Interest Expense	200	173	4,684	630	56	5,370	5,109
Administration Cost	15	14	0	0	0	0	0
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	1,047	1,069	7,894	2,290	855	11,039	18,770
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:							
Remeasurements (assets)	-1,727	1,286	0	0	0	0	0
Remeasurements (liabilities)	1,661	-327	-54	298	57	301	11,807
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	-66	959	-54	298	57	301	11,807
<b>Movement in Reserves Statement</b>							
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-1,047	-1,069	-7,894	-2,290	-855	-11,039	-18,770

## Notes to the Core Financial Statements

<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>							
Employers contributions payable to the scheme	-469	-435 0	-4,148 -1,507	1,031 -819	715 -496	-2,402 -2,822	-1,650 -2,925
Top up Grant Retirement benefits payable to pensioners	0	0	-273	0	0	0	-316

### 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:

	<b>Shropshire County Pension Fund</b>		<b>Fire Pension Schemes</b>				
	<b>2019/20 £'000</b>	<b>2018/19 £'000</b>	<b>'1992' 2019/20 £'000</b>	<b>'2006' 2019/20 £'000</b>	<b>'2015' 2019/20 £'000</b>	<b>Total 2019/20 £'000</b>	<b>Total 2018/19 £'000</b>
Present value of the defined benefit obligation	22,966	23,417	192,351	27,884	3,273	223,508	217,392
Fair value of plan assets	-14,235	-15,198	0	0	0	0	0
<b>Net liability arising from defined benefit obligation</b>	<b>8,731</b>	<b>8,219</b>	<b>192,351</b>	<b>27,884</b>	<b>3,273</b>	<b>223,508</b>	<b>217,392</b>

# Notes to the Core Financial Statements

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

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

Funded Liabilities	Shropshire County Pension Fund		Fire Pension Schemes				
	2019/20 £'000	2018/19 £'000	'1992' 2019/20 £'000	'2006' 2019/20 £'000	'2015' 2019/20 £'000	Total 2019/20 £'000	Total 2018/19 £'000
Opening balance 1 April	23,417	20,970	190,166	25,084	2,142	217,392	191,390
Current service cost	798	668	2,657	1,462	799	4,918	4,261
Interest cost	584	562	4,684	630	56	5,370	5,109
Contributions by scheme participants	157	148	528	398	219	1,145	1,161
Benefits paid	-297	-431	-6,183	-186	0	-6,369	-5,736
Remeasurements (actuarial gains and losses):							
Experience (-) gain / loss	-373	1,286	0	0	0	0	11,807
(-)Gain/ Loss in financial assumptions	-204	0	3,308	772	106	4,186	0
(-)Gain/ Loss in demographic assumptions	-1,150	0	-3,362	-474	-49	-3,885	0
Past service costs	34	214	553	198	0	751	9,400
Closing balance 31 March	<b>22,966</b>	<b>23,417</b>	<b>192,351</b>	<b>27,884</b>	<b>3,273</b>	<b>223,508</b>	<b>217,392</b>

# Notes to the Core Financial Statements

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

	Shropshire County Pension Fund		Fire Pension Schemes				
	2019/20 £'000	2018/19 £'000	'1992' 2019/20 £'000	'2006' 2019/20 £'000	'2015' 2019/20 £'000	Total 2019/20 £'000	Total 2018/19 £'000
Opening balance 1 April	15,198	14,344	0	0	0	0	0
Interest income	384	389	0	0	0	0	0
Administration cost	-15	-14	0	0	0	0	0
Remeasurements (assets)	-1,661	327	0	0	0	0	0
Employer contributions	469	435	0	0	0	0	0
Contributions by scheme participants	157	148	0	0	0	0	0
Benefits paid	-297	-431	0	0	0	0	0
Closing balance 31 March	<b>14,235</b>	<b>15,198</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**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 in the reconciliation of assets under the schemes, and has been included within employer contributions as income into the schemes. Disclosures in the statement reflect top up grant of £2.402m in 2019/20, and £2.925m in 2018/19.

## 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:

	<b>Shropshire County Pension Fund</b>		<b>Fire - All Pension Schemes</b>	
	<b>2019/20</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2018/19</b>
<b>Mortality Assumptions:</b> Longevity at 60 (65 County) for future pensioners: Men Women	24.2yrs 26.6yrs	25.4yrs 28.7yrs	28.5yrs 30.5yrs	28.3yrs 30.3yrs
Rate of inflation CPI	2.1%	2.2%	2.1%	2.2%
Rate of increase in salaries - 2015	-	3.7%	-	3.35%
Rate of increase in salaries - other	3.35%	3.7%	3.6%	3.7%
Rate of increase in pensions	2.2%	2.3%	2.2%	2.3%
Rate for discounting scheme liabilities	2.4%	2.5%	2.3%	2.5%

*\*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)	611	-611	6,423	-6,423
Rate of inflation (increase or decrease by 1%)	415	-415	4,276	-4,276
Rate of increase in salaries (increase or decrease by 1%)	75	-75	887	-887
Rate for discounting scheme liabilities (increase or decrease by 1%)	-408	408	-4,186	4,186

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 2020 £'000	31 March 2020 %	31 March 2019 £'000	31 March 2019 %
Equity Investments	7,117	50.0	7,694	50.6
Bonds	3,175	22.3	2,439	16.1
Property	612	4.3	810	5.3
Other Assets	3,331	23.4	4,255	28.0
	14,235	100.0	15,198	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 £491,000 expected contributions to the scheme in 2020/21.

## Notes to the Core Financial Statements

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The weighted average duration of the defined benefit obligation for scheme members is 18 years in 2019/20 (19 years in 2018/19).

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 0.76% which equates to £612,000. Therefore, less certainty can be attached to the valuation of these assets at 31 March 2020.

**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.

### **13. CONTINGENT LIABILITY – MCCLOUD SARGEANT**

In July 2019, the Supreme Court ruled that the changes made in 2015 to the public sector pension schemes had discriminated against younger members. The outcome of the remedy of the McCloud / Sargeant case has yet to be decided upon, but at the reporting date there is potential obligation upon the Fire Authority. This obligation cannot be estimated with any certainty until the remedy has been decided upon.

### **14. EVENTS AFTER THE BALANCE SHEET DATE**

The Statement of Accounts was signed off by the Treasurer on 15 June 2020. Events taking place after this date are not reflected in the financial statements or notes.

# Notes to the Core Financial Statements

## 15. PROPERTY PLANT AND EQUIPMENT

<b>Movements in 2019/20</b>	<b>Land &amp; Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Property Plant &amp; Equipment £'000</b>
<b>Cost or Valuation</b>			
<b>At 1 April 2019</b>	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
<b>At 31 March 2020</b>	<b>25,274</b>	<b>16,901</b>	<b>42,175</b>
<b>Accumulated Depreciation and Impairment</b>			
<b>As at 1 April 2019</b>	35	11,072	11,107
Depreciation charge	953	1,019	1,972
Revaluation	-953	0	-953
<b>At 31 March 2020</b>	<b>35</b>	<b>12,091</b>	<b>12,126</b>
<b>Net Book Value at 31 March 2020</b>	<b>25,239</b>	<b>4,810</b>	<b>30,049</b>
<b>At 31 March 2019</b>	<b>25,978</b>	<b>5,134</b>	<b>31,112</b>

## Notes to the Core Financial Statements

<b>Movements in 2018/19</b>	<b>Land &amp; Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Property Plant &amp; Equipment £'000</b>
<b>Cost or Valuation</b>			
<b>At 1 April 2018</b>	25,193	14,141	39,334
Additions	1,136	2,065	3,201
Revaluation increases / -decreases recognised in the Revaluation Reserve	-316	0	-316
Revaluation increases / -decreases recognised in the Surplus/Deficit on the Provision of Services	0	0	0
<b>At 31 March 2019</b>	<b>26,013</b>	<b>16,206</b>	<b>42,219</b>
<b>Accumulated Depreciation and Impairment</b>			
<b>As at 1 April 2018</b>	35	10,011	10,046
Depreciation charge	973	1,061	2,034
Revaluation	-973	0	-973
<b>At 31 March 2019</b>	<b>35</b>	<b>11,072</b>	<b>11,107</b>
<b>Net Book Value at 31 March 2019</b>	<b>25,978</b>	<b>5,134</b>	<b>31,112</b>
<b>At 31 March 2018</b>	<b>25,158</b>	<b>4,130</b>	<b>29,288</b>

### 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

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## 310 Capital Commitments

At 31 March 2020, the Authority had entered into a number of contracts in 2019/20, budgeted to cost £310,000. The commitments were:

	£'000
Major improvements at Telford	271
Light vehicle replacement	39
<b>Total</b>	<b>310</b>

Similar commitments at 31 March 2019 were £482,000.

## 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 2020, 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, outgoing or restrictions and good title can be shown.
- The land and properties are not contaminated (including Radon Gas)
- The properties and their values are unaffected by any matters which could be revealed by Local Search or inspection of any register and the use and occupation of the asset is lawful.
- In valuing the property, plant and machinery has been excluded unless forming part of the structure and normally valued with the buildings.
- The report does not take account of any liability for taxation which may arise on disposal whether actual or notional.
- Details of title have been taken from previous records supplied by Shropshire Fire and Rescue Service.
- Where there are user rights these have not been considered as having a value because of the inability to transfer such rights.
- Where the property in the ownership of Shropshire Fire and Rescue Service is subject to user rights, the value of the affected parts of the property have been excluded, except where the occupation has approximately twelve months or less to run to the expiry date.

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

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The current global pandemic has meant that the valuer is faced with an unprecedented set of circumstances upon which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case.

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 2019/20 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

	<b>Land and Buildings £'000</b>	<b>Vehicles, Plant, Furniture and Equipment £'000</b>	<b>Total £'000</b>
Carried at historical cost	0	4,810	4,810
Carried at fair value as at 31 March 2020	25,239	0	25,239
<b>Total</b>	<b>25,239</b>	<b>4,810</b>	<b>30,049</b>

# Notes to the Core Financial Statements

## 16. FINANCIAL INSTRUMENTS

### Categories of Financial Instrument

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

	Long Term		Current	
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
<b>Cash and cash equivalents</b>				
Cash and bank accounts	418	0		-399
Short term deposits with bank	10,200	0		8,370
Short term deposits with local authorities	9,000	0		9,100
<b>Total cash and cash equivalents</b>	<b>19,618</b>	<b>0</b>		<b>17,071</b>
<b>Debtors</b>				
Financial assets carried at contract amounts		0	13	173
<b>Total debtors</b>		<b>0</b>	<b>13</b>	<b>173</b>

	Long Term		Current	
	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
<b>Borrowings</b>				
Financial liabilities at amortised cost	5,578	5,698	120	0
<b>Total borrowings</b>	<b>5,578</b>	<b>5,698</b>	<b>120</b>	<b>0</b>
<b>Creditors</b>				
*Financial liabilities carried at contract amount		0	-2	1,015
<b>Total creditors</b>		<b>0</b>	<b>-2</b>	<b>1,015</b>

\*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:

	2019/20		2018/19	
	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
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>256</b>	<b>0</b>	<b>256</b>	<b>0</b>
Interest income	0	160	0	130
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>160</b>	<b>0</b>	<b>130</b>
<b>Net gain /(loss) for the year</b>	<b>256</b>	<b>160</b>	<b>256</b>	<b>130</b>

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

**Credit Risk** –this is the possibility other parties may fail to pay amounts due to the Authority. This arises from the lending of surplus funds to banks, building societies and other local authorities, as well as credit exposures to the Authority's customers. 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 2020 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 2020		31 March 2019	
	Carrying amount £'000	Fair value (Level 2) £'000	Carrying amount £'000	Fair Value (Level 2) £'000
Financial liabilities	5,698	9,232	5,698	7,565

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

	31 March 2020 £'000	31 March 2019 £'000
<b>Loan Source</b>		
Public Works Loan Board	5,698	5,698
<b>Analysis by Maturity</b>		
Less than 1 year	120	0
Between 1 and 2 years	160	120
Between 2 and 5 years	373	323
Between 5 and 10 years	589	799
Between 10 and 20 years	2,796	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

## 17. INVENTORIES

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

2018/19	Vehicle Parts £'000	Oil £'000	Diesel £'000	Uniforms £'000	Operational Equipment £'000	Fire Ground Feeding £'000	Total £'000
<b>Balance outstanding at start of year</b>	<b>83</b>	<b>4</b>	<b>5</b>	<b>109</b>	<b>28</b>	<b>1</b>	<b>230</b>
Purchases	177	4	170	204	148	9	712
Recognised as an expense during the year	-123	-5	-166	-103	-135	-9	-541
<b>Balance outstanding at year end</b>	<b>137</b>	<b>3</b>	<b>9</b>	<b>210</b>	<b>41</b>	<b>1</b>	<b>401</b>

## 18. DEBTORS

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

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
Central government bodies	499	1,828
Other local authorities	1,580	1,461
Other entities and individuals	403	441
<b>Total</b>	<b>2,482</b>	<b>3,731</b>

# Notes to the Core Financial Statements

## 19. CASH AND CASH EQUIVALENTS

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

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
Cash held by the Authority	1	1
Bank current accounts	417	-400
Short term deposits with bank	10,200	8,370
Short term deposits with local authorities	9,000	9,100
<b>Total</b>	<b>19,618</b>	<b>17,071</b>

## 20. CREDITORS

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

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
Central government bodies	1,086	404
Other local authorities	1,310	1,714
Other entities and individuals	983	1,019
<b>Total</b>	<b>3,379</b>	<b>3,137</b>

## 21. UNUSABLE RESERVES

<b>31 March 2019 £'000</b>		<b>31 March 2020 £'000</b>
14,246	Revaluation Reserve	13,724
13,508	Capital Adjustment Account	13,226
-8,220	LGPS Pensions Reserve	-8,732
-217,392	Fire Pensions Reserve	-223,508
371	Collection Fund Adjustment Account	401
-152	Accumulated Absences Account	-174
<b>-197,639</b>	<b>Total Unusable Reserves</b>	<b>-205,063</b>

# Notes to the Core Financial Statements

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## Revaluation Reserve

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

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

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

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
14,228	Balance at 1 April	14,246
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	118
14,228	Surplus or deficit on revaluation of non current assets not posted to the Surplus/Deficit on the Provision of Services	0
-639	Difference between fair value depreciation and historical costs depreciation	-640
657	Upward revaluation of Assets	
<b>14,246</b>	<b>Balance as at 31 March</b>	<b>13,724</b>

# Notes to the Core Financial Statements

## Capital Adjustment Account

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

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

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
11,444	<b>Balance at 1 April</b>	13,508
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
-2,034	Charges for depreciation and impairment of non current assets	-1,972
0	Revaluation losses on Property Plant and Equipment	-56
<b>9,410</b>	<b>Total</b>	<b>11,480</b>
639	Adjusting amounts written out of the Revaluation Reserve	640
<b>10,049</b>	<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>12,120</b>
	Capital financing applied in the year:	
1,563	Application of grants to capital financing from the Capital Grants Unapplied Account	0
258	Statutory provision for the financing of capital investment charged against the General Fund balance	259
1,638	Capital expenditure charged against the General Fund balance	847
<b>13,508</b>	<b>Balance as at 31 March</b>	<b>13,226</b>

# Notes to the Core Financial Statements

## Pensions Reserves

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

2018/19 £'000				2019/20 £'000		
Fire	LGPS	Total		Fire	LGPS	Total
191,390	6,627	198,017	Balance at 1 April	217,392	8,220	225,612
11,807	959	12,766	Actuarial gains or losses on pensions assets and liabilities	301	-66	235
18,770	1,069	19,839	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	11,039	1,047	12,086
-4,575	-435	-5,010	Employer's pension contributions and direct payments to pensioners payable in the year	-5,224	-469	-5,693
217,392	8,220	225,612	Balance at 31 March	223,508	8,732	232,240

# Notes to the Core Financial Statements

## Collection Fund Adjustment Account

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

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
268	<b>Balance at 1 April</b>	371
103	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	30
<b>371</b>	<b>Balance at 31 March</b>	<b>401</b>

## Accumulated Absences Account

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

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
-121	Balance at 1 April	-152
121	Settlement or cancellation of accrual made at the end of the preceding year	152
0	Amount accrued at the end of the current year	0
-152	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	-174
<b>-152</b>	<b>Balance at 31 March</b>	<b>-174</b>



# Notes to the Core Financial Statements

## 22. 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 2018 £'000	Transfers Out 2018/19 £'000	Transfers In 2018/19 £'000	Balance 31 Mar 2019 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	Balance 31 Mar 2020 £'000
General Fund Balance	528	-528	485	485	-485	1,148	1,148
General Reserve	577	0	0	577	0	0	577
Major Projects Capital Reserve	6,086	-9	1,407	7,484	-134	1,275	8,625
Earmarked Capital Reserve	4,851	-1,629	0	3,222	-713	0	2,509
Extreme Weather Reserve	334	0	0	334	0	0	334
Pensions and Other Staff Issues Reserve	930	-121	0	809	-84	0	725
ICT Reserve	1,083	-35	0	1,048	-15	0	1,033
STP Staff Reserve	250	0	0	250	-27	0	223
Income Volatility Reserve	237	0	0	237	0	0	237
Service Delivery Reserve	236	0	0	236	0	0	236
Training Reserve	255	-88	0	167	-67	0	100
Building Maintenance Reserve	408	0	0	408	0	0	408
Operational Equipment Reserve	359	-109	0	250	-69	0	181
<b>Total</b>	<b>16,134</b>	<b>-2,519</b>	<b>1,892</b>	<b>15,507</b>	<b>-1,594</b>	<b>2,423</b>	<b>16,336</b>

## Notes to the Core Financial Statements

### 23. CAPITAL GRANTS UNAPPLIED ACCOUNT

	2019/20 £'000	2018/19 £'000
Balance at 1 April	0	-1,563
Capital grants received	0	0
Used to finance capital expenditure	0	1,563
Balance at 31 March	0	0

### 24. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2019/20 £'000	2018/19 £'000
<b>Opening Capital Financing Requirement</b>	<b>3,359</b>	<b>3,617</b>
<i>Capital investment</i>		
Property Plant and Equipment	847	3,201
<i>Sources of Finance</i>		
Government grants and other contributions	0	-1,563
Sums set aside from revenue:		
Direct revenue contributions	-847	-1,638
MRP	-259	-258
<b>Closing Capital Financing Requirement</b>	<b>3,100</b>	<b>3,359</b>
<b>Explanation of movements in year</b>		
Decrease in underlying need to borrowing (supported by government financial assistance)	0	0
Increase / -decrease in underlying need to borrowing (unsupported by government financial assistance)	-259	-258
<b>Increase / -decrease in Capital Financing Requirement</b>	<b>-259</b>	<b>-258</b>

# Notes to the Core Financial Statements

## 25. CASH FLOW STATEMENT – NON CASH ITEMS

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
-2,034	Depreciation	-1,972
0	Losses on asset revaluations	-9
-14,829	IAS19 pension adjustments	-6,393
103	Collection Fund adjustment	30
-31	Accumulated Absences adjustment	-22
171	Movement on stocks	39
-367	Movement on creditors	-249
495	Movement on debtors	-1,249
<b>-16,492</b>		<b>9,825</b>

## 26. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
130	Interest received	160
-256	Interest paid	-256
<b>-126</b>	<b>Net Interest</b>	<b>-96</b>

## 27. CASH FLOW STATEMENT – INVESTING ACTIVITIES

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
3,201	Purchase of property plant and equipment	847
0	Other payments from investing activities	0
<b>3,201</b>	<b>Net cash flows from investing activities</b>	<b>847</b>

## Notes to the Core Financial Statements

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### 28. CASH FLOW STATEMENT – FINANCING ACTIVITIES

<b>2018/19 £'000</b>		<b>2019/20 £'000</b>
-130	Other receipts from financing activities	-160
256	Other payments for financing activities	256
<b>126</b>	<b>Net cash flows from financing activities</b>	<b>96</b>

## Pension Fund Accounts

Year ended 31 March 2019 £'000		Year ended 31 March 2020 £'000
	<b>Income to the fund</b>	
	<b>Contributions receivable:</b>	
	<b>From employer:</b>	
-272	Normal: 1992 scheme	-440
-26	Normal: 2006 scheme	-49
-57	Normal: 2006 modified scheme	-75
-913	Normal: 2015 scheme	-1,986
-86	Early Retirements	-44
	<b>From members:</b>	
-233	Normal: 1992 scheme	-177
-23	Normal: 2006 scheme	-19
-38	Normal: 2006 modified scheme	-29
-814	Normal: 2015 scheme	-877
-53	Past Service: 2006 modified scheme	-43
	<b>Transfers in:</b>	
-84	Individual transfers from other schemes	
<b>-2,599</b>	<b>Income to the Fund</b>	<b>-3,739</b>
	<b>Spending from the Fund:</b>	
	<b>Benefits payable:</b>	
4,703	Pensions	4,867
741	Commutations on pensions and lump sum retirement benefits	1,231
	<b>Payments to and on account of leavers:</b>	
0	Individual transfers out of the scheme	2
<b>2,845</b>	<b>Deficit / surplus for the year before top up grant receivable from Central Government</b>	<b>2,361</b>
-1,998	Top Up grant received	-2,151
-847	Top Up grant receivable	-210
<b>0</b>	<b>Net amount receivable for the year</b>	<b>0</b>

# Pension Fund Accounts

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## Net Assets Statement as at 31 March 2020

2018/19 £'000	Current Assets	2019/20 £'000
847	Top Up grant receivable from Government	210
	<b>Current Liabilities</b>	
-847	Amounts due to General Fund	-210
<b>0</b>		<b>0</b>

## Notes to the Pension Fund Accounts

- 1. Firefighters Pension Schemes** – on 1 April 2006 new financial arrangements were introduced for both the 1992 and the newly established 2006 Firefighter Pension Schemes. The Pension fund was established under the Firefighters Pension Fund Regulations 2006.  
The Firefighters' Pension Scheme 2015 was introduced at the beginning of the financial year. This is a career average scheme, and is available to operational firefighters appointed on or after 1 April 2015. Serving firefighters will also have been transferred into the scheme, unless they have protected status under one of the existing schemes. The scheme is regulated by the Home Office.
- 2.** The Pension Fund is regulated by Home Office, and the pension schemes are managed and administered locally by each Fire Authority. Both are unfunded, defined benefit schemes; contributions to the schemes are made by firefighters and employers, and paid into the Fund, from which most commutations and regular pension payments are made. Any deficit on the Fund will be met by Government, and any surplus at the end of the year will be repaid to Government.
- 3.** The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end; information on the Authority's long term pensions obligations can be found at note 12 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 26.

# Glossary of Terms

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**Accrual**

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

**Capital Adjustment Account**

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

**Capital Expenditure**

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

**Capital Receipts**

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

**CIPFA**

The Chartered Institute of Public Finance and Accountancy.

**Capital Financing Requirement**

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

**Collection Fund Adjustment Account**

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

**Corporate and Democratic Core**

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

**Council Tax**

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

**Creditors**

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

**Current Assets**

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

**Current Liabilities**

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

# Glossary of Terms

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## **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

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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.