# STATEMENT OF ACCOUNTS 2018/19

RoyalBerksFRS @RBFRSOfficial RoyalBerkshireFire

Royal Berkshire Fire & Rescue Service www.rbfrs.co.uk

# Contents

## 1. Members of the Authority

The Authority is made up of 20 Members who are appointed in proportion to the number of local government electors in each authority area.

| **Bracknell Forest Borough Council** | **Slough Borough Council** |
|---|---|
| Colin Dudley | Satpal Parmar |
| Iain McCracken | Ted Plenty |
| Tina McKenzie-Boyle | Dexter Smith |
| | Avtar Cheema (until May 2018) |
| | Mohammed Rasib (until May 2018) |
| | Atiq Sandhu (until May 2018) |
| **Reading Borough Council** | **The Royal Borough of Windsor & Maidenhead** |
| Jason Brock | Malcolm Alexander |
| Jan Gavin | Christine Bateson |
| Paul Gittings | Simon Werner |
| Chris Maskell (until May 2018) | Phillip Bicknell (until February 2019) |
| **West Berkshire District Council** | **Wokingham Borough Council** |
| Jeff Brooks | Alistair Auty |
| Paul Bryant | Pauline Helliar-Symons |
| Adrian Edwards | Angus Ross |
| Emma Webster | Rachelle Shepherd-DuBey |
| Carol Jackson-Doerge (until June 2018) | Philip Mirfin (until May 2018) |

## 2. Officers of the Authority

Chief Fire Officer and Chief Executive - Trevor Ferguson

Monitoring Officer - Graham Britten

Head of Finance and Procurement and Chief Finance Officer - Conor Byrne

## 3. Auditors

Ernst & Young LLP

# 4. Narrative Statement

## 4.1 The Authority

Royal Berkshire Fire Authority provides cover from 18 fire stations across the county, stretching from Slough and Langley in the east to Lambourn and Newbury in the west. Its area includes one of Europe's busiest motorways, busy urban centres, suburban communities and large rural areas.

## 4.2 The Accounts

The Accounting Statements which follow form the Fire Authority's Statutory Accounts for the year ended 31 March 2019.

The accounts are drawn up in accordance with the accounting policies that are set out in detail in section 8.2.

A description of the core financial statements is given below:

a) Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

b) 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. Authorities raise taxation to cover expenditure in accordance with statutory requirements; 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.

c) Balance Sheet

The Balance Sheet shows the value at the Balance Sheet date of assets and liabilities recognised by the Authority. The net assets (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves 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 (for example capital receipts may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

d) Cash Flow Statement

This statement shows the changes in cash and cash equivalents of the Authority during the reporting 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 arising 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 (i.e. borrowing) to the Authority.

## 4.3 Revenue Spending

Revenue budgets and expenditure for 2018/19 are shown in the table below.

| | Budget £000 | Outturn £000 | Variance £000 |
|---|---|---|---|
| **Employees** | | | |
| UNIFORMED | 18,772 | 18,409 | (363) |
| NON-UNIFORMED | 6,420 | 6,412 | (8) |
| TRAINING | 586 | 703 | 117 |
| OTHER | 243 | 258 | 15 |
| | **26,021** | **25,782** | **(239)** |
| **Premises** | | | |
| REPAIRS & MAINTENANCE | 720 | 701 | (19) |
| RATES | 857 | 792 | (65) |
| CLEANING | 223 | 235 | 12 |
| UTILITIES | 409 | 423 | 14 |
| | **2,209** | **2,151** | **(58)** |
| **Supplies** | | | |
| INSURANCE | 305 | 302 | (3) |
| EQUIPMENT | 374 | 389 | 15 |
| IS EQUIPMENT & LICENCES | 507 | 516 | 9 |
| CLOTHING/PPE | 503 | 506 | 3 |
| COMMUNICATIONS | 822 | 810 | (12) |
| OCCUPATIONAL HEALTH | 191 | 193 | 2 |
| PRINT/STATIONERY/PUBLICATIONS/SUBSCRIPTIONS | 135 | 132 | (3) |
| HYDRANT REPAIRS | 24 | 19 | (5) |
| COMMUNITY FIRE SAFETY SUPPLIES | 111 | 170 | 59 |
| SUPPLIES OTHER | 170 | 186 | 16 |
| | **3,142** | **3,223** | **81** |
| **Contracts** | | | |
| CONTRIBUTION TO TVFCS & COLLABORATION | 801 | 812 | 11 |
| LEGAL | 50 | 61 | 11 |
| CONTRACTS OTHER (incl. Professional Services) | 651 | 892 | 241 |
| | **1,502** | **1,765** | **263** |
| **Transport** | | | |
| VEHICLE RUNNING COSTS | 670 | 732 | 62 |
| TRAVEL | 252 | 251 | (1) |
| | **922** | **983** | **61** |
| **Pension** | | | |
| PENSIONS | 419 | 434 | 15 |
| **Income** | | | |
| GRANTS | (405) | (406) | (1) |
| RENTAL INCOME | (221) | (221) | 0 |
| TVFCS RECHARGE INCOME | (278) | (278) | 0 |
| INCOME OTHER | (151) | (230) | (79) |
| | **(1,055)** | **(1,135)** | **(80)** |
| **NET COST OF SERVICES** | **33,160** | **33,203** | **43** |

| | | | |
|---|---|---|---|
| DEBT CHARGES INTEREST | 390 | 392 | 2 |
| INVESTMENT INTEREST | (80) | (102) | (22) |
| **NET OPERATING EXPENDITURE** | **33,470** | **33,493** | **23** |
| REVENUE FUNDING OF CAPITAL | 500 | 500 | 0 |
| CAPITAL CONTRIBUTIONS TO STAFFING COSTS | (60) | (61) | (1) |
| APPROPRIATION TO/(FROM) RESERVES | (751) | (751) | 0 |
| MINIMUM REVENUE PROVISION | 318 | 318 | 0 |
| REVERSAL OF ACCRUED HOLIDAY PAY | 2 | 2 | 0 |
| **NET EXPENDITURE** | **33,479** | **33,501** | **22** |

## Commentary on Revenue Outturn

Building on the hard work of 2017/18 budget monitoring processes and devolved budgets have been further embedded into the organisation.

This improvement in budget monitoring and forecasting is evidenced by our final outturn, which is showing a variance of 0.07% equal to £22,000 on a budget of £33.5 million. Regular budget management has enabled re-profiling and realignment of budgets, to ensure the effective delivery of organisational objectives, and response to in-year organisational developments.

Collectively, positive and negative variations in relation to the budgets for RDS, flexi-duty officers and training have resulted in a net surplus of £246,000. This includes £127,000 of the total anticipated £550,000 savings from the Remotely Managed Stations / Flexi-Duty Officer (RMS/FDO) project. It is positive to note that the continued improvement in RDS recruitment has brought this budget to within £191,000 of profile. When the necessary portion of the £168,000 of savings required from Pangbourne are realised, and the additional RDS recruits come on stream, this budget will balance, for the first time ever.

The delivery of the £127,000 RMS/FDO savings has enabled the project team to provide additional high-quality realistic incident command training at the Fire Service College. This practical fire ground training will ensure that the new station based station managers, have the right skills and competencies, to safely and effectively command incidents at level 2.

Further improved contract management, invoice challenge and business rates revaluations have resulted in additional in-year savings of £84,000. This has been offset against the £176,000 in professional service costs relating to the development of Whitley Wood business case and other capital project professional fees. Funding these pressures in year means that the costs will no longer be met from the Development Fund.

Other professional service costs included £75,000 of one off expenditure for business process engineering to deliver efficiencies in future years. This was funded from £76,000 of additional recharge income for work carried out in relation to the Emergency Services Network.

As part of the prevention and protection work, especially with people that are vulnerable and at risk, the Community Fire Safety costs (for smoke detectors and assisted technology) has resulted in additional costs of £59,000.

There has been significant defects and unscheduled work to some of our older vehicles in the transport fleet resulting in additional spending of £62,000. This further emphasises the importance of the Authority's continued investment in new vehicles to ensure revenue costs do not continue to rise.

On a positive note, proactive treasury management and increasing interest rates have resulted in additional investment interest of £22,000.

In summary, due the prudent management of the Service's budget and various in-year realignments as set out above, the total expenditure for 2018/19 is £33,501,000 against the budgeted figure of £33,479,000, which as stated in the opening paragraph is a variance of just 0.07% or £22,000.

## Funding of the Revenue Account

The Revenue Account is funded through a mixture of Council Tax, Business Rates and Government Grants as shown below.

| | Budget £000 | Outturn £000 | Variance £000 |
|---|---|---|---|
| General Government Grants | 5,356 | 6,055 | 699 |
| Business Rates and Section 31 Grants | 5,934 | 6,034 | 100 |
| Council Tax Precepts | 22,189 | 22,189 | 0 |
| **TOTAL FUNDING** | **33,479** | **34,278** | **799** |

The Ministry of Housing, Communities and Local Government informed the Authority in December 2018 of an error made in their calculation of the local Government finance settlements for 2016/17, 2017/18 and 2018/19. The Authority has been under-funded by a total amount of £592,000.

In addition, the Business Rates Retention Levy Account had a national surplus of £180m, of which this Authority's share was £107,000.

The amount of income from Section 31 Business Rates Grants was £100,000 greater than the forecast provided by the Unitary Authorities at the beginning of the year.

## 4.4 Capital Programme

Capital expenditure in 2018/19 was £2.1 million, made up as follows:

**Buildings £667,000**

The main buildings project to be completed in 2018/19 was the extensive upgrade and improvement of the Firehouse at the Whitley Wood Fire Station and Training Centre.

Other buildings projects being progressed in 2018/19 were the preparation for the rebuild of the Crowthorne Fire station (to be the Authority's second community tri-service station), and progress towards a new Fire Station in Theale.

**IT £259,000**

Replacement of IT hardware amounted to £198,000 and included £46,000 for backup systems. Software development costs totalled £61,000.

**Vehicles and equipment £1,138,000**

2018/19 saw the delivery of three new fire engines as a result of a collaborative procurement process by the three Thames Valley fire and rescue services. These new fire engines were procured with crew efficiency, comfort and partnership working in mind. The standardised storage areas on the fire engines make equipment more easily and quickly accessible on arrival at an incident, thus, facilitating cross-border working and interoperability between the three services.

## 4.5 Borrowing

All of the Fire Authority's loans are with the Public Works Loan Board and are used to fund capital expenditure. The Fire Authority did not need to take out additional loans during 2018/19 so total debt remained at £8.842 million as at 31 March 2019.

## 4.6 Pension Schemes

The negative net values of the Firefighter Pension Schemes reflect the unfunded liability facing this Authority (other fire authorities face similar liabilities). The Authority is not currently required to make any financial provision for these future commitments and there is no effect on Council Tax.

The estimated impact of the recent outcome of the Court of Appeal judgement on the McCloud and Sargeant cases have been reflected in the liability of both the Firefighter and Local Government Pension Schemes (LGPS).

The LPGS for non-uniformed employees is accounted for as a funded defined benefits scheme.

## 4.7 Royal Berkshire Fire & Rescue (Training) Limited

Royal Berkshire Fire & Rescue (Training) Limited (RBFRTL) was set up by the Authority to ensure the continued provision of fire safety training on a commercial basis. The company is a wholly-owned subsidiary of the Authority and started trading on 1 January 2009. Prior to this date the courses were run by a training team within the Authority.

The company made a loss of £12,000 during 2018/19. During this period, the Authority charged the company £11,000 for accommodation and provision of services.

Given that the market is becoming more and more competitive and that the company is not profitable, a decision was made in February 2019 to stop trading from May 2019. As in previous years, all accumulated losses of the company to 31 March 2019 are reflected in the General Fund Balance.

Group accounts have not been produced as the revenue generated by the company during 2018/19 is immaterial compared to the size of the Authority's budget.

## 4.8 Financial Performance and Economy, Efficiency and Effectiveness

The Authority publishes extensive performance and financial information on its website including transparency data on all spending over £500, a register of contracts and the pay of senior managers. This allows the public to see how well the Authority is performing and provides evidence of value for money. Members of the public can also request data from the Authority under the Freedom of Information Act.

The Authority has entered into several collaborative agreements with other Fire and Rescue services. Thames Valley Fire Control Service is a collaboration between the three fire and rescue services in the Thames Valley to provide a joint control room to take emergency calls. This arrangement not only increases resilience but also saves the Authority significant sums of money over the life of the agreement. Similarly, the fleet maintenance partnership with Hampshire Fire and Rescue Service continues to deliver significant savings for the Authority.

The Authority is a member of the Fire and Rescue Indemnity Company Ltd (FRIC). The company commenced trading in November 2015. The Authority's risk protection arrangements are provided through the pooled funds of the company. The aims of the Company are twofold: to reduce risk to the Authority by adopting best practice e.g. in relation to driving standards and also to reduce the cost to the Authority of its risk protection arrangements over the longer-term. Over its first three years of operation, the FRIC has recorded a cumulative surplus of £834,000.

Conor Byrne

Head of Finance and Procurement

# 5. Statement of Responsibilities

The Fire Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers (for the Fire Authority, that officer is the Head of Finance and Procurement) has the responsibility for the administration of those affairs;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

The Responsibilities of the Head of Finance and Procurement:

The Head of Finance and Procurement is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

In preparing this statement of accounts, the Head of Finance and Procurement has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority code.

The Head of Finance and Procurement has also:

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

Certificate of Head of Finance and Procurement

I certify that the statement of accounts presents a true and fair view of the financial position of the Authority for the financial year 2018/19 and was prepared in accordance with the accounting policies in section 8.2.

Conor Byrne

Head of Finance and Procurement 6 March 2020

Approval of the Accounts

I hereby confirm that these accounts were approved by the Chairman of the Audit and Governance Committee in accordance with the delegated responsibility agreed at the Audit and Governance Committee meeting held on 27 January 2020.

Tina McKenzie-Boyle

Chairman of the Audit and Governance Committee 6 March 2020

# 6. Independent Auditor's Report to the Members of Royal Berkshire Fire Authority

## Opinion

We have audited the financial statements and the firefighters' pension fund financial statements of Royal Berkshire Fire Authority for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- The related notes 8.1 to 8.36,
- The firefighters' pension fund financial statements comprising the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Royal Berkshire Fire Authority as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

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

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

**Other information**

The other information comprises the information included in the Statement of Accounts 2018/19, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinion on other matters prescribed by the Local Audit and Accountability Act 2014**

***Arrangements to secure economy, efficiency and effectiveness in the use of resources***

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Royal Berkshire Fire Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

**Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects .

**Responsibility of the Chief Financial Officer**

As explained more fully in the Statement of Responsibilities set out on page 14 , the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Authority's financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

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

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

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

***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Royal Berkshire Fire Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Royal Berkshire Fire Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Royal Berkshire Fire Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Certificate**

We certify that we have completed the audit of the accounts of Royal Berkshire Fire Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

**Use of our report**

This report is made solely to the members of Royal Berkshire Fire Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Kevin Suter (Key Audit Partner)*

*Ernst & Young LLP (Local Auditor)*

*Southampton*

*March 2020*

The maintenance and integrity of the Royal Berkshire Fire Authority web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# 7. Core Financial Statements

## 7.1 Movement in Reserves Statement

Movement in 2018/19

| | Notes | General Fund Balance | Earmarked Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|---|---|---|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| | | | | | | | | |
| **Balance as at 1 April 2018** | | **2,321** | **7,937** | **4,078** | **21** | **14,357** | **(369,436)** | **(355,079)** |
| | | | | | | | | |
| **Movement in Reserves during 2018/19** | | | | | | | | |
| Total Comprehensive Income and Expenditure | 7.2 | (17,412) | | | | **(17,412)** | (4,389) | **(21,801)** |
| Adjustments between accounting basis and funding basis under regulations | 8.3 | 17,426 | | (1,538) | | **15,888** | (15,888) | **0** |
| **Net Increase / (Decrease) before Transfers to Earmarked Reserves** | | **14** | **0** | **(1,538)** | **0** | **(1,524)** | **(20,277)** | **(21,801)** |
| Transfers to / from Earmarked Reserves | 8.4 | (26) | 26 | | | **0** | | **0** |
| **Increase / (Decrease) in the year** | | **(12)** | **26** | **(1,538)** | **0** | **(1,524)** | **(20,277)** | **(21,801)** |
| | | | | | | | | |
| **Balance as at 31st March 2019** | | **2,309** | **7,963** | **2,540** | **21** | **12,833** | **(389,713)** | **(376,880)** |

Movement in 2017/18

| | Notes | General Fund Balance | Earmarked Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|---|---|---|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| | | | | | | | | |
| **Balance as at 1 April 2017** | | **2,344** | **7,652** | **0** | **21** | **10,017** | **(359,785)** | **(349,768)** |
| | | | | | | | | |
| **Movement in Reserves during 2017/18** | | | | | | | | |
| Total Comprehensive Income and Expenditure | 7.2 | (9,618) | 0 | 0 | 0 | **(9,618)** | 4,307 | **(5,311)** |
| Adjustments between accounting basis and funding basis under regulations | 8.3 | 9,880 | 0 | 4,078 | 0 | **13,958** | (13,958) | **0** |
| **Net Increase / (Decrease) before Transfers to Earmarked Reserves** | | **262** | **0** | **4,078** | **0** | **4,340** | **(9,651)** | **(5,311)** |
| Transfers to / from Earmarked Reserves | 8.4 | (285) | 285 | | | | | |
| **Increase / (Decrease) in the year** | | **(23)** | **285** | **4,078** | **0** | **4,340** | **(9,651)** | **(5,311)** |
| | | | | | | | | |
| **Balance as at 31st March 2018** | | **2,321** | **7,937** | **4,078** | **21** | **14,357** | **(369,436)** | **(355,079)** |

## 7.2 Comprehensive Income and Expenditure Statement

| 2017/18 | | | | | 2018/19 | | |
|---|---|---|---|---|---|---|---|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Notes | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 32,428 | 0 | 32,428 | Employees | | 41,493 | 0 | 41,493 |
| 3,360 | 0 | 3,360 | Premises | | 2,963 | 0 | 2,963 |
| 3,640 | 0 | 3,640 | Supplies | | 3,515 | 0 | 3,515 |
| 596 | 0 | 596 | Contracts | | 955 | 0 | 955 |
| 943 | 0 | 943 | Transport | | 984 | 0 | 984 |
| 0 | (2,339) | (2,339) | Income | | 0 | (2,269) | (2,269) |
| **40,967** | **(2,339)** | **38,628** | **Net Cost of Services** | 8.1 | **49,910** | **(2,269)** | **47,641** |
| | | (196) | Other operating expenditure | 8.7 | | | (22) |
| | | 10,322 | Financing and Investment Income and Expenditure | 8.8 | | | 10,883 |
| | | (39,136) | Taxation and Non-Specific Grant Income | 8.9 | | | (41,090) |
| | | **9,618** | **(Surplus) or Deficit on the Provision of Services** | 8.6 | | | **17,412** |
| | | (703) | (Surplus) or deficit on revaluation of Property, Plant and Equipment assets | 8.31 i | | | (913) |
| | | (3,604) | Actuarial (gains) / losses on pension assets / liabilities | 8.31 iii | | | 5,302 |
| | | **(4,307)** | **Other Comprehensive Income and Expenditure** | | | | **4,389** |
| | | | | | | | |
| | | **5,311** | **Total Comprehensive Income and Expenditure** | | | | **21,801** |

## 7.3 Balance Sheet

| 2017/18 £000 | | Notes | 2018/19 £000 |
|---|---|---|---|
| 26,365 | Property, Plant & Equipment | 8.16 i | 28,621 |
| 975 | Investment Property | 8.17 | 867 |
| 338 | Intangible Assets | 8.18 | 353 |
| 424 | Long Term Investments | 8.20 | 479 |
| **28,102** | **Long Term Assets** | | **30,320** |
| 11,309 | Short Term Investments | 8.20 | 11,349 |
| 0 | Assets held for sale | 8.22 | 0 |
| 42 | Inventories | 8.23 | 73 |
| 5,567 | Short Term Debtors | 8.24 | 5,037 |
| 1,113 | Prepayments | 8.24 | 1,118 |
| 4,275 | Cash and Cash Equivalents | 8.25 | 3,164 |
| **22,306** | **Current Assets** | | **20,741** |
| (4,373) | Short Term Creditors | 8.26 | (4,278) |
| (404) | Income in Advance | 8.26 | (424) |
| (197) | Short-term Provisions - holiday pay | 8.31 v | (195) |
| (442) | Provisions | 8.27 | (284) |
| **(5,416)** | **Current Liabilities** | | **(5,181)** |
| (8,842) | Long Term Borrowing | 8.20 | (8,842) |
| (391,216) | Pension Liability | 8.29 iv | (413,905) |
| (13) | Capital Grants Receipts in Advance | 8.10 | (13) |
| **(400,071)** | **Long Term Liabilities** | | **(422,760)** |
| **(355,079)** | **Net Assets (Liabilities)** | | **(376,880)** |
| 14,357 | Usable Reserves | 8.30 | 12,833 |
| (369,436) | Unusable Reserves | 8.31 | (389,713) |
| **(355,079)** | **Total Reserves** | | **(376,880)** |

## 7.4 Cash Flow Statement

| 2017/18<br>£000 | | 2018/19<br>£000 |
|---|---|---|
| | **Cash Outflows from operating activities:** | |
| (20,761) | Employment costs | (22,046) |
| (11,647) | Pension costs | (12,132) |
| (392) | Interest paid | (392) |
| (7,638) | Other operating costs | (8,324) |
| **(40,438)** | **Total Cash Outflows** | **(42,894)** |
| | | |
| | **Cash Inflows from operating activities:** | |
| 33,197 | Precepts and General Government Grants | 34,277 |
| 4,569 | Pension top-up grant | 7,570 |
| 25 | Interest received | 50 |
| 2,299 | Other operating income | 1,908 |
| **40,090** | Total **Cash Inflows** | **43,805** |
| **(348)** | **Net cashflows from operating activities** | **911** |
| | | |
| (2,420) | Purchase of property, plant and equipment, investment property and intangible assets | (2,020) |
| (5,041) | Purchase of short-term and long-term investments | (28) |
| 5,617 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 26 |
| **(1,844)** | **Net cash outflows from investing activities** | **(2,022)** |
| | | |
| **0** | **Net cash flows from financing activities** | **0** |
| | | |
| **(2,192)** | **Net increase or (decrease) in cash and cash equivalents** | **(1,111)** |
| 6,467 | Cash and cash equivalents at the beginning of the reporting period | 4,275 |
| **4,275** | **Cash and cash equivalents at the end of the reporting period** | **3,164** |

# 8. Notes to Core Financial Statements

## 8.1 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 (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities 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 reporting areas in the new cost of services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| 2017/18 | | | | 2018/19 | | |
|---|---|---|---|---|---|---|
| Net Expenditure Chargeable to the General Fund £000 | Adjustments between the Funding and Accounting Basis £000 | Net Expenditure in the Comprehensive Income and Expenditure Statement £000 | | Net Expenditure Chargeable to the General Fund £000 | Adjustments between the Funding and Accounting Basis £000 | Net Expenditure in the Comprehensive Income and Expenditure Statement £000 |
| 25,780 | 6,648 | 32,428 | Employees | 27,399 | 14,094 | 41,493 |
| 2,307 | 1,053 | 3,360 | Premises | 2,151 | 812 | 2,963 |
| 3,640 | 0 | 3,640 | Supplies | 3,515 | 0 | 3,515 |
| 596 | 0 | 596 | Contracts | 955 | 0 | 955 |
| 943 | 0 | 943 | Transport | 984 | 0 | 984 |
| 590 | (590) | 0 | Pensions | 434 | (434) | 0 |
| (2,361) | 22 | (2,339) | Income | (2,284) | 15 | (2,269) |

| | | | | | | |
|---|---|---|---|---|---|---|
| **31,495** | **7,133** | **38,628** | **Net Cost of Services** | **33,154** | **14,487** | **47,641** |
| (31,757) | 2,747 | (29,010) | Other Income and Expenditure | (33,168) | 2,939 | (30,229) |
| **(262)** | **9,880** | **9,618** | **(Surplus) or Deficit** | **(14)** | **17,426** | **17,412** |
| (9,996) | | | Opening General Fund Balance including Earmarked Reserves | (10,258) | | |
| (262) | | | Less/Plus (Surplus) / Deficit on General Fund in Year | (14) | | |
| **(10,258)** | | | **Closing General Fund Balance including Earmarked Reserves at 31 March** | **(10,272)** | | |

Net expenditure chargeable to the General Fund includes Royal Berkshire Fire and Rescue Training Limited transactions, which are not shown in the section 4.3 Revenue Spending. Net expenditure chargeable to the General Fund also includes the total costs of running Thames Valley Fire Control Service as opposed to the Authority's share of the running cost which is shown in Section 4.3.

## 8.2 Accounting Policies

### i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Authority is required to prepare an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit Regulations 2015. These practices under Section 21 of the Local Government Act 2003 primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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.

### ii. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.

- 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.

- 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.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure 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 revenue 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

The only exceptions to the above are that:

- Salaries and wages are paid in arrears, and amounts charged correspond to the income tax year.
- Amounts charged on monthly procurement card statements run from March to February rather than April to March in the Accounts.

The effects of these policies are not considered to be material, as they are applied consistently each year.

### iii. Cash and Cash Equivalents

Cash and cash equivalents for the Authority equate to monies held in the Authority's current account and linked savings account. Monies held in these accounts can be withdrawn without notice and are used for the day-to-day running of the Authority.

The Authority also holds monies in call and notice accounts. These deposits are treated as short-term investments as the Authority does not use these balances on a day-to-day basis.

### iv. 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, i.e. 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 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 for the prior period.

## v. Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- amortisation of intangible assets attributable to the service.

The 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 (minimum revenue provision) towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by a contribution from 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.

## vi. 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 and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) 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 Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

## Post-Employment Benefits

Pension costs have been provided for in accordance with relevant Government regulations and in accordance with IAS 19 Employee Benefits.

IAS 19 is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. Inclusion of the attributable share of the fund assets and liabilities does not mean that legal title or obligation has passed from the trustees to the employer. Instead it represents the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit (via reduced contributions) from a surplus in the scheme.

The Fire Authority participates in five pension schemes, which provide members with defined benefits relating to pay and service.

- Uniformed Firefighters

  There are four firefighter pension schemes: 1992 Pension Scheme, 2006 Pension Scheme, 2015 Pension Scheme and the Modified Pension Scheme. All are unfunded defined benefit schemes.

  Central Government requires Fire Authorities to keep a separate Pensions Account from which pensions will be paid. On the income side, employer and employee contributions are paid into the account. Transfer values for firefighters that transfer into and out of the scheme are also posted to the account. If the account is in deficit at the end of the financial year, the Government will provide a top-up grant to bring the account into balance.

  The pension costs have been assessed in accordance with the advice of a professionally qualified actuary. The latest formal valuation used data as at 31 March 2018.

- The Local Government Pension Scheme

  The Local Government Pension Scheme (LGPS) is accounted for as a funded defined benefits scheme:

The liabilities of the Royal County of Berkshire Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. 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 earnings for current employees. Liabilities are discounted to their value at current prices.

The assets of the Royal County of Berkshire Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value.

The latest formal valuation was as at 31 March 2016.

- Measurement of the Net Liabilities of the Pension Schemes

  There are three main categories: service cost, net interest on the net defined benefit liability or asset and remeasurements of the net defined benefit liability or asset.

1. Service cost comprising:

   – 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 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.

2. Net interest on the net defined benefit liability (asset): the change during the period in the net defined benefit liability (asset) that arises from the passage of time which is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

3. Remeasurements comprising:

   –– the return on plan assets which is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;

   –– actuarial gains and losses are 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. These gains and losses are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

### Cost of Retirement Benefits in Relation to the General Fund

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 funds or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that 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 fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures 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.

### Discretionary Benefits

The Authority also has restricted powers to allow flexible retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## vii. Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of event would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## viii. Financial Instruments

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the 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. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

### Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

## ix. Government Grants and Contributions

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

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as either creditors (revenue grants) or capital receipts in advance (capital grants). When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure 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 Adjustment Account. Amounts in the Capital

Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## x. Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## xi. Interests in Companies and Other Entities

Royal Berkshire Fire & Rescue (Training) Limited was set up by the Authority to ensure the continued provision of fire safety training on a commercial basis. The company is a wholly-owned subsidiary of the Authority and started trading on 1 January 2009. Prior to this date the courses were run by a training team within the Authority.

Group accounts have not been produced as the revenue generated by the company is immaterial compared to the size of the Authority's budget.

The Authority is also a member of the Fire and rescue Indemnity Company (FRIC) which provides risk protection arrangements.

## xii. Inventories

Inventories are reflected in the balance sheet at average historical cost. This is not consistent with IAS 2, which requires inventories to be valued at the lower of cost or net realisable value. However, net realisable value would significantly understate the value to the Authority of the assets held, due to the specialised nature of the items. Certain immaterial inventories are treated as current expenditure and charged directly to revenue.

## xiii. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## xiv. 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.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### The Authority as Lessee

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### The Authority as Lessor

Operating Leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## xv. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. All of the Authority's capital expenditure plans are formulated within the framework of CIPFA's Prudential Code.

## Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the 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 (i.e. repairs and maintenance) is charged as an expense when it is incurred.

## Measurement

An asset is initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of an asset acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the assets exchanged.

Assets are then carried on the Balance Sheet using the following measurement bases:

- non-property assets and assets under construction – depreciated historical cost
- all other assets – fair value

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. A full revaluation of all freehold properties was completed in March 2017, based on the fact that that there is market evidence for the majority of Fire Authority property assets, and there would be a market for these in their existing form due to their flexible design and adaptability. A desk top valuation exercise was completed for the position as at 31st March 2019.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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 accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down 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.

### Impairment

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

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

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

Where an impairment loss is reversed subsequently, the reversal is credited 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 (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as estimated by the valuer;
- Vehicles – reducing balance over the life of the asset,
- Donated assets – straight line over the remaining useful life;
- Plant & Equipment – straight-line over the life of the asset.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components 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.

### Component accounting

Components of Property, Plant & Equipment are not shown separately on the Balance Sheet if the value of the component is less than £100,000. Furthermore, components with a value of at least £100,000 are only shown separately on the Balance Sheet where the value of the component is at least 20 per cent of the value of the remainder of the asset or where there is a material effect on depreciation.

### Disposals and Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. 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. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed 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.

### xvi. Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its provisions at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability

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

When measuring fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 inputs.

Inputs to the valuation techniques in respect of assets and 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 assets or 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 asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability

## xvii. Provisions, Contingent Liabilities and Contingent Assets

### Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

## Contingent Liabilities

A contingent liability arises where an event has taken place that gives the 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 Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

## Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## xviii. Reserves

The 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 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 that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant notes.

## xix. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and

Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## xx. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## 8.3 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are required by statutory regulations to the Comprehensive Income and Expenditure Statement.

| 2018/19 | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Unusable Reserves £000 |
|---|---|---|---|---|
| **Adjustments involving the Capital Adjustment Account:** | | | | |
| **Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement** | | | | |
| Charges for depreciation and impairment and valuation losses of non-current assets | 700 | | | (700) |
| Movements in the fair value of Investment Properties | (2) | | | 2 |
| Amortisation of intangible assets | 112 | | | (112) |
| Donated assets | | | | 0 |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 5 | | | (5) |
| Government grants deferred amortisation | | | | 0 |
| **Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement** | | | | |
| Statutory Provision for the repayment of debt - (MRP) | (318) | | | 318 |
| Revenue contribution to finance capital | (500) | | | 500 |
| **Adjustments primarily involving the Capital Grants Unapplied Account:** | | | | |
| Use of capital receipts reserve to finance capital expenditure | | (1,565) | | 1,565 |
| Capital grant unapplied credited to CIES | | | | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | | | 0 |
| **Adjustments primarily involving the Capital Receipts Reserve:** | | | | |
| Transfer of proceeds from sale of assets to CIES | (27) | 27 | | 0 |
| **Adjustments primarily involving the Pension Reserve:** | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | 27,694 | | | (27,694) |

| | | | | |
|---|---|---|---|---|
| Employer's pensions contributions and direct payments to pensioners payable in the year | (3,425) | | | 3,425 |
| Gain in relation to government grant payable to the Pension Fund on the Authority's behalf including Milne v GAD | (6,882) | | | 6,882 |
| | | | | |
| **Adjustments primarily involving the Collection Fund Adjustment Account:** | | | | |
| Amount by which CT and NDR income credited to the CIES is different from statutory requirements | 71 | | | (71) |
| **Adjustments primarily involving the Accumulated Absences Account:** | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (2) | | | 2 |
| **Total Adjustments** | **17,426** | **(1,538)** | **0** | **(15,888)** |

| **2017/18** | **General Fund Balance £000** | **Capital Receipts Reserve £000** | **Capital Grants Unapplied £000** | **Movement in Unusable Reserves £000** |
|---|---|---|---|---|
| **Adjustments involving the Capital Adjustment Account:** | | | | |
| **Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement** | | | | |
| Charges for depreciation and impairment and valuation losses of non-current assets | 958 | | | (958) |
| Movements in the fair value of Investment Properties | (50) | | | 50 |
| Amortisation of intangible assets | | | | 0 |
| Amortisation of intangible assets | 95 | | | (95) |
| Donated assets | | | | 0 |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | (196) | 5,421 | | (5,225) |
| Government grants deferred amortisation | 0 | | | 0 |
| **Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement** | | | | |
| Statutory Provision for the repayment of debt - (MRP) | (327) | | | 327 |
| Revenue contribution to finance capital | (734) | | | 734 |

| | | | | |
|---|---|---|---|---|
| **Adjustments primarily involving the Capital Grants Unapplied Account:** | | | | |
| Use of capital receipts reserve to finance capital expenditure | | (1,539) | | 1,539 |
| Capital grant unapplied credited to CIES | | | | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | | | 0 |
| **Adjustments primarily involving the Capital Receipts Reserve:** | | | | |
| Transfer of proceeds from sale of assets to CIES | | 196 | | (196) |
| **Adjustments primarily involving the Pension Reserve:** | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | 19,494 | | | (19,494) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (3,404) | | | 3,404 |
| Gain in relation to government grant payable to the Pension Fund on the Authority's behalf including Milne v GAD | (6,255) | | | 6,255 |
| | | | | |
| **Adjustments primarily involving the Collection Fund Adjustment Account:** | | | | |
| Amount by which CT and NDR income credited to the CIES is different from statutory requirements | 317 | | | (317) |
| **Adjustments primarily involving the Accumulated Absences Account:** | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (18) | | | 18 |
| **Total Adjustments** | **9,880** | **4,078** | **0** | **(13,958)** |

## 8.4 Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19.

| | Balance at 1 April 2018 £000 | Net transfers In / (Out) £000 | Balance at 31 March 2019 £000 | Purpose |
|---|---|---|---|---|
| Budget Carry Forward Reserve | 228 | (70) | 158 | To roll forward specific budget lines where commitments have been made but expenditure has not yet been incurred by the close of the financial year |
| Detectors Reserve | 62 | 0 | 62 | To provide on-going support to the Fire Prevention Programme |
| TVFCS Renewals Fund | 424 | 55 | 479 | To replace IT assets |
| Grants Received in Advance | 990 | (124) | 866 | The unspent balance of grants |
| Vacancy Reserve | 65 | 0 | 65 | To offset fluctuations in employee numbers |
| Budget Contingency Reserve | 1,060 | 424 | 1,484 | To offset future cuts in Government funding |
| Transition Fund | 898 | (259) | 639 | To support new ways of working and implement Vision 2019 |
| Development Fund | 4,210 | 0 | 4,210 | To fund capital projects |
| **Total** | **7,937** | **26** | **7,963** | |

Comparative movement in 2017/18

| | Balance at 1 April 2017 £000 | Net transfers In / (Out) £000 | Balance at 31 March 2018 £000 | Purpose |
|---|---|---|---|---|
| Budget Carry Forward Reserve | 441 | (213) | 228 | To roll forward specific budget lines where commitments have been made but expenditure has not yet been incurred by the close of the financial year |
| Joint Control Reserve | 149 | (149) | 0 | To meet costs associated with the transition to joint control. |
| Detectors Reserve | 62 | 0 | 62 | To provide on-going support to the Fire Prevention Programme |
| TVFCS Renewals Fund | 371 | 53 | 424 | To replace IT assets |
| Grants Received in Advance | 1,056 | (66) | 990 | The unspent balance of grants |
| Vacancy Reserve | 65 | 0 | 65 | To offset fluctuations in employee numbers |
| Budget Contingency Reserve | 483 | 577 | 1,060 | To offset future cuts in Government funding |
| Transition Fund | 1,074 | (176) | 898 | To support new ways of working |
| Development Fund | 3,951 | 259 | 4,210 | To fund capital projects |
| **Total** | **7,652** | **285** | **7,937** | |

## 8.5 Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund Balance to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

Adjustments between Funding and Accounting Basis 2018/19

| Adjustments to General Fund to arrive at the Comprehensive Income and Expenditure Statements amounts | Adjustments for Capital Purposes | Net Change for Pension Adjustments | Other Differences | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Employees | | 14,093 | | 14,093 |
| Premises | 813 | | | 813 |
| Supplies | | | | 0 |
| Contracts | | | | 0 |
| Transport | | | | 0 |
| Pensions | | (434) | | (434) |
| Income | | | 15 | 15 |
| **Net Cost of Services** | **813** | **13,659** | **15** | **14,487** |
| Other Income and Expenditure from the Expenditure and Funding Analysis | (843) | 3,728 | 54 | 2,939 |
| **Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or Deficit on the Provision of Services** | **(30)** | **17,387** | **69** | **17,426** |

Adjustments between Funding and Accounting Basis 2017/18

| **Adjustments to General Fund to arrive at the Comprehensive Income and Expenditure Statements amounts** | **Adjustments for Capital Purposes** | **Net Change for Pension Adjustments** | **Other Differences** | **Total** |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| Employees | | 6,648 | | 6,648 |
| Premises | 1,053 | | | 1,053 |
| Supplies | | | | 0 |
| Contracts | | | | 0 |
| Transport | | | | 0 |
| Pensions | | (590) | | (590) |
| Income | | | 22 | 22 |
| **Net Cost of Services** | **1,053** | **6,058** | **22** | **7,133** |
| Other Income and Expenditure from the Expenditure and Funding Analysis | (1,308) | 3,777 | 278 | 2,747 |
| **Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or Deficit on the Provision of Services** | **(255)** | **9,835** | **300** | **9,880** |

## Adjustment for Capital Purposes

**Adjustments for capital purposes** – this column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:

**Other operating expenditure** – adjusts for capital disposals with transfer of income on disposal of assets and the amounts written off for those assets.

**Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

**Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied through the year. The Taxation and Non-Specific Grant Income line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## Net Change for the Pension Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

**For services** - this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

**For Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the CIES.

## Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

**For Financing and investment income and expenditure** - the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

**The charge under Taxation and non-specific grant income and expenditure** – represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

### Segmental Income

The internal monitoring structure of the authority is based on the nature of the costs incurred rather than reflecting any internal service segment structures. The above disclosure has therefore been deemed not necessary as this information can be seen on the face of the Expenditure and Funding Analysis note.

## 8.6 Expenditure and Income Analysed by Nature

The authority's expenditure and income is analysed as follows:

| 2017/18 £000 | Expenditure / Income | 2018/19 £000 |
|---|---|---|
| | Expenditure: | |
| 42,458 | Employee benefit expenses | 52,102 |
| 7,486 | Other services expenses | 7,605 |
| 1,054 | Depreciation, Amortisation and Impairment | 813 |
| 392 | Interest payments | 392 |
| (196) | Gain on the disposal of assets | (22) |
| **51,194** | **Total Expenditure** | **60,890** |
| | Income: | |
| (2,412) | Fees, charges and other service income | (2,286) |
| (28) | Interest and investment income | (102) |
| (26,733) | Income from council tax and non domestic rates | (28,153) |
| (12,403) | Governement grants and contributions | (12,937) |
| **(41,576)** | **Total Income** | **(43,478)** |
| | | |
| **9,618** | **Surplus or Deficit on the Provision of Services** | **17,412** |

## 8.7 Other Operating Expenditure

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| (196) | (Profit) / loss on the disposal of assets | (22) |
| **(196)** | **Total** | **(22)** |

## 8.8 Financing and Investment Income and Expenditure

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| 392 | Interest payable and similar charges | 392 |
| 10,031 | Pensions interest cost and expected return on pensions assets | 10,610 |
| (28) | Interest receivable and similar income | (102) |
| (73) | Income and expenditure in relation to investment properties and changes in their fair value | (17) |
| **10,322** | **Total** | **10,883** |

## 8.9 Taxation and Non Specific Grant Incomes

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| (21,167) | Council Tax Income | (22,177) |
| (5,566) | Non Domestic Rates Income | (5,976) |
| (6,146) | General Government Grants | (6,055) |
| (2) | Tax Credit | 0 |
| (6,255) | Gain in relation to Government grant and other contributions payable to the Pension Fund on the Authority's behalf | (6,882) |
| **(39,136)** | **Total** | **(41,090)** |

## 8.10 Grant Income

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| | Credited to Taxation and Non Specific Grant Income: | |
| 81 | Council tax transition grant | 0 |
| 282 | NDR grants | 342 |
| **363** | **Total** | **342** |
| | Credited to Service: | |
| 0 | New Risks | 10 |
| 350 | Firelink | 361 |
| 26 | New Dimensions | 28 |
| 53 | Service & Maintenance | 0 |
| 250 | Control rooms ESMCP Grant | 0 |
| 8 | Transparency grant | 8 |
| **687** | **Total** | **407** |

The Authority has received a number of contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver. The balances at the year-end are as follows:

| | £000 |
|---|---|
| Capital Grants Receipts in Advance | (13) |
| **Total** | **(13)** |

## 8.11 Material Items of Income and Expense

The disposal of the old Windsor Fire Station site was completed in November 2017, and the gain on disposal is shown in note 8.7. The capital receipt received in November 2017 was £5.56m. There were no equivalent disposals in 2018/19.

## 8.12 Members' Allowances

The Authority paid the following amounts to Members of the Fire Authority during the year.

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| 83 | Allowances | 84 |
| 4 | Expenses | 3 |
| **87** | **Total** | **87** |

## 8.13 Officers' Remuneration

Officers whose remuneration was £50,000 or more fall into the following ranges:

| 2017/18 Number of employees | Remuneration band | 2018/19 Number of employees |
|---|---|---|
| 11 | 50,000 - 54,999 | 13 |
| 9 | 55,000 - 59,999 | 6 |
| 10 | 60,000 - 64,999 | 9 |
| 3 | 65,000 - 69,999 | 4 |
| 1 | 70,000 - 74,999 | 2 |
| 0 | 75,000 - 79,999 | 1 |
| 1 | 80,000 - 84,999 | 0 |
| **35** | **Total** | **35** |

The table above excludes the Chief Fire Officer, Directors and Head of Finance and Procurement whose remuneration is shown in the table below.

Remuneration refers to all amounts paid to, and receivable by, an employee (excluding pension contributions) and includes sums due by way of expenses allowances, and the estimated money value of any other benefits received by an employee otherwise than in cash.

Senior employees are shown by job title in the tables below. The term senior employee applies to the Chief Fire Officer, Directors and Head of Finance and Procurement.

| Remuneration 2018/19 | Salary including fees and allowances | Taxable Expenses | Benefit in Kind (car allowance) | Total remuneration excluding pension contributions | Employer pension contributions | Total remuneration including pension contributions |
|---|---|---|---|---|---|---|
| Chief Fire Officer - Trevor Ferguson | 155,662 | 137 | 4,317 | 160,116 | 22,260 | 182,376 |
| Deputy Chief Fire Officer - Steve Foye | 123,223 | 29 | 4,247 | 127,499 | 26,739 | 154,238 |
| Assistant Chief Fire Officer | 116,229 | 23 | 4,317 | 120,569 | 25,222 | 145,791 |
| Director of Support Services | 102,476 | 0 | 0 | 102,476 | 15,576 | 118,052 |
| Head of Finance and Procurement | 67,743 | 0 | 0 | 67,743 | 10,297 | 78,040 |
| **Total** | **565,333** | **189** | **12,881** | **578,403** | **100,094** | **678,497** |

| Remuneration 2017/18 | Salary including fees and allowances | Benefit in Kind (car allowance) | Total remuneration excluding pension contributions | Employer pension contributions | Total remuneration including pension contributions |
|---|---|---|---|---|---|
| Chief Fire Officer - Andy Fry - retired 22nd April 2017 | 12,568 | 444 | 13,012 | 2,099 | 15,111 |
| Chief Fire Officer - Trevor Ferguson - from 23rd April 2017 | 139,317 | 1,873 | 141,190 | 19,922 | 161,112 |
| Deputy Chief Fire Officer - until 22nd April 2017 | 7,310 | 559 | 7,869 | 1,045 | 8,914 |
| Deputy Chief Fire Officer - from 8th May 2017 | 105,395 | 1,184 | 106,579 | 22,871 | 129,450 |
| Assistant Chief Fire Officer | 112,302 | 1,140 | 113,442 | 24,562 | 138,004 |
| Supernumerary Temporary Assistant Chief Fire Officer - until 7th May 2017 | 8,526 | 0 | 8,526 | 1,850 | 10,376 |
| Director of Support Services | 94,986 | 0 | 94,986 | 13,013 | 107,999 |
| Head of Finance and Procurement | 67,443 | 0 | 67,443 | 9,202 | 76,645 |
| **Total** | **547,847** | **5,200** | **553,047** | **94,564** | **647,611** |

The Chief Fire Officer retired in April 2017 and was replaced by the Deputy Chief Fire Officer. The replacement Deputy Chief Fire Officer started at the Authority in May 2017, at which point the arrangements for the temporary Assistant Chief Fire Officer ended.

Both the Assistant Chief Fire Officer and Supernumerary Temporary Assistant Chief Fire Officer salary and allowances include backdated pay related to the previous financial year.

## 8.14 Exit Packages and Termination Benefits

| Exit Package Cost Band | Number of compulsory redundancies | | Number of other departures | | Total Number | | Total Cost (£) | |
|---|---|---|---|---|---|---|---|---|
| | 17/18 | 18/19 | 17/18 | 18/19 | 17/18 | 18/19 | 17/18 | 18/19 |
| £0-£20,000 | 0 | 1 | 2 | 4 | 2 | 5 | 11,877 | 42,084 |
| £20,001-£40,000 | 0 | 1 | 2 | 0 | 2 | 1 | 61,668 | 20,512 |
| **Total cost included in bandings and in the CIES** | **0** | **2** | **4** | **4** | **4** | **6** | **73,545** | **62,596** |

## 8.15 External Audit Costs

Fees relating to external audit and inspection are detailed below. The fees cover a financial statements audit, a value for money conclusion and a whole of government accounts audit.

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| 37 | Fees payable with regard to external audit services carried out by the appointed auditor for the year | 26 |
| **37** | **Total** | **26** |

## 8.16 Property, Plant and Equipment

### i Movement on Balances

Movements in property, plant and equipment for 2018/19 are shown in the table below.

| | Land & Building £000 | Vehicles, Plant and Equipment £000 | Assets under Construction £000 | Total Property, Plant and Equipment £000 |
|---|---|---|---|---|
| Cost or Valuation | | | | |
| At 1 April 2018 | 29,103 | 10,575 | 1,098 | 40,776 |
| Additions | 326 | 631 | 981 | 1,938 |
| Revaluation increases / (decreases) recognised in the revaluation reserve | 913 | | | 913 |
| Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services | 696 | | | 696 |
| Derecognition-disposals | | (104) | | (104) |
| Other movements in cost or valuation | 125 | 376 | (393) | 108 |
| **at 31 March 2019** | **31,163** | **11,478** | **1,686** | **44,327** |
| Accumulated Depreciation and Impairment | | | | |
| At 1 April 2018 | (6,243) | (8,168) | 0 | (14,411) |
| Depreciation Charge | (507) | (889) | | (1,396) |
| Derecognition-disposals | | 101 | | 101 |
| **at 31 March 2019** | **(6,750)** | **(8,956)** | **0** | **(15,706)** |
| Net Book Value | | | | |
| **at 31 March 2018** | **22,860** | **2,407** | **1,098** | **26,365** |
| **at 31 March 2019** | **24,413** | **2,522** | **1,686** | **28,621** |

Comparative movements in 2017/18

| | Land & Building £000 | Vehicles, Plant and Equipment £000 | Assets under Construction £000 | Total Property, Plant and Equipment £000 |
|---|---|---|---|---|
| Cost or Valuation | | | | |
| At 1 April 2017 | 27,384 | 10,816 | 838 | 39,038 |
| Additions | 685 | 652 | 882 | 2,219 |
| Revaluation increases / (decreases) recognised in the revaluation reserve | 704 | | | 704 |
| Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services | 260 | | | 260 |
| Derecognition-disposals | | (1,344) | | (1,344) |
| Other movements in cost or valuation | 70 | 451 | (622) | (101) |
| **at 31 March 2018** | **29,103** | **10,575** | **1,098** | **40,776** |
| Accumulated Depreciation and Impairment | | | | |
| At 1 April 2017 | (5,774) | (8,758) | | (14,532) |
| Depreciation Charge | (469) | (749) | | (1,218) |
| Derecognition-disposals | | 1,339 | | 1,339 |
| **at 31 March 2018** | **(6,243)** | **(8,168)** | **0** | **(14,411)** |
| Net Book Value | | | | |
| **at 31 March 2017** | **21,610** | **2,058** | **838** | **24,506** |
| **at 31 March 2018** | **22,860** | **2,407** | **1,098** | **26,365** |

## ii Depreciation

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

Buildings – straight line over the life of the buildings or components (7-58 years)

Equipment – straight line over the life of the asset (3-15 years)

Vehicles – reducing balance over the life of the asset (3-15 years).

Assets donated by the Government are depreciated straight line over the remaining useful life.

### iii Capital Commitments update

At 31 March 2019, the Authority had outstanding commitments of £113,000 relating to premises enhancements. The Authority also had commitments of £107,000 for IT licences and hardware replacement and £346,000 in relation to vehicles.

### iv Fixed Asset Valuation

The Authority's freehold properties were valued on 31 March 2019 by an external valuer, Andrew Shoubridge MSc MRICS, Registered Valuer of BNP Paribas Real Estate Chartered Surveyors. The valuations were in accordance with the requirements of the RICS Valuation – Professional Standards 2017 and International Financial Reporting Standards (IFRS)-based Code of Practice on Local Authority Accounting (the "Code") published by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Financial Reporting Standard applicable for Local Authorities.

The valuation of each property was on the basis of Fair Value, subject to the following assumptions:

- Property, plant and equipment: that the property would be sold as part of the continuing business.
- Investment property: that the property would be valued subject to any existing leases

The valuer's opinion of fair value was primarily derived using:

- The valuer's opinion of Fair Value was primarily derived from comparable market transactions on arms-length terms and changes in rent, yield and value indices.

## 8.17 Investment Properties

The following item of income and expenditure has been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| (22) | Rental income from investment property | (14) |
| **(22)** | **Net (Gain) / Loss** | **(14)** |

The four investment properties were valued at 31 March 2019 by Andrew Shoubridge MSc MRICS, Registered Valuer of BNP Paribas Real Estate Chartered Surveyors.

The old fire station at Denton Road, Wokingham, which had been moved to investment properties last year has been brought back into property, plant and equipment as the space is to be utilised by the Authority again.

Based on the assessment of market values and the assessed age of the tenants, the total value of the properties is £867,000.

There are no restrictions on the Authority's ability to realise the value inherent in one of its investment properties. However, should two of the properties (worth £654,000) be sold, the Authority will be required to share half of the proceeds with the six unitary authorities in Berkshire.

The Authority has no contractual obligation to purchase, construct, develop or maintain investment properties.

The following table summarises the movement in the fair value of the Authority's investment properties over the year:

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| 825 | Balance at start of the year | 975 |
| 50 | Revaluation | 2 |
| 100 | Transfer from (to) property, plant & equipment | (110) |
| **975** | **Balance at end of the year** | **867** |

## Fair value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2019.

| Fair Value as at 31 March 2018 (Level 2) £000 | Recurring Fair Value Measurement using: | Fair Value as at 31 March 2019 (Level 2) £000 |
|---|---|---|
| 50 | Land | 0 |
| 925 | Building | 867 |
| **975** | **Total** | **867** |

### Valuation Techniques used to Determine Level 2 Fair Value for Investment Properties

#### Significant Observable Inputs – Level 2

The fair value for the residential properties and the old fire station has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

#### Highest and Best use of Investment Properties

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is their current use, taking into account the restrictions on the sale of two of the properties.

#### Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

#### Valuation Process for Investment Properties

The fair value of the Authority's investment property is measured annually at each reporting date. All valuations are carried out using appointing valuers, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Authority's valuation experts work closely with finance officers reporting directly to the Head of Finance on a regular basis regarding all valuation matters.

## 8.18 Movement of Intangible Fixed Assets

Intangible Assets are recognised as non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights. These represent the purchase of computer software and licences and other software systems and are amortised to the Comprehensive Income and Expenditure Statement on the basis of the cost and estimated useful life.

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| 393 | Balance as start of the year: | 338 |
| 40 | Additions | 127 |
| (95) | Amortisation for the period | (112) |
| **338** | **Net carrying amount at end of year** | **353** |

No assets were internally generated. All assets have finite useful lives and are amortised on a straight-line basis at 5 years (in the first year only half a year's depreciation is charged).

Amortisation is included within Premises in Comprehensive Income and Expenditure Statement.

## 8.19 Capital Expenditure and Financing

The table below shows the effect of capital expenditure on the Authority's capital financing requirement.

| | 2017/18 £000 | 2018/19 £000 |
|---|---|---|
| Opening Capital Financing Requirement | 6,036 | 5,695 |
| **Capital investment:** | | |
| Property, Plant and Equipment | 2,259 | 2,065 |
| **Sources of Finance:** | | |
| Capital Receipts | (1,539) | (1,565) |
| Revenue Funding including MRP | (1,061) | (818) |
| **Closing Capital Financing Requirement** | **5,695** | **5,377** |
| **Explanation of Movements in the Year** | | |
| (Decrease) in the underlying need to borrow | (341) | (318) |
| **Increase / (Decrease) in Capital Financing Requirement** | **(341)** | **(318)** |

The Fire Authority's formally approved Capital Programme for future years is shown below. However it is normal practice for the future Capital Programme to be reviewed as part of the annual budget process.

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 |
|---|---|---|---|
| Property | 3,130 | 2,230 | 3,630 |
| Fleet & Equipment | 3,170 | 475 | 2,325 |
| ICT | 658 | 643 | 873 |
| **Total** | **6,958** | **3,348** | **6,828** |

# 8.20 Financial Instruments

The 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) adopted IFRS 9 Financial Instruments. The transition to IFRS 9 from IAS 39 Financial Instruments: Recognition and Measurement has not had a significant impact on this disclosure and therefore no additional disclosures detailing the transition between the standards has been deemed necessary.

## i Categories of Financial Instruments

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

| | Non-Current | | Current | |
|---|---|---|---|---|
| | 17/18 £000 | 18/19 £000 | 17/18 £000 | 18/19 £000 |
| **Financial Assets** | | | | |
| Investments - Amortised Cost | 424 | 479 | 11,309 | 11,349 |
| Debtors - Amortised Cost | | | 789 | 1,255 |
| **Total Financial Assets** | **424** | **479** | **12,098** | **12,604** |
| **Financial Liabilities** | | | | |
| Borrowing - Amortised Cost | (8,842) | (8,842) | | |
| Creditors - Amortised Cost | | | (2,212) | (2,194) |
| **Total Financial Liabilities** | **(8,842)** | **(8,842)** | **(2,212)** | **(2,194)** |

## ii Income, Expense, Gains and Losses

| | 2017/18 | | | 2018/19 | | |
|---|---|---|---|---|---|---|
| | Financial Liabilities measured at amortised cost £000 | Financial Assets measured at amortised cost £000 | Total £000 | Financial Liabilities measured at amortised cost £000 | Financial Assets measured at amortised cost £000 | Total £000 |
| Interest expenses | (392) | | (392) | (392) | | (392) |
| **Total expense in Surplus or Deficit on the Provision of Services** | **(392)** | **0** | **(392)** | **(392)** | | **(392)** |
| Interest income | | 28 | 28 | | 102 | 102 |
| **Total income in Surplus or Deficit on the Provision of Services** | **0** | **28** | **28** | | **102** | **102** |
| | | | | | | |
| **Net gain/(loss) for the year** | **(392)** | **28** | **(364)** | **(392)** | **102** | **(290)** |

## iii Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the Public Works Loan Board (PWLB), premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures (a Level 2 valuation using discounted cash flows);
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

| | 31 March 2018 | | 31 March 2019 | |
|---|---|---|---|---|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| PWLB debt | (8,842) | (11,577) | (8,842) | (11,473) |
| Trade creditors | (2,212) | (2,212) | (2,194) | (2,194) |
| **Total Financial Liabilities** | **(11,054)** | **(13,789)** | **(11,036)** | **(13,667)** |
| Non-current Investments | 424 | 424 | 479 | 479 |
| Current Investments | 11,309 | 11,309 | 11,349 | 11,349 |
| Trade debtors | 789 | 789 | 1,255 | 1,255 |
| **Total Financial Assets** | **12,522** | **12,522** | **13,083** | **13,083** |

The fair values for loans and receivables have been determined by reference to the PWLB redemption rules which provide a good approximation for the fair value of a financial instrument and include accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice, rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

## 8.21 Nature and Extent of Risk Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks. The key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates movements.

### i Overall Procedures for Managing Risk

The Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and investment guidance issued through the Act. Overall these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its standing orders;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - The Authority's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures regarding the maturity structure of its debt;
    - Its maximum annual exposure to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved at or before the Authority's annual council tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported to Members.

The annual treasury management strategy which incorporates the prudential indicators was approved by the Fire Authority on 27 February 2018 and is available on the Authority website.

The key issues within the strategy were:

- The Authorised Limit for 2018/19 was set at £11.342 million. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £8.942 million. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 50% based on the Authority's net debt.

The Authority maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

### ii Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

- This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after these initial criteria are applied.

The full Investment Strategy for 2018/19 was approved by Full Authority on 27 February 2018 and is available on the Authority's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £11,828,000 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

The following analysis summarises the Authority's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

| | Amount at 31 March 2019 £000 | Historical experience of default % | Adjustment for market conditions at 31 March 2019 % | Estimated maximum exposure at 31 March 2019 £000 | Estimated maximum exposure at 31 March 2018 £000 |
|---|---|---|---|---|---|
| | (a) | (b) | (c) | (a * c) | |
| Trade debtors (not including statutory debtors – Authority Tax/NNDR) | 1,255 | 5% | 5% | 63 | 39 |
| **Total** | | | | | |

No breaches of the Authority's counterparty criteria occurred during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The allocation of the Authority's investments between institutions domiciled in foreign countries and in the UK was as follows:

| | 31 March 2019 £000 | 31 March 2019 % |
|---|---|---|
| UK | 11,828 | 100.00% |
| **Total** | **11,828** | **100.00%** |

The Authority does not generally allow credit for its trade debtors. The past due amount can be analysed by age as follows:

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| 745 | Less than three months | 1,236 |
| 12 | Three to six months | 5 |
| 21 | Six months to one year | 9 |
| 11 | More than one year | 5 |
| **789** | **Total** | **1,255** |

During the reporting period the Authority held no collateral as security.

## iii Liquidity risk

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice.  This seeks to ensure that cash is available when it is needed.

If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loan Board. Money markets would be utilised to cover any day-to-day short term cash flow need and the PWLB provides access to longer term funding. The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure.  There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is as follows:

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| 11,309 | Less than one year | 11,349 |
| 0 | Between one and two years | 0 |
| 0 | Between two and three years | 0 |
| 424 | More than three years | 479 |
| **11,733** | **Total** | **11,828** |

All trade and other payables are due to be paid in less than one year and are not shown in the table above.

## iv Refinancing and Maturity Risk

Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Authority's approved treasury and investment strategies address the main risks and are addressed within approved parameters. These include:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day-to-day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved as part of the Authority's Treasury Management Strategy):

| | Approved maximum limits<br>% | Approved minimum Limits<br>% | Actual 31 Mar 2018<br>£000 | Actual 31 Mar 2019<br>£000 |
|---|---|---|---|---|
| Less than one year | 50% | 0% | 0 | 0 |
| Between one and two years | 50% | 0% | 0 | 1,750 |
| Between two and five years | 25% | 0% | 2,920 | 1,170 |
| Between five and ten years | 40% | 0% | 991 | 991 |
| More than ten years | 100% | 0% | 4,931 | 4,931 |
| **Total** | | | **8,842** | **8,842** |

## Market Risk

### v Interest rate risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise;
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Authority's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposures. Markets and forecast interest rates are monitored during the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns.

If interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

| | **£000** |
|---|---|
| (Increase) in interest receivable on variable rate investments | (118) |
| Impact on (Income) and Expenditure Account | (118) |
| Decrease in fair value of fixed rate borrowings liabilities (no impact on Consolidated Income and Expenditure Account) | 849 |

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

**vi** Price risk

The Authority, excluding the pension fund, does not invest in equity shares or marketable bonds.

**vii** Foreign exchange risk

The Authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to losses arising from movements in exchange rates.

## 8.22 Assets Held for Sale

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| 5,416 | Balance outstanding at start of year | 0 |
| 0 | Assets newly classified as held for sale: Property, Plant and Equipment | 0 |
| (5,416) | Assets sold | 0 |
| **0** | **Balance outstanding at year-end** | **0** |

Assets held for sale are measured at fair value which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The disposal of the old Windsor Fire Station site was completed in November 2017.

## 8.23 Inventories

| 31 March 2018 £000 | Consumable Stores | 31 March 2019 £000 |
|---|---|---|
| 170 | Balance outstanding at start of year | 42 |
| 59 | Purchases | 268 |
| (187) | Recognised as an expense in the year | (237) |
| **42** | **Balance outstanding at year-end** | **73** |

## 8.24 Debtors and Prepayments

A breakdown of debtors is given in the table below:

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| 2,933 | Central Government | 2,196 |
| 1,845 | Local Authorities | 1,586 |
| 789 | Trade Entities | 1,255 |
| **5,567** | **Total** | **5,037** |

A breakdown of prepayments is given in the table below:

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| 1,113 | Other Entities | 1,118 |
| **1,113** | **Total** | **1,118** |

## 8.25 Cash and Cash Equivalents

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

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| 4 | Cash held by the Authority | 4 |
| 4,271 | Bank current accounts | 3,160 |
| **4,275** | **Total Cash and Cash Equivalents** | **3,164** |

## 8.26 Creditors and Income in Advance

A breakdown of creditors is given in the table below:

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| (682) | Central Government | (637) |
| (1,488) | Local Authorities | (1,447) |
| (2,203) | Trade Entities | (2,194) |
| **(4,373)** | **Total** | **(4,278)** |

A breakdown of income in advance is given in the table below:

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| 0 | Local Authorities | 0 |
| (404) | Trade Entities | (424) |
| **(404)** | **Total** | **(424)** |

## 8.27 Provisions

The following table shows movements on the Authority's provisions.

| | Business Rates Appeals £000 |
|---|---|
| Balance at 1 April 2018 | (442) |
| Movement in year | 158 |
| **Balance at 31 March 2019** | **(284)** |

A provision has been made for the Authority's share of outstanding Business Rates appeals. This is based on the latest list of outstanding rating list proposals provided by the Valuation Office Agency, taking into account factors such as the settled claims history, changes in comparable hereditaments, market trends and other valuation issues, including the potential for certain proposals to be withdrawn. The provision is split between the six unitary councils of Berkshire, the Government and the Fire Authority. The Authority's share of the provision is 1% and amounts to £284,000.

## 8.28 Leases

### i Authority as Lessee

### Operating Leases

The Authority has lease arrangements in place for the provision of photocopying equipment, coffee and water dispensing equipment and lease rental of pool vehicles.

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

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| 17 | Not later than one year | 23 |
| 23 | Later than one year and not later than five years | 12 |
| **40** | | **35** |

### ii Authority as Lessor

#### Operating Leases

The Authority partially leases out some buildings for income generation purposes to provide accommodation and additional income is generated through the provision of access at some sites for the erection of telecommunication masts.

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

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| 155 | Not later than one year | 164 |
| 478 | Later than one year and not later than five years | 530 |
| 1,327 | Later than five years | 1,331 |
| **1,960** | | **2,025** |

## 8.29 Pensions Costs

### i Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority is required to disclose the accrued benefit in its accounts.

The Authority participates in five pension schemes:

The Royal County of Berkshire Pension Fund is for non-uniformed employees and is administered by the Royal Borough of Windsor and Maidenhead under the regulations governing the Local Government Pension Scheme. This is a funded scheme, meaning that the Authority and employees pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets.

All of the firefighters' pension schemes are unfunded, meaning that no investment assets are built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

## ii Transactions Relating to Post-employment Benefits

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/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:

| | Local Government Pension Scheme | | Fire-fighters Pension Scheme | |
|---|---|---|---|---|
| | 2017/18 £000 | 2018/19 £000 | 2017/18 £000 | 2018/19 £000 |
| Comprehensive Income and Expenditure Statement | | | | |
| Cost of Services: | | | | |
| Service cost comprising: | | | | |
| - current service cost | 1,773 | 2,041 | 7,600 | 6,797 |
| - past service cost | 90 | 418 | 0 | 7,828 |
| -(gain)/loss from settlemetns | | | | |
| -administration costs | 12 | 13 | | |
| Financing and Investment Income and Expenditure | | | | |
| Net interest expense | | | 9,468 | 10,092 |
| -interest cost | 1,101 | 1,029 | | |
| -expected return on assets in the scheme | (550) | (524) | | |
| **Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services** | **2,426** | **2,977** | **17,068** | **24,717** |
| Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement | | | | |
| - actuarial (gains) and losses | 0 | | | |
| Remeasurement of the net defined benefit liability comprising: | | | | |
| - Return on plan assets ( excluding the amount included in the net interest expense) | (98) | (1,311) | | |

| | | | | |
|---|---|---|---|---|
| - Acturial gains and losses arising on the changes in demographic assumptions | 0 | (2,420) | (3,860) | (26,772) |
| - Acturial gains and losses arising on the changes in financial assumptions | (1,263) | 2,133 | (5,911) | 27,006 |
| - Other | 0 | | 7,528 | 6,666 |
| **Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement** | **1,065** | **1,379** | **14,825** | **31,617** |
| 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 | (2,426) | (2,977) | (17,068) | (24,717) |
| | **(2,426)** | **(2,977)** | **(17,068)** | **(24,717)** |
| Actual Amount Charged against the General Fund Balance for pensions in the year: | | | | |
| - employer's contributions payable to scheme | 859 | 1,027 | | |
| - Retirement benefits payable to pensioners | | | 8,806 | 9,312 |
| - net transfers | | | (6) | (32) |
| Government grant payable to the Pension Fund on behalf of the Authority | | | (6,255) | (6,882) |
| | **859** | **1,027** | **2,545** | **2,398** |

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

Reconciliation of the present value of the schemes' liabilities is shown below.

| | **Local Government Pension Scheme** | | **Fire-fighters Pension Scheme** | |
|---|---|---|---|---|
| | **2017/18 £000** | **2018/19 £000** | **2017/18 £000** | **2018/19 £000** |
| Opening balance at 1 April | 39,770 | 40,549 | 364,870 | 370,895 |
| Current Service Cost | 1,773 | 2,041 | 7,600 | 6,797 |
| Interest Cost | 1,101 | 1,029 | 9,468 | 10,092 |
| Contributions by Scheme Participants | 328 | 367 | 1,664 | 1,687 |

| | | | | |
|---|---|---|---|---|
| - Actuarial (gains)/losses arising from changes in demographic assumptions | 0 | (2,420) | (3,860) | (26,772) |
| - Actuarial (gains)/losses arising from changes in financial assumptions | (1,263) | 2,133 | (5,911) | 27,006 |
| - Others | 0 | | 7,486 | 6,666 |
| Past Service Cost | 90 | 418 | 0 | 7,828 |
| Benefits paid | (1,250) | (746) | (10,428) | (10,999) |
| Net transfers | | | 6 | 32 |
| **Closing balance at 31 March** | **40,549** | **43,371** | **370,895** | **393,232** |

Reconciliation of the fair value of the schemes' assets is shown below.

| 2017/18 £000 | Local Government Pension Scheme | 2018/19 £000 |
|---|---|---|
| 19,655 | Opening fair value of scheme assets at 1 April | 20,228 |
| 550 | Interest income | 524 |
| 0 | Actuarial gains/(losses) | 0 |
| 98 | - The return on plan assets, excluding the amount included in the net interest expense | 1,311 |
| (12) | - Administration costs | (13) |
| 859 | Contributions from employers | 1,027 |
| 328 | Contributions from employees into the scheme | 367 |
| (1,250) | Benefits paid | (746) |
| **20,228** | **Closing fair value of scheme assets at 31 March** | **22,698** |

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

| | Local Government Pension Scheme | | Fire-fighters Pension Schemes | |
|---|---|---|---|---|
| | 2017/18 £000 | 2018/19 £000 | 2017/18 £000 | 2018/19 £000 |
| Present value of the defined benefit obligation | 40,549 | 43,371 | 370,895 | 393,232 |
| Fair value of plan assets | (20,228) | (22,698) | | |
| **Net liability arising from defined benefit obligation** | **20,321** | **20,673** | **370,895** | **393,232** |

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £413.905 million has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £376.880 million. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary;
- finance is only required to be raised to cover firefighters' pensions when the pensions are actually paid.

## v Impact on the Authority's Cash Flows

In respect of the Local Government Pension Scheme, contributions are set every three years as a result of the actuarial valuation of the Fund. The next valuation will be carried out on 31 March 2019 and set contributions for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements but contributions are set to target a funding level of 100%.

Government valuations of the Firefighters' Pension Scheme take place every four years. As Firefighters' Pension Schemes are unfunded there is no pot of assets to determine if sufficient contributions have been paid to meet the cost of rights accrued. Instead, the valuation is done by creating and tracking the value of a notional fund. Government policy is that any scheme deficit will be recovered from employers by adjusting employer contributions over a period of 15 years.

The authority anticipated to pay £4.891 million expected contribution to the schemes in 2019/2020. This reflects the increase in employer contributions for Firefighters pensions, effective from 1 April 2019.

## vi 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. These have been assessed by Barnett Waddingham and Hymans Robertson, independent firms of actuaries.

The main assumptions used in their calculations are shown in the table below:

| | Local Government Pension Scheme | | Firefighters Pension Scheme | |
|---|---|---|---|---|
| | 2017/18 | 2018/19 | 2017/18 | 2018/19 |
| Mortality Assumptions: | | | | |
| Longevity (at age 65 for LGPS members and at age 60 for Firefighter Scheme members) for current pensioners: | | | | |
| - Men | 23.1 | 22.0 | 29.5 | 27.3 |
| - Women | 25.2 | 24.0 | 31.5 | 29.4 |
| Longevity (at age 65 for LGPS members and at age 60 for Firefighter Scheme members) for future pensioners: | | | | |
| - Men | 25.3 | 23.7 | 30.8 | 28.4 |
| - Women | 27.5 | 25.8 | 32.8 | 30.6 |
| | | | | |
| Rate of RPI | 3.3% | 3.4% | 3.4% | 3.5% |
| Rate of CPI | 2.3% | 2.4% | | |
| Rate of increase in salaries | 3.8% | 3.9% | 3.4% | 3.5% |
| Rate of increase in pensions | 2.3% | 2.4% | 2.4% | 2.5% |
| Rate for discounting liabilities | 2.6% | 2.4% | 2.7% | 2.4% |
| Take-up of option to convert annual pension into retirement lump sum | 50% | 50% | 90% | 90% |

The Firefighters' Pension Schemes have no assets to cover their liabilities. The Local Government Pension Scheme's assets consist of the following categories:

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| | | |
| 2,980 | **Cash and Cash Equivalents** | 1,802 |
| | | |
| 3,039 | **Other Bonds** | 3,408 |
| | | |
| 9,692 | **Equity instruments:** | 11,517 |
| | | |

| | | |
|---|---|---|
| 2,602 | **Property** | 3,152 |
| | | |
| | **Target Return Assets** | |
| 879 | -another pooled Unit Trust investment | 1,181 |
| | | |
| | **Commodities** | |
| 358 | -overseas investments | 173 |
| | | |
| | **Infrastructure** | |
| 1,043 | -overseas investments | 2,139 |
| | | |
| (365) | **Longevity Insurance** | (674) |
| | | |
| **20,228** | **Total Assets** | **22,698** |

There is no provision under the LGPS to split the total assets of the Fund to each participating body. Therefore, for the basis of this disclosure, the above assets as a whole are allocated to participating bodies on a consistent and reasonable basis.

## 8.30 Usable Reserves

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

## 8.31 Unusable Reserves

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| 2,324 | Revaluation Reserve | 3,193 |
| 19,657 | Capital Adjustment Account | 21,269 |
| (391,216) | Pension Reserve | (413,905) |
| (4) | Collection Fund Adjustment Account | (75) |
| (197) | Accumulated Absences Account | (195) |
| **(369,436)** | **Total Unusable Reserves** | **(389,713)** |

## i 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 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.

| 2017/18 £000 | | 2018/19 £000 |
|---:|---|---:|
| 5,482 | Balance as at 1 April | 2,324 |
| 703 | Upward / (downward) revaluation of assets not charged to the Surplus or Deficit on the Provision of Services | 913 |
| (30) | Difference between fair value depreciation and historic cost depreciation | (44) |
| (3,831) | Accumulated gains on assets sold | 0 |
| **2,324** | **Balance as at 31 March** | **3,193** |

## ii Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provision. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment 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 accumulated gains and losses on investment properties that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8.3 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| 2017/18 £000 | | 2018/19 £000 |
|---:|---|---:|
| 19,620 | Balance at 1 April | 19,657 |
| | **Reversal of items relating to capital expenditure debited or credited to the CIES:** | |
| (1,218) | Charges for depreciation and impairment of non-current assets | (1,396) |
| 260 | Revaluation gains on Property, Plant and Equipment | 696 |
| (95) | Amortisation of intangible assets | (112) |
| (5,421) | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | (5) |
| **13,146** | | **18,840** |
| 3,861 | Adjusting amounts written out of the Revaluation Reserve | 44 |
| **17,007** | **Net written out amount of the cost of non-current assets consumed in the year** | **18,884** |
| | **Capital financing applied in the year:** | |
| 1,539 | Use of the Capital Receipts Reserve to finance new capital expenditure | 1,565 |
| 327 | Statutory provision for the financing of capital investment charges against the General Fund | 318 |
| 734 | Capital expenditure charged against the General Fund | 500 |
| **2,600** | | **2,383** |
| 50 | Movements in the market value of Investment Properties debited or credited to the CIES | 2 |
| **19,657** | **Balance at 31 March** | **21,269** |

## iii Pension Reserve

The pension reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provision. 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 Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| 2017/18 £000 | | 2018/19 £000 |
|---:|---|---:|
| (384,985) | Balance at 1 April | (391,216) |
| 3,604 | Actuarial gains or (losses) on pensions assets and liabilities | (5,302) |
| (19,494) | 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 | (27,694) |
| 9,659 | Employer's pensions contributions and direct payments to pensioners payable in the year | 10,307 |
| **(391,216)** | **Balance at 31 March** | **(413,905)** |

## iv 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 and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| 313 | Balance at 1 April | (4) |
| (317) | Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements | (71) |
| **(4)** | **Balance at 31 March** | **(75)** |

### v 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. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| (215) | Balance at 1 April | (197) |
| 215 | Settlement or cancellation of accrual made at the end of the preceding year | 197 |
| (197) | Amounts accrued at the end of the current year | (195) |
| **(197)** | **Balance at 31 March** | **(195)** |

## 8.32 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 has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates and prescribes the terms of many of the transactions that the Authority has with other parties. It also provided direct financial support to the Authority in 2018/19.

The Authority has entered into agreements with other public bodies. The Authority signed a legal agreement with Oxfordshire County Council and Buckinghamshire and Milton Keynes Fire Authority which established Thames Valley Fire Control Service (TVFCS). TVFCS went live in April 2015 and operates as a joint committee with Member representation from the three services. The capital assets for the Joint Control Room are recognised as an equal third on the balance sheet. The combined assets gross book value is £1,018,000 of which £340,000 relates to this Authority. The depreciation charge for 2018/19 on the Authority's share of the assets was £48,000 resulting in a net book value of £154,000 at 31 March 2019. The revenue cost of running TVFCS during 2018/19 was £2,131,000 with the Authority's share amounting to £812,000.

The Authority and Hampshire Fire and Rescue Authority have contracted to work together to provide fleet maintenance services across their combined geographical area in order to share resources and reduce costs in connection with the discharge of their functions.

Collaborative working arrangements have been introduced between the Authority, Thames Valley Police and South Central Ambulance Service. The first community tri-service fire station opened in Hungerford in June 2017, and the provision of shared office accommodation with Thames Valley Police began in the Summer of 2018.

The Authority does not provide any significant financial assistance to outside bodies that are outside of its normal contractual arrangements.

Members of the Authority have direct control over the Authority's financial and operational policies. However any contracts entered into are in full compliance with the Authority's constitution and any decisions are made with proper consideration of declarations of interest. Details of any material interests are recorded in the Register of Members' Interests, which is open to public inspection. As at 31 March 2019, Mr P Bryant and Mr P Bicknell were Directors of Royal Berkshire Fire & Rescue (Training) Ltd. The relationship between Royal Berkshire Fire & Rescue (Training) Ltd and the Authority is described below.

Royal Berkshire Fire & Rescue (Training) Ltd is a fully owned subsidiary of the Fire Authority. It was set up to provide fire safety courses to commercial organisations. Any profits generated by the company are returned to the Fire Authority. Details on the performance of the company can be seen in note 4.7.

Senior Officers of the Authority have control over the day-to-day management of the Authority and all senior officers have been asked to declare any related party transactions. The Head of Finance and Procurement is a Director of Royal Berkshire Fire and Rescue (Training) Ltd and also the Fire and Rescue Indemnity Company (FRIC). The Chief Fire Officer is also a Director of FRIC. FRIC provides risk protection arrangements for the Authority by pooling funds with other Fire and Rescue services.

## 8.33 Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out in 8.2, 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:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has robust contingency plans to protect service provision.
- Although a judgement has been made that Royal Berkshire Fire & Rescue (Training) Ltd is a subsidiary of the Authority, a decision has been taken to account for the transactions of the company as if they occurred within the boundaries of the Authority, i.e. a decision has been made not to produce group accounts on the basis of materiality.
- The Royal Berkshire Fire and Rescue Authority has joined up with Oxfordshire and Buckinghamshire Fire and Rescue Services to form the Thames Valley Fire Control Service (TVFCS). A judgement has been made to treat this arrangement as a Joint Operation.
- The accounts are prepared with the underlying assumptions of the accruals basis and the going concern basis i.e. the Authority will continue its operations for the foreseeable future.

## 8.34 Assumptions about the future and sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are 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. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

During 2017/18 the Authority decided to report an estimated position for the accumulated absences account, which forms part of Unusable Reserves on the Authority's Balance Sheet. This is based on historical experience and trends and has been applied again in 2018/19, and is a change from previous years when live data was collected and used. Actual data was collated post Balance Sheet for 2017/18 and the variance to the estimates used was immaterial. A similar exercise has been done in 2018/19.

The items in the authority's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are set out below.

Depreciation and amortisation of intangible assets – 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 Authority relies on the expertise of an external valuer to determine the lives of all building assets. The lives of vehicles, plant and equipment and intangible assets are based on historical experience and professional estimates.

Revaluations and Impairments - The authority completed a full valuation of its land and building assets as at 31 March 2017 and therefore a desk top valuation exercise was completed for the position as at 31 March 2019. Valuations are dependent on a number of assumptions including the property market at the point of valuation. The net book value of land and buildings at 31 March 2019 was £24,413k. An alteration to the assumptions made and a subsequent 1% change in that valuation would lead to a movement of £244k. If the useful life of the assets are reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £38k if the useful life for each respective building was reduced by one year.

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 the retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied and sensitivity to changes in judgements and assumptions.

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

The estimated impact of this based on a particular scenario by the Government Actuary’s Department (GAD) is reflected in the disclosures for both the Firefighter and Local Government Pension Schemes (LGPS).

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

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

The following table sets out the impact for the Local Government Pension Scheme of a small change in the discount rates on the defined benefit obligation and projected service cost along with an age rating adjustment of +/- one year to the mortality assumption.

| Local Government Pension Scheme | £000 | £000 | £000 |
|---|---|---|---|
| Adjustment to discount rate | +0.1% | 0.0% | -0.1% |
| Present value of total obligation | 42,496 | 43,371 | 44,265 |
| Projected service cost | 2,041 | 2,092 | 2,145 |
| | | | |
| Adjustment to long term salary increase | +0.1% | 0.0% | -0.1% |
| Present value of total obligation | 43,461 | 43,371 | 43,281 |
| Projected service cost | 2,092 | 2,092 | 2,092 |
| | | | |
| Adjustment to pension increases and deferred revaluation | +0.1% | 0.0% | -0.1% |
| Present value of total obligation | 44,173 | 43,371 | 42,585 |
| Projected service cost | 2,145 | 2,092 | 2,040 |
| | | | |
| Adjustment to mortality age rating assumption | + 1 year | None | - 1 Year |
| Present value of total obligation | 44,918 | 43,371 | 41,877 |
| Projected service cost | 2,164 | 2,092 | 2,023 |

The sensitivities regarding the principal assumptions used to measure the Firefighters' Pension Scheme liabilities are set out below.

| Change in financial assumptions at year ended 31st March 2019: | Approximate % increase to Employer Liability | Aproximate monetary amount '£000 |
|---|---|---|
| 0.5% decrease in the Real Discount Rate | 10% | 38,606 |
| 1 year increase in member life expectancy | 3% | 11,798 |
| 0.5% increase in the salary increase rate | 1% | 4,520 |
| 0.5% increase in the pensions increase rate (CPI) | 8% | 30,693 |
| **Change in financial assumptions at year ended 31st March 2019:** | **Approximate % increase to Projected Current Service Cost** | **Aproximate monetary amount '£000** |
| 0.5% decrease in the Real Discount Rate | 20% | 1,423 |
| 1 year increase in member life expectancy | 3% | 209 |
| 0.5% increase in the salary increase rate | 0% | 18 |
| 0.5% increase in the pensions increase rate (CPI) | 10% | 689 |

Financial Assets and Liabilities – further details about the assumptions made and the potential impact can be found in note 8.20.

Joint Control - The revenue costs of the Joint Control service hosted by the Authority are split between the three partners based on the population, tax base and number of incidents attended for each respective authority. The current contribution split agreed is as follows:

Royal Berkshire Fire Authority – 38%
Buckinghamshire and Milton Keynes Authority – 34%
Oxfordshire Fire Authority – 28%

The capital assets for the Joint Control are recognised as an equal third on the balance sheet.

## 8.35 Events after the Balance Sheet Date

The date for approval of the Authority's Accounts is 6 March 2020. Events taking place after this date will not be reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2019 the effects must be disclosed in the accounts.

There were no events that occurred after the reporting period that require disclosure.

## 8.36 Standards issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code. This applies to the adoption of the following or amended standards within the 2019/20 Code:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

It is not anticipated that the above amendments will have a material impact on the information provided in the financial statements.

# 9. Financial Statements for the Firefighters' Pension Fund

## i Financial Arrangements for the Firefighters' Pension Schemes

Before 1 April 2006, Fire authorities suffered budgetary volatility due to fluctuations in the number of firefighters retiring in any given year. To overcome this problem, Central Government decided that fire authorities must keep a separate Pensions Account from which pensions will be paid. On the income side, employer and employee contributions are paid into the account. Employer contributions consist of flat rate contributions and an ill-health charge. Ill-health charges are spread over three years. Transfer values for firefighters that transfer into and out of the scheme are also posted to the account. If the account is in deficit at the end of the financial year, the Government will provide a top-up to bring the account into balance.

## ii Pension Fund Account

| 2017/18 £000 | | 2018/19 £000 |
|---:|---|---:|
| | **Contributions Receivable:** | |
| (1,997) | Employer Flat Rate Contributions | (1,976) |
| (136) | Employer Ill-Health Contributions | (70) |
| (1,663) | Employee Contributions | (1,687) |
| (6) | Transfers In | (64) |
| | Other income | (4) |
| | **Benefits Payable:** | |
| 7,490 | Pensions | 7,884 |
| 2,076 | Commutations and Lump Sum Benefits | 2,619 |
| 0 | Transfers Out | 36 |
| 450 | Other payment | 144 |
| 41 | Holiday contribution payment | 0 |
| **6,255** | **Top-up Grant Receivable** | **6,882** |

## iii Net Assets Statement

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---:|---|---:|
| 647 | Prepayment of April pension paid in March | 687 |
| 2,885 | Top-up Grant receivable from the Government | 2,197 |
| **3,532** | **Total Assets** | **2,884** |
| (3,532) | Amount owing to the General Fund | (2,884) |
| **(3,532)** | **Total Liabilities** | **(2,884)** |
| | | |
| **0** | **Net Assets** | **0** |

It should be noted that the Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 2018/19. These liabilities are shown in the Authority's main financial statements.

# 10. Glossary of Financial Terms

### Accrual

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

### Accounting Policies

The specific principles, bases, conventions, rules and practices applied by the authority in preparing and presenting financial statements.

### Appropriations

Amounts transferred to or from revenue or capital reserves.

### Balance

The surplus or deficit on any account at the end of the year.

### Balance Sheet

The Balance Sheet is fundamental to the understanding of the Authority's financial position at the year-end. It shows the Authority's balances and reserves, its long term indebtedness, and the non-current and current assets employed in the Authority's operations, together with summarised information on the non-current assets held.

### Budget

A statement defining in financial terms the Authority's plans over a specific period. The budget is prepared as part of the process of setting the precept.

### Capital Adjustment Account

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

### Capital Charge

A charge to service revenue accounts to reflect the cost of property, plant and equipment used in the provision of services.

### Capital Expenditure

The acquisition of property, plant and equipment which will have a long-term value to the Authority, e.g. land, buildings, vehicles, IT hardware.

### Capital Financing Requirement

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

### Capital Receipt

The proceeds from the disposal of land or other assets. Capital receipts can be used to finance new capital expenditure within the rules laid down by the Government. They cannot be used to finance day-to-day spending.

### CIES

Comprehensive Income and Expenditure Statement, one of the schedules required in the Statement of Accounts.

### CIPFA

Chartered Institute of Public Finance and Accountancy. The accounting body which provides accounting guidance to the public sector. The guidance provided by CIPFA is defined as 'proper practice' and has statutory backing.

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account provides a mechanism for recognising the Authority's share of the Collection Fund surplus/deficits at year end.

### Commutation

This is where a member of the pension scheme gives up part of their pension in exchange for an immediate lump sum payment.

### Contingency

A condition which exists at the balance sheet date, where the outcome will only be confirmed on the occurrence or non-occurrence of one or more uncertain future events.

### Corporate Governance

This is concerned with the Authority's accountability for the stewardship of resources, risk management and relationship with the community. It also encompasses policies on whistle blowing, fraud and corruption.

### Council Tax

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

### Creditors

Amounts owed by the Authority for work done, goods received or services rendered but for which payment has not been made at the balance sheet date.

### Current Assets

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

### Current Liabilities

The sum of money owed by the Authority and due for payment during the next accounting period, e.g. short term borrowing and creditors.

### Debtors

Sums of money due to the Authority for work done, goods sold or services rendered but not received at the balance sheet date.

### Deferred Liability

Amounts owed by the Authority for work done, goods received or services rendered to be paid in predetermined instalments over more than one accounting period.

### Defined Benefits Scheme

A pension or other retirement benefit scheme where the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

### Depreciation

The measure of the wearing out, consumption, or other reduction over the useful life of an asset.

### Fair Value

Fair value is based on market value. The fair value of investments or loans is based on the prevailing interest rates rather than the actual rates payable or receivable.

## Financial Instrument

This is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another. The term covers both financial assets (e.g. loans receivable) and financial liabilities (e.g. borrowings).

## Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of an asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

## Financial Reporting Standards

These are accounting standards developed by the Accounting Standards Board which set out the correct accounting treatment for financial transactions.

## Financial Instruments Adjustment Account

Provides a balancing mechanism between the different rates at which discounts on the early repayment of debt are recognised under the SORP and are required by statute to be met from the general fund. It should be noted this reserve is matched by borrowings and investments within the Balance Sheet. They are not resources available to the Authority.

## Funded Pension Scheme

A funded pension scheme is one in which the future liabilities for pension benefits are provided for by the accumulation of assets held externally to the employer's business.

## Going Concern

The concept that the Authority will remain in operational existence for the foreseeable future.

## Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to the Authority, in return for past or future compliance with certain conditions relating to the activities of the Authority.

## Gross Expenditure

The total cost of providing the Authority’s services before taking into account any income from specific government grants, fees and charges.

## IAS

International Accounting Standards (IASs) were issued by the International Accounting Standards Committee (IASC) from 1973 to 2001.

## IFRS

International Financial Reporting Standards (IFRSs) have been issued by the International Accounting Standards Board (IASB) since 2001.

## Impairment

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

## Intangible Assets

These are assets that have no physical substance, for example, the purchase of computer software licences.

## Inventories

The amount of unused or unconsumed stocks held in expectation for future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

## IRMP

Integrated Risk Management Plan. The Plan is premised on ensuring that the Authority recognises risk and manages its resources to reduce potential impact on the communities which it serves.

## Long Term Borrowing

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

## Medium Term Financial Plan

Budget plan for the Authority for the next three years.

## Minimum Revenue Provision (MRP)

The minimum amount that the Authority must set aside from its revenue resources each year as a provision for debt incurred in financing capital expenditure.

## Net Book Value

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current cost, less the cumulative amounts provided for depreciation and/or impairment.

## Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

## Non-Current Assets

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

## Non-Operational Assets

Non-current assets held by the Authority but not directly occupied, used or consumed in the delivery of services.

## Operating Lease

A lease, or rental, other than a finance lease.

## Operational Assets

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

## Pension Fund Account

The Fire and Rescue Authority is required to set up a separate fund from the rest of its operation for transactions relating to firefighters’ pension arrangements. The Authority has a formal responsibility for paying firefighters’ pensions. The fund is balanced to nil each year by the receipt of a pensions top-up grant from the Department for Communities and Local Government.

## Precept

An amount of money levied by one Authority (the precepting authority) which is collected by another Authority (the billing authority) as part of council tax. The Fire Authority is the precepting Authority and the six unitary authorities in Berkshire are the billing authorities.

## Prior Period Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

## Property, Plant and Equipment

Assets that have physical substance, acquired by capital expenditure, to yield benefits to the Authority for more than one year.

## Provisions

Provisions are amounts set aside to cover liabilities or losses, which are likely or certain to be incurred but there is uncertainty as to the amounts or the dates on which they will arise.

## Prudential Code

The purpose of the Code is to ensure that capital investment plans of local authorities are affordable, prudent and sustainable.

## PWLB

Public Works Loan Board.

## Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

## Reserves

Accumulated funds that finance the net assets. Usable reserves are generated from realised gains and can be used to finance day-to-day operations. Unusable reserves are generated from unrealised gains and are not available to finance revenue deficits.

## Revaluation Reserve

This reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation, from holding non-current assets.

## Revenue Expenditure

This is expenditure on day-to-day running costs and consists mainly of salaries and general running expenses.

## Revenue Support Grant

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

## SOLACE

Society of Local Authority Chief Executives

## Unfunded Pension Scheme

A pension scheme in which liabilities for pension benefits are charged to the employer's revenue account in the year in which they arise and are not financed from investments held. The Authority operates such a scheme for its firefighters.

RoyalBerksFRS @RBFRSOfficial RoyalBerkshireFire

Royal Berkshire Fire & Rescue Service www.rbfrs.co.uk