STATEMENT OF ACCOUNTS 2017/18

ROYAL BERKSHIRE
FIRE AUTHORITY

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 (Chairman)	Avtar Cheema
Iain McCracken	Mohammad Rasib
Tina McKenzie-Boyle	Atiq Sandhu from 28th June 2017
	Ishrat Shah until 18th May 2017
Reading Borough Council	**The Royal Borough of Windsor & Maidenhead**
Paul Gittings	Malcolm Alexander
Chris Maskell	Christine Bateson
Jason Brock from 28th June 2017	Phillip Bicknell
John Ennis until 24th May 2017	
West Berkshire District Council	**Wokingham Borough Council**
Paul Bryant	Alaistair Auty
Adrian Edwards	Pauline Helliar-Symons (Vice-Chairman)
Carol Jackson-Doerge	Philip Mirfin
Emma Webster	Angus Ross

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
Maria Grindley – Associate Partner

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 2018

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 other '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 2017/18 are shown in the table below.

	Budget £'000	Outturn £'000	Variance £'000
EMPLOYEES			
UNIFORMED	18,760	17,967	(793)
NON-UNIFORMED	5,522	5,685	163
TRAINING	472	458	(14)
OTHER	106	137	31
	24,860	**24,247**	**(613)**
PREMISES			
REPAIRS & MAINTENANCE	884	881	(3)
RATES	780	790	10
CLEANING	224	228	4
UTILITIES	401	407	6
	2,289	**2,306**	**17**
SUPPLIES			
INSURANCE	310	293	(17)
EQUIPMENT	671	690	19
IS DEVELOPMENT & LICENCES	471	458	(13)
CLOTHING/PPE	439	482	43
COMMUNICATIONS	691	701	10
OCCUPATIONAL HEALTH	152	148	(4)
PRINT/STATIONERY/PUBLICATIONS/SUBSCRIPTIONS	113	120	7
HYDRANT REPAIRS	41	48	7
COMMUNITY FIRE SAFETY SUPPLIES	123	137	14
SUPPLIES OTHER	218	214	(4)
	3,229	**3,291**	**62**
CONTRACTS			
SHARE OF TVFCS REVENUE COSTS	807	**772**	(35)
LEGAL	153	140	(13)
CONTRACTS OTHER	428	451	23
	1,388	**1,363**	**(25)**
TRANSPORT			
VEHICLE RUNNING COSTS	769	686	(83)
TRAVEL	251	253	2
	1,020	**939**	**(81)**
PENSIONS	478	590	112
	478	**590**	**112**
INCOME			
FEES & CHARGES	(59)	(59)	0
INCOME OTHER	(1,192)	(1,209)	(17)
	(1,251)	**(1,268)**	**(17)**
NET COST OF SERVICES	**32,013**	**31,468**	**(545)**
DEBT CHARGES INTEREST	392	392	0
INVESTMENT INTEREST	(26)	(28)	(2)
NET OPERATING EXPENDITURE	**32,379**	**31,832**	**(547)**
REVENUE FUNDING OF CAPITAL	734	734	0
APPROPRIATION TO/(FROM) RESERVES	(291)	(292)	(1)
MINIMUM REVENUE PROVISION	327	327	0
REVERSAL OF ACCRUED HOLIDAY	18	18	0
GOV GRANTS/PRECEPTS/BUSINESS RATES	(33,167)	(33,196)	(29)
(SURPLUS)/DEFICIT	**0**	**(577)**	**(577)**

Commentary on Revenue Outturn

2017/18 has been a year of unprecedented change in the organisation. A great deal of the work necessary to achieve the £2.4 million of savings outlined in the Authority's Efficiency Plan has been completed. The Service Delivery and Risk & Performance restructure has now been implemented and will deliver £496,000 in non-station based savings.

In parallel with these organisational restructures, a fundamental change in the way budgets are monitored and managed has been implemented. The decision to devolve budgets that were previously managed centrally is in keeping with two of the key elements of Vision 2019, namely, improving capacity, capability and resilience and creating a "one team" culture. Significant investment in training and the use of in-house expertise to create real time financial information has resulted in better control of cost centre budgets and the identification of further savings.

Delivering the Service Delivery and Risk & Performance restructure, whilst avoiding the potential for compulsory redundancies, has necessitated leaving some posts vacant and a higher than usual level of temporary promotions amongst uniformed staff which generates further savings as the number of employees receiving development and trainee rates of pay is higher than that assumed within the budget. It should be noted that this in-year saving of just under £300,000 will not be recurring due to the recent and ongoing recruitment of uniformed staff. It does however give additional assurance that the planned removal of uniformed posts to meet the £2.4 million Efficiency Plan savings is achievable.

Four vacancies have been carried in the Retained Support Unit (RSU). The vacant posts have led to an additional in-year saving of £213,000. As the disestablishment of the RSU forms part of the £2.4 million Efficiency Plan savings this is effectively the early delivery of these savings. When all of the RSU posts have been disestablished, the addition RSU costs will be removed from base budget, providing £423,000 of the savings required.

It is also pleasing to note that the recently established Retained Duty System (RDS) project is starting to show early success. However, as a consequence of vacancy levels, there was an in-year saving of £295,000 in the RDS budget. Again it is reassuring to note that the necessary recurring savings associated with the Authority's IRMP decisions can be met from this budget, whilst continuing to increase RDS availability.

A four-phase plan to deal with the additional workload post Grenfell was developed in the late summer. Recruitment of additional resources has taken place and as a consequence unbudgeted costs of £194,000 were incurred in the financial year. Due to the savings made to date the in-year costs have been met from existing budgets whilst the recurring costs have been built into the Authority's Medium Term Financial Plan (MTFP).

There was an overspend against the clothing / PPE budget stemming from the recruitment of new firefighters as well as one-off large-scale roll outs of specific clothing items.

Expenditure in relation to the Authority's share of the running costs of Thames Valley Fire Control Service (TVFCS) was lower than budget as a result of staff vacancies and savings from the renegotiation of telephony contracts. The TVFCS budget for 2018/19 has been adjusted downwards to incorporate development rates of pay and the telephony savings.

The fleet maintenance partnership with Hampshire Fire and Rescue Service continues to deliver savings which again have been built into the 2018/19 budget.

Pension costs are over budget due to additional ill-health retirement charges and one-off contributions to the Local Government Pension Scheme.

4.4 Capital Programme

Capital expenditure in 2017/18 was £2.3 million.

The main buildings project to be completed in 2017/18 was the refurbishment of Hungerford Fire station. The refurbishment has not only delivered a modern, fit-for-purpose fire station, but it has also delivered the Authority's first community tri-service station, providing shared facilities for Royal Berkshire Fire and Rescue Service, Thames Valley Police and South Central Ambulance Service. The station has reopened with facilities that allow it to be much more than a base from which firefighters respond. As well as a fit-for-purpose station to house a fire engine and firefighters' modern equipment, there are also training facilities, a community room and a gym.

2017/18 also saw the delivery of four 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 2017/18 so total debt remained at £8.842 million as at 31 March 2018.

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.

There has been no significant change in the liability of the Firefighter Pension Schemes from the previous year.

The Local Government Pension Scheme (LPGS) for non-uniformed employees is accounted for as a funded defined benefits scheme. As with the Firefighters' Pension Schemes, there has been no significant movement in the liability of the LGPS.

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 £26,000 before tax during 2017/18. During this period, the Authority charged the company £59,000 for accommodation and provision of services.

Group accounts have not been produced as the revenue generated by the company during 2017/18 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.

Part of the Authority's Vision 2019 is to collaborate with other public sector bodies. 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.

Until October 2015 the Authority's insurance was arranged through a consortium of nine fire and rescue authorities. These fire and rescue authorities are now members 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 two fold: 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 two years of operation, the FRIC has recorded a cumulative surplus of £592,000.

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 were 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 2017/18 and was prepared in accordance with the accounting policies in section 8.2.

Conor Byrne
Head of Finance and Procurement 26 July 2018

Approval of the Accounts

I hereby confirm that these accounts were approved by the Audit and Governance Committee at its meeting on 26 July 2018.

Iain McCracken
Chairman of the Audit and Governance Committee 26 July 2018

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 2018 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 8.39, and
- 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 2017/18.

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 2018 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 2017/18.

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 Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance 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, other than the financial statements and our auditor's report thereon. The Chief Finance 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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the 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 2018.

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 Finance Officer

As explained more fully in the Statement of Responsibilities set out on page 8, the Head of Finance and Procurement & Chief Finance 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 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Head of Finance and Procurement & 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 the [name of body] put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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, the 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.

Maria Grindley (Key Audit Partner)
Ernst & Young LLP (Appointed Auditor)
Reading
26 July 2018

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 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		(9,618)	0	0	0	(9,618)	4,307	(5,311)
Adjustments between accounting basis & funding basis under regulations	8.3	9,880		4,078		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			0		0
Increase / (Decrease) in the year		(23)	285	4,078	0	4,340	(9,651)	(5,311)
Balance as at 31 March 2018		**2,321**	**7,937**	**4,078**	**21**	**14,357**	**(369,436)**	**(355,079)**

Movement in 2016/17

	Notes	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		Restated					Restated	
		£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2016		**2,316**	**8,889**	**0**	**0**	**11,205**	**(271,871)**	**(260,666)**
Movement in Reserves during 2016-17								
Total Comprehensive Income and Expenditure		(21,669)	0	0	0	(21,669)	(67,433)	(89,102)
Adjustments between accounting basis & funding basis under regulations	8.3	20,460			21	20,481	(20,481)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**(1,209)**	**0**	**0**	**21**	**(1,188)**	**(87,914)**	**(89,102)**
Transfers to/from Earmarked Reserves	8.4	1,237	(1,237)			0		0
Increase / (Decrease) in the year		28	(1,237)	0	21	(1,188)	(87,914)	(89,102)
Balance as at 31 March 2017		**2,344**	**7,652**	**0**	**21**	**10,017**	**(359,785)**	**(349,768)**

7.2 Comprehensive Income and Expenditure Statement

2016/17					2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
36,042	0	36,042	Employees		32,428	0	32,428
10,517	0	10,517	Premises		3,360	0	3,360
3,388	0	3,388	Supplies		3,640	0	3,640
427	0	427	Contracts		596	0	596
946	0	946	Transport		943	0	943
0	(2,649)	(2,649)	Income		0	(2,339)	(2,339)
51,320	**(2,649)**	**48,671**	**Net Cost of Services**	8.1	**40,967**	**(2,339)**	**38,628**
		(26)	Other operating expenditure	8.7			(196)
		11,224	Financing and Investment Income and Expenditure	8.8			10,322
		(38,200)	Taxation and Non-Specific Grant Income	8.9			(39,136)
		21,669	**(Surplus) or Deficit on the Provision of Services**	8.6			**9,618**
		2,774	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	8.31 i			(703)
		64,659	Actuarial (gains)/losses on pension assets/liabilities	8.31 iii			(3,604)
		67,433	**Other Comprehensive Income and Expenditure**				**(4,307)**
		89,102	**Total Comprehensive Income and Expenditure**				**5,311**

7.3 Balance Sheet

31 March 2017 £000		Notes	31 March 2018 £000
24,506	Property, Plant & Equipment	8.16 i	26,365
825	Investment Property	8.17	975
393	Intangible Assets	8.18	338
371	Long Term Investments	8.20	424
26,095	**Long Term Assets**		**28,102**
6,296	Short Term Investments	8.20	11,309
5,416	Assets held for sale	8.22	0
170	Inventories	8.23	42
3,309	Short Term Debtors	8.24	5,567
1,020	Prepayments	8.24	1,113
6,467	Cash and Cash Equivalents	8.25	4,275
22,678	**Current Assets**		**22,306**
(3,563)	Short Term Creditors	8.26	(4,373)
(334)	Income in Advance	8.26	(404)
(215)	Short-term Provisions - holiday pay	8.31 v	(197)
(589)	Provisions	8.27	(442)
(4,701)	**Current Liabilities**		**(5,416)**
(8,842)	Long Term Borrowing	8.20	(8,842)
(384,985)	Pension Liability	8.29 iv	(391,216)
(13)	Capital Grants Receipts in Advance	8.10	(13)
(393,840)	**Long Term Liabilities**		**(400,071)**
(349,768)	**Net Assets**		**(355,079)**
10,017	Usable Reserves	8.30	14,357
(359,785)	Unusable Reserves	8.31	(369,436)
(349,768)	**Total Reserves**		**(355,079)**

7.4 Cash Flow Statement

2016/17 £000		Notes	2017/18 £000
	Net cash inflow / (outflow) from:		
2,201	Operating Activities	8.37	(348)
(1,891)	Investing Activities	8.38	(1,844)
(2)	Financing Activities	8.39	0
308	**Net increase or (decrease) in cash and cash equivalents**		**(2,192)**
6,159	Cash and cash equivalents at the beginning of the reporting period		6,467
6,467	**Cash and cash equivalents at the end of the reporting period**		**4,275**

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 (ie 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.

2016/17				2017/18		
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
26,818	9,224	36,042	Employees	25,780	6,648	32,428
1,968	8,549	10,517	Premises	2,307	1,053	3,360
3,388	0	3,388	Supplies	3,640	0	3,640
427	0	427	Contracts	596	0	596
946	0	946	Transport	943	0	943
513	(513)	0	Pensions	590	(590)	0
(2,660)	11	(2,649)	Income	(2,361)	22	(2,339)
31,400	**17,271**	**48,671**	**Net Cost of Services**	**31,495**	**7,133**	**38,628**
(30,191)	3,189	(27,002)	Other Income and Expenditure	(31,757)	2,747	(29,010)
1,209	**20,460**	**21,669**	**(Surplus) or Deficit**	**(262)**	**9,880**	**9,618**
(11,205)			Opening General Fund Balance including Earmarked Reserves	(9,996)		
1,209			Less/Plus (Surplus) / Deficit on General Fund in Year	(262)		
(9,996)			**Closing General Fund Balance including Earmarked Reserves at 31st March**	**(10,258)**		

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 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18, 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 the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Supplies are recorded as expenditure when they are consumed. If there is a gap between the date supplies are received and their consumption, then 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 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 2017.

- **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 as part of *Non Distributed Costs.*

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 into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;

- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables 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.

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 asset given up by the Authority.

Assets are then carried in 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 2018, with the exception of Hungerford Fire Station where a full valuation has been completed due to the significant changes since the last full valuation was completed.

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,
- DCLG 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.

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	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)
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 transferrred 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)**

2016/17	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 of non-current assets	8,492			(8,492)
Movements in the fair value of Investment Properties	(5)			5
Amortisation of intangible assets	55			(55)
Donated assets	64			(64)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(26)			26
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory Provision for the repayment of debt - (MRP)	(346)			346
Revenue contribution to finance capital	(1,926)			1,926
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grant unapplied credited to CIES	(21)		21	0
Application of grants to capital financing transferrred to the Capital Adjustment Account				0
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of proceeds from sale of assets to CIES				0
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	22,992			(22,992)
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,407)			3,407
Gain in relation to government grant payable to the Pension Fund on the Authority's behalf including Milne v GAD	(5,115)			5,115
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which CT and NDR income credited to the CIES is different from statutory requirements	(328)			328
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	31			(31)
Total Adjustments	**20,460**	**0**	**21**	**(20,481)**

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 2017/18.

	Balance at 1 April 2017 £000	Transfer 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 and implement Vision 2019
Development Fund	3,951	259	4,210	To fund capital projects
Total	**7,652**	**285**	**7,937**	

Comparative movements in 2016/17

	Balance at 1 April 2016 £000	Transfer In (Out) £000	Balance at 31 March 2017 £000	Purpose
Budget Carry Forward Reserve	302	139	441	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	0	149	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	319	52	371	To replace IT assets
Grants Received in Advance	639	417	1,056	The unspent balance of grants
Vacancy Reserve	65	0	65	To offset fluctuations in employee numbers
Budget Contingency Reserve	483	0	483	To offset future cuts in Government funding
Transition Fund	1,589	(515)	1,074	To support new ways of working and implement Vision 2019
Development Fund	5,281	(1,330)	3,951	To fund capital projects
Total	**8,889**	**(1,237)**	**7,652**	

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 2017/18

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total £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**

Adjustments between Funding and Accounting Basis 2016/17 Restated

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total £000
Employees		9,224		9,224
Premises	8,549			8,549
Supplies				0
Contracts				0
Transport				0
Pensions		(512)		(512)
Income			11	11
Net Cost of Services	**8,549**	**8,712**	**11**	**17,272**
Other income and expenditure from the Expenditure and Funding Analysis - Restated	(2,259)	5,756	(309)	3,188
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**6,290**	**14,468**	**(298)**	**20,460**

The 2016/17 disclosure has been restated to correctly allocate the pension top up grant received in year from the adjustments for capital purposes column to the net change for pension adjustments column.

Adjustment for Capital Purposes

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

Other operating expenditure – adjusts for capital disposal 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:

Expenditure / Income	2016/17 £000	2017/18 £000
Expenditure:		
Employee benefits expenses	46,913	42,458
Other services expenses	6,797	7,486
Depreciation, amortisation and impairment	8,547	1,054
Interest payments	392	392
Gain on the disposal of assets	(26)	(196)
Total Expenditure	**62,623**	**51,194**
Income:		
Fees, charges and other service income	(2,665)	(2,412)
Interest and investment income	(23)	(28)
Income from council tax and non-domestic rates	(25,478)	(26,733)
Government grants and contributions	(12,788)	(12,403)
Total Income	**(40,954)**	**(41,576)**
Surplus or Deficit on the Provision of Services	**21,669**	**9,618**

8.7 Other Operating Expenditure

2016/17 £000		2017/18 £000
(26)	(Profit) / loss on the disposal of assets	(196)
(26)	**Total**	**(196)**

8.8 Financing and Investment Income and Expenditure

2016/17 £000		2017/18 £000
392	Interest payable and similar charges	392
10,871	Pensions interest cost and expected return on pensions assets	10,031
(23)	Interest receivable and similar income	(28)
(16)	Income and expenditure in relation to investment properties and changes in their fair value	(73)
11,224	**Total**	**10,322**

8.9 Taxation and Non Specific Grant Incomes

2016/17 £000		2017/18 £000
(20,251)	Council Tax Income	(21,167)
(5,227)	Non Domestic Rates Income	(5,566)
(7,652)	General Government Grants	(6,146)
(21)	Capital Grants	0
2	Tax Credit	(2)
64	Donated Assets	0
(5,115)	Gain in relation to Government grant and other contributions payable to the Pension Fund on the Authority's behalf	(6,255)
(38,200)	**Total**	**(39,136)**

8.10 Grant Income

	2016/17 £000	2017/18 £000
Credited to Taxation and Non Specific Grant Income:		
Council tax transition grant	64	81
NDR grants	163	282
Total	**227**	**363**
Credited to Service:		
New Risks	19	0
Firelink	316	350
New Dimensions	48	26
Service & Maintenance	0	53
Control rooms ESMCP Grant	573	250
Transparency grant	8	8
Total	**964**	**687**

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.

8.12 Members' Allowances

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

	2016/17 £000	2017/18 £000
Allowances	80	83
Expenses	3	4
Total	**83**	**87**

8.13 Officers' Remuneration

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

Remuneration band	2016/17 Number of employees	2017/18 Number of employees
50,000 - 54,999	8	11
55,000 - 59,999	18	9
60,000 - 64,999	7	10
65,000 - 69,999	3	3
70,000 - 74,999	0	1
75,000 - 79,999	1	0
80,000 - 84,999	0	1
Total	**37**	**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 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.

Remuneration 2016/17	Salary including fees and allowances	Benefit in Kind (car allowance)	Compensation for loss of office	Total remuneration excluding pension contributions	Employer pension contributions	Total remuneration including pension contributions
Chief Fire Officer - Andy Fry	159,565	9,494	0	169,059	34,626	203,685
Deputy Chief Fire Officer	129,840	9,151	0	138,991	18,567	157,558
Assistant Chief Fire Officer	83,567	8,153	0	91,720	18,134	109,854
Temporary Assistant Chief Fire Officer 1	14,502	457	0	14,959	1,503	16,462
Temporary Assistant Chief Fire Officer 2	13,752	666	0	14,418	2,984	17,402
Temporary Assistant Chief Fire Officer 3	13,752	687	0	14,439	2,984	17,423
Director of People and Organisational Development	120,243	1,525	49,742	171,510	14,598	186,108
Temporary Director of Support Services	28,706	0	0	28,706	4,880	33,586
Head of Finance and Procurement	64,061	0	0	64,061	10,890	74,951
Total	**627,988**	**30,133**	**49,742**	**707,863**	**109,166**	**817,029**

8.14 **Exit Packages and Termination Benefits**

Exit Package Cost Band	Number of compulsory redundancies		Number of other departures		Total Number		Total Cost £	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0-£20,000	7	0	1	2	8	2	102,978	11,877
£20,001-£40,000	4	0	1	2	5	2	154,935	61,668
£40,001-£60,000	1	0	2	0	3	0	149,199	0
£60,001-£80,000	1	0	0	0	1	0	73,117	0
Total cost included in bandings and in the CIES	**13**	**0**	**4**	**4**	**17**	**4**	**480,229**	**73,545**

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 audit and a whole of government accounts audit. The 2017/18 amount includes a cost £3k for work relating to 2016/17, which was not charged until 2017/18.

	2016/17 £000	2017/18 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	34	37
Total	**34**	**37**

8.16 Property, Plant and Equipment

i Movement on Balances

Movements in property, plant and equipment for 2017/18 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 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**

Comparative movements in 2016/17 Restated

	Land & Building £000	Vehicles, Plant and Equipment £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation				
At 1 April 2016	36,687	11,077	19	47,783
Additions	350	294	963	1,607
Revaluation increases / (decreases) recognised in the revaluation reserve	(2,774)			(2,774)
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	(6,404)			(6,404)
Derecognition - disposals - Restated		(491)		(491)
Other movements in cost or valuation	(475)	(64)	(144)	(683)
at 31 March 2017	**27,384**	**10,816**	**838**	**39,038**
Accumulated Depreciation and Impairment				
At 1 April 2016	(4,981)	(8,567)		(13,548)
Depreciation Charge	(793)	(676)		(1,469)
Derecognition - disposals - Restated		485		485
at 31 March 2017	**(5,774)**	**(8,758)**	**0**	**(14,532)**
Net Book Value				
at 31 March 2016	**31,706**	**2,510**	**19**	**34,235**
at 31 March 2017	**21,610**	**2,058**	**838**	**24,506**

The 2016/17 disclosure has been restated to correctly allocate the treatment of the accumulated depreciation on the point of disposal. The gross book value figures for cost and accumulated depreciaition and impairment in the vehicle plant and equipment column have been amended, but the net book value figure remains the same.

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 (8-59 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 2018, the Authority had an outstanding commitments of £406,000 relating to premises enhancements. The Authority also had commitments of £89,000 for IT licences and hardware replacement and £455,000 in relation to vehicles.

iv Fixed Asset Valuation

The Authority's freehold properties were valued on 31 March 2018 by an external valuer, Kelly Smith BSc (Hons) MRICS Registered Valuer of BNP Paribas Real Estate Chartered Surveyors. The valuations were in accordance with the requirements of the RICS Valuation – Professional Standards 2014 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.

	2016/17 £000	2017/18 £000
Rental income from investment property	(11)	(22)
Net (Gain) / Loss	**(11)**	**(22)**

The four investment properties were valued at 31 March 2018 by Kelly Smith BSc (Hons) MRICS Registered Valuer of BNP Paribas Real Estate Chartered Surveyors.

An old fire station (no longer being used) was moved from property, plant and equipment to investment properties in the year.

Based on the assessment of market values and the assessed age of the tenants, the total value of the properties is £975,000.

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 £650,000) 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:

	2016/17 £000	2017/18 £000
Balance at start of the year	820	825
Revaluation	5	50
Transfer from property, plant & equipment	0	100
Balance at end of the year	**825**	**975**

Fair value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2018.

Recurring Fair Value Measurement using:	Fair Value as at 31 March 2017 (Level 2) £000	Fair Value as at 31 March 2018 (Level 2) £000
Land	0	50
Building	825	925
Total	**825**	**975**

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.

	2016/17 £000	2017/18 £000
Balance as start of the year:	83	393
Additions	365	40
Amortisation for the period	(55)	(95)
Net carrying amount at end of year	**393**	**338**

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.

	2016/17 £000	2017/18 £000
Opening Capital Financing Requirement	6,367	6,036
Capital investment:		
Property, Plant and Equipment	1,972	2,259
Sources of Finance:		
Capital Receipts	(31)	(1,539)
Revenue Funding including MRP	(2,272)	(1,061)
Closing Capital Financing Requirement	**6,036**	**5,695**
Explanation of Movements in the Year		
(Decrease) in the underlying need to borrow	(331)	(341)
Increase / (Decrease) in Capital Financing Requirement	**(331)**	**(341)**

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.

	2018/19 £000	2019/20 £000	2020/21 £000
Buildings	8,285	6,665	6,330
Equipment	501	768	298
Vehicles	1,380	1,810	485
Total	**10,166**	**9,243**	**7,113**

8.20 Financial Instruments

i Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000
Investments				
Loans and receivables	371	424	6,296	11,309
Total investments	**371**	**424**	**6,296**	**11,309**
Trade Debtors				
Loans and receivables			647	789
Total trade debtors	**0**	**0**	**647**	**789**
Borrowings				
Financial liabilities at amortised cost	(8,842)	(8,842)		
Total borrowings	**(8,842)**	**(8,842)**	**0**	**0**
Trade Creditors				
Financial liabilities at amortised cost			(2,045)	(2,212)
Total creditors	**0**	**0**	**(2,045)**	**(2,212)**

ii Income, Expense, Gains and Losses

	2016/17			2017/18		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expenses	(392)		(392)	(392)		(392)
Total expense in Surplus or Deficit on the Provision of Services	**(392)**	**0**	**(392)**	**(392)**	**0**	**(392)**
Interest income		23	23		28	28
Total income in Surplus or Deficit on the Provision of Services	**0**	**23**	**23**	**0**	**28**	**28**
Net gain/(loss) for the year	**(392)**	**23**	**(369)**	**(392)**	**28**	**(364)**

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 2017		31 March 2018	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB debt	(8,842)	(11,857)	(8,842)	(11,577)
Trade creditors	(2,045)	(2,045)	(2,212)	(2,212)
Total Financial Liabilities	**(10,887)**	**(13,902)**	**(11,054)**	**(13,789)**
Money market Loans less than one year	6,296	6,296	11,309	11,309
Trade debtors	647	647	789	789
Total Loans and Receivables	**6,943**	**6,943**	**12,098**	**12,098**

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 annually to Members.

The annual treasury management strategy which incorporates the prudential indicators was approved by the Fire Authority on 27 February 2017 and is available on the Authority website. The key issues within the strategy were:

- The Authorised Limit for 2017/18 was set at £11.842 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 2017/18 was approved by Full Authority on 27 February 2017 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 £11,733,000 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 2018 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 2018 £000	Historical experience of default %	Adjustment for market conditions at 31 March 2018 %	Estimated maximum exposure at 31 March 2018 £000	Estimated maximum exposure at 31 March 2017 £000
	(a)	(b)	(c)	(a * c)	
Trade debtors (not including statutory debtors – Authority Tax/NNDR)	789	5%	5%	39	32
Total	**789**			**39**	**32**

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 2018 £000	31 March 2018 %
UK	11,733	100.00%
Total	**11,733**	**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 2017 £000	31 March 2018 £000
Less than three months	627	745
Three to six months	11	12
Six months to one year	4	21
More than one year	5	11
Total	**647**	**789**

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 2017 £000	31 March 2018 £000
Less than one year	6,296	11,309
Between one and two years	0	0
Between two and three years	0	0
More than three years	371	424
Total	**6,667**	**11,733**

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 %	Approved minimum Limits %	Actual 31 Mar 2017 £000	Actual 31 Mar 2018 £000
Less than one year	50%	0%	0	0
Between one and two years	50%	0%	0	0
Between two and five years	25%	0%	2,920	2,920
Between five and ten years	40%	0%	394	991
More than ten years	100%	0%	5,528	4,931
Total			**8,842**	**8,842**

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	(88)
Impact on (Income) and Expenditure Account	(88)
Decrease in fair value of fixed rate borrowings liabilities (no impact on Consolidated Income and Expenditure Account)	831

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 2017 £000	31 March 2018 £000
Balance outstanding at start of year	5,416	5,416
Assets newly classified as held for sale:Property, Plant and Equipment	0	0
Assets sold	0	(5,416)
Balance outstanding at year-end	**5,416**	**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**

	Consumable stores	
	31 March 2017	31 March 2018
	£000	£000
Balance outstanding at start of year	149	170
Purchases	100	59
Recognised as an expense in the year	(79)	(187)
Balance outstanding at year-end	**170**	**42**

8.24 **Debtors and Prepayments**

A breakdown of debtors is given in the table below:

	31 March 2017 £000	31 March 2018 £000
Central Government	1,261	2,933
Local Authorities	1,395	1,845
Other Entities	653	789
Total	**3,309**	**5,567**

A breakdown of prepayments is given in the table below:

	31 March 2017 £000	31 March 2018 £000
Other Entities	1,020	1,113
Total	**1,020**	**1,113**

8.25 **Cash and Cash Equivalents**

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

	31 March 2017 £000	31 March 2018 £000
Cash held by the Authority	4	4
Bank current accounts	6,463	4,271
Total Cash and Cash Equivalents	**6,467**	**4,275**

8.26 **Creditors and Income in Advance**

A breakdown of creditors is given in the table below:

	31 March 2017 £000	31 March 2018 £000
Central Government	(691)	(682)
Local Authorities	(827)	(1,488)
Other Entities	(2,045)	(2,203)
Total	**(3,563)**	**(4,373)**

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

	31 March 2017 £000	31 March 2018 £000
Local Authorities	0	0
Other Entities	(334)	(404)
Total	**(334)**	**(404)**

8.27 **Provisions**

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

	Short Term NDR Appeals £000	Short Term Contractor Costs £000	Short Term CLG Pension Account £000	Total
Balance at 1 April 2017	(340)	(10)	(239)	(589)
Movement in year	(102)	10	239	147
Balance at 31 March 2018	**(442)**	**0**	**0**	**(442)**

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 £442,000.

Provisions in relation to a contract and a possible repayment to the Government relating to injury awards to firefighters have now ceased.

8.28 Leases

i Authority as Lessee

Operating Leases

The Authority has lease arrangements in place for the provision of photocopying equipment.

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

	31 March 2017 £000	31 March 2018 £000
Not later than one year	17	17
Later than one year and not later than five years	31	23
	48	40

ii Authority as Lessor

Operating Leases

The Authority partially leases out some builldings 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 2017 £000	31 March 2018 £000
Not later than one year	49	155
Later than one year and not later than five years	171	478
Later than five years	574	1,327
	794	1,960

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		Fire-fighters Scheme	
	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Service cost comprising:				
- current service cost	1,241	1,773	6,882	7,600
- past service cost	198	90	3,800	0
-(gain)/loss from settlemetns				
-administration costs	12	12		
Financing and Investment Income and Expenditure				
Net interest expense			10,325	9,468
-interest cost	1,169	1,101		
-expected return on assets in the scheme	(635)	(550)		
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	**1,985**	**2,426**	**21,007**	**17,068**
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement				
- actuarial (gains) and losses	(227)	0		
Remeasurement of the net defined benefit liability comprising:				
- Return on plan assets (excluding the amount included in the net interest expense)	(1,948)	(98)		
- Acturial gains and losses arising on the changes in demographic assumptions	(191)	0	1,996	(3,860)
- Acturial gains and losses arising on the changes in financial assumptions	7,818	(1,263)	61,861	(5,911)
- Other	(831)	0	(3,819)	7,528
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**6,606**	**1,065**	**81,045**	**14,825**
Movement in Reserves Statement				
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(1,985)	(2,426)	(21,007)	(17,068)
	(1,985)	**(2,426)**	**(21,007)**	**(17,068)**
Actual Amount Charged against the General Fund Balance for pensions in the year:				
- employer’s contributions payable to scheme	884	859		
- Retirement benefits payable to pensioners			7,675	8,806
- net transfers			(22)	(6)
Gad VS Milne payments			1	0
Holiday Contribution payment			172	0
Holiday Contribution grant			(187)	0
Government grant payable to the Pension Fund on behalf of the Authority			(5,115)	(6,255)
	884	**859**	**2,524**	**2,545**

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	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Opening balance at 1 April	30,971	39,770	291,463	364,870
Current Service Cost	1,241	1,773	6,882	7,600
Interest Cost	1,169	1,101	10,325	9,468
Contributions by Scheme Participants	312	328	1,720	1,664
- Actuarial (gains)/losses arising from changes in demographic assumptions	(191)	0	1,996	(3,860)
- Actuarial (gains)/losses arising from changes in financial assumptions	7,818	(1,263)	61,861	(5,911)
- Others	(831)	0	(3,803)	7,486
Past Service Cost	198	90	3,800	0
Benefits paid	(917)	(1,250)	(9,396)	(10,428)
Net transfers			22	6
Closing balance at 31 March	**39,770**	**40,549**	**364,870**	**370,895**

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

	Local Government Pension Scheme	
	2016/17 £000	2017/18 £000
Opening fair value of scheme assets at 1 April	16,578	19,655
Interest income	635	550
Actuarial gains/(losses)	227	0
- The return on plan assets, excluding the amount included in the net interest expense	1,948	98
- Administration costs	(12)	(12)
Contributions from employers	884	859
Contributions from employees into the scheme	312	328
Benefits paid	(917)	(1,250)
Closing fair value of scheme assets at 31 March	**19,655**	**20,228**

iv Pension Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Fire-fighters Pension Schemes	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Present value of the defined benefit obligation	39,770	40,549	364,870	370,895
Fair value of plan assets	(19,655)	(20,228)	0	0
Net liability arising from defined benefit obligation	**20,115**	**20,321**	**364,870**	**370,895**

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £391.216 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 £355.079 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 £2.969 million expected contribution to be the schemes in 2018/2019.

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	
	2016/17	2017/18	2016/17	2017/18
Mortality Assumptions:				
Longevity (at age 65 for LGPS members and at age 60 for Firefighter Scheme members) for current pensioners:				
- Men	23.0	23.1	30.2	29.5
- Women	25.0	25.2	31.7	31.5
Longevity (at age 65 for LGPS members and at age 60 for Firefighter Scheme members) for future pensioners:				
- Men	25.1	25.3	31.6	30.8
- Women	27.4	27.5	33.2	32.8
Rate of RPI	3.6%	3.3%	3.4%	3.4%
Rate of CPI	2.7%	2.3%		
Rate of increase in salaries	4.2%	3.8%	3.4%	3.4%
Rate of increase in pensions	2.7%	2.3%	2.4%	2.4%
Rate for discounting liabilities	2.8%	2.6%	2.6%	2.7%
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:

	Bid Value	
	2016/17 £000	2017/18 £000
Cash and Cash Equivalents	2,062	2,980
Other Bonds	2,930	3,039
Equity instruments:	9,586	9,692
Property	2,710	2,602
Target Return Assets		
-another pooled Unit Trust investment	2,031	879
Commodities		
-overseas investments	326	358
Infrastructure		
-overseas investments	998	1,043
Longevity Insurance	(988)	(365)
Total Assets	**19,655**	**20,228**

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 2017 £000		31 March 2018 £000
5,482	Revaluation Reserve	2,324
19,620	Capital Adjustment Account	19,657
(384,985)	Pension Reserve	(391,216)
313	Collection Fund Adjustment Account	(4)
(215)	Accumulated Absences Account	(197)
(359,785)	**Total Unusable Reserves**	**(369,436)**

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.

2016/17 £000		2017/18 £000
8,350	Balance as at 1 April	5,482
(2,774)	Upward / (downward) revaluation of assets not charged to the Surplus or Deficit on the Provision of Services	703
(94)	Difference between fair value depreciation and historic cost depreciation	(30)
0	Accumulated gains on assets sold	(3,831)
5,482	**Balance as at 31 March**	**2,324**

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.

2016/17 £000		2017/18 £000
25,834	Balance at 1 April	19,620
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
(1,469)	Charges for depreciation and impairment of non-current assets	(1,218)
(7,023)	Revaluation losses on Property, Plant and Equipment	260
(55)	Amortisation of intangible assets	(95)
(5)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(5,421)
17,282		**13,146**
94	Adjusting amounts written out of the Revaluation Reserve	3,861
17,376	**Net written out amount of the cost of non-current assets consumed in the year**	**17,007**
	Capital financing applied in the year:	
31	Use of the Capital Receipts Reserve to finance new capital expenditure	1,539
(64)	Capital grants and contributions credited to the CIES that have been applied to capital financing	0
0	Application of grants to capital financing from the Capital Grants Unapplied Account	0
346	Statutory provision for the financing of capital investment charges against the General Fund	327
1,926	Capital expenditure charged against the General Fund	734
2,239		**2,600**
5	Movements in the market value of Investment Properties debited or credited to the CIES	50
19,620	**Balance at 31 March**	**19,657**

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.

2016/17 £000		2017/18 £000
(305,856)	Balance at 1 April	(384,985)
(64,659)	Actuarial gains or (losses) on pensions assets and liabilities	3,604
(22,992)	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	(19,494)
8,522	Employer's pensions contributions and direct payments to pensioners payable in the year	9,659
(384,985)	**Balance at 31 March**	**(391,216)**

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.

2016/17 £000		2017/18 £000
(15)	Balance at 1 April	313
328	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	(317)
313	**Balance at 31 March**	**(4)**

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.

2016/17 £000		2017/18 £000
(184)	Balance at 1 April	(215)
184	Settlement or cancellation of accrual made at the end of the preceding year	215
(215)	Amounts accrued at the end of the current year	(197)
(215)	**Balance at 31 March**	**(197)**

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 2017/18.

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 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 2017/18 on the Authority's share of the assets was £57,000 resulting in a net book value of £202,000 at 31 March 2018. The revenue cost of running TVFCS during 2017/18 was £2,030,000 with the Authority's share amounting to £772,000.

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 / or South Central Ambulance Service. The first community tri-service fire station opened in Hungerford in June 2017, and other opportunities are currently being developed including the sharing of office accommodation with Thames Valley Police.

Assisted organisations. 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 2018, Mr P Bryant and Mr P Bicknell (Members of the Fire Authority) were Directors of Royal Berkshire Fire & Rescue (Training) Ltd. The relationship between Royal Berkshire Fire & Rescue (Training) Ltd and the Authority is described below under the heading *Companies and Joint Ventures*.

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 the Fire and Rescue Idemnity Company (FRIC).

Companies and Joint Ventures. 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. The Authority's risk protection arrangements are provided through the pooled funds of FRIC.

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 has 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 is a change from previous years when live data was collected and used. Actual data will still be collated post Balance Sheet date to ensure completeness for future years adjustments and the variance is expected to be immaterial.

The items in the authority's Balance Sheet at 31 March 2018 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 2018, with the exception of Hungerford Fire Station where a full valuation has been completed due to the significant changes since the last full valuation was completed. 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 2018 was £22,860k. An alteration to the assumptions made and a subsequent 1% change in that valuation would lead to a movement of £229k. 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 £35k 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.

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	39,732	40,549	41,383
Projected service cost	1,653	1,695	1,738
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	40,634	40,549	40,465
Projected service cost	1,695	1,695	1,695
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	41,299	40,549	39,814
Projected service cost	1,738	1,695	1,653
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present value of total obligation	42,045	40,549	39,108
Projected service cost	1,749	1,695	1,643

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

Firefighters' Pension Scheme - effect on scheme liabilities	% increase	£000
0.5% decrease in the real discount rate	9%	34,745
1 year increase in member life expectancy	3%	11,128
0.5% increase in the salary increase rate	1%	3,433
0.5% increase in the pensions increase rate (CPI)	8%	29,040
Firefighters' Pension Scheme - effect on current service cost	**% increase**	**£000**
0.5% decrease in the real discount rate	20%	1,379
1 year increase in member life expectancy	3%	208
0.5% increase in the salary increase rate	0%	1
0.5% increase in the pensions increase rate (CPI)	10%	718

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 26 July 2018. 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 2018 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 2017/18 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 introduced but not yet adopted by the Code. This applies to the adoption of the following or amended standards within the 2018/19 Code:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses
- Amendments to IAS 7 Statement of Cash Flows: Disclosure initiatives

The 2017/18 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The transitional reporting requirements for IFRS 9 and IFRS 15 have been adopted such that the preceding year is not restated. The Code confirms that there is no requirement to provide financial information relating to the impact of IFRS 9 for the 2017/18 year in the 2017/18 financial statements.
It is not anticipated that the other above amendments will have a material impact on the information provided in the financial statements.

8.37 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2016/17 £000		2017/18 £000
	Cash Outflows:	
(21,882)	Employment costs	(20,761)
(10,139)	Pension costs	(11,647)
(392)	Interest paid	(392)
(7,013)	Other operating costs	(7,638)
(39,426)	**Total Cash Outflows**	**(40,438)**
	Cash Inflows:	
32,831	Precepts and General Government Grants	33,197
5,770	Pension top-up grant	4,569
32	Interest received	25
2,994	Other operating income	2,299
41,627	**Total Cash Inflows**	**40,090**
2,201	**Net cash flows from operating activities**	**(348)**

8.38 Cash Flow Statement - Investing Activities

2016/17 £000		2017/18 £000
(1,879)	Purchase of property, plant and equipment, investment property and intangible assets	(2,420)
(64)	Purchase of short-term and long-term investments	(5,041)
31	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,617
21	Capital Grants Received	0
(1,891)	**Net cash outflows from investing activities**	**(1,844)**

8.39 Cash Flow Statement - Financing Activities

2016/17 £000		2017/18 £000
(2)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	0
(2)	**Net cash flows from financing activities**	**0**

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

2016/17 £000		2017/18 £000
	Contributions Receivable:	
(2,121)	Employer Flat Rate Contributions	(1,997)
(115)	Employer Ill-Health Contributions	(136)
(1,719)	Employee Contributions	(1,663)
(22)	Transfers In	(6)
(187)	Holiday Contribution Income	0
	Benefits Payable:	
7,267	Pensions	7,490
1,808	Commutations and Lump Sum Benefits	2,076
0	Transfers Out	0
31	Other payment	450
1	Milne vs GAD-payment	0
172	Holiday contribution payment	41
5,115	**Top-up Grant Receivable**	**6,255**

iii Net Assets Statement

31 March 2017 £000		31 March 2018 £000
615	Prepayment of April pension paid in March	647
1,197	Top-up Grant receivable from the Government	2,885
1,812	**Total Assets**	**3,532**
(1,812)	Amount owing to the General Fund	(3,532)
(1,812)	**Total Liabilities**	**(3,532)**
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 2017/18. 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.

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 in 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.

Heritage Assets

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

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.