



Shropshire and Wrekin

Fire and Rescue Authority

Statement of Accounts

2016/17

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Narrative Report

Introduction

This is the statement of accounts for Shropshire and Wrekin Fire and Rescue Authority, for the financial year ended 31 March 2017. 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 2016/17 (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 and Herefordshire and West Midlands. It contains numerous small towns and villages but the population and economy is mainly centred around Shrewsbury, Telford, Oswestry, Bridgnorth and Ludlow.

The Fire Authority

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 elected 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.

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

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 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 the challenges 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.

Our Performance

The Fire Authority's five year Service Plan set a suite of challenging performance targets up to 2020, which were set up with a view to continuously improve and are reviewed and updated annually. The financial year 2016/17 was the second year of the Plan and the Service targets were approved by Strategy & Resources Committee in March 2017.

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

- Attendance time of vehicles
- Numbers of accidental and deliberate fires
- Numbers of fire related deaths and serious injuries

The Service also achieved an unqualified Value for Money conclusion as part of its external audit.

The two targets not achieved were:

- The number of accidental dwelling fires in 2016/17 was 225, against a target of 224, and
- The number of injuries sustained to staff through firefighting was 28, against a target of 25.

The Financial Statements

The core financial statements are set out on pages 38 to 42, 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 Surplus or (Deficit) on the Provision of Services 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.

Financial Performance

The Fire Authority has been successful over the last five 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 tax payers.

The Fire Authority's Public Value consultation achieved over £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.

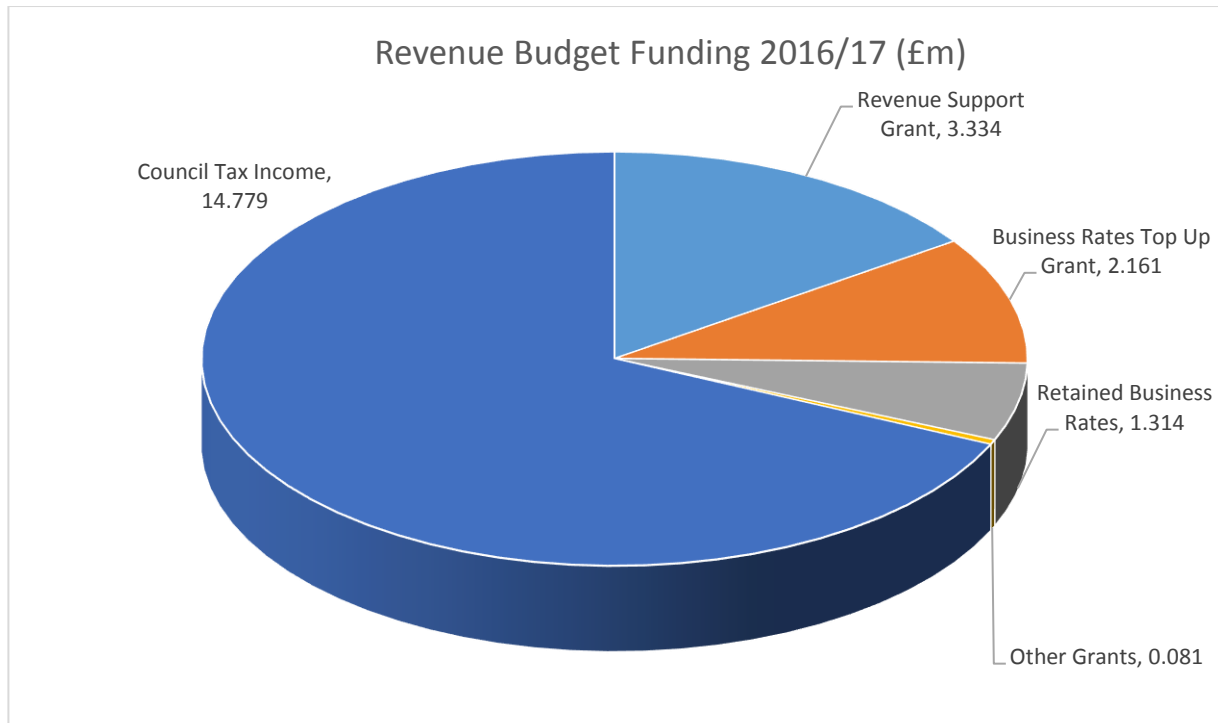
Local authorities were issued with a provisional four year settlement which covered the financial years 2016/17 to 2019/20, and were told that these settlements would be confirmed over the period, if Efficiency Plans covering the same period were produced and submitted to the Home Office. Following the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

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 2016, Shropshire and Wrekin Fire Authority approved a revenue budget of £21.669m for 2016/17. 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.

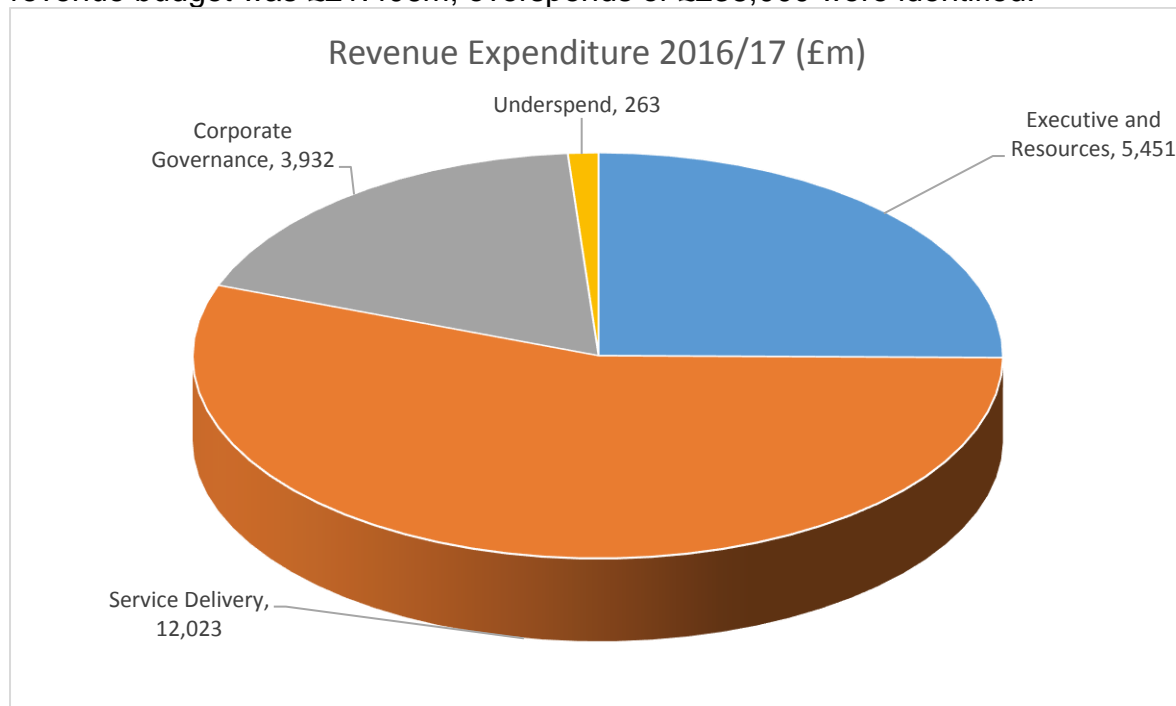
The revenue budget (£m) for 2016/17 was funded as follows:



The Authority saw a reduction in its government grant of 9.6%, but additional grant of £311,000 was paid in relation to transitional pressures and support to rural areas.

In terms of precept strategy, the Fire Authority considered the effects of a number of options on the revenue budget, and agreed to increase council tax by 1.99%, or 4p per week for a Band D household.

During 2016/17 the Fire Authority received regular updates on financial performance and approved changes of £501,000 to the revenue budget. Actual out turn on the revenue budget was £21.406m; overspends of £238,000 were identified.



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Some of this year's savings represent expenditure that has slipped from 2016/17 into 2017/18, and so this will be held in the General Fund balance at the end of the year, and transferred back to the revenue account for use in 2017/18.

| Slipped Expenditure | £'000 |
|---|--------------|
| Service Transformation Programme projects | 45 |
| Other | 4 |
| Total | 49 |

| Efficiencies and other variances | £'000 |
|--|--------------|
| Contributions to reserves | -154 |
| Equipment and uniform | -106 |
| Communications and ICT | -48 |
| Training & Development and Human Resources | -48 |
| Prevention | 21 |
| Income | 25 |
| Other variances | -24 |
| Total | -334 |

| Income | £'000 |
|---------------------------|--------------|
| Additional grant received | 47 |
| Total | 47 |

Narrative Report

Capital Expenditure

In 2016/17 the Fire Authority spent £1.376m on capital projects. These can be summarised as follows:

| Scheme | £'000 |
|--|--------------|
| Vehicles | 920 |
| Information technology and communications | 48 |
| Operational equipment | 226 |
| Training facilities and building enhancement | 182 |
| Total | 1,376 |

Expenditure on capital projects has been funded from:

| Source of Funding | £'000 |
|--------------------------|--------------|
| Government grant | 48 |
| Capital Reserve | 1,328 |
| Total | 1,376 |

Reserves and Provisions - 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

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reduce the revenue budget, close the expected budget deficit modelled to 2019/20, and safeguard the service delivered to the people of Shropshire.

The Fire Authority's reserves have been reviewed, and a summary of the position on each reserve and provision is shown below.

| | 31 March 2016 £'000 | 31 March 2017 £'000 |
|--|------------------------------------|------------------------------------|
| General Reserve | 577 | 577 |
| Pensions and Other Staff Issues Reserve | 1,755 | 1,630 |
| Extreme Weather Reserve | 334 | 334 |
| Earmarked Capital Reserve | 4,983 | 4,660 |
| Unearmarked Capital Reserve | 2,817 | 4,438 |
| ICT Reserve | 1,083 | 1,083 |
| Capital Grants Unapplied Reserve | 1,723 | 1,675 |
| Income Volatility Reserve | 1,137 | 1,137 |
| Service Transformation Programme Staff Reserve | 237 | 2 |
| Service Delivery Reserve | 236 | 236 |
| Training Reserve | 255 | 255 |
| Operational Equipment Reserve | 158 | 59 |
| Buildings Maintenance Reserve | 408 | 408 |
| General Fund Balance | 876 | 311 |
| Total | 16,579 | 16,805 |

Each of the Fire Authority's reserves and provisions 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, and delivers a range of function related services, including fire risk management, health and safety management and training in first aid.

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 2017, corresponding with the Fire Authority. The company's accounts were prepared under UK GAAP and independently audited. The company reported a net loss of £837 for the period to 31 March 2017.

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.

The Year Ahead

The Policing and Crime Bill

From 5 January 2016, ministerial responsibility for Fire and Rescue Services was transferred from the Department of Communities and Local Government to the Home Office, in order to support a radical transformation of how the police and fire and rescue services work together.

The Policing and Crime Act received royal assent on 31 January 2017. The Act further reforms policing and enables important changes to the governance of fire and rescue services. The changes will build capability, improve efficiency, increase public confidence and further enhance local accountability.

The main provision affecting fire and rescue services will place a duty on police, fire and ambulance services to work together and enable police and crime commissioners to take on responsibility for fire and rescue services where a local case is made.

The Fire Authority will continue to work closely with the Police and Crime Commissioner and neighbouring police and fire services over the coming year on the issues arising from the Act.

Service Transformation Programme

As part of the Fire Authority's strategic planning process, Service managers undertook a review to determine the areas of activity the Service needed to address in the short to medium term. This resulted in the development of the Service Transformation Programme, a high-level programme of activities, reviews and projects that sought to ensure that the Service was best placed to meet future financial challenges.

The structure of the programme is based upon the model used successfully to deliver the refurbishment of Shrewsbury Headquarters, Workshops and Fire Station.

The Programme has been overseen by a Programme Manager, thus ensuring that a strategic overview is maintained of all projects, reviews and activities. It has been supported and delivered by a mixture of Service staff and external resources. The Programme dovetails into the existing service / financial planning processes and ensured that the appropriate controls are maintained throughout its lifecycle.

The Service Transformation Programme is expected to be completed in the next financial year, and the continued benefits that have arisen as each project has been completed can be measured and reported.

Integrated Risk Management Plan (IRMP)

Projects IRMP1 and IRMP2 – shift pattern changes

Two of the IRMP projects involve changes to the shift patterns worked by full time firefighters and Fire Control staff. Following many months of negotiations between management and employee representative bodies, both shift systems went live for a pilot year at the beginning of January 2017. This pilot year involves regular on going reviews and further negotiations on both systems, where necessary, with the aim of

ensuring the changes support both service improvements and staff welfare. A report summarising the overall outcomes and benefits from both pilots will be presented to the Fire Authority during the first quarter of 2018.

IRMP3 – major improvements at Telford

Following investment at Shrewsbury and Wellington, Telford Central Fire Station and Training Centre is the last of the Authority's sites to require significant investment to bring it up to modern standards.

The first stage of the project was to consider the requirements of the Service at the site over the next 30 to 40 years, and then to undertake a feasibility study, looking at the costs likely to be incurred in fulfilling those requirements. As a result of these reviews, the Authority approved a recommendation to make improvements at the Telford site.

In light of the introduction of the Policing and Crime Act 2017, officers have been working with West Mercia Police to establish ways in which the two services can collaborate on the use of this development. Proposals will be presented to the Fire Authority in the coming months.

Annual Governance Statement

Scope of Responsibility

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

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

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

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

A paper copy can be obtained from the Executive Support function within the Service.

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.

The Purpose of the Governance Framework

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

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

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

Annual Governance Statement

The governance framework has been in place at Shropshire and Wrekin Fire and Rescue Authority for the period of the 2016/17 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 (2015) 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 (2013);
- 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.

Annual Governance Statement

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 2016/17, 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 2015/16;
 - Annual Plan 2016/17;
 - Annual Audit Letter 2015/16;
 - Budget Monitoring reports;
 - Service Measures Performance reports;
 - The Service Plan 2015/20, strategy and budget.

Annual Governance Statement

- 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 2016/17 related to:
- Code of Corporate Governance;
 - Creditors System;
 - Fire Fighters Pension Account;
 - IT Follow Up;
 - Lease Cars;
 - SharePoint Migration;
 - Payroll System;
 - Travel Expenses;
 - Purchasing Cards;
 - General Recommendations Follow Up;
 - Risk Management.

On the basis of the work undertaken and management responses received; the Authority's governance, risk management and internal control processes are sound and working effectively and the Head of Audit is able to deliver a positive year end opinion on the Authority's internal control environment for 2016/17.

Internal Audit will be conducting audits into the following areas during 2017/18:

- Payroll;
- Budget Strategy;
- Capital Budgeting and Accounting;
- Computer Services;
- Assets;
- Banking Arrangements;
- Partnerships;
- Information Transparency;
- Fraud and Corruption;
- Risk Management and Business Continuity;
- Corporate Governance;
- Annual Governance Statement;

Annual Governance Statement

- Previous recommendations follow up.

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 (2015).

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 Head 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 Audit and Performance Management 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 2015/16. The relatively minor points arising from these reviews are being used to enhance the existing system of controls.

Annual Governance Statement

The Fire Authority undertook a review of its systems of internal control, which underpin its governance framework, between January and March 2017. An Annual Governance Statement (AGS) Improvement Plan 2017/18 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 Audit and Performance Management Committee and the Service's Service Management Team.

A summary of the areas for further development, contained in the AGS Improvement Plan 2017/18, is given below.

Service Transformation Programme

The Programme which is updated each year, has been extended up to 2020 and includes IRMP activities. The Programme forms the basis of the 5 year action plan contained within the 2015-2020 Service Plan.

An annual benefits review will be presented to the APMC and progress on the three main Integrated Risk Management Plan (IRMP) workstreams will be reported to the Combined Fire Authority (CFA) through the Strategy and Planning Working Group.

Information and Communications Technology (ICT)

IT will build a stabilised team with the appropriate skills that can deliver the requirements of the 2017/18 Annual Plan and the support of the Command and Control (C&C) System.

Review and continually improve the service desk provision including management of all ICT assets.

Explore potential opportunities for collaboration.

Training

Develop management reporting processes from the new Fire Fighter Electronic Individual Development Record (EIDR) system.

Develop and implement course evaluation process using ResourceLink.

Review and further develop Officer EIDR system, using lessons learnt from developing the Fire Fighter EIDR.

Develop Training & Development performance dashboard and access to Resource Link database in order to effectively administrate courses and provide management monitoring data/reports.

Continue to expand course reports from the Breathing Apparatus (BA) refresher report already developed.

Operations

The process required to ensure fire-ground information is maintained in a format that is accessible, timely and accurate is outdated and needs replacing to ensure it takes advantage of the changes being made nationally. The project plan relating to a new electronic system has been approved and will be implemented prior to April 2018.

Annual Governance Statement

Payroll Systems Review

Review current internal payroll processes, identify improvements and implement. Continue to develop ResourceLink to improve efficiency. Review current processes/communications links between the Service and payroll provider to generate further improvements.

Introduction of new ResourceLink Expenses upgrade and focus on modernising retained pay processes.

Operational Assurance

The Service is awaiting an indication as to who will be undertaking the new inspection regime and the areas it will cover, which is likely to include some form of operational assessment. Details about the new inspection will not be available until next year.

Whilst undertaking some form of self-assessment continues to be a priority, in readiness for future inspection, this has been postponed whilst clarity is sought on the likely make-up of the national inspection regime and independent standards body.

The Service has recruited an Area Manager who now has responsibility for this area of work.

Technical Services/Area Command

Ability to effectively track and test operational equipment by the Introduction of Standard Testing and Reporting System (STARS).

Health and Safety

Introduce electronic workflows for the following:

- Vehicle incident report form
- Near miss
- Personal injury
- Suspected Contamination

Signed:

Cllr Kuldip Sahota
Chair of Audit and
Performance Management
Committee

Rod Hammerton
Chief Fire Officer

James Walton
Treasurer

Statement of Responsibilities

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice') is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year (ended 31 March 2017).

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 2017.

TREASURER

Dated: 31 May 2017

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 September 2017.

Chair of the Audit and Performance Committee

Dated:

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

Audit Certificate

To be inserted following audit

Audit Certificate

Audit Certificate

Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the Fire Authority's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. 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 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Accounting Standards (IFRS).

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.

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.

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

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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, the difference between the income included in the Comprehensive Income and Expenditure Account 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

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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 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.
- **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.
- **Unearmarked 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

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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.
- **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 do not represent usable resources for the Authority:

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- **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.

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

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

Both schemes are unfunded, defined benefit schemes, and are regulated by the Department for Communities and Local Government (DCLG) (Home Office from 5 January 2016). 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

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payments are made. Any deficit on this account will be met by DCLG, and any surplus at the end of the year must be paid back to DCLG.

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 Department of Communities and Local Government (Home Office from 5 January 2016).

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 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

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- 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.
 - 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.

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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 the costing principles of the CIPFA Service Reporting Code of Practice 2016/17 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of :

- Corporate and Democratic Core – costs relating to the Authority's status as a single function democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Cost of Services – Continuing Operations.

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 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

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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, but as a minimum every five years. 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:

- 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

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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:

- 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

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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
- 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

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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 30 Heritage Assets.

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

12

Leases

Finance Leases

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

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 on Reserves Statement for the difference between the two.

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Operating Leases

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

13 Financial Assets

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

14 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Fire Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income 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.

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

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

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

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

15 Inventories

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

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

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recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

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

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 after the Balance Sheet date are properly reflected in the Statement of Accounts up to the date that they are authorised.

Core Financial Statements

Comprehensive Income and Expenditure Statement

| 2015/16 (Restated) | | | | 2016/17 | | |
|--------------------|--------------|-----------------|--|-------------------|--------------|-----------------|
| Gross Expenditure | Gross Income | Net Expenditure | | Gross Expenditure | Gross Income | Net Expenditure |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 5,970 | 122 | 5,848 | Executive and Resources | 5,020 | 61 | 4,959 |
| 3,938 | 0 | 3,938 | Corporate Governance | 3,653 | 0 | 3,653 |
| 12,824 | 0 | 12,824 | Service Delivery | 11,423 | 0 | 11,423 |
| 22,732 | 122 | 22,610 | Cost of Services – continuing operations | 20,096 | 61 | 20,035 |
| | | 260 | Interest payable and similar charges | | | 256 |
| | | -87 | Interest and investment income | | | -85 |
| | | 5,747 | Net interest on the net defined liability (note 14) | | | 6,164 |
| | | 5,920 | Financing and Investment Income and Expenditure (note 6) | | | 6,335 |
| | | -13,966 | Precepts (note 7) | | | -14,856 |
| | | -7,537 | Government Grants (note 7) | | | -6,986 |
| | | -21,503 | Taxation and Non Specific Grant Income (note 7) | | | -21,842 |
| | | 7,027 | Surplus(-)/ Deficit on Provision of Services | | | 4,528 |
| | | 496 | Deficit arising on the revaluation of property plant and equipment | | | 101 |
| | | -10,929 | Remeasurement of the net defined benefit liability (note 14) | | | 46,008 |
| | | -10,433 | Other Comprehensive Income and Expenditure | | | 46,109 |
| | | -3,406 | Total Comprehensive Income and Expenditure | | | 50,637 |

Core Financial Statements

Movement in Reserves

Statement

| | General Fund Balance £'000 | Ear-marked Reserves £'000 | Total General Fund £'000 | Capital Grants Unapplied Account £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 | Total Authority Reserves £'000 |
|---|-------------------------------|------------------------------|-----------------------------|---|--------------------------------|----------------------------|-----------------------------------|
| Balance at 31 March 2016 | 876 | 13,980 | 14,856 | 1,723 | 16,579 | -153,602 | -137,023 |
| Movement in reserves during 2016/17 | | | | | | | |
| Total Comprehensive Income and Expenditure | -4,528 | 0 | -4,528 | 0 | -4,528 | -46,109 | -50,637 |
| Adjustments between accounting basis & funding basis under regulations (note 5) | 4,755 | 0 | 4,755 | 0 | 4,755 | -4,755 | 0 |
| Increase/- Decrease in 2016/17 | 227 | 0 | 227 | 0 | 227 | -50,864 | -50,637 |
| Balance as at 31 March 2017 cfwd | 1,103 | 13,980 | 15,083 | 1,723 | 16,806 | -204,466 | -187,660 |
| Transfers to/from Earmarked Reserves | -792 | 840 | 48 | -48 | 0 | 0 | 0 |
| Balance as at 31 March 2017 cfwd | 311 | 14,820 | 15,131 | 1,675 | 16,806 | -204,466 | -187,660 |

Note 24

Note 25

Note 23

Core Financial Statements

Movement in Reserves

Statement

| | General Fund Balance £'000 | Ear-marked Reserves £'000 | Total General Fund £'000 | Capital Grants Unapplied Account £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 | Total Authority Reserves £'000 |
|---|-------------------------------|------------------------------|-----------------------------|---|--------------------------------|----------------------------|-----------------------------------|
| Balance at 31 March 2015 | 1,033 | 12,197 | 13,230 | 1,818 | 15,048 | -155,477 | -140,429 |
| Movement in reserves during 2015/16 | | | | | | | |
| Total Comprehensive Income and Expenditure | -7,027 | 0 | -7,027 | 0 | -7,027 | 10,433 | 3,406 |
| Adjustments between accounting basis & funding basis under regulations (note 5) | 8,558 | 0 | 8,558 | 0 | 8,558 | -8,558 | 0 |
| Increase/- Decrease in 2015/16 | 1,531 | 0 | 1,531 | 0 | 1,531 | 1,875 | 3,406 |
| Balance as at 31 March 2016 cfwd | 2,564 | 12,197 | 14,761 | 1,818 | 16,579 | -153,602 | -137,023 |
| Transfers to/from Earmarked Reserves | -1,688 | 1,783 | 95 | -95 | 0 | 0 | 0 |
| Balance as at 31 March 2016 cfwd | 876 | 13,980 | 14,856 | 1,723 | 16,579 | -153,602 | -137,023 |

Note 24

Note 25

Note 23

Core Financial Statements

Balance Sheet

| 31 March 2016 £'000 | | Notes | 31 March 2017 £'000 |
|---------------------------|---|---------|---------------------------|
| | Property Plant and Equipment | | |
| 19,306 | Land and Buildings | 16 | 18,660 |
| 4,317 | Vehicles Plant Furniture and Equipment | 16 | 4,662 |
| 23,623 | Total Long Term Assets | | 23,322 |
| | | | |
| 220 | Inventories | 18 | 264 |
| 1,686 | Short Term Debtors | 19 | 2,415 |
| 18,846 | Cash and Cash Equivalent | 20 | 18,848 |
| 20,752 | Total Current Assets | | 21,527 |
| | | | |
| -2,385 | Short Term Creditors | 21 | -2,623 |
| -1 | Short Term Borrowing | 17 | 0 |
| -2,386 | Current Liabilities | | -2,623 |
| | | | |
| -5,698 | Long Term Borrowing | 17 | -5,698 |
| -173,314 | Pension Liability | 14 | -224,188 |
| 0 | Other Long Term Liabilities | 13 | 0 |
| -179,012 | Long Term Liabilities | | -229,886 |
| | | | |
| -137,023 | Net Liabilities | | -187,660 |
| | | | |
| | Usable Reserves | | |
| 876 | General Fund | 23 | 311 |
| 577 | General Reserve | 23 | 577 |
| 2,817 | Unearmarked Capital Reserve | 23 | 4,438 |
| 4,983 | Earmarked Capital Reserve | 23 | 4,660 |
| 334 | Extreme Weather Reserve | 23 | 334 |
| 1,755 | Pensions and Other Staff Issues Reserve | 23 | 1,630 |
| 1,083 | ICT Reserve | 23 | 1,083 |
| 237 | STP Staff Reserve | 23 | 2 |
| 1,137 | Income Volatility Reserve | 23 | 1,137 |
| 236 | Service Delivery Reserve | 23 | 236 |
| 255 | Training Reserve | 23 | 255 |
| 408 | Building Maintenance Reserve | 23 | 408 |
| 158 | Operational Equipment Reserve | 23 | 59 |
| 1,723 | Unapplied Capital Grants Reserve | 23 & 24 | 1,675 |
| | Unusable Reserves | | |
| 7,903 | Revaluation Reserve | 22 | 7,458 |
| 11,555 | Capital Adjustment Account | 22 | 11,977 |
| -167,749 | Fire Pensions Reserve | 14 & 22 | -217,191 |
| -5,565 | LGPS Pensions Reserve | 14 & 22 | -6,997 |
| 362 | Collection Fund Adjustment Account | 22 | 439 |
| -108 | Accumulated Absences Account | 22 | -151 |
| -137,023 | Total Reserves | | -187,660 |

Core Financial Statements

Cash Flow Statement

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|---|------------------|
| 7,027 | Net (surplus) or deficit on the provision of services | 4,528 |
| -10,681 | Adjustments to net surplus or deficit on the provision of services for non cash movements (see Note 26) | -5,907 |
| -173 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (see Note 27) | -171 |
| -3,827 | Net cash flows from operating activities | -1,550 |
| 1,020 | Investing Activities (see Note 28) | 1,377 |
| 173 | Financing Activities (see Note 29) | 171 |
| -2,633 | Net increase or decrease in cash and cash equivalents | -2 |
| -16,212 | Cash and cash equivalents at the beginning of the period | -18,846 |
| -18,846 | Cash and cash equivalents at the end of the reporting period | -18,848 |

Notes to the Core Financial Statements

1. ACCOUNTING POLICIES

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

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

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

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

There are no accounting standards introduced by the 2017/18 Code that will have a material impact on the accounts of the Authority.

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.

Notes to the Core Financial Statements

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

In applying the accounting policies set out in note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Future Levels of Funding

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

3. EXPENDITURE AND FUNDING ANALYSIS

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

Notes to the Core Financial Statements

2016/17

| | As reported for resource management | Adjustment to arrive at the net amount chargeable to the General Fund balance (Note 3a) | Net expenditure chargeable to the General Fund balance | Adjustments between funding and accounting basis (Note 3a) | Net expenditure in the Comprehen- sive Income and Expenditure Statement |
|--|---|---|--|---|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Executive and Resources | 5,452 | -416 | 5,036 | -77 | 4,959 |
| Corporate Governance | 3,933 | -280 | 3,653 | 0 | 3,653 |
| Service Delivery | 12,022 | -642 | 11,380 | 43 | 11,423 |
| Net Cost of Services | 21,407 | -1338 | 20,069 | -34 | 20,035 |
| Pensions | 0 | 1,298 | 1,298 | -1,298 | 0 |
| Financing and Investment Income | 0 | 171 | 171 | 6,164 | 6,335 |
| Precepts and Grants | 0 | -21,765 | -21,765 | -77 | -21,842 |
| Surplus (-) or Deficit | 21,407 | -21,634 | -227 | 4,755 | 4,528 |

Notes to the Core Financial Statements

2015/16

| | As reported for resource management | Adjustment to arrive at the net amount chargeable to the General Fund balance (Note 3a) | Net expenditure chargeable to the General Fund balance | Adjustments between funding and accounting basis (Note 3a) | Net expenditure in the Comprehen- sive Income and Expenditure Statement |
|--|---|---|--|---|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Executive and Resources | 5,488 | -218 | 5,270 | 578 | 5,848 |
| Corporate Governance | 3,568 | 370 | 3,938 | 0 | 3,938 |
| Service Delivery | 11,631 | 1,205 | 12,836 | -12 | 12,824 |
| Net Cost of Services | 20,687 | 1,357 | 22,044 | 566 | 22,610 |
| Pensions | 0 | -2,125 | -2,125 | 2,125 | 0 |
| Financing and Investment Income | 0 | 173 | 173 | 5,747 | 5,920 |
| Precepts and Grants | 0 | -21,443 | -21,443 | 120 | -21,323 |
| Surplus (-) or Deficit | 20,687 | -22,038 | -1,351 | 8,558 | 7,207 |

Notes to the Core Financial Statements

3a Note to the Expenditure and Funding Analysis

2016/17

| | 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 | 35 | | | | |
| External interest | -256 | | | | |
| Invest income | 85 | | | | |
| Government grant | 48 | | | | |
| Capital grant | 48 | | | | |
| Pensions | -1,298 | | | | |
| Total | -1,338 | | | | |
| External interest | 256 | | | | |
| Investment income | -85 | | | | |
| Pensions | 1,298 | | | | |
| Precept and grants | -21,765 | | | | |
| MRP | | -278 | | | -278 |
| Depreciation | | 1,532 | | | 1,532 |
| Impairment | | 45 | | | 45 |
| Capital grant | | -48 | | | -48 |
| Capital from revenue | | -1,328 | | | -1,328 |
| Pensions | | | 4,866 | | 4,866 |
| Collection fund | | | | -77 | -77 |
| Accumulated Absences | | | | 43 | 43 |
| Total | -21,634 | -77 | 4,866 | -34 | 4,755 |

Notes to the Core Financial Statements

2015/16

| | 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 | -750 | | | | |
| External interest | -260 | | | | |
| Invest income | 87 | | | | |
| Government grant | 60 | | | | |
| Capital grant | 95 | | | | |
| Pensions | 2,125 | | | | |
| Total | 1,357 | | | | |
| External interest | 260 | | | | |
| Investment income | -87 | | | | |
| Pensions | -2,125 | | | | |
| Precept and grants | -21,443 | | | | |
| MRP | | -285 | | | -285 |
| Depreciation | | 1,644 | | | 1,644 |
| Impairment | | 127 | | | 127 |
| Capital grant | | -95 | | | -95 |
| Capital from revenue | | -813 | | | -813 |
| Pensions | | | 7,872 | | 7,872 |
| Collection fund | | | | 120 | 120 |
| Accumulated Absences | | | | -12 | -12 |
| Total | -22,038 | 578 | 7,872 | 108 | 8,558 |

Notes to the Core Financial Statements

3b Expenditure and Income Analysed by Nature

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|--|------------------|
| | Expenditure | |
| 22,998 | Employee benefit expenses | 20,220 |
| 3,708 | Other service expenses | 4,463 |
| 1,771 | Depreciation and impairment | 1,577 |
| 0 | Loss on disposal of non current assets | 0 |
| 262 | Interest payments | 256 |
| 28,739 | Total Expenditure | 26,516 |
| | | |
| | Income | |
| -122 | Fees and charges and other service income | -61 |
| -13,966 | Income from council tax and business rates | -18,331 |
| -7,537 | Government grant and contributions | -3,511 |
| -87 | Interest and investment income | -85 |
| -21,712 | Total Income | -21,988 |
| | | |
| 7,027 | Total Net Expenditure | 4,528 |

4. PRIOR PERIOD ADJUSTMENT

Expenditure on services and income relating to or derived from those services is classified in the Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the UK. The 2016/17 Code requires that authorities present expenditure and income on services on the basis of its reportable segments. These reportable segments are based on the authority's internal management reporting structure. This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice (SERCOP). This note shows how the net expenditure and income has been restated.

Notes to the Core Financial Statements

| Net Expenditure | As reported in the Comprehensive Income and Expenditure Statement 2015/16 | Adjustments between SERCOP classifications and internal reporting classifications | As restated: Executive and Resources | As restated: Corporate Governance | As restated: Service Delivery |
|---|--|--|---|--|--------------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| SERCOP service line | | | | | |
| Community Fire Safety | 1,535 | -1,535 | 707 | 41 | 787 |
| Firefighting and Rescue Operations | 20,526 | -20,526 | 4,842 | 3,715 | 11,969 |
| Emergency Planning and Civil Defence | 72 | -72 | 20 | 0 | 52 |
| Corporate Representation and Management | 270 | -270 | 115 | 148 | 7 |
| Corporate Management | 188 | -188 | 147 | 34 | 7 |
| Non-distributed costs | 19 | -19 | 17 | 0 | 2 |
| Cost of Services | 22,610 | -22,610 | 5,848 | 3,938 | 12,824 |

Notes to the Core Financial Statements

5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

| 2016/17 | General Fund Balance | Movement in Unusable Reserves |
|---|----------------------|-------------------------------|
| | £'000 | £'000 |
| Adjustments primarily involving the Capital Adjustment Account: | | |
| Reversal of items debited or credited to the Comp I&E Statement: | | |
| Charges for depreciation of non current assets | -1,532 | 1,532 |
| Revaluation losses on Property Plant and Equipment | -45 | 45 |
| Capital grants and contributions applied | 48 | -48 |
| Insertion of items not debited or credited to the Comp I&E Statement: | | |
| Statutory provision for the financing of capital investment | 278 | -278 |
| Capital expenditure charged against the General Fund Balance | 1,328 | -1,328 |
| Adjustments primarily involving the Pensions Reserves: | | |
| Reversal of items relating to retirement benefits debited or credited to the Comp I&E Statement | -9,729 | 9,729 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 4,863 | -4,863 |
| Adjustment primarily involving the Collection Fund Adjustment Account: | | |
| Amount by which council tax income credited to the Comp I&E Statement is different from council tax calculated for the year in accordance with statutory requirements | 77 | -77 |
| Adjustment primarily involving the Accumulated Absences Account: | | |
| Amount by which officer remuneration charged to the Comp I&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | -43 | 43 |
| Total Adjustments | -4,755 | 4,755 |

Notes to the Core Financial Statements

| 2015/16 | General Fund Balance | Movement in Unusable Reserves |
|---|----------------------|-------------------------------|
| | £'000 | £'000 |
| Adjustments primarily involving the Capital Adjustment Account: | | |
| Reversal of items debited or credited to the Comp I&E Statement: | | |
| Charges for depreciation of non current assets | -1,644 | 1,644 |
| Revaluation losses on Property Plant and Equipment | -127 | 127 |
| Capital grants and contributions applied | 95 | -95 |
| Insertion of items not debited or credited to the Comp I&E Statement: | | |
| Statutory provision for the financing of capital investment | 285 | -285 |
| Capital expenditure charged against the General Fund Balance | 813 | -813 |
| Adjustments primarily involving the Pensions Reserves: | | |
| Reversal of items relating to retirement benefits debited or credited to the Comp I&E Statement | -12,874 | 12,874 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 5,002 | -5,002 |
| Adjustment primarily involving the Collection Fund Adjustment Account: | | |
| Amount by which council tax income credited to the Comp I&E Statement is different from council tax calculated for the year in accordance with statutory requirements | -120 | 120 |
| Adjustment primarily involving the Accumulated Absences Account: | | |
| Amount by which officer remuneration charged to the Comp I&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 12 | -12 |
| Total Adjustments | -8,558 | 8,558 |

Notes to the Core Financial Statements

6. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| | 2016/17 £'000 | 2015/16 £'000 |
|---|------------------|------------------|
| Interest payable and similar charges | 256 | 260 |
| Pensions interest cost and expected return on pensions assets | 6,164 | 5,747 |
| Interest receivable and similar income | -85 | -87 |
| Total | 6,335 | 5,920 |

7. TAXATION AND NON SPECIFIC GRANT INCOME

| | 2016/17 £'000 | 2015/16 £'000 |
|-----------------------------------|------------------|------------------|
| Precept income | -14,856 | -13,966 |
| Non domestic rates | -3,475 | -3,623 |
| *Non ringfenced government grants | -3,511 | -3,914 |
| Total | -21,842 | -21,503 |

*see also note 11

8. MEMBERS' ALLOWANCES

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

| | 2016/17 £'000 | 2015/16 £'000 |
|--------------|------------------|------------------|
| Allowances | 66 | 66 |
| Expenses | 3 | 2 |
| Total | 69 | 68 |

Notes to the Core Financial Statements

9. OFFICERS REMUNERATION

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

| Remuneration band | Number of Employees | |
|---------------------|---------------------|-----------|
| | 2016/2017 | 2015/2016 |
| £50,000 - £54,999 | 8 | 10 |
| £55,000 - £59,999 | 3 | 5 |
| £60,000 - £64,999 | 5 | 2 |
| £65,000 - £69,999 | 2 | 3 |
| £70,000 - £74,999 | 0 | 0 |
| £75,000 - £79,999 | 0 | 0 |
| £80,000 - £84,999 | 0 | 0 |
| £85,000 - £89,999 | 0 | 0 |
| £90,000 - £94,999 | 1 | 0 |
| £95,000 - £99,999 | 1 | 1 |
| 100,000 - £104,999 | 0 | 1 |
| £105,000 - £109,999 | 0 | 0 |
| £110,000 - £114,999 | 0 | 0 |
| £115,000 - £119,999 | 1 | 0 |
| £120,000 - £124,999 | 0 | 0 |
| £125,000 - £125,999 | 0 | 1 |

2016/17

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 (to Jun 16) | 34,415 | 983 | 35,398 | 7,461 | 42,859 |
| Chief Fire Officer (from Jun 16) | 86,668 | 2,328 | 88,996 | 18,802 | 107,798 |
| Deputy Chief Fire Officer (to Jun 16) | 28,109 | 466 | 28,575 | 6,099 | 34,674 |
| Deputy Chief Fire Officer (from Jan 17) | 25,012 | 1,285 | 26,297 | 5,425 | 31,722 |
| Assistant Chief Fire Officer (Jun 16 to Dec 16) | 42,953 | 3,010 | 45,963 | 9,321 | 55,284 |
| Assistant Chief Fire Officer | 90,886 | 7,033 | 97,919 | 11,896 | 109,815 |
| Head of Service Delivery Transformation (to Jun 16) | 18,056 | 860 | 18,916 | 3,918 | 22,834 |
| | 45,030 | 1,742 | 46,772 | 9,760 | 56,532 |

Notes to the Core Financial Statements

| | | | | | |
|---|--------|-------|--------|--------|--------|
| Head of Operational Training and Development (from July 16) | | | | | |
| Head of Operational Response and Risk | 62,521 | 5,496 | 68,017 | 13,567 | 81,584 |
| Head of Area Command | 64,375 | 5,105 | 69,480 | 13,953 | 83,433 |
| Head of People Development and Safety | 58,633 | 5,743 | 64,376 | 12,071 | 76,447 |
| Resources Manager | 57,184 | 4,642 | 61,826 | 7,480 | 69,306 |
| Head of Human Resources and Administration (from Jan 17) | 12,479 | - | 12,479 | 1,635 | 14,114 |
| Head of Finance (pro rata) | 46,653 | - | 46,653 | 6,109 | 52,762 |

2015/16

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 | 120,569 | 4,891 | 125,460 | 26,008 | 151,468 |
| Deputy Chief Fire Officer | 98,936 | 3,210 | 102,146 | 21,262 | 123,408 |
| Assistant Chief Fire Officer | 90,490 | 7,034 | 97,524 | 11,940 | 109,464 |
| Head of Service Delivery Transformation (from Jan 16) | 14,288 | 1,012 | 15,300 | 3,094 | 18,394 |
| Head of Fire Prevention (to May 15) | 8,094 | 410 | 8,504 | 2,103 | 10,607 |
| Head of Operational Response and Risk (to Jan 16) | 60,703 | 3,037 | 63,740 | 10,737 | 74,477 |
| Head of Operational Response and Risk (from Jan 16) | 13,849 | 1,183 | 15,032 | 3,005 | 18,037 |
| Head of Area Command | 63,956 | 4,921 | 68,877 | 13,831 | 82,708 |
| Head of People Development and Safety | 64,653 | 4,540 | 69,193 | 13,831 | 83,024 |
| Resources Manager | 56,906 | 4,497 | 61,403 | 7,405 | 68,808 |
| Head of Finance (pro rata) | 46,026 | 0 | 46,026 | 6,083 | 52,109 |

Notes to the Core Financial Statements

10. EXTERNAL AUDIT COSTS

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

| | 2016/17 £'000 | 2015/16 £'000 |
|---|------------------|------------------|
| Fees payable with regard to external audit services carried out by the appointed auditor for the year | 29 | 29 |
| Fees payable in respect of other services provided by Grant Thornton | 2 | 4 |
| Total Audit Fees | 31 | 33 |

The fees for other services payable relate to specialist advice HM Revenue & Customs returns.

11. GRANT INCOME

The Authority credited the following grants to the Comprehensive Income and Expenditure Statement in 2016/17:

| | 2016/17 £'000 | 2015/16 £'000 |
|---|------------------|------------------|
| DCLG Revenue Grants: | | |
| Revenue Support Grant | 3,335 | 3,731 |
| Inflation Cap Grant | 52 | 53 |
| New Dimension Grant | 48 | 48 |
| Small Business Multiplier Grant | 57 | 54 |
| New Risks Programme Grant | 0 | 12 |
| Retail Relief Grant | 0 | 17 |
| Transparency Code Grant | 8 | 8 |
| Reoccupation Relief Grant | 0 | 1 |
| Empty New Build Relief Grant | 2 | 1 |
| Small Business Rate Relief, Flood Relief and Transitional Relief Grants | 1 | 1 |
| Business Rates Reconciliation Grant | 8 | -12 |
| Total | 3,511 | 3,914 |

Notes to the Core Financial Statements

12. RELATED PARTIES

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

Central Government

The UK Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides a proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (ie council tax bills). Grants received from government departments are set out in note 11.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in note 8.

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

Officers

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

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

The Head of Legal and Administrative Services of the Borough of Telford & Wrekin was also the Clerk of Shropshire and Wrekin Fire Authority.

The Treasurer of Shropshire Council was also the Treasurer of Shropshire and Wrekin Fire Authority.

Shropshire Council and the Borough of Telford & Wrekin, provide a number of support services for Shropshire and Wrekin Fire Authority. The gross payments made to these authorities were £937,000 to Shropshire Council and £151,000 to the Borough of Telford & Wrekin.

Notes to the Core Financial Statements

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, and delivers a range of function related services, including fire risk management, health and safety management and training in first aid.

Shropshire Fire Risk Management Services Limited's accounting year end is 31 March 2017, corresponding with the Fire Authority. The company's accounts were prepared under UK GAAP and independently audited. The company reported a net loss of £837 for the period to 31 March 2017.

The board is made up of four Authority members and the Deputy Chief Fire Officer (DCFO):

Eric Carter (Chair)

Nigel Hartin

Chris Mellings

Terry Kiernan – to May 2016

Steve Barnes – May 2016 to January 2017 (not replaced until May 2017)

Rod Hammerton (DCFO to July 2016, CFO from July 16)

The company employs no staff directly, using staff seconded from the Authority. In addition, contractors are employed to carry out business activities. The current Company Manager is the Service's Head of Training, Group Manager John Harrison.

In July 2013, the Fire Authority approved a loan facility of £20,000 for the company, should it be required. This facility was not used during 2016/17.

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.

13. LEASES

Authority as a Lessor

The Authority has not engaged in any activity as a lessor.

Authority as a Lessee

Finance Leases

The Authority had a number of outstanding finance leases which were carried as Property Plant and Equipment in the Balance Sheet at the following net amounts:

Notes to the Core Financial Statements

| | 31 March 2017 £'000 | 31 March 2016 £'000 |
|--|------------------------------------|------------------------------------|
| Vehicles, Plant, Furniture and Equipment | 0 | 1 |

The Authority was committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the assets acquired by the Authority and finance costs that were payable by the Authority in future years while the liability remained outstanding. Outstanding finance lease payments at 31 March 2017 are shown below.

| | 31 March 2017 £'000 | 31 March 2016 £'000 |
|--|------------------------------------|------------------------------------|
| Finance lease liabilities (net present value of minimum lease payments): | | |
| Current | 0 | 1 |
| Non Current | 0 | 0 |
| Finance costs payable in future years | 0 | 0 |
| Minimum lease payments | 0 | 1 |

The minimum leases payments will be repayable over the following periods:

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|---|------------------------------------|------------------------------------|--------------------------------------|------------------------------------|
| | 31 March 2017 £'000 | 31 March 2016 £'000 | 31 March 2017 £'000 | 31 March 2016 £'000 |
| Not later than one year | 0 | 1 | 0 | 1 |
| Later than one year and not later than five years | 0 | 0 | 0 | 0 |
| Later than five years | 0 | 0 | 0 | 0 |
| Total | 0 | 1 | 0 | 1 |

Notes to the Core Financial Statements

Operating Leases

The future minimum lease payments due under non cancellable leases in future years are:

| | 31 March 2017 £'000 | 31 March 2016 £'000 |
|---|---------------------------|---------------------------|
| Not later than one year | 8 | 8 |
| Later than one year and not later than five years | 15 | 23 |
| Later than five years | 0 | 0 |
| Total | 23 | 31 |
| Operating lease rentals paid during the year | 8 | 93 |

14. 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: 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. 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 Department for Communities and Local Government (DCLG) (Home Office from 5 January 2016). Contributions to the schemes are made by the Fire Authority and

Notes to the Core Financial Statements

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.

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 | | | | |
|---|--------------------------------|------------------|----------------------------|----------------------------|----------------------------|---------------------------|---------------------------|
| | 2016/17 £'000 | 2015/16 £'000 | '1992' 2016/17 £'000 | '2006' 2016/17 £'000 | '2015' 2016/17 £'000 | Total 2016/17 £'000 | Total 2015/16 £'000 |
| Comprehensive I&E Statement | | | | | | | |
| Cost of Services: | | | | | | | |
| Service cost comprising: | | | | | | | |
| Current service cost | 452 | 513 | 1,316 | 211 | 1,373 | 2,900 | 3,281 |
| Past service cost | 0 | 0 | 60 | 153 | 0 | 213 | 3,333 |
| Financing and Investment Income and Expenditure: | | | | | | | |
| Net Interest Expense | 194 | 189 | 5,461 | 422 | 75 | 5,958 | 5,548 |
| Administration Cost | 12 | 10 | 0 | 0 | 0 | 0 | 0 |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 658 | 712 | 6,837 | 786 | 1,448 | 9,071 | 12,162 |
| Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement: | | | | | | | |
| Remeasurements (assets) | -1,998 | 403 | 0 | 0 | 0 | 0 | 0 |
| Remeasurements (liabilities) (actuarial gains and losses) | 3,115 | -1,104 | 36,764 | 5,545 | 2,582 | 44,891 | -10,228 |
| Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | 1,117 | -701 | 36,764 | 5,545 | 2,582 | 44,891 | -10,228 |
| Movement in Reserves Statement | | | | | | | |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | -658 | -712 | -6,837 | -786 | -1,448 | -9,071 | -12,162 |

Notes to the Core Financial Statements

| | | | | | | | |
|---|------|------|----------------|------------|---------------|------------------|------------------|
| Actual amount charged against the General Fund Balance for pensions in the year: | | | | | | | |
| Employers contributions payable to the scheme | -343 | -344 | -515 -4,402 | -98 232 | -722 1,341 | -1,335 -2,829 | -1,269 -2,930 |
| Top up Grant | | | | | | | |
| Retirement benefits payable to pensioners | | | -356 | 0 | 0 | -356 | -459 |

Pension Assets and Liabilities Recognised in the Balance Sheet

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

| | Shropshire County Pension Fund | | Fire Pension Schemes | |
|--|--------------------------------|------------------|----------------------|------------------|
| | 2016/17 £'000 | 2015/16 £'000 | 2016/17 £'000 | 2015/16 £'000 |
| Present value of the defined benefit obligation | 20,876 | 17,051 | 217,191 | 167,749 |
| Fair value of plan assets | -13,880 | -11,487 | 0 | 0 |
| Net liability arising from defined benefit obligation | 6,996 | 5,564 | 217,191 | 167,749 |

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 | | Unfunded Liabilities: Fire Pension Schemes | |
|--|--|------------------|---|------------------|
| | 2016/17 £'000 | 2015/16 £'000 | 2016/17 £'000 | 2015/16 £'000 |
| Opening balance 1 April | 17,051 | 17,228 | 167,749 | 170,473 |
| Current service cost | 452 | 513 | 2,900 | 3,281 |
| Interest cost | 607 | 566 | 5,958 | 5,548 |
| Contributions by scheme participants | 139 | 143 | 1,076 | 1,391 |
| Benefits paid | -488 | -295 | -5,596 | -6,049 |
| Remeasurements (actuarial gains and losses): Experience (-) gain / loss (-)Gain/ Loss in financial assumptions (-)Gain/ Loss in demographic assumptions | 3,115 | -1,104 | 44,891 | -10,228 |
| Past service costs | 0 | 0 | 213 | 3,333 |
| Closing balance 31 March | 20,876 | 17,051 | 217,191 | 167,749 |

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

| | Shropshire County Pension Fund | | Fire Pension Schemes | |
|--------------------------------------|-----------------------------------|------------------|----------------------|------------------|
| | 2016/17 £'000 | 2015/16 £'000 | 2016/17 £'000 | 2015/16 £'000 |
| Opening balance 1 April | 11,487 | 11,331 | 0 | 0 |
| Interest income | 413 | 377 | 0 | 0 |
| Administration cost | -12 | -10 | 0 | 0 |
| Remeasurements (assets) | 1,998 | -403 | 0 | 0 |
| Employer contributions | 343 | 344 | 0 | 0 |
| Contributions by scheme participants | 139 | 143 | 0 | 0 |
| Benefits paid | -488 | -295 | 0 | 0 |
| Closing balance 31 March | 13,880 | 11,487 | 0 | 0 |

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.

Notes to the Core Financial Statements

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 £2,827 in 2016/17, and £5.344m in 2015/16.

Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

| | Shropshire County Pension Fund | | Fire Pension Schemes | |
|--|--------------------------------|---------|----------------------|---------|
| | 2016/17 | 2015/16 | 2016/17 | 2015/16 |
| Mortality Assumptions: | | | | |
| Longevity at 60 (65 County) for future pensioners: Men | 25.2yrs | 26.2yrs | 30.8yrs | 30.7yrs |
| Women | 28.5yrs | 29.2yrs | 33.3yrs | 33.2yrs |
| Rate of inflation CPI | 2.3% | 2.0% | 2.3% | 2.0% |
| Rate of increase in salaries | 3.8% | 3.5% | 3.8% | 3.5% |
| Rate of increase in pensions | 2.3% | 2.0% | 2.3% | 2.0% |
| Rate for discounting scheme liabilities | 2.6% | 3.6% | 2.6% | 3.6% |

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) | 7,394 | -7,394 | 5,048 | -5,048 |
| Rate of inflation (increase or decrease by 1%) | 7,401 | -7,401 | 5,119 | -5,119 |
| Rate of increase in salaries (increase or decrease by 1%) | 7,110 | -7,110 | 4,955 | -4,955 |
| Rate for discounting scheme liabilities (increase or decrease by 1%) | 6,599 | -6,599 | 4,729 | -4,729 |

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 2017 £'000 | 31 March 2017 % | 31 March 2016 £'000 | 31 March 2016 % |
|--------------------|---------------------------|-----------------------|---------------------------|-----------------------|
| Equity Investments | 7,589 | 54.7 | 5,865 | 51.0 |
| Bonds | 2,894 | 20.8 | 2,955 | 25.7 |
| Property | 618 | 4.5 | 615 | 5.4 |
| Other Assets | 2,779 | 20.0 | 2,052 | 17.9 |
| | 13,880 | 100.0 | 11,487 | 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 2016.

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 £406,000 expected contributions to the scheme in 2017/18.

Notes to the Core Financial Statements

The weighted average duration of the defined benefit obligation for scheme members is 19 years in 2016/17 (21 years in 2015/16).

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.

15. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was signed off by the Treasurer on 31 May 2017. Events taking place after this date are not reflected in the financial statements or notes.

Notes to the Core Financial Statements

16. PROPERTY PLANT AND EQUIPMENT

| Movements in 2016/17 | Land & Buildings £'000 | Vehicles, Plant, Furniture & Equipment £'000 | Property Plant & Equipment £'000 |
|---|---------------------------------------|---|---|
| Cost or Valuation | | | |
| At 1 April 2016 | 20,022 | 12,659 | 32,681 |
| Additions | 182 | 1,195 | 1,377 |
| Revaluation increases / -decreases recognised in the Revaluation Reserve | -101 | 0 | -101 |
| Revaluation increases / -decreases recognised in the Surplus/Deficit on the Provision of Services | -45 | 0 | -45 |
| Disposals | 0 | -5 | -5 |
| At 31 March 2017 | 20,058 | 13,849 | 33,907 |
| Accumulated Depreciation and Impairment | | | |
| As at 1 April 2016 | 716 | 8,342 | 9,058 |
| Depreciation charge | 682 | 850 | 1,532 |
| Disposal | 0 | -5 | -5 |
| At 31 March 2017 | 1,398 | 9,187 | 10,585 |
| Net Book Value at 31 March 2017 | 18,660 | 4,662 | 23,322 |
| At 31 March 2016 | 19,306 | 4,317 | 23,623 |

Notes to the Core Financial Statements

| Movements in 2015/16 | Land & Buildings £'000 | Vehicles, Plant, Furniture & Equipment £'000 | Property Plant & Equipment £'000 |
|---|---------------------------------------|---|---|
| Cost or Valuation | | | |
| At 1 April 2015 | 20,022 | 12,373 | 32,395 |
| Additions | 623 | 286 | 909 |
| Revaluation increases / -decreases recognised in the Revaluation Reserve | -496 | - | -496 |
| Revaluation increases / -decreases recognised in the Surplus/Deficit on the Provision of Services | -127 | - | -127 |
| At 31 March 2016 | 20,022 | 12,659 | 32,681 |
| Accumulated Depreciation and Impairment | | | |
| As at 1 April 2015 | 39 | 7,375 | 7,414 |
| Depreciation charge | 677 | 967 | 1,644 |
| At 31 March 2016 | 716 | 8,342 | 9,058 |
| Net Book Value at 31 March 2016 | 19,306 | 4,317 | 23,623 |
| At 31 March 2015 | 19,983 | 4,998 | 24,981 |

Depreciation

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

- Land and buildings – 25 to 40 years
- Vehicles, plant, furniture and equipment – 3 to 20 years.

Notes to the Core Financial Statements

Capital Commitments

At 31 March 2017, the Authority had entered into a number of contracts in 2016/17, budgeted to cost £1,018,000. The commitments were:

| | £'000 |
|--|--------------|
| Training improvements | 9 |
| Appliance bay doors | 21 |
| Video conferencing | 15 |
| Retained station building improvements | 858 |
| Mobile data terminal replacements | 115 |
| Total | 1,018 |

Similar commitments at 31 March 2016 were £701,000.

Revaluations

The Authority carries out a rolling programme that ensures all Property Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings have been carried out at 31 March 2015, by K Parry MRICS from Shropshire Council, under instruction from the Authority. The valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The valuations have been undertaken on the following assumptions:-

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

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

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

Notes to the Core Financial Statements

2016/17 was under taken by R Edwards MRICS from Shropshire Council, following instruction from the Authority.

Heritage Assets

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

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

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

Valuation of Non Current Assets carried at Current Value

| | Land and Buildings £'000 | Vehicles, Plant, Furniture and Equipment £'000 | Total £'000 |
|---|-------------------------------------|---|------------------------|
| Carried at historical cost | 0 | 4,662 | 4,662 |
| Carried at fair value as at 31 March 2015 | 18,660 | 0 | 18,660 |
| Total | 18,660 | 4,662 | 23,322 |

Notes to the Core Financial Statements

17. FINANCIAL INSTRUMENTS

Categories of Financial Instrument

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

| | Long Term | | Current | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2017 £'000 | 31 March 2016 £'000 | 31 March 2017 £'000 | 31 March 2016 £'000 |
| Cash and cash equivalents | | | | |
| Cash and bank accounts | 0 | 0 | 8 | 206 |
| Short term deposits with bank | 0 | 0 | 9,340 | 11,340 |
| Short term deposits with local authorities | 0 | 0 | 9,500 | 7,300 |
| Total cash and cash equivalents | 0 | 0 | 18,848 | 18,846 |
| Debtors | | | | |
| Financial assets carried at contract amounts | 0 | 0 | 106 | 110 |
| Total debtors | 0 | 0 | 106 | 110 |

| | Long Term | | Current | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2017 £'000 | 31 March 2016 £'000 | 31 March 2017 £'000 | 31 March 2016 £'000 |
| Borrowings | | | | |
| Financial liabilities at amortised cost | 5,698 | 5,698 | 0 | 0 |
| Total borrowings | 5,698 | 5,698 | 0 | 0 |
| Other Long Term Liabilities | | | | |
| Finance leases | 0 | 0 | 0 | 1 |
| Total other long term liabilities | 0 | 0 | 0 | 1 |
| Creditors | | | | |
| *Financial liabilities carried at contract amount | 0 | 0 | 967 | 2,207 |
| Total creditors | 0 | 0 | 967 | 2,207 |

*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:

| | 2016/17 | | 2015/16 | |
|---|--|---|--|---|
| | Liabilities at amortised cost £'000 | Assets – loans and receivables £'000 | Liabilities at amortised cost £'000 | Assets – loans and receivables £'000 |
| Interest expense | 256 | 0 | 260 | 0 |
| Total expense in Surplus or Deficit on the Provision of Services | 256 | 0 | 260 | 0 |
| Interest income | 0 | 85 | 0 | 87 |
| Total income in Surplus or Deficit on the Provision of Services | 0 | 85 | 0 | 87 |
| Net gain /(loss) for the year | 256 | 85 | 260 | 87 |

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, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will

Notes to the Core Financial Statements

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

- Estimated ranges of interest rates at 31 March 2017 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 2017 | | 31 March 2016 | |
|-----------------------|--------------------------|----------------------------------|--------------------------|----------------------------------|
| | Carrying amount £'000 | Fair value (Level 2) £'000 | Carrying amount £'000 | Fair Value (Level 2) £'000 |
| Financial liabilities | 5,698 | 7,549 | 5,699 | 7,089 |

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

| | 31 March 2017 £'000 | 31 March 2016 £'000 |
|-----------------------------|---------------------------|---------------------------|
| Loan Source | | |
| Public Works Loan Board | 5,698 | 5,698 |
| | | |
| Analysis by Maturity | | |
| Less than 1 year | 0 | 0 |
| Between 1 and 2 years | 0 | 0 |
| Between 2 and 5 years | 280 | 120 |
| Between 5 and 10 years | 567 | 533 |
| Between 10 and 20 years | 2,828 | 3,022 |
| Between 20 and 30 years | 363 | 363 |
| Between 30 and 40 years | 1,460 | 1,460 |
| Between 40 and 50 years | 200 | 200 |

Notes to the Core Financial Statements

18. INVENTORIES

| 2016/17 | Vehicle Parts £'000 | Oil £'000 | Diesel £'000 | Uniforms £'000 | Smoke Alarms £'000 | Fire Ground Feeding £'000 | Total £'000 |
|---|------------------------|--------------|-----------------|-------------------|-----------------------|------------------------------|----------------|
| Balance outstanding at start of year | 89 | 3 | 8 | 117 | 0 | 3 | 220 |
| Purchases | 127 | 5 | 117 | 113 | 0 | 20 | 382 |
| Recognised as an expense during the year | -123 | -5 | -117 | -74 | 0 | -19 | -338 |
| Balance outstanding at year end | 93 | 3 | 8 | 156 | 0 | 4 | 264 |

| 2015/16 | Vehicle Parts £'000 | Oil £'000 | Diesel £'000 | Uniforms £'000 | Smoke Alarms £'000 | Fire Ground Feeding £'000 | Total £'000 |
|---|------------------------|--------------|-----------------|-------------------|-----------------------|------------------------------|----------------|
| Balance outstanding at start of year | 65 | 2 | 5 | 65 | 24 | 1 | 162 |
| Purchases | 97 | 3 | 119 | 131 | 0 | 18 | 368 |
| Recognised as an expense during the year | -73 | -2 | -116 | -79 | -24 | -16 | -310 |
| Balance outstanding at year end | 89 | 3 | 8 | 117 | 0 | 3 | 220 |

19. DEBTORS

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

| | 31 March 2017 £'000 | 31 March 2016 £'000 |
|---------------------------------------|------------------------------------|------------------------------------|
| Central government bodies | 303 | 179 |
| Public corporations and trading funds | 404 | 344 |
| Other local authorities | 1,288 | 1,000 |
| Other entities and individuals | 420 | 163 |
| Total | 2,415 | 1,686 |

Notes to the Core Financial Statements

20. CASH AND CASH EQUIVALENTS

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

| | 31 March 2017 £'000 | 31 March 2016 £'000 |
|--|------------------------------------|------------------------------------|
| Cash held by the Authority | 2 | 2 |
| Bank current accounts | 6 | 204 |
| Short term deposits with bank | 9,340 | 11,340 |
| Short term deposits with local authorities | 9,500 | 7,300 |
| Total | 18,848 | 18,846 |

21. CREDITORS

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

| | 31 March 2017 £'000 | 31 March 2016 £'000 |
|--------------------------------|------------------------------------|------------------------------------|
| Central government bodies | 919 | 311 |
| Other local authorities | 819 | 935 |
| Other entities and individuals | 885 | 1,139 |
| Total | 2,623 | 2,385 |

22. UNUSABLE RESERVES

| 31 March 2016 £'000 | | 31 March 2017 £'000 |
|------------------------------------|------------------------------------|------------------------------------|
| 7,903 | Revaluation Reserve | 7,458 |
| 11,555 | Capital Adjustment Account | 11,977 |
| -5,565 | LGPS Pensions Reserve | -6,997 |
| -167,749 | Fire Pensions Reserve | -217,191 |
| 362 | Collection Fund Adjustment Account | 439 |
| -108 | Accumulated Absences Account | -151 |
| -153,602 | Total Unusable Reserves | -204,465 |

Notes to the Core Financial Statements

Revaluation Reserve

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

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

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

| 2015/16 £'000 | | 2016/17 £'000 |
|--------------------------|--|--------------------------|
| 8,747 | Balance at 1 April | 7,903 |
| -496 | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | -101 |
| 8,251 | Surplus or deficit on revaluation of non current assets not posted to the Surplus/Deficit on the Provision of Services | 7,802 |
| -348 | Difference between fair value depreciation and historical costs depreciation | -344 |
| 7,903 | Balance as at 31 March | 7,458 |

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 24 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| 2015/16 £'000 | | 2016/17 £'000 |
|--------------------------|--|--------------------------|
| 11,785 | Balance at 1 April | 11,555 |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | |
| -1,644 | Charges for depreciation and impairment of non current assets | -1,532 |
| -127 | Revaluation losses on Property Plant and Equipment | -45 |
| 10,014 | Total | 9,978 |
| 348 | Adjusting amounts written out of the Revaluation Reserve | 344 |
| 10,362 | Net written out amount of the cost of non current assets consumed in the year | 10,322 |
| | Capital financing applied in the year: | |
| 95 | Application of grants to capital financing from the Capital Grants Unapplied Account | 48 |
| 285 | Statutory provision for the financing of capital investment charged against the General Fund balance | 278 |
| 813 | Capital expenditure charged against the General Fund balance | 1,329 |
| 11,555 | Balance as at 31 March | 11,977 |

Notes to the Core Financial Statements

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.

| 2015/16 £'000 | | | | 2016/17 £'000 | | |
|------------------|-------|---------|--|------------------|-------|---------|
| Fire | LGPS | Total | | Fire | LGPS | Total |
| 170,473 | 5,898 | 176,371 | Balance at 1 April | 167,749 | 5,565 | 173,314 |
| -10,228 | -701 | -10,929 | Actuarial gains or losses on pensions assets and liabilities | 44,891 | 1,117 | 46,008 |
| 12,162 | 712 | 12,874 | 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 | 9,071 | 658 | 9,729 |
| -4,658 | -344 | -5,002 | Employer's pension contributions and direct payments to pensioners payable in the year | -4,520 | -343 | -4,863 |
| 167,749 | 5,565 | 173,314 | Balance at 31 March | 217,191 | 6,997 | 224,188 |

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.

| 2015/16 £'000 | | 2016/17 £'000 |
|--------------------------|---|--------------------------|
| 482 | Balance at 1 April | 362 |
| -120 | 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 | 77 |
| 362 | Balance at 31 March | 439 |

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.

| 2015/16 £'000 | | 2016/17 £'000 |
|--------------------------|---|--------------------------|
| -120 | Balance at 1 April | -108 |
| 120 | Settlement or cancellation of accrual made at the end of the preceding year | 108 |
| 0 | Amount accrued at the end of the current year | 0 |
| -108 | 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 | -151 |
| -108 | Balance at 31 March | -151 |

Notes to the Core Financial Statements

23. USABLE RESERVES

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

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

Transfers To / From Earmarked Reserves

| | Balance 31 Mar 2015 £'000 | Transfers Out 2015/16 £'000 | Transfers In 2015/16 £'000 | Balance 31 Mar 2016 £'000 | Transfers Out 2016/17 £'000 | Transfers In 2016/17 £'000 | Balance 31 Mar 2017 £'000 |
|---|------------------------------------|--------------------------------------|-------------------------------------|------------------------------------|--------------------------------------|-------------------------------------|------------------------------------|
| General Fund Balance | 1,033 | -1,033 | 876 | 876 | -876 | 311 | 311 |
| General Reserve | 577 | 0 | 0 | 577 | 0 | 0 | 577 |
| Unearmarked Capital Reserve | 1,322 | 0 | 1,495 | 2,817 | 0 | 1,621 | 4,438 |
| Earmarked Capital Reserve | 4,673 | -758 | 1,068 | 4,983 | -1,328 | 1,005 | 4,660 |
| Extreme Weather Reserve | 334 | 0 | 0 | 334 | 0 | 0 | 334 |
| Pensions and Other Staff Issues Reserve | 1,755 | 0 | 0 | 1,755 | -125 | 0 | 1,630 |
| ICT Reserve | 1,183 | -100 | 0 | 1,083 | 0 | 0 | 1,083 |
| STP Staff Reserve | 212 | -475 | 500 | 237 | -395 | 160 | 2 |
| Income Volatility Reserve | 1,137 | 0 | 0 | 1,137 | 0 | 0 | 1,137 |
| Service Delivery Reserve | 236 | 0 | 0 | 236 | 0 | 0 | 236 |
| Training Reserve | 255 | 0 | 0 | 255 | 0 | 0 | 255 |
| Building Maintenance Reserve | 408 | 0 | 0 | 408 | 0 | 0 | 408 |
| Operational Equipment Reserve | 105 | -60 | 113 | 158 | -99 | 0 | 59 |
| Total | 13,230 | -2,426 | 4,052 | 14,856 | -2,823 | 3,097 | 15,130 |

Notes to the Core Financial Statements

24. CAPITAL GRANTS UNAPPLIED ACCOUNT

| | 2016/17 £'000 | 2015/16 £'000 |
|-------------------------------------|------------------|------------------|
| Balance at 1 April | -1,723 | -1,818 |
| Capital grants received | 0 | 0 |
| Used to finance capital expenditure | 48 | 95 |
| Balance at 31 March | -1,675 | -1,723 |

25. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

| | 2016/17 £'000 | 2015/16 £'000 |
|---|------------------|------------------|
| Opening Capital Financing Requirement | 4,166 | 4,450 |
| <i>Capital investment</i> | | |
| Property Plant and Equipment | 1,377 | 909 |
| | | |
| <i>Sources of Finance</i> | | |
| Government grants and other contributions | -48 | -95 |
| Sums set aside from revenue: | | |
| Direct revenue contributions | -1,329 | -813 |
| MRP | -278 | -285 |
| Closing Capital Financing Requirement | 3,888 | 4,166 |
| Explanation of movements in year | | |
| Decrease in underlying need to borrowing (supported by government financial assistance) | 0 | 0 |
| Increase / -decrease in underlying need to borrowing (unsupported by government financial assistance) | -278 | -284 |
| Increase / -decrease in Capital Financing Requirement | -278 | -284 |

Notes to the Core Financial Statements

26. CASH FLOW STATEMENT – NON CASH ITEMS

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|----------------------------------|------------------|
| -1,644 | Depreciation | -1,532 |
| -127 | Losses on asset revaluations | -45 |
| 95 | Capital grant | 48 |
| 285 | MRP | 278 |
| 813 | Capital expenditure from revenue | 1,328 |
| -7,872 | IAS19 pension adjustments | -4,866 |
| -120 | Collection Fund adjustment | 77 |
| 12 | Accumulated Absences adjustment | -43 |
| 112 | Net movement on provision | 0 |
| -285 | MRP | -278 |
| -95 | Capital grant | -48 |
| 13 | Finance leases | 1 |
| -813 | Capital expenditure from revenue | -1,328 |
| 58 | Movement on stocks | 45 |
| -214 | Movement on creditors | -96 |
| -899 | Movement on debtors | 552 |
| | | |
| -10,681 | | -5,907 |

27. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|---------------------|------------------|
| -87 | Interest received | -85 |
| 260 | Interest paid | 256 |
| 173 | Net Interest | 171 |

28. CASH FLOW STATEMENT – INVESTING ACTIVITIES

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|---|------------------|
| 908 | Purchase of property plant and equipment | 1,377 |
| 112 | Other payments from investing activities | 0 |
| 1,020 | Net cash flows from investing activities | 1,377 |

29. CASH FLOW STATEMENT – FINANCING ACTIVITIES

Notes to the Core Financial Statements

| 2015/16 £'000 | | 2016/17 £'000 |
|--------------------------|---|--------------------------|
| -87 | Other receipts from financing activities | -85 |
| | Cash payments for the reduction of the outstanding liabilities relating to finance leases | |
| 260 | Other payments for financing activities | 256 |
| 173 | Net cash flows from financing activities | 171 |

Pension Fund Accounts

| Year ended 31 March 2016 £'000 | | Year ended 31 March 2017 £'000 |
|---|--|---|
| | Income to the fund | |
| | Contributions receivable: | |
| | From employer: | |
| -541 | Normal: 1992 scheme | -456 |
| 0 | Contributions holiday contribution refund | 59 |
| -38 | Normal: 2006 scheme | -34 |
| -62 | Normal: 2006 modified scheme | -64 |
| -629 | Normal: 2015 scheme | -722 |
| 48 | Early Retirements | -16 |
| | From members: | |
| -384 | Normal: 1992 scheme | -314 |
| -34 | Normal: 2006 scheme | -31 |
| -41 | Normal: 2006 modified scheme | -39 |
| -530 | Normal: 2015 scheme | -619 |
| -250 | Past Service: 2006 modified scheme | -132 |
| | Transfers in: | |
| -48 | Individual transfers from other schemes | 0 |
| | | |
| 2,509 | Income to the Fund | -2,368 |
| | Spending from the Fund: | |
| | Benefits payable: | |
| 4,231 | Pensions | 4,245 |
| 525 | Commutations on pensions and lump sum retirement benefits | 968 |
| 116 | Commutations – special pensioners | 29 |
| | Payments to and on account of leavers: | |
| 0 | Individual transfers out of the scheme | 8 |
| | | |
| -2,363 | Deficit / surplus for the year before top up grant receivable from Central Government | 2,882 |
| | | |
| -2,019 | Top Up grant received | -2,419 |
| 0 | Grant received – contributions holiday refund | -59 |
| -344 | Top Up grant receivable | -404 |
| | | |
| 0 | Net amount receivable for the year | 0 |

See note 1 to the account

Pension Fund Accounts

Net Assets Statement as at 31 March 2017

| 2015/16 £'000 | Current Assets | 2016/17 £'000 |
|------------------|---|------------------|
| 344 | Top Up grant receivable from Government | 404 |
| | | |
| £'000 | Current Liabilities | £'000 |
| -344 | Amounts due to General Fund | -404 |
| 0 | | 0 |

Notes to the Pension Fund Accounts

- 1. Firefighters Pension Schemes** – on 1 April 2006 new financial arrangements were introduced for both the 1992 and the newly established 2006 Firefighter Pension Schemes. The Pension fund was established under the Firefighters Pension Fund Regulations 2006.
The Firefighters' Pension Scheme 2015 was introduced at the beginning of the financial year. This is a career average scheme, and is available to operational firefighters appointed on or after 1 April 2015. Serving firefighters will also have been transferred into the scheme, unless they have protected status under one of the existing schemes. The scheme is regulated by the Home Office.
- 2.** The Pension Fund is regulated by Home Office, and the pension schemes are managed and administered locally by each Fire Authority. Both are unfunded, defined benefit schemes; contributions to the schemes are made by firefighters and employers, and paid into the Fund, from which most commutations and regular pension payments are made. Any deficit on the Fund will be met by Government, and any surplus at the end of the year will be repaid to Government.
- 3.** The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end; information on the Authority's long term pensions obligations can be found at note 14 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 43.

Glossary of Terms

Accrual

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Receipts

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Capital Financing Requirement

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

Collection Fund Adjustment Account

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

Corporate and Democratic Core

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

Council Tax

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

Creditors

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

Current Assets

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

Current Liabilities

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

Glossary of Terms

DCLG

The Department of Communities and Local Government – 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

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

Glossary of Terms

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.