

UNAUDITED STATEMENT OF ACCOUNTS 2020/21





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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	Harjinder Minhas (From June 20)
Tina McKenzie-Boyle	Ted Plenty (Until May 20)
Tricia Brown	Dexter Smith
	Christine Hulme
Reading Borough Council	The Royal Borough of Windsor & Maidenhead
Jo Lovelock	David Cannon
Jane Stanford-Beale	Christine Bateson
Paul Gittings	Simon Werner
West Berkshire District Council	Wokingham Borough Council
Jeff Brooks	Graham Howe
Dennis Benneyworth	Pauline Helliard-Symons
Garth Simpson	Angus Ross
Tony Linden	Rachelle Shepherd-DuBey

2. Officers of the Authority

Chief Fire Officer and Chief Executive - Trevor Ferguson

Monitoring Officer - Graham Britten

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

3. Auditors

Ernst & Young LLP



4. Narrative Statement

4.1 The Authority

Royal Berkshire Fire Authority provides cover from 17 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 2021.

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

A description of the core financial statements is given below:

a) Movement in Reserves Statement

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

b) Comprehensive Income and Expenditure Statement

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



c) Balance Sheet

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

d) Cash Flow Statement

This statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

4.3 COVID -19

The outbreak of the global coronavirus (COVID-19) pandemic has had profound financial consequences for the Authority. However, with additional financial support from the Government, the Authority has been able to take all necessary measures to preserve its ability to provide critical emergency response and to protect its staff from unnecessary risk during 2020/21.

In March 2020, the Government announced £1.6bn of additional funding for Local Government to help them respond to COVID-19 pressures across all of the services they deliver. The Authority was allocated £126,000 from this fund. In April 2020 extra



funding was made available and the Authority received a further £682,000. A final grant payment of £97,000 was announced in March 2021.

One of the uses of the Covid-19 grant was to develop a secure means of holding committee meetings remotely. To further improve the effectiveness of remote working, the Authority recently submitted a bid for £101,000 to the Government's Covid-19 Contingency Fund which has just been approved.

Whilst the Authority is making excellent progress in delivering certain elements of the Corporate Plan, there are of course many business-as-usual activities that have had to be suspended, curtailed, or delivered using new ways of working.

The effect of COVID-19 on the collection of council tax and business rates has been substantial. The size of the collection fund deficits for 2020/21, especially in relation to business rates is unprecedented. Fortunately, the repayment in 2021/22 of most of the components of these deficits will be offset through exceptional Government support.

4.4 Revenue Spending

Revenue budgets and expenditure for 2020/21 are shown in the table below.



	Budget	Outturn	Variance
	£000	£000	£000
Employees			
UNIFORMED	16,870	16,733	(137)
NON-UNIFORMED	10,852	10,917	65
TRAINING	464	425	(39)
OTHER	241	240	(1)
	28,427	28,315	(112)
Premises			
REPAIRS & MAINTENANCE	824	888	64
RATES	904	920	16
CLEANING	293	310	17
UTILITIES	452	440	(12)
	2,473	2,558	85
Supplies			
INSURANCE	335	355	20
EQUIPMENT	632	647	15
IS EQUIPMENT & LICENCES	765	761	(4)
CLOTHING/PPE	299	300	1
COMMUNICATIONS	803	781	(22)
OCCUPATIONAL HEALTH	187	185	(2)
PRINT/STATIONERY/PUBLICATIONS/SUBSCRIPTIONS	161	132	(29)
COMMUNITY FIRE SAFETY SUPPLIES	62	62	0
SUPPLIES OTHER	182	123	(59)
	3,426	3,346	(80)
Contracts			
CONTRIBUTION TO TVFCS & COLLABORATION	892	885	(7)
LEGAL	50	48	(2)
CONTRACTS OTHER (incl. Professional Services)	672	642	(30)
	1,614	1,575	(39)
Transport			
VEHICLE RUNNING COSTS	728	716	(12)
TRAVEL	322	257	(65)
	1,050	973	(77)
Pension			
PENSIONS	421	578	157
Income			
GRANTS	(3,214)	(3,225)	(11)
RENTAL INCOME	(183)	(198)	(15)
TVFCS RECHARGE INCOME	(308)	(308)	0
INCOME OTHER	(351)	(364)	(13)
	(4,056)	(4,095)	(39)
NET COST OF SERVICES	33,355	33,250	(105)
DEBT CHARGES INTEREST	392	392	0
INVESTMENT INTEREST	(27)	(23)	4
NET OPERATING EXPENDITURE	33,720	33,619	(101)
REVENUE FUNDING OF CAPITAL	600	600	0
APPROPRIATION TO/(FROM) RESERVES	824	824	0
REVENUE PROVISION	412	412	0
REVERSAL OF ACCRUED HOLIDAY PAY	(9)	(9)	0
NET EXPENDITURE	35,547	35,446	(101)
GOV GRANTS/PRECEPTS/BUSINESS RATES	(35,263)	(35,397)	(134)
(SURPLUS) / DEFICIT	284	49	(235)
USE OF BUDGET CONTINGENCY RESERVE		49	



Commentary on Revenue Outturn

The 2020/21 Revenue Budget was set at £35.263m, with expenditure anticipated to exceed income by £284,000, resulting in the Fire Authority being reliant on its reserves to balance the budget.

The actual Revenue outturn for the year shows a deficit of £49,000 which is being funded from reserves.

The impact of Covid-19 has had a profound impact on the way budget lines have been spent in 2020/21. The Authority experienced significant financial pressures as it dealt with the ramifications of COVID-19. In recognition of these additional costs, the Government provided grants worth £904,000 to support Covid-19 expenditure. In addition, the Authority was successful in bidding for a specific grant (£101,000) to enhance IT capabilities around remote working which will be delivered in 2021/22.

Robust budget monitoring throughout the year ensured that Covid related expenditure was managed and prioritised to keep within the parameters of grants received. In addition, the financial impact of the emerging pressures have been offset by savings to ensure the use of the financial resources available meets the Authority's priorities. The main savings and pressures are set out below.

Savings of £137,000 on the *Stations* line mainly relate to the decision to close Wargrave Fire Station. However, this saving was partly offset by the 2.75% pay award for green book staff. The budget assumption was for a 2% pay increase leading to an additional pressure of £55,000.

Whilst the impact of COVID-19 resulted in much additional expenditure, it also brought about different ways of working and reduced activities in certain areas, resulting in the following savings:

- Training courses reduced in scope/attendance or cancelled £39,000;
- Printing, photocopying & stationery £29,000;
- Catering & conferences, £54,000 (under *Supplies Other*);
- Travel & subsistence £65,000.

Savings on fuel were offset by higher costs on vehicle repair and maintenance. It is anticipated that the investment in renewing the white fleet, which Members approved as part of the 2021/22 Budget, will depress repair and maintenance costs going forward.

In addition to the Covid-19 related savings, there were some other savings against budget. The annual increase in Firelink Airwave radio charges from the Home office was less than budgeted which led to a saving on the *Communications* line. Also, cross border costs were less than budgeted and gives rise to the variance on the *Contracts* line of £30,000.

However, the savings detailed above were not sufficient to balance the budget due to significant budget pressures in other areas.



The Authority's Strategic Asset Investment Framework highlights that fire stations are in need of significant investment. This is borne out by the pressures on the *Repairs & Maintenance* line, with expenditure exceeding the budget by £64,000. Over the latter part of the year, various unplanned emergency works were required to maintain what is an ageing estate.

The Fire and Rescue Indemnity Company (FRIC) went to the market to retender for liability reinsurance. In general, the market is wary of Covid related claims which has had an impact on liability insurance prices. As a result, the Authority's contribution to FRIC has increased, resulting in an additional cost of £20,000.

The most significant financial pressure, however, relates to pension costs. Members are aware of the general complexities surrounding pension administration, but in particular, the fallout from the McCloud judgement. Dealing with these issues has resulted in expenditure outstripping the budget by £157,000. These additional costs arose from the need to account for liabilities arising from split pension calculations as well as setting aside provisions in the accounts to deal with issues that have arisen to date from the McCloud judgement.

Finally, Government grants and precept income was £134,000 higher than budget due to an additional £56,000 from Business rates Pooling and higher than expected Business Rates section 31 Grants of £78,000. The initial budgets on these are based on estimates provided by the local authorities within Berkshire prior to the year commencing, with in-year variances reflecting the adjustments made to reflect actual data.

4.5 Capital Programme

Capital expenditure in 2020/21 was £6.512 million, made up as follows:

Buildings £4,674,000

The rebuilding of Crowthorne Fire Station was completed in May 2020, ahead of schedule. Spend incurred in the final stages of the project in 2020/21 through to completion was £320,000.

The new tri-service community Fire Station at Theale continued to progress, with further expenditure in 2020/21 of £4,352,000.

IT £178,000

Replacement of IT hardware amounted to £130,000. Software development costs totalled £48,000 – including an upgrade to the Sage 1000 accounting system.



Vehicles and equipment £1,660,000

2020/21 saw the delivery of four new fire engines and orders for a further four as part of the 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

A new Arial Ladder Platform (ALP) arrived ahead of deployment, after passing acceptance testing in February 2021, with costs incurred in 2020/21 of £184,000.

4.6 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 repaid a loan on its maturity date in 2020/21 and total debt reduced to £7.092 million as at 31 March 2021.

4.7 Pension Fund

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 required to make any financial provision for these future commitments and there is no effect on Council Tax.

The Local Government Pension Scheme (LGPS), for non-uniformed employees, is accounted for as a funded defined benefits scheme.

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

4.8 Fire Safety

The Authority continues to build on the foundations that have been put in place over the last couple of years in relation to its Protection work. As part of the Government's commitment in this area, it has provided three grants to the Authority to build resilience and expertise. The Building Risk Review Programme has provided the Authority with £60,000 to review all high-rise buildings over 18m. The Protection Uplift Programme supports initial improvements in local protection capability; the



Authority's allocation is £64,899. Finally, the Authority has received £64,400 from the Grenfell Infrastructure Improvements Grant to implement the relevant findings from the Grenfell phase 1 inquiry. RBFRS had already pushed ahead to deliver against its own action plan but the Authority has welcomed the additional funding which, while not sufficient, is allowing further progress to be made in this critical area.

4.9 Economy, Efficiency and Effectiveness

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

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

The Authority is a member of the Fire and Rescue Indemnity Company Ltd (FRIC). The company commenced trading in November 2015. The Authority's risk protection arrangements are provided through the pooled funds of the company. The aims of the Company are twofold: to reduce risk to the Authority by adopting best practice e.g. in relation to driving standards and also to reduce the cost to the Authority of its risk protection arrangements over the longer-term. Since its establishment, the FRIC has accumulated surpluses of over £1.9 million.

4.10 Going Concern Review

The concept of a going concern assumes that an Authority's functions and services will continue in operational existence for the foreseeable future.

The Authority is required to set a balanced budget, and the budget setting process in future financial years will face a number of uncertainties due to the impact of COVID-19, Government funding and cost pressures. Given this uncertainty, the Authority will consider various scenarios as part of its budget setting process and assess the wider impact to ensure the budget balances over the medium-term without recourse to



reserves. Further details of the Authority's reserves can be found within the Core Financial Statements.

4.11 Looking to the Future

At the time of setting the 2021/22 Budget the Authority did not face any immediate funding pressures due to additional Government support. One of the main assumptions when setting the budget was a pay freeze for staff in line with Government pronouncements on public sector pay. Subsequent pay negotiations have resulted in a pay award of 1.5% for Grey Book staff which will need to be funded from reserves. Pay negotiations for Green Book staff are on-going. Looking further ahead, the funding position for 2022/23 and beyond is uncertain, pending the outcome of the Government's multi-year Spending Review and the impact that Covid-19 will have on business rates income streams.

Conor Byrne

Head of Finance and Procurement



5. Statement of Responsibilities

The Fire Authority is required:

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

The Responsibilities of the Head of Finance and Procurement:

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

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

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

The Head of Finance and Procurement has also:

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

Certificate of Head of Finance and Procurement

I certify that the statement of accounts presents a true and fair view of the financial position of the Authority for the financial year 2020/21 and was prepared in accordance with the accounting policies in section 8.2.

Conor Byrne

Head of Finance and Procurement

30 July 2021



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

The Auditor's opinion on the financial statements will be published once the Accounts have been approved by the Audit and Governance Committee.



7. Core Financial Statements

7.1 Movement in Reserves Statement

Movement in 2020/21

	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 2020		2,267	6,684	0	0	8,951	(331,994)	(323,043)
Movement in Reserves during 2020/21								
Total Comprehensive Income and Expenditure	7.2	(5,993)	0	0	0	(5,993)	(79,060)	(85,053)
Adjustments between accounting basis and funding basis under regulations	8.3	9,211	0	0	0	9,211	(9,198)	13
Net Increase / (Decrease) before Transfers to Earmarked Reserves		3,218	0	0	0	3,218	(88,258)	(85,040)
Transfers to / from Earmarked Reserves	8.4	(3,218)	3,218	0	0	0	0	0
Increase / (Decrease) in the year		(0)	3,218	0	0	3,218	(88,258)	(85,040)
Balance as at 31 March 2021		2,267	9,902	0	0	12,169	(420,252)	(408,083)



Movement in 2019/20

	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 2019		2,309	7,963	2,540	21	12,833	(389,713)	(376,880)
Movement in Reserves during 2019/20								
Total Comprehensive Income and Expenditure	7.2	(11,572)	0	0	0	(11,572)	65,409	53,837
Adjustments between accounting basis and funding basis under regulations	8.3	10,251	0	(2,540)	(21)	7,690	(7,690)	0
Net Increase / (Decrease) before Transfers to Earmarked Reserves		(1,321)	0	(2,540)	(21)	(3,882)	57,719	53,837
Transfers to / from Earmarked Reserves	8.4	1,279	(1,279)	0	0	0	0	0
Increase / (Decrease) in the year		(42)	(1,279)	(2,540)	(21)	(3,882)	57,719	53,837
Balance as at 31 March 2020		2,267	6,684	0	0	8,951	(331,994)	(323,043)



7.2 Comprehensive Income and Expenditure Statement

2019/20					2020/21		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
34,790	0	34,790	Employees		34,107	0	34,107
5,021	0	5,021	Premises		3,910	0	3,910
3,864	0	3,864	Supplies		3,615	0	3,615
781	0	781	Contracts		685	0	685
919	0	919	Transport		970	0	970
0	(4,171)	(4,171)	Income		0	(5,242)	(5,242)
45,375	(4,171)	41,204	Net Cost of Services	8.1	43,287	(5,242)	38,045
		58	Other operating expenditure	8.7			(6)
		10,150	Financing and Investment Income and Expenditure	8.8			8,646
		(39,840)	Taxation and Non-Specific Grant Income	8.9			(40,692)
		11,572	(Surplus) or Deficit on the Provision of Services	8.6			5,993
		(1,096)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	8.29 i			(505)
		(64,313)	Actuarial (gains) / losses on pension assets / liabilities	8.29 iii			79,565
		(65,409)	Other Comprehensive Income and Expenditure				79,060
		(53,837)	Total Comprehensive Income and Expenditure				85,053



Balance Sheet

2019/20		Notes	2020/21
£000			£000
31,236	Property, Plant & Equipment	8.15 i	36,978
807	Investment Property	8.16	845
262	Intangible Assets	8.17	183
534	Long Term Investments	8.19	587
32,839	Long Term Assets		38,593
8,411	Short Term Investments	8.19	2,042
47	Inventories	8.21	57
6,735	Short Term Debtors	8.22	10,033
2,279	Cash and Cash Equivalents	8.23	1,930
17,472	Current Assets		14,062
(4,831)	Short Term Creditors	8.24	(7,895)
(196)	Short-term Provisions - holiday pay	8.29 v	(205)
(331)	Provisions	8.25	(640)
(5,358)	Current Liabilities		(8,740)
(8,842)	Long Term Borrowing	8.19	(7,092)
(359,141)	Pension Liability	8.27 iv	(444,906)
(13)	Capital Grants Receipts in Advance	8.10	0
(367,996)	Long Term Liabilities		(451,998)
(323,043)	Net Assets (Liabilities)		(408,083)
8,951	Usable Reserves	8.28	12,169
(331,994)	Unusable Reserves	8.29	(420,252)
(323,043)	Total Reserves		(408,083)



7.3 Cash Flow Statement

2019/20 £000		2020/21 £000
	Cash Outflows from operating activities:	
(22,100)	Employment costs	(23,115)
(12,286)	Pension costs	(12,840)
(392)	Interest paid	(392)
(8,682)	Other operating costs	(8,650)
(43,460)	Total Cash Outflows	(44,997)
	Cash Inflows from operating activities:	
34,382	Precepts and General Government Grants	35,398
5,421	Pension top-up grant	5,164
50	Interest received	9
4,226	Other operating income	5,156
44,079	Total Cash Inflows	45,727
619	Net cashflows from operating activities	730
(4,500)	Purchase of property, plant and equipment, investment property and intangible assets	(5,679)
2,961	Purchase of short-term and long-term investments	6,341
35	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	9
(1,504)	Net cash outflows from investing activities	671
0	Repayment of Loans	(1,750)
0	Net cash flows from financing activities	(1,750)
(885)	Net increase or (decrease) in cash and cash equivalents	(349)
3,164	Cash and cash equivalents at the beginning of the reporting period	2,279
2,279	Cash and cash equivalents at the end of the reporting period	1,930



8. Notes to Core Financial Statements

8.1 Expenditure and Funding Analysis

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

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.



2019/20				2020/21		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
29,358	5,432	34,790	Employees	30,306	3,801	34,107
2,441	2,580	5,021	Premises	2,558	1,352	3,910
3,864	0	3,864	Supplies	3,615	0	3,615
781	0	781	Contracts	685	0	685
919	0	919	Transport	970	0	970
388	(388)	0	Pensions	369	(369)	0
(4,182)	11	(4,171)	Income	(5,253)	11	(5,242)
33,569	7,635	41,204	Net Cost of Services	33,250	4,795	38,045
(32,248)	2,616	(29,632)	Other Income and Expenditure	(36,468)	4,416	(32,052)
1,321	10,251	11,572	(Surplus) or Deficit	(3,218)	9,211	5,993
(10,272)			Opening General Fund Balance including Earmarked Reserves	(8,951)		
1,321			Less/Plus (Surplus) / Deficit on General Fund in Year	(3,218)		
(8,951)			Closing General Fund Balance including Earmarked Reserves at 31 March	(12,169)		



8.2 Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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

ii. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.



- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure 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 notice accounts. These deposits are treated as short-term investments as the Authority does not use these balances on a day-to-day basis.

iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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



v. Charges to Revenue for Non-Current Assets

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

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue (minimum revenue provision) towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by a contribution from the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account 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 December 2020.



- 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 2019.

Measurement of the Net Liabilities of the Pension Schemes

The change in the net pension liability is analysed into the following components:

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.
- 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. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

2. 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.
- Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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 balance sheet date and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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



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

viii. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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



interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

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

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

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

ix. Government Grants and Contributions

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

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of 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 and expenditure (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

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

xii. Inventories

Inventories are reflected in the Balance Sheet at average historical cost. This is not consistent with IAS 2, which requires inventories to be valued at the lower of cost or net realisable value. However, it is felt that the treatment as set out in IAS2 is not appropriate for the specific items being held. 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

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

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.

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. The Authority's de-minimis level for capital expenditure is £0.007m.

Measurement

An asset is initially measured at cost, comprising:

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

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

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. A full revaluation of all freehold properties was completed as at 31 March 2020 and based on the fact 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 desktop valuation exercise was completed for the position as at 31st March 2021 for all stations other than Crowthorne, where a full valuation was provided.

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).



Depreciation is calculated on the following bases:

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

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Component accounting

Components of Property, Plant & Equipment are not shown separately on the Balance Sheet if the value of the component is less than £100,000. Furthermore, components with a value of at least £100,000 are only shown separately on the Balance Sheet where the value of the component is at least 20 per cent of the value of the remainder of the asset and 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 of non-financial assets

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 transferring amounts out of the General Fund Balance. 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 transferred back into the General Fund Balance 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.

	General Fund Balance	Capital Receipts Reserve	Capital Grants Receipts	Movement in Unusable Reserves
2020/21	£000	£000	£000	£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	1,224			(1,224)
Movements in the fair value of Investment Properties	(38)			38
Amortisation of intangible assets	128			(128)
Donated assets				
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	3			(3)
Government grants deferred amortisation				
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory Provision for the repayment of debt - (MRP & VRP)	(412)			412
Revenue contribution to finance capital	(600)			600
Adjustments primarily involving the Capital Grants Unapplied Account:				



Adjustments primarily involving the Capital Receipts Reserve:				
Use of capital grants receipts in advance to finance capital expenditure			(13)	13
Use of capital receipts reserve to finance capital expenditure		(9)		9
Transfer of proceeds from sale of assets to CIES	(9)	9		
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	17,139			(17,139)
Employer's pensions contributions and direct payments to pensioners payable in the year	(5,381)			5,381
Gain in relation to government grant payable to the Pension Fund on the Authority's behalf including Milne v GAD	(5,558)			5,558
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which CT and NNDR income credited to the CIES is different from statutory requirements	2,706			(2,706)
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	9			(9)
Total Adjustments	9,211	0	(13)	(9,198)



	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2019/20	£000	£000	£000	£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	2,451			(2,451)
Movements in the fair value of Investment Properties	60			(60)
Amortisation of intangible assets	129			(129)
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	29			(29)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory Provision for the repayment of debt - (MRP & VRP)	(1,292)			1,292
Revenue contribution to finance capital	(500)			500
Adjustments primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the Capital Adjustment Account			(21)	21
Adjustments primarily involving the Capital Receipts Reserve:				
Use of capital receipts reserve to finance capital expenditure		(2,578)		2,578
Transfer of proceeds from sale of assets to CIES	(38)	38		0



Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the CIES	20,134			(20,134)
Employer's pensions contributions and direct payments to pensioners payable in the year	(5,263)			5,263
Gain in relation to government grant payable to the Pension Fund on the Authority's behalf including Milne v GAD	(5,322)			5,322
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which CT and NNDR income credited to the CIES is different from statutory requirements	(138)			138
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	1			(1)
Total Adjustments	10,251	(2,540)	(21)	(7,690)



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 2020/21.

	Balance at 1 April 2020 £000	Net transfers In / (Out) £000	Balance at 31 March 2021 £000	Purpose
Budget Carry Forward Reserve	256	613	869	To roll forward specific budget lines where commitments have been made but expenditure has not yet been incurred by the close of the financial year
Detectors Reserve	62	0	62	To provide on-going support to the Fire Prevention Programme
TVFCS Renewals Fund	534	52	586	To replace IT assets
Grants Received in Advance	631	77	708	The unspent balance of grants
COVID-19	94	82	176	Funding received to help meet additional costs associated with the COVID-19 pandemic
75% Compensation for Collection Fund losses	0	369	369	To offset Covid-19 related deficits in the collection funds
Section 31 Grants to offset business rate relief	0	2,074	2,074	To offset Covid-19 related deficits in the collection funds
Vacancy Reserve	65	0	65	To offset fluctuations in employee numbers
Budget Contingency Reserve	1,279	(49)	1,230	To offset future cuts in Government funding
Transition Fund	568	0	568	To support new ways of working
Development Fund	3,195	0	3,195	To fund capital projects
Total	6,684	3,218	9,902	



Comparative movement in 2019/20

	Balance at 1 April 2019 £000	Net transfers In / (Out) £000	Balance at 31 March 2020 £000	Purpose
Budget Carry Forward Reserve	158	98	256	To roll forward specific budget lines where commitments have been made but expenditure has not yet been incurred by the close of the financial year
Detectors Reserve	62	0	62	To provide on-going support to the Fire Prevention Programme
TVFCS Renewals Fund	479	55	534	To replace IT assets
Grants Received in Advance	866	(235)	631	The unspent balance of grants
COVID-19	0	94	94	Funding received to help meet additional costs associated with the COVID-19 pandemic
Vacancy Reserve	65	0	65	To offset fluctuations in employee numbers
Budget Contingency Reserve	1,484	(205)	1,279	To offset future cuts in Government funding
Transition Fund	639	(71)	568	To support new ways of working
Development Fund	4,210	(1,015)	3,195	To fund capital projects
Total	7,963	(1,279)	6,684	



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 2020/21

Adjustments to General Fund to arrive at the Comprehensive Income and Expenditure Statements amounts	Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Differences	Total
	£000	£000	£000	£000
Employees		3,801		3,801
Premises	1,352			1,352
Supplies				0
Contracts				0
Transport				0
Pensions		(369)		(369)
Income			11	11
Net Cost of Services	1,352	3,432	11	4,795
Other Income and Expenditure from the Expenditure and Funding Analysis	(1,055)	2,768	2,703	4,416
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or Deficit on the Provision of Services	297	6,200	2,714	9,211



Adjustments between Funding and Accounting Basis 2019/20

Adjustments to General Fund to arrive at the Comprehensive Income and Expenditure Statements amounts	Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Differences	Total
	£000	£000	£000	£000
Employees		5,432		5,432
Premises	2,580			2,580
Supplies				0
Contracts				0
Transport				0
Pensions		(388)		(388)
Income			11	11
Net Cost of Services	2,580	5,044	11	7,635
Other Income and Expenditure from the Expenditure and Funding Analysis	(1,741)	4,505	(148)	2,616
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or Deficit on the Provision of Services	839	9,549	(137)	10,251



Adjustment for Capital Purposes

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

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

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

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

Net Change for the Pension Adjustments

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

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

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

Other Differences

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

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

The charge under Taxation and non-specific grant income and expenditure – represents the difference between what is chargeable under statutory regulations for council tax and NNDR 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:

2019/20		2020/21
£000	Expenditure / Income	£000
	Expenditure:	
44,616	Employee benefit expenses	42,432
8,005	Other services expenses	7,829
2,580	Depreciation, Amortisation and Impairment	1,352
392	Interest payments	392
58	Loss (Gain) on the disposal of assets & investments	(6)
55,651	Total Expenditure	51,999
	Income:	
(4,122)	Fees, charges and other service income	(5,291)
(117)	Interest and investment income	(23)
(29,355)	Income from council tax and non domestic rates	(27,468)
(10,485)	Governement grants and contributions	(13,224)
(44,079)	Total Income	(46,006)
11,572	Surplus or Deficit on the Provision of Services	5,993

8.7 Other Operating Expenditure

2019/20		2020/21
£000		£000
(8)	(Profit) / loss on the disposal of assets	(6)
66	Write off of Trading Company Loan	0
58	Total	(6)



8.8 Financing and Investment Income and Expenditure

2019/20 £000		2020/21 £000
392	Interest payable and similar charges	392
9,826	Pensions interest cost and expected return on pensions assets	8,326
(117)	Interest receivable and similar income	(23)
49	Income and expenditure in relation to investment properties and changes in their fair value	(49)
10,150	Total	8,646

8.9 Taxation and Non Specific Grant Incomes

2019/20 £000		2020/21 £000
(23,136)	Council Tax Income	(23,655)
(6,219)	Non Domestic Rates Income	(3,813)
(5,164)	General Government Grants	(5,223)
0	75% Compensation for Collection Fund losses	(369)
0	S31 Compensation for Expansion of Business Rate Relief	(2,074)
(5,321)	Gain in relation to Government grant and other contributions payable to the Pension Fund on the Authority's behalf	(5,558)
(39,840)	Total	(40,692)



8.10 Grant Income

2019/20 £000		2020/21 £000
	Credited to Taxation and Non Specific Grant Income:	
498	NNDR grants	574
498	Total	574
	Credited to Service:	
1,663	Fire Pensions	1,663
126	COVID-19 Pandemic	880
5	New Risks	10
372	Firelink	384
9	New Dimensions	27
8	Transparency Grant	8
0	Grenfell Infrastructure Funding	64
0	Building Risk Review Programme	60
0	Protection Uplift Programme	65
0	Pension Admin Funding	41
2,183	Total	3,202

8.11 Members' Allowances

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

2019/20 £000		2020/21 £000
82	Allowances	95
4	Expenses	0
86	Total	95



8.12 Officers' Remuneration

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

2019/20	Remuneration band	2020/21
Number of employees		Number of employees
18	50,000 - 54,999	12
8	55,000 - 59,999	14
8	60,000 - 64,999	8
8	65,000 - 69,999	5
3	70,000 - 74,999	3
1	75,000 - 79,999	1
1	80,000 - 84,999	1
47	Total	44

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 2020/21	Salary including fees and allowances	Taxable Expenses	Benefit in Kind (car allowance)	Total remuneration excluding pension contributions	Employer pension contributions	Total remuneration including pension contributions
Chief Fire Officer - Trevor Ferguson	160,758	0	6,349	167,107	46,874	213,981
Acting Deputy Chief Executive - Nikki Richards from 25 January 2021	21,937	0	0	21,937	2,962	24,899
Deputy Chief Fire Officer - Steve Foye	139,553	39	4,401	143,993	55,975	199,968
Acting Deputy Chief Fire Officer - Mark Arkwell from 25 January 2021	23,344	0	810	24,154	6,266	30,420
Assistant Chief Fire Officer until 24 January 2021	104,299	0	3,570	107,868	27,673	135,541
Assistant Chief Fire Officer from 25 January 2021	19,639	0	832	20,471	4,058	24,529
Director of Support Services until 24 January 2021	90,408	0	0	90,408	12,198	102,607
Director of Corporate Services from 25 January 2021	17,691	0	0	17,691	2,388	20,080
Head of Finance and Procurement	75,870	0	0	75,870	10,224	86,094
Total	653,499	39	15,961	669,499	168,618	838,117



Remuneration 2019/20	Salary including fees and allowances	Taxable Expenses	Benefit in Kind (car allowance)	Total remuneration excluding pension contributions	Employer pension contributions	Total remuneration including pension contributions
Chief Fire Officer - Trevor Ferguson	159,567	59	4,272	163,898	45,955	209,853
Deputy Chief Fire Officer - Steve Foye	136,765	268	4,351	141,384	47,092	188,476
Assistant Chief Fire Officer - from 13 May 2019	96,953	693	4,754	102,400	27,923	130,323
Assistant Chief Fire Officer to 25th June 2019	29,420	21	3,875	33,316	10,974	44,290
Director of Support Services	108,622	0	0	108,622	16,511	125,133
Head of Finance and Procurement	69,098	0	0	69,098	10,503	79,601
Total	600,425	1,041	17,252	618,718	158,958	777,676

8.13 Exit Packages and Termination Benefits

Exit Package Cost Band	Number of compulsory redundancies		Number of other departures		Total Number		Total Cost (£)	
	19/20	20/21	19/20	20/21	19/20	20/21	19/20	20/21
£0-£20,000	0	3	0	0	0	3	-	4,797
£20,001-£40,000	0	0	1	0	1	0	27,237	-
Total cost included in bandings and in the CIES	0	3	1	0	1	3	27,237	4,797



8.14 External Audit Costs

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

2019/20 £000		2020/21 £000
26	Fees payable with regard to external audit services carried out by the appointed auditor for the year	26
8	Fees payable with regard to external audit services carried out by the appointed auditor and additional costs incurred for the pension audit for the prior year	0
34	Total	26

8.15 Property, Plant and Equipment

i Movement on Balances

Movements in property, plant and equipment for 2020/21 are shown in the table below.



	Land & Building £000	Vehicles, Plant and Equipment £000	Surplus Asset £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation					
At 1 April 2020	32,541	11,894	0	3,282	47,717
Additions	320	1,178		4,966	6,464
Revaluation increases / (decreases) recognised in the revaluation reserve	500		6		506
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	763		3		766
Derecognition-disposals		(54)			(54)
Other movements in cost or valuation	478	1,059	80	(1,617)	0
at 31 March 2021	34,602	14,077	89	6,631	55,399
Accumulated Depreciation and Impairment					
At 1 April 2020	(7,367)	(9,114)	0	0	(16,481)
Depreciation Charge	(688)	(1,300)	(2)		(1,990)
Derecognition-disposals		50			50
at 31 March 2021	(8,055)	(10,364)	(2)	0	(18,421)
Net Book Value					
at 31 March 2020	25,174	2,780	0	3,282	31,236
at 31 March 2021	26,547	3,713	87	6,631	36,978



Comparative movements in 2019/20

	Land & Building £000	Vehicles, Plant and Equipment £000	Surplus Asset £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation					
At 1 April 2019	31,163	11,478	0	1,686	44,327
Additions		641		3,356	3,997
Revaluation increases / (decreases) recognised in the revaluation reserve	1,104			(8)	1,096
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	561			(1,378)	(817)
Derecognition-disposals	(21)	(865)			(886)
Other movements in cost or valuation	(266)	640		(374)	0
at 31 March 2020	32,541	11,894	0	3,282	47,717
Accumulated Depreciation and Impairment					
At 1 April 2019	(6,750)	(8,956)	0		(15,706)
Depreciation Charge	(617)	(1,017)			(1,634)
Derecognition-disposals		859			859
at 31 March 2020	(7,367)	(9,114)	0	0	(16,481)
Net Book Value					
at 31 March 2019	24,413	2,522	0	1,686	28,621
at 31 March 2020	25,174	2,780	0	3,282	31,236

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 (6 - 60 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 2021, the Authority had outstanding commitments of £1,951,000 relating to premises building projects, in relation to Theale Fire Station. The Authority also had commitments of £440,000 in relation to vehicles.

iv Fixed Asset Valuation

The Authority's freehold properties were valued on 31 March 2021 by an external Valuer, James Davies MRICS, Registered Valuer of BNP Paribas Real Estate Chartered Surveyors. The valuations were in accordance with the requirements of the RICS Valuation - Global Standards 2020 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 continue to be owner occupied as part of the continuing business.
- Investment property: that the property would be valued subject to any existing leases without alteration or modification of the terms.
- Due to COVID-19 and the unprecedented set of circumstances in which to base a judgement, the valuations are reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

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

- The March 2020 valuation – comparable recent market transactions on arm's length terms. Subsequent valuations have been based on movement in appropriate indices.
- Cost Approach or Depreciated Replacement Cost Approach; training towers and smoke houses because the specialised nature of these means that there are no market transactions of this type of asset, except as part of the business or entity. It is based upon the economic principle that a purchaser will pay no more for an asset than the cost to obtain one of equal utility whether by purchase or construction.

8.16 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.



2019/20 £000		2020/21 £000
(11)	Rental income from investment property	(11)
(11)	Net (Gain) / Loss	(11)

The three investment properties were valued at 31 March 2021 by James Davies MRICS RICS Registered Valuer of BNP Paribas Real Estate Chartered Surveyors.

Based on the assessment of market values and the assessed age of the tenants, the total value of the properties is £845,000.

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 £643,000) be sold, the Authority will be required to share half of the proceeds with 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:

2019/20 £000		2020/21 £000
867	Balance at start of the year	807
(60)	Revaluation	38
0	Transfer from / (to) property, plant & equipment	0
807	Balance at end of the year	845

Fair value Hierarchy

Details of the Authority's investment properties and information about the fair value hierarchy as at 31 March 2021 are shown below.



Fair Value as at 31 March 2020 (Level 2) £000	Recurring Fair Value Measurement using:	Fair Value as at 31 March 2021 (Level 2) £000
0	Land	0
807	Building	845
807	Total	845

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

Significant Observable Inputs – Level 2

The fair value for the residential properties 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 appointed 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.

8.17 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.



2019/20 £000		2020/21 £000
353	Balance as start of the year:	262
38	Additions	49
(129)	Amortisation for the period	(128)
262	Net carrying amount at end of year	183

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.

8.18 Capital Expenditure and Financing

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

	2019/20 £000	2020/21 £000
Opening Capital Financing Requirement	5,377	5,022
Capital investment:		
Property, Plant and Equipment	4,036	6,512
Sources of Finance:		
Capital Receipts	(2,578)	(9)
Revenue Funding including MRP & VRP	(1,813)	(1,025)
Closing Capital Financing Requirement	5,022	10,500
Explanation of Movements in the Year		
(Decrease) in the underlying need to borrow	(355)	5,478
Increase / (Decrease) in Capital Financing Requirement	(355)	5,478

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.

	2021/22 £000	2022/23 £000	2023/24 £000
Property	3,179	1,750	750
Fleet & Equipment	2,738	1,418	470
ICT	758	701	785
Total	6,675	3,869	2,005



8.19 Financial Instruments

i Categories of Financial Instruments

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

	Non-Current		Current	
	19/20 £000	20/21 £000	19/20 £000	20/21 £000
Financial Assets				
Investments - Amortised Cost	534	587	8,411	2,042
Trade Debtors - Amortised Cost			617	321
Total Financial Assets	534	587	9,028	2,363
Financial Liabilities				
Borrowing - Amortised Cost	(8,842)	(7,092)		
Trade Creditors - Amortised Cost			(1,377)	(1,881)
Total Financial Liabilities	(8,842)	(7,092)	(1,377)	(1,881)

ii Income, Expense, Gains and Losses

	2019/20			2020/21		
	Financial Liabilities measured at amortised cost £000	Financial Assets measured at amortised cost £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets measured at amortised cost £000	Total £000
Interest expenses	(392)		(392)	(392)		(392)
Total expense in Surplus or Deficit on the Provision of Services	(392)		(392)	(392)		(392)
Interest income		117	117		23	23
Total income in Surplus or Deficit on the Provision of Services		117	117		23	23
Net gain/(loss) for the year	(392)	117	(275)	(392)	23	(369)



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 2020		31 March 2021	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB debt	(8,842)	(11,860)	(7,092)	(9,378)
Trade creditors	(1,377)	(1,377)	(1,881)	(1,881)
Total Financial Liabilities	(10,219)	(13,237)	(8,973)	(11,259)
Non-current Investments	534	534	587	587
Current Investments	8,411	8,411	2,042	2,042
Trade debtors	617	617	321	321
Total Financial Assets	9,562	9,562	2,950	2,950

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.



8.20 Nature and Extent of Risk Arising from Financial Instruments

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

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

i Overall Procedures for Managing Risk

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

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by the Fire Authority on 14 February 2020 and is available on the Authority website.



The key issues within the strategy were:

- The Authorised Limit for 2020/21 was set at £13.193 million. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £10.793 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 2020/21 was approved by Full Authority on 14 February 2020 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 £2,629,000 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 2021 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 2021 £000	Historical experience of default %	Adjustment for market conditions at 31 March 2021 %	Estimated maximum exposure at 31 March 2021 £000	Estimated maximum exposure at 31 March 2020 £000
	(a)	(b)	(c)	(a * c)	
Trade debtors (not including statutory debtors – Authority Tax/NNDR)	321	5%	5%	16	31
Total					

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

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

	31 March 2021 £000	31 March 2021 %
UK	2,629	100.00%
Total	2,629	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 2020 £000		31 March 2021 £000
617	Less than three months	321
0	Three to six months	0
0	Six months to one year	0
0	More than one year	0
617	Total	321

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 2020 £000		31 March 2021 £000
8,411	Less than one year	2,042
0	Between one and two years	170
0	Between two and three years	0
534	More than three years	417
8,945	Total	2,629

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 2020	Actual 31 Mar 2021
	%	%	£000	£000
Less than one year	50%	0%	1,750	1,170
Between one and two years	50%	0%	1,170	0
Between two and five years	25%	0%	0	394
Between five and ten years	40%	0%	2,672	3,378
More than ten years	100%	0%	3,250	2,150
Total			8,842	7,092

**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 favorable, 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	(58)
Impact on (Income) and Expenditure Account	(58)
Decrease in fair value of fixed rate borrowings liabilities (no impact on Consolidated Income and Expenditure Account)	692

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.

8.21 Inventories

31 March 2020 £000	Consumable Stores	31 March 2021 £000
73	Balance outstanding at start of year	47
201	Purchases	129
(227)	Recognised as an expense in the year	(119)
47	Balance outstanding at year-end	57

8.22 Debtors and Prepayments

A breakdown of debtors and prepayments is given in the table below:

31 March 2020 £000		31 March 2021 £000
2,097	Central Government	2,729
2,798	Local Authorities	5,695
12	NHS Bodies	0
617	Other Entities and individuals	321
1,211	Prepayments	1,288
6,735	Total	10,033



8.23 Cash and Cash Equivalents

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

31 March 2020 £000		31 March 2021 £000
3	Cash held by the Authority	3
2,276	Bank current accounts	1,927
2,279	Total Cash and Cash Equivalents	1,930

8.24 Creditors and Income in Advance

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

31 March 2020 £000		31 March 2021 £000
(870)	Central Government	(970)
(1,914)	Local Authorities	(4,955)
(16)	NHS Bodies	0
(1,377)	Other Entities and individuals	(1,881)
(654)	Income received in advance	(89)
(4,831)	Total	(7,895)

8.25 Provisions

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

	Business Rates Appeals £000	Pensions Liabilities £000	TOTAL £000
Balance at 1 April 2020	(331)	0	(331)
Movement in year	(233)	(76)	(309)
Balance at 31 March 2021	(564)	(76)	(640)

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 £564,000.

McCloud / Sargeant Pension Judgement - The Authority is aware of various liabilities arising from the transitional arrangements that were put in place when the 2015 Firefighters' Pension Scheme came into effect on 1 April 2015. Based on available information, £76,000 has been recognised as a provision within the accounts.

8.26 Leases

i Authority as Lessee

Operating Leases

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

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

31 March 2020 £000		31 March 2021 £000
12	Not later than one year	1
1	Later than one year and not later than five years	0
13		1

ii Authority as Lessor

Operating Leases

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

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

31 March 2020 £000		31 March 2021 £000
165	Not later than one year	201
535	Later than one year and not later than five years	620
1,218	Later than five years	1,060
1,918		1,881



8.27 Pensions Costs

i Participation in Pension Schemes

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

The Authority participates in five pension schemes:

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

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

ii Transactions Relating to Post-employment Benefits

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

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:



	Local Government Pension Scheme		Fire-fighters Pension Scheme	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Service cost comprising:				
- current service cost	2,226	2,203	7,548	6,550
- past service cost			534	60
-(gain)/loss from settlements				
-administration costs	13	14		
Financing and Investment Income and Expenditure				
Net interest expense	482	431	9,331	7,881
-expected return on assets in the scheme				
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	2,721	2,648	17,413	14,491
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement				
- actuarial (gains) and losses	888			
Remeasurement of the net defined benefit liability comprising:				
- Return on plan assets (excluding the amount included in the net interest expense)	908	(2,411)		
- Actuarial gains and losses arising on the changes in demographic assumptions	(695)	(466)	(9,947)	(6,544)
- Actuarial gains and losses arising on the changes in financial assumptions	(5,512)	15,237	(38,997)	79,137
- Experience loss or gain on defined benefit obligation	1,097	(558)	(12,055)	(4,830)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(593)	14,450	(43,586)	82,254
Movement in Reserves Statement				
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(2,721)	(2,648)	(17,413)	(14,491)
	(2,721)	(2,648)	(17,413)	(14,491)
Actual Amount Charged against the General Fund Balance for pensions in the year:				
- employer's contributions payable to scheme	1,109	1,229		
- Retirement benefits payable to pensioners			9,478	9,807
- net transfers			(2)	(97)
Government grant payable to the Pension Fund on behalf of the Authority			(5,322)	(5,558)
	1,109	1,229	4,154	4,152



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	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Opening balance at 1 April	43,371	41,991	393,232	340,170
Current Service Cost	2,226	2,203	7,548	6,550
Interest Cost	1,046	982	9,331	7,881
Contributions by Scheme Participants	389	450	1,688	1,694
- Actuarial (gains)/losses arising from changes in demographic assumptions	(695)	(466)	(9,947)	(6,544)
- Actuarial (gains)/losses arising from changes in financial assumptions	(5,512)	15,237	(38,997)	79,137
- Experience loss or gain on defined benefit obligation	1,097	(558)	(12,055)	(4,830)
Past Service Cost			534	60
Benefits paid	69	(857)	(11,166)	(11,501)
Net transfers			2	97
Closing balance at 31 March	41,991	58,982	340,170	412,714

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

2019/20 £000	Local Government Pension Scheme	2020/21 £000
22,698	Opening fair value of scheme assets at 1 April	23,020
564	Interest income	551
(888)	Actuarial gains/(losses)	0
(908)	- The return on plan assets, excluding the amount included in the net interest expense	2,411
(13)	- Administration costs	(14)
1,109	Contributions from employers	1,229
389	Contributions from employees into the scheme	450
69	Benefits paid	(857)
23,020	Closing fair value of scheme assets at 31 March	26,790



iii Pension Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Fire-fighters Pension Schemes	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Present value of the defined benefit obligation	41,991	58,982	340,170	412,714
Fair value of plan assets	(23,020)	(26,790)	0	0
Net liability arising from defined benefit obligation	18,971	32,192	340,170	412,714

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £444.906 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 £ 408.083 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.

iv 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 2022 and set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements but contributions are set to target a funding level of 100% using the actuarial valuation assumptions.

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 years.

The Authority anticipates to pay £5.003 million in expected contributions to the schemes in 2021/2022.



v 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, an independent firm of actuaries.

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

	Local Government Pension Scheme		Firefighters Pension Scheme	
	2019/20	2020/21	2019/20	2020/21
Mortality Assumptions:				
Longevity (at age 65 for LGPS members and at age 60 for Firefighter Scheme members) for current pensioners:				
- Men	21.5	21.2	25.1	25.0
- Women	24.1	23.9	27.3	27.5
Longevity (at age 65 for LGPS members and at age 60 for Firefighter Scheme members) for future pensioners:				
- Men	22.9	22.5	26.5	26.0
- Women	25.5	25.4	28.8	28.7
Rate of RPI	2.65%	3.20%	2.7%	3.2%
Rate of CPI	1.85%	2.85%	1.9%	2.8%
Rate of increase in salaries	2.85%	3.85%	2.9%	3.8%
Rate of increase in pensions	1.85%	2.85%	1.9%	2.8%
Rate for discounting liabilities	2.35%	2.00%	2.35%	2.00%
Take-up of option to convert annual pension into retirement lump sum	0.50	0.50	0.50	0.50

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



2019/20 £000		2020/21 £000
2,718	Cash	1,222
2,143	Other Bonds	4,374
12,997	Equity	16,050
3,163	Property	3,316
970	Target Return Portfolio	1,101
136	Commodities	0
1,887	Infrastructure	2,189
(994)	Longevity Insurance	(1,462)
23,020	Total Assets	26,790

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.

8.28 Usable Reserves

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



8.29 Unusable Reserves

31 March 2020 £000		31 March 2021 £000
4,199	Revaluation Reserve	4,554
23,081	Capital Adjustment Account	22,948
(359,141)	Pension Reserve	(444,906)
63	Collection Fund Adjustment Account	(2,644)
(196)	Accumulated Absences Account	(204)
(331,994)	Total Unusable Reserves	(420,252)

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.

2019/20 £000		2020/21 £000
3,193	Balance as at 1 April	4,199
1,096	Upward / (downward) revaluation of assets not charged to the Surplus or Deficit on the Provision of Services	505
(90)	Difference between fair value depreciation and historic cost depreciation	(150)
4,199	Balance as at 31 March	4,554



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.



2019/20 £000		2020/21 £000
21,269	Balance at 1 April	23,081
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
(1,634)	Charges for depreciation and impairment of non-current assets	(1,990)
(817)	Revaluation (losses) gains on Property, Plant and Equipment	766
(129)	Amortisation of intangible assets	(128)
(29)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(3)
18,660		21,726
90	Adjusting amounts written out of the Revaluation Reserve	150
18,750	Net written out amount of the cost of non-current assets consumed in the year	21,876
	Capital financing applied in the year:	
2,578	Use of the Capital Receipts Reserve to finance new capital expenditure	9
0	Application of grants to capital financing from the capital grants receipt in advance	13
21	Use of the Capital Grants Reserve to finance new capital expenditure	0
1,292	Statutory provision for the financing of capital investment charges against the General Fund	412
500	Capital expenditure charged against the General Fund	600
4,391		1,034
(60)	Movements in the market value of Investment Properties debited or credited to the CIES	38
23,081	Balance at 31 March	22,948



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.

2019/20 £000		2020/21 £000
(413,905)	Balance at 1 April	(359,141)
64,313	Actuarial gains or (losses) on pensions assets and liabilities	(79,565)
(20,134)	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	(17,139)
10,585	Employer's pensions contributions and direct payments to pensioners payable in the year	10,939
(359,141)	Balance at 31 March	(444,906)

**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.

2019/20 £000		2020/21 £000
(75)	Balance at 1 April	63
138	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	(2,707)
63	Balance at 31 March	(2,644)

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.

2019/20 £000		2020/21 £000
(195)	Balance at 1 April	(196)
195	Settlement or cancellation of accrual made at the end of the preceding year	196
(196)	Amounts accrued at the end of the current year	(204)
(196)	Balance at 31 March	(204)



8.30 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 2020/21.

The Authority has entered into agreements with other public bodies. The Authority signed a legal agreement with Oxfordshire County Council and Buckinghamshire and Milton Keynes Fire Authority which established Thames Valley Fire Control Service (TVFCS). TVFCS went live in April 2015 and operates as a joint committee with Member representation from the three services. The capital assets for the Joint Control Room are recognised as an equal third on the Balance Sheet. The combined assets gross book value is £1,018,000 of which £340,000 relates to this Authority. The depreciation charge for 2020/21 on the Authority's share of the assets was £33,000 resulting in a net book value of £82,000 at 31 March 2021. The revenue cost of running TVFCS during 2020/21 was £2,341,000 with the Authority's share amounting to £885,000.

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

Collaborative working arrangements have been introduced between the Authority, Thames Valley Police and South Central Ambulance Service. The first community tri-service fire station opened in Hungerford in June 2017, and the provision of shared office accommodation with Thames Valley Police began in the summer of 2019.

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.

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. As at 31 March



2021 the Head of Finance and Procurement was a Director of the Fire and Rescue Indemnity Company (FRIC). FRIC provides risk protection arrangements for the Authority by pooling funds with other Fire and Rescue services.

8.31 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 Government funding. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- COVID-19 has generated unprecedented uncertainty in relation to the economy which has fed through to property valuations. The valuations in these accounts are reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.
- The 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's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

8.32 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.

Since 2017/18 the Authority decided to report an estimated position for the accumulated absences account, which forms part of Unusable Reserves on the Authority's Balance Sheet.



Actual data was collated post Balance Sheet for 2018/19 and the variance to the estimates used was immaterial. A similar exercise has been done in 2020/21.

The items in the Authority's Balance Sheet at 31 March 2021 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 desktop valuation of its land and building assets as at 31 March 2021. 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 2021 was £26,547,000. An alteration to the assumptions made and a subsequent 1% change in that valuation would lead to a movement of £265,000. 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 £66,000 if the useful life for each respective building was reduced by one year.

Pensions Liability - Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in the retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied and sensitivity to changes in judgements and assumptions.

Court Ruling on Pension Account Disclosures

Two employment tribunal cases were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public sector service pension schemes from 1 April 2015. They were the McCloud and Sargeant pension cases. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination. Due to the similarities in the cases the Court of Appeal decided to combine the two cases and in December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the Government's request for an appeal in the case.

McCloud / Sargeant case

The Government published a consultation on the proposed remedy to be applied to public sector pension scheme benefits, which closed for responses on 8 October 2020. On 4



February 2021 the Government published its response to the consultation, confirming their approach to remedying age discrimination, in line with their proposals.

Firefighters' Pension Schemes - In relation to those affected in the firefighter pension scheme the consultation response confirmed that the 'deferred choice underpin' would be the way to remedy the identified discrimination. This will enable eligible members, when they retire, to choose whether the final salary scheme or the CARE scheme would be better for them for the 'remedy period' between 1 April 2015 and 31 March 2022. The response also confirmed that the final salary schemes would close on 31 March 2022. An allowance was made for this judgement in the IAS19 disclosure at 31 March 2020. Calculations have been updated, as the figures for the previous accounting period assumed that all members who were previously members of a final salary scheme would be moved back into that scheme and any CARE scheme service since 1 April 2015 converted into final salary service. The final remedy will apply to those members that were in active service on or prior to 31 March 2012 and on or after 1 April 2015. These members are then to choose which scheme they are to accrue benefits in over the remedy period 1 April 2015 to 31 March 2022. From 1 April 2022 everyone will accrue benefits in the CARE scheme. The present value of benefits that would accrue over the remedy period under each member's final salary and CARE scheme have been estimated and it has been determined that the member would choose the scheme that had the highest present value. Where retirement dates differed early retirement factors were applied to the CARE benefits to bring them in line with the assumed retirement age of the final salary scheme. Where the member's final salary scheme retirement age is less than 55 it is assumed that the member would remain in the final salary scheme. The effect of this adjustment to the McCloud allowance is a very slight reduction to the overall liability.

Local Government Pension Scheme: The Scheme Advisory Board, with consent of the Ministry of Housing, Communities and Local Government (MHGLC), commissioned the Government Actuary's Department (GAD) to report on the possible impact of the McCloud/Sargeant judgments on LGPS liabilities, and in particular, those liabilities to be included in local authorities' accounts as at 31 March 2019. This followed an April 2019 CIPFA briefing note which said that local authorities should consider the materiality of the impact. This analysis was to be carried out on a 'worst-case' basis (i.e. what potential remedy would incur the highest increase in costs/liabilities). The results of this analysis are set out in GAD's report dated 10 June 2019.

Although GAD were asked to carry out their analysis on a 'worst-case' basis, there are a number of other potential outcomes to the case which would potentially inflict less cost to the Employer. For example, the solution proposed by the Government would only apply the underpin to all members who were active on 31 March 2012. This would have less impact than GAD's scenario (which also includes any new joiners from 1 April 2012). An allowance was made for this judgement in the IAS 19 disclosure at 31 March 2020 and, as there are no material differences between the approach underlying the estimated allowance and the proposed remedy, no further adjustments have been included in light of the proposed remedy.



Court of Justice of the European Union ruling in O'Brien Case

On 7 November 2018, the Court of Justice of the European Union (CJEU) ruled in favour of Mr O'Brien in a case concerning discrimination against part-time judges in the calculation of pensions. The ruling concluded that service prior to 7 April 2000 (the deadline for the Part-Time Workers Directive (PTWD) being transposed into UK law) must be taken into account under the PTWD for the purpose of calculating retirement pension.

In response to the judgement the Government has stated that those who have previously claimed under the PTWD would be entitled to a further remedy in respect of service prior to 7 April 2000. No allowance has been made in the IAS19 disclosure at 31 March 2021 as the remedy is yet to be agreed and there is a lack of historic data to make a reasonable estimate as to the cost of its impact.

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	57,663	58,982	60,332
Projected service cost	3,277	3,388	3,503
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	59,097	58,982	58,868
Projected service cost	3,390	3,388	3,387
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	60,204	58,982	57,787
Projected service cost	3,501	3,388	3,278
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year
Present value of total obligation	61,511	58,982	56,560
Projected service cost	3,533	3,388	3,249



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

Firefighter Pension Scheme		£000	£000	£000
Adjustment to discount rate		+0.1%	0.0%	-0.1%
	Present value of total obligation	405,086	412,714	420,504
	Projected service cost	8,882	9,200	9,528
Adjustment to long term salary increase		+0.1%	0.0%	-0.1%
	Present value of total obligation	413,580	412,714	411,855
	Projected service cost	9,242	9,200	9,159
Adjustment to pension increases and deferred revaluation		+0.1%	0.0%	-0.1%
	Present value of total obligation	419,570	412,714	405,997
	Projected service cost	9,488	9,200	8,922
Adjustment to life expectancy assumptions		+1 Year	None	-1 Year
	Present value of total obligation	433,737	412,714	392,742
	Projected service cost	9,641	9,200	8,777

Financial Assets and Liabilities – further details about the assumptions made and the potential impact can be found in 8.19.

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 – 37.8%

Buckinghamshire and Milton Keynes Authority – 32.7%

Oxfordshire County Council – 29.5%

The capital assets for the Joint Control are recognised as an equal third on the Balance Sheet.

8.33 Events after the Balance Sheet Date

The expected date for approval of the Authority's Accounts is 24 January 2022, due to lack of external auditor availability. 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 2021 the effects must be disclosed in the accounts.

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



8.34 Standards issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code. This applies to the adoption of the following or amended standards within the 2021/22 Code:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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

8.35 Contingent Assets

The Authority has instructed a third party to represent the Authority in respect of the legal action taken against an alleged truck cartel. The claim is focused on the difference between the price paid for such trucks and what would have been paid if the alleged cartel had not existed. At this stage the full value and quantum of any impact is unknown.

8.36 Contingent Liabilities

McCloud / Sargeant Pension Judgement – As the Authority works through all of the ramifications of the judgement there are likely to be further financial impacts. At this stage the full value and quantum of such impacts are unknown.



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

2019/20 £000		2020/21 £000
	Contributions Receivable:	
(3,766)	Employer Flat Rate Contributions	(3,783)
(22)	Employer Ill-Health Contributions	0
(1,688)	Employee Contributions	(1,694)
(2)	Transfers In	(298)
	Other income	
	Benefits Payable:	
8,363	Pensions	8,904
2,030	Commutations and Lump Sum Benefits	2,166
0	Transfers Out	201
407	Other payment	62
5,322	Top-up Grant Receivable	5,558

**iii Net Assets Statement**

31 March 2020 £000		31 March 2021 £000
714	Prepayment of April pension paid in March	719
2,097	Top-up Grant receivable from the Government	2,491
2,811	Total Assets	3,210
(2,811)	Amount owing to the General Fund	(3,210)
(2,811)	Total Liabilities	(3,210)
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 2020/21. 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.

Amortisation/ Amortise

The equivalent of depreciation when applied to intangible assets.

Appropriations

Amounts transferred to or from revenue or capital reserves.

Balance

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

Balance Sheet

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

Budget

A statement defining in financial terms the Authority's plans over a specific period.

The budget is prepared as part of the process of setting the precept.

Capital Adjustment Account

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

Capital Charge

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

Capital Expenditure

The acquisition of property, plant and equipment which will have a long-term value to the Authority, e.g. land, buildings, vehicles, IT hardware. Includes expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Financing Requirement

This measures the underlying need to borrow to finance capital expenditure. The methods of financing includes borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserve and earmarked reserves.

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.



Carrying Amount

Refers to the amounts that the Authority has on its books for an asset or liability, ie original cost less accumulated depreciation or amortisation or other adjustment.

CIES

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

The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

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.

Code of Practice on Local Authority Accounting (the Code)

This is the annual guidance issued by CIPFA that specifies the principles and accounting practices required to give a 'true and fair' view of the financial position, financial performance and cash flow of the Authority.

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.

The Collection Fund is the fund maintained by billing authorities that records income and expenditure relating to Council Tax

and Non-Domestic Rates (NDR) and illustrates the way in which these have been distributed to the Preceptors and the General Fund.

Commutation

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

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

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.



CPI (see also RPI)

Consumer Price Index – a key measure of inflation in the UK

Creditors

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

Current Assets

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

Current Liabilities

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

Debtors

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

Deferred Liability

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

Defined Benefits Scheme

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

Depreciation

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

Derecognition

The removal of a previously recognised financial asset or liability from the Balance Sheet following the transfer of an asset to a third party, expiry of contractual rights to an assets or otherwise disposal of an asset.

Expected Return on Pension Assets

For a funded defined benefits scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fair Value

Fair value is based on market value, as the price at which an asset could be exchanged in an arm's length transaction. 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.

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.

General Fund

The General Fund is the reserve held by the Authority of funds that are not earmarked for specific purposes.

Going Concern

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

Government Grants

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

Gross Expenditure

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

IAS

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

IFRS

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

Impairment

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

Intangible Assets

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

Interest Cost (Pensions)

For a defined pension scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investments (Pension Fund)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the



disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

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.

Liquid Resources

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market.

Long Term Borrowing

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

Materiality

The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

Medium Term Financial Plan

Budget plan for the Authority for the next three years, covering revenue and the financing of planned capital expenditure.

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.

National Non-Domestic Rates (NNDR)

Commonly referred to as business rates – this income is collected by the billing authorities and a proportion is paid over to the Authority.

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, where the ownership of the asset remains with the lessor.

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.

Pension Scheme Liabilities

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date.

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.

Prepayment

Where the authority pays for goods or services before they have been received, and amounts paid but not received at the end of the accounting period are shown in the Balance Sheet as prepayments.

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.

Public Works Loan Board (PWLb)

A Central Government Agency which provides loans for one year and above to authorities for capital projects.

Realised / Unrealised Gains

A realised gain is the capital gain that you make on an asset that you receive in the form of cash. An unrealised gain is an increase in the carrying value of an asset that has yet to be sold.

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 unrealised 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.

RPI

Retail Price Index – a measure of inflation in the UK. CPI excludes most owner occupier housing costs, while RPI includes mortgage interest payments and housing depreciation. RPI generally produces a higher inflation figure than CPI.

Surplus Asset

An asset that is not being used to deliver services, but does not meet the criteria to be classified as either an investment property or non-current asset held for sale

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

Voluntary Revenue Provision (VRP)

Any additional amounts charged to revenue for the repayment of debt that is in excess of the minimum revenue provision required by statute

