

# UNAUDITED STATEMENT OF ACCOUNTS 2021/22





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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.

<b>Bracknell Forest Borough Council</b>	<b>Slough Borough Council</b>
Colin Dudley	Harjinder Minhas
Tina McKenzie-Boyle	Avtar Cheema (From June 21)
Tricia Brown	Dexter Smith
	Christine Hulme (Until May 21)
<b>Reading Borough Council</b>	<b>The Royal Borough of Windsor &amp; Maidenhead</b>
Jo Lovelock	David Cannon
Jane Stanford-Beale	Christine Bateson
Paul Gittings	Simon Werner
<b>West Berkshire District Council</b>	<b>Wokingham Borough Council</b>
Jeff Brooks	Graham Howe (Until May 21)
Tony Linden	Ann Chadwick (From June 21 until January 22)
Dennis Benneyworth	Pauline Helliard-Symons
Garth Simpson	Angus Ross
	Alison Swaddle (From February 22)
	Rachelle Shepherd-DuBey

## 2. Officers of the Authority

Chief Fire Officer and Chief Executive – Wayne Bowcock

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 prevention, protection, and response services across the County of Berkshire. Twelve wholetime fire stations and five on-call fire stations cover 488 square miles from Langley in the East to Lambourn in the West. It serves a diverse cultural population of approximately 918,000, 24 hours a day, 365 days a year.

### 4.2 The Accounts

The Accounting Statements which follow form the Fire Authority's Statutory Accounts for the year ended 31 March 2022.

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

A description of the core financial statements is given below:

#### a) Movement in Reserves Statement

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

#### b) Comprehensive Income and Expenditure Statement

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



c) Balance Sheet

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

d) Cash Flow Statement

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

### 4.3 Revenue Spending

Revenue budgets and expenditure for 2021/22 are shown in the table below.



	Budget £000	Outturn £000	Variance £000
<b>Employees</b>			
STATIONS	16,858	17,019	161
NON-STATIONS	11,237	11,425	188
TRAINING	529	528	(1)
OTHER	264	278	14
	<b>28,888</b>	<b>29,250</b>	<b>362</b>
<b>Premises</b>			
REPAIRS & MAINTENANCE	738	815	77
RATES	920	649	(271)
CLEANING	249	266	17
UTILITIES	460	509	49
	<b>2,367</b>	<b>2,239</b>	<b>(128)</b>
<b>Supplies</b>			
INSURANCE	385	385	0
EQUIPMENT	575	586	11
IS EQUIPMENT & LICENCES	681	750	69
CLOTHING/PPE	336	314	(22)
COMMUNICATIONS	764	762	(2)
OCCUPATIONAL HEALTH	198	214	16
PRINT/STATIONERY/PUBLICATIONS/SUBSCRIPTIONS	139	138	(1)
COMMUNITY FIRE SAFETY SUPPLIES	151	99	(52)
SUPPLIES OTHER	199	180	(19)
	<b>3,428</b>	<b>3,428</b>	<b>0</b>
<b>Contracts</b>			
CONTRIBUTION TO TVFCS & COLLABORATION	911	925	14
LEGAL	50	122	72
CONTRACTS OTHER (incl. Professional Services)	721	690	(31)
	<b>1,682</b>	<b>1,737</b>	<b>55</b>
<b>Transport</b>			
VEHICLE RUNNING COSTS	698	688	(10)
TRAVEL	200	181	(19)
	<b>898</b>	<b>869</b>	<b>(29)</b>
<b>Pension</b>			
PENSIONS	331	479	148
<b>Income</b>			
GRANTS	(2,648)	(2,622)	26
RENTAL INCOME	(199)	(211)	(12)
TVFCS RECHARGE INCOME	(324)	(324)	0
INCOME OTHER	(355)	(476)	(121)
	<b>(3,526)</b>	<b>(3,633)</b>	<b>(107)</b>
<b>NET COST OF SERVICES</b>	<b>34,068</b>	<b>34,369</b>	<b>301</b>
DEBT CHARGES INTEREST	374	380	6
INVESTMENT INTEREST	(11)	(11)	0
<b>NET OPERATING EXPENDITURE</b>	<b>34,431</b>	<b>34,738</b>	<b>307</b>
REVENUE FUNDING OF CAPITAL	615	615	0
APPROPRIATION TO/(FROM) RESERVES	226	226	0
REVENUE PROVISION	620	620	0
REVERSAL OF ACCRUED HOLIDAY PAY	(84)	(84)	0
<b>NET EXPENDITURE</b>	<b>35,808</b>	<b>36,115</b>	<b>307</b>
GOV GRANTS/PRECEPTS/BUSINESS RATES	(35,779)	(36,075)	(296)
<b>(SURPLUS) / DEFICIT</b>	<b>29</b>	<b>40</b>	<b>11</b>



## Commentary on Revenue Outturn

The 2021/22 Revenue Budget agreed by Members in February 2021 was set on the basis that expenditure would exceed income by £29,000 (on a budget of £35.779m). This deficit was to be funded from reserves.

The actual revenue outturn for 2021/22 is a deficit of £40,000, to be funded from reserves – which is an addition of £11,000 from the budget setting position. Variances against individual revenue lines are explained below.

Whilst staffing salary budgets were set based on the Government position of a public sector pay freeze, the NJC subsequently agreed a grey book pay award of 1.5%, effective from 1 July 2021, which cost an additional £232,000. The final green book pay award of 1.75% backdated to 1 April 2021 cost an additional £129,000.

In relation to Station based employees, Covid has resulted in increased overtime both to cover sickness absences and to cover staff undertaking training to maintain operational competence. There was also additional overtime required to cover vacancies during the year. Set against these pay pressures, there were savings from the re-phasing of the Nucleus Crewing project and reduced costs as a result of lower overall availability on on-call stations.

As well as the unbudgeted pay awards, the other pressure in the Non-Station employee cost line related to the salary costs of new recruits while undergoing their training. This was £53,000 higher than expected as the budget was set for 14 recruits, and 18 were taken on.

Pressure on the Repairs and Maintenance expenditure line has led to costs exceeding the budget by £77,000. Major costs include roof repairs at four stations, a water leak at the training centre, chiller repairs at HQ and work on the extractor unit at the Firehouse.

On a more positive note, the Authority has been working with a property specialist to appeal business rate charges applied to our properties. This has proven to be successful and has resulted in rebates totalling £321,000 for 16 stations. £245,000 of this amount relates to previous years. Against these savings the business rates for the new station in Theale have been confirmed and the cost in 2021/22 was £53,000.

Over the year, we have been fortunate to benefit from hedging by our energy supplier meaning that utility cost rises have been relatively subdued. However, price rises have fed in during the final quarter of this financial year, and will increase further next year.

The IS Equipment & Licences line includes additional costs for the deployment of Microsoft Office 365, to enable flexible working, which was planned but was accelerated due to Covid.



There have been supply chain delays in meeting our clothing orders under the National Uniform Framework. Kent FRS are working with the supplier to resolve all issues which affect FRSs signed up to the framework agreement.

The Community Fire Safety Supplies line is underspent due to restrictions in the early part of the year on in-person Safe & Well visits due to Covid restrictions and latterly there have been supply delays for smoke detectors (particularly affected by the shortage of semiconductors).

Thames Valley Fire Control Service shows an adverse variance of £36,000, which is mainly due to the un-budgeted pay award. The Authority's share of this is £14,000.

There have been some additional one-off cost pressures in relation to legal fees, with costs exceeding the allocated budget by £70,000.

Cross border charges are £20,000 lower (under Contracts Other) and income is £102,000 higher than the budgeted amounts (under Income Other).

The Grants line is showing an adverse variance as the Home Office miscalculated the Firelink grant due to fire and rescue services. In our case, the Home Office paid us £47,000 too much in 2020/21, which is being recovered in the current year. This has been partly offset by additional small government grants received in the year.

Pension costs pressures continue to be seen as a result of the McCloud judgement. Based on the latest guidance, further provisions have been made to deal with future liabilities meaning that costs outstripped the budget by £148,000.

At the point of budget setting, there was uncertainty about the final level of funding the Authority would receive via the Berkshire unitary authorities, section 31 grants and the other council tax and business rates COVID related support measures that the Government implemented. In the event, the Authority received an additional £296,000.



## 4.4 Capital Programme

Capital expenditure in 2021/22 was £3.522 million, made up as follows:

### **Buildings £2,888,000**

The new Tri-Service Community Fire Station in Theale was completed for occupation in October 2021 - on schedule and within budget. Capital spend incurred in the final stages of the project in 2021/22, including accruals for retentions, amounted to £2,693,000.

Minor Capital Works at various stations were started during the year, with in-year spending of £195,000 - including the complete resurfacing of the drill yard at Slough Fire Station.

### **IT £91,000**

New hardware and licences for the telephone system amounted to £30,000. New tablets and replacement of hardware totalled £42,000. As a response to Covid-19, £15,000 has been spent in 2021/22 on video conferencing capabilities and equipment, with a grant provided by Central Government. £4,000 was spent on upgrading the IT helpdesk system.

### **Vehicles and equipment £543,000**

£394,000 was spent in 2021/22 on new fire engines. 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 Thames Valley fire and rescue services. £100,000 was also spent in year as part of the build of a smaller 4x4 fire appliance.

The first two vehicles in an upgrade to the white fleet have arrived in the year, at a cost of £43,000. The fleet upgrade will include hybrid and electric vehicles.

£6,000 was spent at the commencement of the breathing apparatus project which will be delivered in 2022/23.

### **Disposals**

During 2021/22, two sites at Wargrave and Pangbourne were sold, generating capital receipts of £400,000 and £830,000 respectively. The site at Dee Road was decommissioned and has been classified as an asset held for sale as at 31 March 2022.



## 4.5 Borrowing

All of the Fire Authority's loans are with the Public Works Loan Board and are used to fund capital expenditure. The Fire Authority repaid two loans on their maturity date in 2021/22 and took out two loans amounting to £5,000,000. Total debt increased to £10.922 million as at 31 March 2022.

## 4.6 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 Court of Appeal judgement on the McCloud and Sargeant cases has been reflected in the liability of both the Firefighter and Local Government Pension Schemes (LGPS).

Overall, pension liabilities are lower for both the Firefighter Pension Schemes and the LGPS at 31 March 2022 compared to a year earlier.

## 4.7 COVID-19

To ensure our Service continued to provide a swift and effective response to residents during the COVID-19 pandemic, we focused on key Response Measures which are reported on a quarterly basis. In an emergency incident, a swift response is vital to ensuring that we can help those in need. Therefore, we measure the percentage of occasions where the first fire engine arrives at an emergency incident within 10 minutes, from the time the emergency call was answered. As a Service we aim to have a fire engine on scene within 10 minutes on 75% of occasions. During 2021-2022, we have exceeded this target, responding within 10 minutes on 77.2% of occasions. This target has been achieved despite significant pressures on the workforce caused by the pandemic.

Crewing levels are also measured and reported on - both for wholetime and oncall frontline pumping appliances. With workforce sickness and absence high, this has impacted the number of shifts where there is adequate crewing on all of our appliances. To manage this, frequent meetings of the Critical Event Management Team (CEMT) and Response Support Group took place, monitoring sickness levels across the organisation in an effort to maintain adequate operational crewing levels.



To provide additional resilience to our wholetime appliances' availability, a number of our on-call staff have transferred into wholetime roles at our stations. A total of nine on-call firefighters completed the transfer. This increased wholetime appliance availability and provided them with an opportunity to gain more experience, but reduced on-call availability during the past year. During a challenging twelve months, the arrangements put in place helped ensure that residents continued to receive a swift and effective response at their time of need.

## 4.8 Fire Safety

The Authority continues to build on the foundations that have been put in place over the last few years in relation to its Protection work. As part of the Government's commitment in this area, it has provided specific grants to the Authority to build resilience and expertise.

The Protection function continues to work closely with building owners and Responsible Persons ensuring enforcement action is taken where appropriate. 97 buildings have been identified as needing further management due to cladding, internal compartmentation, or other fire safety concerns and Protection teams continue to ensure these risks are managed appropriately.

## 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, backed up by reinsurance for large losses. 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 £2.3 million.

#### 4.10 Going Concern Review

The concept of going concern assumes that an 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 authorities cannot be created or dissolved without statutory prescription. If an authority were in financial difficulty alternative arrangements might be made by central Government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for the Authority's financial statements to be provided on anything other than a going concern basis of accounting.

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, pay and price inflation and wider cost pressures. Since 2010, as part of its efforts to reduce the size of the national budget deficit, the Government has made significant reductions to its funding for fire and rescue services. The Authority's ability to offset reductions to Government funding and mitigate the impact of the cost pressures described has also been constrained by the imposition of Council tax referendum limits, which have previously restricted the ability to influence and increase funding streams. During 2021/22 the Government gave the lowest eight precepting fire and rescue authorities (FRAs) the flexibility to increase their band D precept by £5 in 2022/23 should they wish to, without the need to hold a referendum. This is to assist these FRAs, which included Berkshire, in addressing immediate pressures and to maintain a sustainable income baseline for future years. The precept flexibility granted generated an additional £1.3m in 2022/23.

A direct consequence of COVID-19 has been the reduction in Council tax and business rate income streams. Central Government have introduced a number of preventative schemes and protective arrangements to assist Authorities in the maintenance of this income. These include the ability to phase deficits over three years, with the Government also funding 75% of irrecoverable collection fund losses due to COVID-19.

Throughout COVID-19 and the period since, the Authority has constantly monitored the workforce and recorded the impact on operational cover. This information is



regularly reviewed and collated, with forecasting work ongoing to ensure that services can be maintained. Workforce planning meetings are regularly held, which focus on expected staffing displacements. This intelligence is used as a planning tool for future recruitment campaigns and the associated financial impact.

The Authority also continues to monitor key supply chains and liaises regularly with contractors to ensure that the availability of required products / services is maintained, or alternative arrangements are put in place to ensure provision. The Authority completes regular financial checks on its suppliers to ensure their ability to provide the required goods / services.

The cashflow position for the Authority is monitored daily, focusing on maintaining the availability of cash on a short-term / immediate basis. This is to ensure that the Authority can proactively manage any unforeseen events and maintain payments to staff and suppliers to protect services.

The Authority delivers services which are essential to the communities it serves and those essential services will continue to be delivered. However, given the uncertain economic backdrop, 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.

The Authority thereby concludes that it is appropriate to prepare the financial statements on a going concern basis and that the Authority's functions and services will continue in operational existence for the next 12 months, from the date of the audit report. This is based on the Authority's ability to set a balanced budget and the cashflow forecasting position.

#### 4.11 Looking to the Future

At the time of setting the 2022/23 Budget the Authority did not face any immediate funding issues due to the £5 increase in the precept as well as one-off additional Government support. However, one of the main assumptions when setting the budget was a pay award of 2.5% for staff in 2022/23. The rapid rise in the rate of inflation will impact pay negotiations which in turn could result in major impacts on the budget. Looking further ahead, the funding position for 2023/24 and beyond is uncertain, whilst the demands on the Service continue to grow. During 2022/23, the Authority will review and update its Corporate Risk Management Plan, its Strategic Asset Investment Plan and its Efficiency Plan.

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 2021/22 and was prepared in accordance with the accounting policies in section 8.2.

Conor Byrne

Head of Finance and Procurement

29 July 2022



## **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 2021/22

	Notes	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance as at 1 April 2021</b>		2,267	9,921	0	0	12,188	(420,425)	(408,237)
<b>Movement in Reserves during 2021/22</b>								
Total Comprehensive Income and Expenditure	7.2	(14,622)	0	0	0	(14,622)	40,977	26,355
Adjustments between accounting basis and funding basis under regulations	8.3	13,303	0	0	0	13,303	(13,303)	0
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>		<b>(1,319)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,319)</b>	<b>27,674</b>	<b>26,355</b>
Transfers to / from Earmarked Reserves	8.4	1,319	(1,319)	0	0	0	0	0
<b>Increase / (Decrease) in the year</b>		<b>0</b>	<b>(1,319)</b>	<b>0</b>	<b>0</b>	<b>(1,319)</b>	<b>27,674</b>	<b>26,355</b>
<b>Balance as at 31 March 2022</b>		<b>2,267</b>	<b>8,602</b>	<b>0</b>	<b>0</b>	<b>10,869</b>	<b>(392,751)</b>	<b>(381,882)</b>



## Movement in 2020/21

	Notes	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance as at 1 April 2020</b>		<b>2,267</b>	<b>6,684</b>	<b>0</b>	<b>0</b>	<b>8,951</b>	<b>(333,106)</b>	<b>(324,155)</b>
<b>Movement in Reserves during 2020/21</b>								
Total Comprehensive Income and Expenditure	7.2	(6,173)	0	0	0	(6,173)	(77,922)	(84,095)
Adjustments between accounting basis and funding basis under regulations	8.3	9,410	0	0	0	9,410	(9,397)	13
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>		<b>3,237</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,237</b>	<b>(87,319)</b>	<b>(84,082)</b>
Transfers to / from Earmarked Reserves	8.4	(3,237)	3,237	0	0	0	0	0
<b>Increase / (Decrease) in the year</b>		<b>(0)</b>	<b>3,237</b>	<b>0</b>	<b>0</b>	<b>3,237</b>	<b>(87,319)</b>	<b>(84,082)</b>
<b>Balance as at 31 March 2021</b>		<b>2,267</b>	<b>9,921</b>	<b>0</b>	<b>0</b>	<b>12,188</b>	<b>(420,425)</b>	<b>(408,237)</b>



## 7.2 Comprehensive Income and Expenditure Statement

2020/21					2021/22		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
34,107	0	34,107	Employees		39,005	0	39,005
3,910	0	3,910	Premises		8,439	0	8,439
3,615	0	3,615	Supplies		3,705	0	3,705
685	0	685	Contracts		810	0	810
970	0	970	Transport		869	0	869
0	(5,242)	(5,242)	Income		0	(4,830)	(4,830)
<b>43,287</b>	<b>(5,242)</b>	<b>38,045</b>	<b>Net Cost of Services</b>	<b>8.1</b>	<b>52,828</b>	<b>(4,830)</b>	<b>47,998</b>
		(6)	Other operating expenditure	8.7			(900)
		8,672	Financing and Investment Income and Expenditure	8.8			9,432
		(40,538)	Taxation and Non-Specific Grant Income	8.9			(41,908)
		<b>6,173</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>8.6</b>			<b>14,622</b>
		(505)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	8.31 i			(7,406)
		78,427	Actuarial (gains) / losses on pension assets / liabilities	8.31 iii			(33,571)
		<b>77,922</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(40,977)</b>
		<b>84,095</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(26,355)</b>



### 7.3 Balance Sheet

2020/21 £000		Notes	2021/22 £000
36,978	Property, Plant & Equipment	8.16	35,281
845	Investment Property	8.17	582
183	Intangible Assets	8.18	124
587	Long Term Investments	8.21	412
<b>38,593</b>	<b>Long Term Assets</b>		<b>36,399</b>
2,042	Short Term Investments	8.21	2,275
0	Assets Held for Sale	8.19	6,067
57	Inventories	8.23	53
10,220	Short Term Debtors	8.24	9,133
1,930	Cash and Cash Equivalents	8.25	4,276
<b>14,249</b>	<b>Current Assets</b>		<b>21,804</b>
0	Short Term Borrowing	8.21	(2,000)
(8,232)	Short Term Creditors	8.26	(6,638)
(205)	Short Term Provisions - holiday pay	8.31 v	(289)
(644)	Short Term Provisions	8.27	(577)
<b>(9,081)</b>	<b>Current Liabilities</b>		<b>(9,504)</b>
(7,092)	Long Term Borrowing	8.21	(8,922)
0	Long Term Provisions	8.27	(228)
(444,906)	Pension Liability	8.29 iii	(421,431)
<b>(451,998)</b>	<b>Long Term Liabilities</b>		<b>(430,581)</b>
<b>(408,237)</b>	<b>Net Assets (Liabilities)</b>		<b>(381,882)</b>
12,188	Usable Reserves	8.30	10,869
(420,425)	Unusable Reserves	8.31	(392,751)
<b>(408,237)</b>	<b>Total Reserves</b>		<b>(381,882)</b>



## 7.4 Cash Flow Statement

2020/21 £000		2021/22 £000
	<b>Cash Outflows from operating activities:</b>	
(23,115)	Employment costs	(23,785)
(12,840)	Pension costs	(13,311)
(392)	Interest paid	(380)
(8,650)	Other operating costs	(8,495)
<b>(44,997)</b>	<b>Total Cash Outflows</b>	<b>(45,971)</b>
	<b>Cash Inflows from operating activities:</b>	
35,398	Precepts and General Government Grants	36,074
5,164	Pension top-up grant	6,009
9	Interest received	1
5,156	Other operating income	5,204
<b>45,727</b>	<b>Total Cash Inflows</b>	<b>47,288</b>
<b>730</b>	<b>Net cashflows from operating activities</b>	<b>1,317</b>
(5,679)	Purchase of property, plant and equipment, investment property and intangible assets	(4,079)
6,341	Purchase of short-term and long-term investments	(39)
9	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,317
<b>671</b>	<b>Net cash outflows from investing activities</b>	<b>(2,801)</b>
(1,750)	Repayments of short- and long-term borrowing	(1,170)
0	Cash receipts of short- and long-term borrowing	5,000
<b>(1,750)</b>	<b>Net cash flows from financing activities</b>	<b>3,830</b>
<b>(349)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>2,346</b>
2,279	Cash and cash equivalents at the beginning of the reporting period	1,930
<b>1,930</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>4,276</b>



## 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.



2020/21				2021/22		
Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
30,306	3,801	34,107	Employees	31,108	7,897	39,005
2,558	1,352	3,910	Premises	2,238	6,201	8,439
3,615	0	3,615	Supplies	3,705	0	3,705
685	0	685	Contracts	810	0	810
970	0	970	Transport	869	0	869
369	(369)	0	Pensions	479	(479)	0
(5,253)	11	(5,242)	Income	(4,841)	11	(4,830)
<b>33,250</b>	<b>4,795</b>	<b>38,045</b>	<b>Net Cost of Services</b>	<b>34,368</b>	<b>13,630</b>	<b>47,998</b>
(36,487)	4,615	(31,872)	Other Income and Expenditure	(33,049)	(327)	(33,376)
<b>(3,237)</b>	<b>9,410</b>	<b>6,173</b>	<b>(Surplus) or Deficit</b>	<b>1,319</b>	<b>13,303</b>	<b>14,622</b>
(8,951)			Opening General Fund Balance including Earmarked Reserves	(12,188)		
(3,237)			Less/Plus (Surplus) / Deficit on General Fund in Year	1,319		
<b>(12,188)</b>			<b>Closing General Fund Balance including Earmarked Reserves at 31 March</b>	<b>(10,869)</b>		



## 8.2 Accounting Policies

### i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22, 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 where 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 31<sup>st</sup> March 2022 for all stations other than Theale, 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
2021/22	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Charges for depreciation and impairment and valuation losses of non-current assets	6,074			(6,074)
Movements in the fair value of Investment Properties	263			(263)
Amortisation of intangible assets	93			(93)
Adjustment to carrying value of Assets for Resale	33			(33)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	417			(417)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Statutory Provision for the repayment of debt - (MRP & VRP)	(620)			620
Revenue contribution to finance capital	(615)			615
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Use of capital receipts reserve to finance capital expenditure		(1,317)		1,317
Transfer of proceeds from sale of assets to CIES	(1,317)	1,317		0



<b>Adjustments primarily involving the Pension Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES	21,605			(21,605)
Employer's pensions contributions and direct payments to pensioners payable in the year	(5,377)			5,377
Gain in relation to government grant payable to the Pension Fund on the Authority's behalf	(6,132)			6,132
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which CT and NNDR income credited to the CIES is different from statutory requirements	(1,205)			1,205
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
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	84			(84)
<b>Total Adjustments</b>	<b>13,303</b>	<b>0</b>	<b>0</b>	<b>(13,303)</b>



	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2020/21	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>				
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)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	3			(3)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Statutory Provision for the repayment of debt - (MRP & VRP)	(412)			412
Revenue contribution to finance capital	(600)			600
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
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		0
<b>Adjustments primarily involving the Pension Reserve:</b>				



Reversal of items relating to retirement benefits debited or credited to the CIES	17,165			(17,165)
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
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which CT and NNDR income credited to the CIES is different from statutory requirements	2,879			(2,879)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
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)
<b>Total Adjustments</b>	<b>9,410</b>	<b>0</b>	<b>(13)</b>	<b>(9,397)</b>



## 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 2021/22.

	Balance at 1 April 2021 £000	Net transfers In / (Out) £000	Balance at 31 March 2022 £000	Purpose
Budget Carry Forward Reserve	869	(333)	536	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	586	51	637	To replace IT assets
Grants Received in Advance	708	272	980	The unspent balance of grants
COVID-19	176	(97)	79	Funding received to help meet additional costs associated with the COVID-19 pandemic
75% Compensation for Collection Fund losses	369	(369)	0	To offset COVID-19 related deficits on the collection fund
Section 31 Grants to offset business rate relief	2,093	(1,135)	958	To offset COVID-19 related deficits on the collection fund
Vacancy Reserve	65	0	65	To offset fluctuations in employee numbers
Budget Contingency Reserve	1,230	(41)	1,189	To offset future cuts in Government funding
Transition Fund	568	333	901	To support new ways of working
Development Fund	3,195	0	3,195	To fund capital projects
<b>Total</b>	<b>9,921</b>	<b>(1,319)</b>	<b>8,602</b>	



Comparative movement in 2020/21

	<b>Balance at 1 April 2020 £000</b>	<b>Net transfers In / (Out) £000</b>	<b>Balance at 31 March 2021 £000</b>	<b>Purpose</b>
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 on the collection fund
Section 31 Grants to offset business rate relief	0	2,093	2,093	To offset COVID-19 related deficits on the collection fund
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
<b>Total</b>	<b>6,684</b>	<b>3,237</b>	<b>9,921</b>	



### 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 2021/22

<b>Adjustments to General Fund to arrive at the Comprehensive Income and Expenditure Statements amounts</b>	<b>Adjustments for Capital Purposes</b>	<b>Net Change for Pension Adjustments</b>	<b>Other Differences</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Employees		7,897		7,897
Premises	6,201			6,201
Supplies				0
Contracts				0
Transport				0
Pensions		(479)		(479)
Income			11	11
<b>Net Cost of Services</b>	<b>6,201</b>	<b>7,418</b>	<b>11</b>	<b>13,630</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(1,872)	2,677	(1,132)	(327)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or Deficit on the Provision of Services</b>	<b>4,329</b>	<b>10,095</b>	<b>(1,121)</b>	<b>13,303</b>



## Adjustments between Funding and Accounting Basis 2020/21

<b>Adjustments to General Fund to arrive at the Comprehensive Income and Expenditure Statements amounts</b>	<b>Adjustments for Capital Purposes</b>	<b>Net Change for Pension Adjustments</b>	<b>Other Differences</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Employees		3,801		3,801
Premises	1,352			1,352
Supplies				0
Contracts				0
Transport				0
Pensions		(369)		(369)
Income			11	11
<b>Net Cost of Services</b>	<b>1,352</b>	<b>3,432</b>	<b>11</b>	<b>4,795</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(1,055)	2,794	2,876	4,615
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or Deficit on the Provision of Services</b>	<b>297</b>	<b>6,226</b>	<b>2,887</b>	<b>9,410</b>



## **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 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:

2020/21		2021/22
£000	Expenditure / Income	£000
	Expenditure:	
42,458	Employee benefit expenses	47,815
7,829	Other services expenses	7,622
1,352	Depreciation, Amortisation and Impairment	6,463
392	Interest payments	380
(6)	Loss (Gain) on the disposal of assets & investments	(900)
<b>52,025</b>	<b>Total Expenditure</b>	<b>61,380</b>
	Income:	
(5,292)	Fees, charges and other service income	(4,830)
(23)	Interest and investment income	(21)
(27,294)	Income from council tax and non domestic rates	(29,339)
(13,243)	Government grants and contributions	(12,569)
<b>(45,852)</b>	<b>Total Income</b>	<b>(46,758)</b>
<b>6,173</b>	<b>Surplus or Deficit on the Provision of Services</b>	<b>14,622</b>

### 8.7 Other Operating Expenditure

2020/21		2021/22
£000		£000
(6)	(Profit) / loss on the disposal of assets	(900)
<b>(6)</b>	<b>Total</b>	<b>(900)</b>



## 8.8 Financing and Investment Income and Expenditure

<b>2020/21 £000</b>		<b>2021/22 £000</b>
392	Interest payable and similar charges	380
8,352	Pensions interest cost and expected return on pensions assets	8,810
(23)	Interest receivable and similar income	(10)
(49)	Income and expenditure in relation to investment properties and changes in their fair value	252
<b>8,672</b>	<b>Total</b>	<b>9,432</b>

## 8.9 Taxation and Non Specific Grant Incomes

<b>2020/21 £000</b>		<b>2021/22 £000</b>
(23,634)	Council Tax Income	(24,299)
(3,661)	Non Domestic Rates Income	(5,040)
(5,223)	General Government Grants	(5,534)
(369)	75% Compensation for Collection Fund losses	54
(2,093)	S31 Compensation for Expansion of Business Rate Relief	(956)
(5,558)	Gain in relation to Government grant and other contributions payable to the Pension Fund on the Authority's behalf	(6,133)
<b>(40,538)</b>	<b>Total</b>	<b>(41,908)</b>



## 8.10 Grant Income

○

2020/21 £000		2021/22 £000
	Credited to Taxation and Non Specific Grant Income:	
574	NNDR grants	603
<b>574</b>	<b>Total</b>	<b>603</b>
	Credited to Service:	
1,663	Fire Pensions	1,663
880	COVID-19 Pandemic	56
10	New Risks	10
384	Firelink	345
27	New Dimensions	27
8	Transparency Grant	8
64	Grenfell Infrastructure Funding	0
60	Building Risk Review Programme	0
65	Protection Uplift Programme	0
0	Protection Grant	134
41	Pension Admin Funding	37
0	Redmond Review - Local Audit Fees Grant	13
0	ESMCP	300
<b>3,202</b>	<b>Total</b>	<b>2,593</b>

○

## 8.11 Material Items of Income and Expense

During 2021/22 two sites at Wargrave and Pangbourne were sold, generating capital receipts of £400,000 and £830,000 respectively. The gains on disposal are included in note 8.7.

The site at Dee Road was decommissioned and has been classified as an asset held for sale as at 31 March 2022 (see note 8.19).

## 8.12 Members' Allowances

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

2020/21 £000		2021/22 £000
95	Allowances	96
0	Expenses	1
<b>95</b>	<b>Total</b>	<b>97</b>



### 8.13 Officers' Remuneration

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

2020/21 Number of employees	Remuneration band	2021/22 Number of employees
12	50,000 - 54,999	19
14	55,000 - 59,999	12
8	60,000 - 64,999	10
5	65,000 - 69,999	3
3	70,000 - 74,999	8
0	75,000 - 79,999	1
1	80,000 - 84,999	1
1	85,000 - 89,999	0
<b>44</b>	<b>Total</b>	<b>54</b>

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 2021/22	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 to 19 July 2021	50,102	0	1,698	51,800	14,429	66,229
Chief Fire Officer - Wayne Bowcock from 6 June 2021	126,420	0	-	126,420	36,409	162,829
Acting Deputy Chief Executive to 30 November 2021 then Deputy Chief Executive / Director of Corporate Services from 1 December 2021	120,546	0	0	120,546	16,218	136,764
Deputy Chief Fire Officer - to 19 May 2021	19,466	16	0	19,482	7,261	26,743
Acting Deputy Chief Fire Officer to 5 January 2022 then Deputy Chief Fire Officer / Director of Operations and Collaboration from 6 January 2022	131,166	0	5,615	136,781	35,987	172,768
Assistant Chief Fire Officer to 20 December 2021	76,449	11	3,634	80,094	15,787	95,881
Director of Corporate Services to 30 November 2021	64,182	0	0	64,182	8,749	72,931
Head of Finance and Procurement	86,689	0	0	86,689	11,703	98,392
<b>Total</b>	<b>675,020</b>	<b>27</b>	<b>10,947</b>	<b>685,994</b>	<b>146,543</b>	<b>832,537</b>



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	-	6,349	167,107	46,874	213,981
Acting Deputy Chief Executive - from 25 January 2021	21,937	-	-	21,937	2,962	24,899
Deputy Chief Fire Officer	139,553	39	4,401	143,992	55,975	199,967
Acting Deputy Chief Fire Officer - from 25 January 2021	23,344	-	810	24,154	6,266	30,420
Assistant Chief Fire Officer until 24 January 2021	104,299	-	3,570	107,868	27,673	135,541
Assistant Chief Fire Officer from 25 January 2021	19,639	-	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
<b>Total</b>	<b>653,499</b>	<b>39</b>	<b>15,961</b>	<b>669,499</b>	<b>168,618</b>	<b>838,117</b>



### 8.14 Exit Packages and Termination Benefits

Exit Package Cost Band	Number of compulsory redundancies		Number of other departures		Total Number		Total Cost (£)	
	20/21	21/22	20/21	21/22	20/21	21/22	20/21	21/22
£0-£20,000	3	4	0	0	3	4	4,797	7,383
<b>Total cost included in bandings and in the CIES</b>	<b>3</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>4</b>	<b>4,797</b>	<b>7,383</b>

### 8.15 External Audit Costs

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

2020/21 £000		2021/22 £000
26	Fees payable with regard to external audit services carried out by the appointed auditor for the year	26
0	Fees payable with regard to external audit services carried out by the appointed auditor for prior years	17
<b>26</b>	<b>Total</b>	<b>43</b>



## 8.16 Property, Plant and Equipment

### i Movement on Balances

Movements in property, plant and equipment for 2021/22 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 2021	34,602	13,942	89	6,767	55,400
Additions	2,847	494		146	3,487
Revaluation increases / (decreases) recognised in the revaluation reserve	7,406				7,406
Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	(3,820)				(3,820)
Derecognition-disposals	(340)	(913)	(89)		(1,342)
Derecognition-Other	(6,100)				(6,100)
Other movements in cost or valuation	6,019	673		(6,692)	0
<b>at 31 March 2022</b>	<b>40,614</b>	<b>14,196</b>	<b>0</b>	<b>221</b>	<b>55,031</b>
Accumulated Depreciation and Impairment					
At 1 April 2021	(8,055)	(10,364)	(2)		(18,421)
Depreciation Charge	(809)	(1,445)			(2,254)
Derecognition-disposals	11	912	2		925
<b>at 31 March 2022</b>	<b>(8,853)</b>	<b>(10,897)</b>	<b>0</b>	<b>0</b>	<b>(19,750)</b>
Net Book Value					
<b>at 31 March 2021</b>	<b>26,547</b>	<b>3,578</b>	<b>87</b>	<b>6,767</b>	<b>36,979</b>
<b>at 31 March 2022</b>	<b>31,761</b>	<b>3,299</b>	<b>0</b>	<b>221</b>	<b>35,281</b>



Comparative movements in 2020/21

	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		3,282	47,717
Additions	320	1,043		5,102	6,465
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
<b>at 31 March 2021</b>	<b>34,602</b>	<b>13,942</b>	<b>89</b>	<b>6,767</b>	<b>55,400</b>
Accumulated Depreciation and Impairment					
At 1 April 2020	(7,367)	(9,114)			(16,481)
Depreciation Charge	(688)	(1,300)	(2)		(1,990)
Derecognition-disposals		50			50
<b>at 31 March 2021</b>	<b>(8,055)</b>	<b>(10,364)</b>	<b>(2)</b>	<b>0</b>	<b>(18,421)</b>
Net Book Value					
<b>at 1 April 2020</b>	<b>25,174</b>	<b>2,780</b>	<b>0</b>	<b>3,282</b>	<b>31,236</b>
<b>at 31 March 2021</b>	<b>26,547</b>	<b>3,578</b>	<b>0</b>	<b>6,767</b>	<b>36,979</b>

**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 2022, the Authority had outstanding commitments of £54,000 relating to premises building projects under the Minor Capital Works Project on various stations. The Authority also had commitments of £453,000 in relation to IT projects and £520,000 for the Breathing Apparatus replacement project.

### iv Fixed Asset Valuation

The Authority's freehold properties were valued on 31 March 2022 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 2021 and International Financial Reporting Standards (IFRS)-based Code of Practice on Local Authority Accounting (the "Code") published by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Financial Reporting Standard applicable for Local Authorities.

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

- Property, Plant and Equipment: that the property would be sold as part of the continuing business.
- Investment property: that the property would be sold subject to any existing leases without alteration or modification of the terms.

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

- Comparable recent market transactions on arm's length terms.
- 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.

## 8.17 Investment Properties

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



2020/21 £000		2021/22 £000
(11)	Rental income from investment property	(11)
<b>(11)</b>	<b>Net (Gain) / Loss</b>	<b>(11)</b>

The three investment properties were valued at 31 March 2022 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 £582,000.

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 (with value of £357,000) 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:

2020/21 £000		2021/22 £000
807	Balance at start of the year	845
38	Revaluation	(263)
0	Transfer from / (to) property, plant & equipment	0
<b>845</b>	<b>Balance at end of the year</b>	<b>582</b>

### Fair value Hierarchy

Details of the Authority's investment properties and information about the fair value hierarchy as at 31 March 2022 are shown below.

Fair Value as at 31 March 2021 (Level 2) £000	Recurring Fair Value Measurement using:	Fair Value as at 31 March 2022 (Level 2) £000
0	Land	0
845	Building	582
<b>845</b>	<b>Total</b>	<b>582</b>



## 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.

## 8.18 Movement of Intangible Fixed Assets

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

2020/21		2021/22
£000		£000
262	Balance as start of the year:	183
49	Additions	34
(128)	Amortisation for the period	(93)
<b>183</b>	<b>Net carrying amount at end of year</b>	<b>124</b>



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

### 8.19 Assets held for Sale

At 31st March 2022 the Fire Station and property at Dee Road had been decommissioned and is shown as the revalued amount less cost to sell. The sale was completed on 31st May 2022.

2020/21 £000		2021/22 £000
0	Balance at start of the year	0
0	Transfer from property, plant & equipment	6,067
<b>0</b>	<b>Balance at end of the year</b>	<b>6,067</b>

### 8.20 Capital Expenditure and Financing

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

	2020/21 £000	2021/22 £000
Opening Capital Financing Requirement	5,022	10,500
<b>Capital investment:</b>		
Property, Plant and Equipment	6,512	3,522
<b>Sources of Finance:</b>		
Capital Receipts	(9)	(1,317)
Revenue Funding including MRP & VRP	(1,025)	(1,235)
<b>Closing Capital Financing Requirement</b>	<b>10,500</b>	<b>11,470</b>
<b>Explanation of Movements in the Year</b>		
Increase / (Decrease) in the underlying need to borrow	5,478	970
<b>Increase / (Decrease) in Capital Financing Requirement</b>	<b>5,478</b>	<b>970</b>

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.



	2022/23	2023/24	2024/25
	£000	£000	£000
Property	414	2,000	6,500
Fleet, Equipment & Minor Works	2,379	685	960
ICT	1,368	623	907
<b>Total</b>	<b>4,161</b>	<b>3,308</b>	<b>8,367</b>

## 8.21 Financial Instruments

### i Categories of Financial Instruments

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

	Non-Current		Current	
	20/21	21/22	20/21	21/22
	£000	£000	£000	£000
<b>Financial Assets</b>				
Investments - Amortised Cost	587	412	2,042	2,275
Trade Debtors - Amortised Cost			123	13
<b>Total Financial Assets</b>	<b>587</b>	<b>412</b>	<b>2,165</b>	<b>2,288</b>
<b>Financial Liabilities</b>				
Borrowing - Amortised Cost	(7,092)	(8,922)	0	(2,000)
Trade Creditors - Amortised Cost			(1,881)	(1,183)
<b>Total Financial Liabilities</b>	<b>(7,092)</b>	<b>(8,922)</b>	<b>(1,881)</b>	<b>(3,183)</b>



## ii Income, Expense, Gains and Losses

	2020/21			2021/22		
	Financial Liabilities measured at amortised cost	Financial Assets measured at amortised cost	Total	Financial Liabilities measured at amortised cost	Financial Assets measured at amortised cost	Total
	£000	£000	£000	£000	£000	£000
Interest expenses	(392)		(392)	(380)		(380)
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(392)</b>		<b>(392)</b>	<b>(380)</b>		<b>(380)</b>
Interest income		23	23		10	10
<b>Total income in Surplus or Deficit on the Provision of Services</b>		<b>23</b>	<b>23</b>		<b>10</b>	<b>10</b>
<b>Net gain/(loss) for the year</b>	<b>(392)</b>	<b>23</b>	<b>(369)</b>	<b>(380)</b>	<b>10</b>	<b>(370)</b>

## 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 2021		31 March 2022	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB debt	(7,092)	(9,378)	(10,922)	(12,874)
Trade creditors	(1,881)	(1,881)	(1,183)	(1,183)
<b>Total Financial Liabilities</b>	<b>(8,973)</b>	<b>(11,259)</b>	<b>(12,105)</b>	<b>(14,057)</b>
Non-current Investments	587	587	412	412
Current Investments	2,042	2,042	2,275	2,275
Trade debtors	123	123	13	13
<b>Total Financial Assets</b>	<b>2,752</b>	<b>2,752</b>	<b>2,700</b>	<b>2,700</b>

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.



## 8.22 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 17 February 2021 and is available on the Authority website.



The key issues within the strategy were:

- The Authorised Limit for 2021/22 was set at £18.331 million. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £12.930 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 2021/22 was approved by Full Authority on 17 February 2021 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 £2,687,000 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 2022 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 2022 £000	Historical experience of default %	Adjustment for market conditions at 31 March 2022 %	Estimated maximum exposure at 31 March 2022 £000	Estimated maximum exposure at 31 March 2021 £000
	(a)	(b)	(c)	(a * c)	
Trade debtors (not including statutory debtors – Authority Tax/NNDR)	13	5%	5%	1	6
<b>Total</b>					

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 2022 £000	31 March 2022 %
UK	2,687	100.00%
<b>Total</b>	<b>2,687</b>	<b>100.00%</b>

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

31 March 2021 £000		31 March 2022 £000
123	Less than three months	13
0	Three to six months	0
0	Six months to one year	0
0	More than one year	0
<b>123</b>	<b>Total</b>	<b>13</b>

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:

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£000</b>		<b>£000</b>
2,042	Less than one year	2,275
170	Between one and two years	0
0	Between two and three years	0
417	More than three years	412
<b>2,629</b>	<b>Total</b>	<b>2,687</b>

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 2021	Actual 31 Mar 2022
	%	%	£000	£000
Less than one year	50%	0%	1,170	2,000
Between one and two years	50%	0%	0	0
Between two and five years	25%	0%	394	394
Between five and ten years	40%	0%	3,378	3,378
More than ten years	100%	0%	2,150	5,150
<b>Total</b>			<b>7,092</b>	<b>10,922</b>



## 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	(27)
Impact on (Income) and Expenditure Account	(27)
Decrease in fair value of fixed rate borrowings liabilities (no impact on Consolidated Income and Expenditure Account)	1,238



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.

### 8.23 Inventories

31 March 2021 £000	Consumable Stores	31 March 2022 £000
47	Balance outstanding at start of year	57
129	Purchases	176
(119)	Recognised as an expense in the year	(180)
<b>57</b>	<b>Balance outstanding at year-end</b>	<b>53</b>

### 8.24 Debtors and Prepayments

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

31 March 2021 £000		31 March 2022 £000
2,927	Central Government	2,901
5,882	Local Authorities	4,749
123	Other Entities and individuals	13
1,288	Prepayments	1,470
<b>10,220</b>	<b>Total</b>	<b>9,133</b>



## 8.25 Cash and Cash Equivalents

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

31 March 2021 £000		31 March 2022 £000
3	Cash held by the Authority	0
1,927	Bank current accounts	4,276
<b>1,930</b>	<b>Total Cash and Cash Equivalents</b>	<b>4,276</b>

## 8.26 Creditors and Income in Advance

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

31 March 2021 £000		31 March 2022 £000
(970)	Central Government	(967)
(5,292)	Local Authorities	(4,417)
(1,881)	Other Entities and individuals	(1,183)
(89)	Income received in advance	(71)
<b>(8,232)</b>	<b>Total</b>	<b>(6,638)</b>

## 8.27 Provisions

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

	Business Rates Appeals £000	Pensions Liabilities £000	TOTAL £000
Balance at 1 April 2021	(568)	(76)	(644)
Movement in year	(9)	(152)	(161)
<b>Balance at 31 March 2022</b>	<b>(577)</b>	<b>(228)</b>	<b>(805)</b>

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 £577,000.



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, £228,000 has been recognised as a provision within the accounts.

## 8.28 Leases

### i Authority as Lessee

#### Operating Leases

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

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

31 March 2021 £000		31 March 2022 £000
1	Not later than one year	25
0	Later than one year and not later than five years	11
<b>1</b>		<b>36</b>

### 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 2021 £000		31 March 2022 £000
201	Not later than one year	200
620	Later than one year and not later than five years	613
1,060	Later than five years	1,033
<b>1,881</b>		<b>1,846</b>



## 8.29 Pensions Costs

### i Participation in Pension Schemes

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

The Authority participates in five pension schemes:

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

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

### ii Transactions Relating to Post-employment Benefits

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

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



	Local Government Pension Scheme		Fire-fighters Pension Scheme	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Service cost comprising:				
- current service cost	2,203	3,526	6,550	9,184
- past service cost			60	85
-administration costs	14	26		
Financing and Investment Income and Expenditure				
Net interest expense	431	631	7,907	8,153
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,648</b>	<b>4,183</b>	<b>14,517</b>	<b>17,422</b>
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
- Return on plan assets ( excluding the amount included in the net interest expense)	(2,411)	(3,203)		
- Actuarial gains and losses arising on the changes in demographic assumptions	(466)		(6,544)	(10,921)
- Actuarial gains and losses arising on the changes in financial assumptions	15,237	(3,903)	79,137	(16,485)
- Experience loss or gain on defined benefit obligation	(558)	129	(5,968)	812
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>14,450</b>	<b>(2,794)</b>	<b>81,142</b>	<b>(9,172)</b>
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	(2,648)	(4,183)	(14,517)	(17,422)
	<b>(2,648)</b>	<b>(4,183)</b>	<b>(14,517)</b>	<b>(17,422)</b>
Actual Amount Charged against the General Fund Balance for pensions in the year:				
- employer's contributions payable to scheme	1,229	1,281		
- Retirement benefits payable to pensioners			9,807	10,243
- net transfers			(97)	(15)
Government grant payable to the Pension Fund on behalf of the Authority			(5,558)	(6,132)
	<b>1,229</b>	<b>1,281</b>	<b>4,152</b>	<b>4,096</b>



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	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
Opening balance at 1 April	41,991	58,982	341,282	412,714
Current Service Cost	2,203	3,526	6,550	9,184
Interest Cost	982	1,175	7,907	8,153
Contributions by Scheme Participants	450	474	1,694	1,725
- Actuarial (gains)/losses arising from changes in demographic assumptions	(466)		(6,544)	(10,921)
- Actuarial (gains)/losses arising from changes in financial assumptions	15,237	(3,903)	79,137	(16,485)
- Experience loss or gain on defined benefit obligation	(558)	129	(5,968)	812
Past Service Cost			60	85
Benefits paid	(857)	(919)	(11,501)	(11,968)
Net transfers			97	15
<b>Closing balance at 31 March</b>	<b>58,982</b>	<b>59,464</b>	<b>412,714</b>	<b>393,314</b>

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

2020/21 £000	Local Government Pension Scheme	2021/22 £000
23,020	Opening fair value of scheme assets at 1 April	26,790
551	Interest income	544
2,411	- The return on plan assets, excluding the amount included in the net interest expense	3,203
(14)	- Administration costs	(26)
1,229	Contributions from employers	1,281
450	Contributions from employees into the scheme	474
(857)	Benefits paid	(919)
<b>26,790</b>	<b>Closing fair value of scheme assets at 31 March</b>	<b>31,347</b>

**iii Pension Assets and Liabilities Recognised in the Balance Sheet**

	Local Government Pension Scheme		Fire-fighters Pension Schemes	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
Present value of the defined benefit obligation	58,982	59,464	412,714	393,314
Fair value of plan assets	(26,790)	(31,347)	0	0
<b>Net liability arising from defined benefit obligation</b>	<b>32,192</b>	<b>28,117</b>	<b>412,714</b>	<b>393,314</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £421.431 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 £381.882 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 £5.241 million in expected contributions to the schemes in 2022/2023.



**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	
	2020/21	2021/22	2020/21	2021/22
Mortality Assumptions:				
Longevity (at age 65 for LGPS members and at age 60 for Firefighter Scheme members) for current pensioners:				
- Men	21.2	21.3	25.0	25.1
- Women	23.9	24.0	27.5	27.6
Longevity (at age 65 for LGPS members and at age 60 for Firefighter Scheme members) for future pensioners:				
- Men	22.5	22.6	26.0	26.1
- Women	25.4	25.4	28.7	28.7
Rate of RPI	3.20%	3.50%	3.20%	3.55%
Rate of CPI	2.85%	3.20%	2.80%	3.20%
Rate of increase in salaries	3.85%	4.20%	3.80%	4.20%
Rate of increase in pensions	2.85%	3.20%	2.80%	3.20%
Rate for discounting liabilities	2.00%	2.60%	2.00%	2.60%
Take-up of option to convert annual pension into retirement lump sum	0.50	0.50	0.50	1.00

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



2020/21 £000		2021/22 £000
1,222	<b>Cash and Cash Equivalents</b>	655
4,374	<b>Other Bonds</b>	5,069
16,050	<b>Equity instruments:</b>	19,453
3,316	<b>Property</b>	3,750
	<b>Target Return Assets</b>	
1,101	- another pooled Unit Trust investment	93
	<b>Infrastructure</b>	
2,189	- overseas investments	3,836
(1,462)	<b>Longevity Insurance</b>	(1,509)
<b>26,790</b>	<b>Total Assets</b>	<b>31,347</b>

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

### 8.30 Usable Reserves

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

### 8.31 Unusable Reserves

31 March 2021 £000		31 March 2022 £000
4,554	Revaluation Reserve	11,661
22,948	Capital Adjustment Account	18,919
(444,906)	Pension Reserve	(421,431)
(2,816)	Collection Fund Adjustment Account	(1,611)
(205)	Accumulated Absences Account	(289)
<b>(420,425)</b>	<b>Total Unusable Reserves</b>	<b>(392,751)</b>



## 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.

2020/21 £000		2021/22 £000
4,199	Balance as at 1 April	4,554
505	Upward / (downward) revaluation of assets not charged to the Surplus or Deficit on the Provision of Services	7,406
0	Amount written off to the capital adjustment account on disposals	(106)
0	Asset for Resale COS estimate adjustment	(33)
(150)	Difference between fair value depreciation and historic cost depreciation	(160)
<b>4,554</b>	<b>Balance as at 31 March</b>	<b>11,661</b>

## 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.

2020/21 £000		2021/22 £000
23,081	Balance at 1 April	22,948
	<b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>	
(1,990)	Charges for depreciation and impairment of non-current assets	(2,254)
766	Revaluation (losses) gains on Property, Plant and Equipment	(3,820)
(128)	Amortisation of intangible assets	(93)
(3)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(417)
<b>21,726</b>		<b>16,364</b>
150	Adjusting amounts written out of the Revaluation Reserve	265
<b>21,876</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>16,630</b>
	<b>Capital financing applied in the year:</b>	
9	Use of the Capital Receipts Reserve to finance new capital expenditure	1,317
13	Application of grants to capital financing from the capital grants receipt in advance	0
412	Statutory provision for the financing of capital investment charges against the General Fund	620
600	Capital expenditure charged against the General Fund	615
<b>1,034</b>		<b>2,552</b>
38	Movements in the market value of Investment Properties debited or credited to the CIES	(263)
<b>22,948</b>	<b>Balance at 31 March</b>	<b>18,919</b>



### 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.

<b>2020/21 £000</b>		<b>2021/22 £000</b>
(360,253)	Balance at 1 April	(444,906)
(78,427)	Actuarial gains or (losses) on pensions assets and liabilities	33,571
(17,165)	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	(21,605)
10,939	Employer's pensions contributions and direct payments to pensioners payable in the year	11,509
<b>(444,906)</b>	<b>Balance at 31 March</b>	<b>(421,431)</b>

**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.

<b>2020/21 £000</b>		<b>2021/22 £000</b>
63	Balance at 1 April	(2,816)
(2,879)	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	1,205
<b>(2,816)</b>	<b>Balance at 31 March</b>	<b>(1,611)</b>

**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.

<b>2020/21 £000</b>		<b>2021/22 £000</b>
(196)	Balance at 1 April	(205)
196	Settlement or cancellation of accrual made at the end of the preceding year	205
(205)	Amounts accrued at the end of the current year	(289)
<b>(205)</b>	<b>Balance at 31 March</b>	<b>(289)</b>



## 8.32 Related Parties

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

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates and prescribes the terms of many of the transactions that the Authority has with other parties. It also provided direct financial support to the Authority in 2021/22.

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 2021/22 on the Authority's share of the assets was £42,000 resulting in a net book value of £40,000 at 31 March 2022. The revenue cost of running TVFCS during 2021/22 was £2,446,000 with the Authority's share amounting to £925,000.

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 2022 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.

### 8.33 Critical Judgements in Applying Accounting Policies

In applying the accounting policies as set out in 8.2, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of 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.
- 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.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2022 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 2022, except the new station in Theale where a full valuation was completed. Valuations are dependent on a number of assumptions including the property market at the point of valuation. The net book value of land and buildings at 31 March 2022 was £31,761,000. An alteration to the assumptions made and a subsequent 1% change in that valuation would lead to a movement of £318,000. 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 £68,000 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.

#### McCloud / Sergeant case

The Public Service Pensions and Judicial Offices Act came into force in March 2022. The Act consolidates the information which has been issued to date and formalises the ruling by the court (McCloud / Sargeant case), forming the proposal for how the government will remove the discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members. The implications of the remedy in the McCloud/Sargeant judgement on transitional protection are reflected in the pension valuations as at 31 March 2022. However, there is a potential additional liability in relation to compensation that may be claimed by scheme members but a judgement in this area is still awaited.

Changes in employer contribution rates were due to be implemented from April 2023, but the implementation of the McCloud remedy reforms, delayed completion of the 2016 valuation process, and the review of the cost control mechanism means that this has now been delayed until April 2024.

#### Matthews / O'Brien Case

The Government has confirmed that FRAs will be required to undertake an options exercise in 2023, allowing in-scope individuals the opportunity to purchase pension entitlement as a special member of the NFPS 2006. No allowance has been made in the IAS19 disclosure at 31 March 2022, as it has yet to be determined how FRAs should undertake any calculations where the data is now unlikely to be available, which also means that it is not currently possible to make a reasonable estimate as to the potential cost impact.



The sensitivities regarding the principal assumptions used to measure pension scheme liabilities are set out below.

Local Government Pension Scheme	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	58,142	59,464	60,817
Projected service cost	3,315	3,429	3,545
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	59,573	59,464	59,356
Projected service cost	3,431	3,429	3,427
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	60,699	59,464	58,256
Projected service cost	3,545	3,429	3,317
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year
Present value of total obligation	61,908	59,464	57,120
Projected service cost	3,572	3,429	3,291

Firefighter Pension Scheme	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	386,053	393,314	400,729
Projected service cost	6,726	7,027	7,338
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	394,242	393,314	392,394
Projected service cost	7,031	7,027	7,022
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	399,751	393,314	387,008
Projected service cost	7,336	7,027	6,729
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year
Present value of total obligation	412,898	393,314	374,690
Projected service cost	7,369	7,027	6,697



Financial Assets and Liabilities – further details about the assumptions made and the potential impact can be found in 8.21.

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.

### 8.35 Events after the Balance Sheet Date

The Authority's Accounts are due to be approved prior to 30<sup>th</sup> November 2022. 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 2022 the effects must be disclosed in the accounts.

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

### 8.36 Standards issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 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 2022/23 Code:

- Annual Improvements to IFRS Standards 2018-2020. The annual IFRS improvement programme notes 4 changed standards:
  - o IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
  - o IAS 37 (Onerous contracts) – clarifies the intention of the standard
  - o IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the code material
  - o IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances



- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

It is not anticipated that the above amendments will have a material impact on the information provided in the financial statements. The scheduled implementation of IFRS 16 Leases has been deferred until 1 April 2024 (will form part of the 2024/25 code) and therefore the impact of this is not reflected in the financial statements.

### 8.37 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.

On the 15<sup>th</sup> December 2021 there was a large residential fire in Reading. The Authority, in collaboration with Reading Borough Council and Thames Valley Police, have submitted a claim to the properties insurers to recover the additional costs incurred. The outcome is currently unknown.

### 8.38 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

2020/21 £000		2021/22 £000
	<b>Contributions Receivable:</b>	
(3,783)	Employer Flat Rate Contributions	(3,769)
0	Employer Ill-Health Contributions	
(1,694)	Employee Contributions	(1,725)
(298)	Transfers In	(15)
	Other income	
	<b>Benefits Payable:</b>	
8,904	Pensions	8,990
2,166	Commutations and Lump Sum Benefits	2,185
201	Transfers Out	0
62	Other payment	466
<b>5,558</b>	<b>Top-up Grant Receivable</b>	<b>6,132</b>

**iii Net Assets Statement**

<b>31 March 2021</b> <b>£000</b>		<b>31 March 2022</b> <b>£000</b>
719	Prepayment of April pension paid in March	774
2,491	Top-up Grant receivable from the Government	2,517
<b>3,210</b>	<b>Total Assets</b>	<b>3,291</b>
(3,210)	Amount owing to the General Fund	(3,291)
<b>(3,210)</b>	<b>Total Liabilities</b>	<b>(3,291)</b>
<b>0</b>	<b>Net Assets</b>	<b>0</b>

It should be noted that the Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 2021/22. 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 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 revenue spending.



### **Carrying Amount**

Refers to the amounts that the Authority has on its books for an asset or liability, i.e. 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 records the way in which these have been distributed to preceptors.

### **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.



### **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.

### **Non-Domestic Rates (NDR)**

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 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 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 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 fund expenditure. Unusable reserves are generated from unrealised gains and are not available to support expenditure.

## **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 a Government grant to support 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. 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.

