

# Hereford & Worcester Fire Authority

## Statement of Accounts

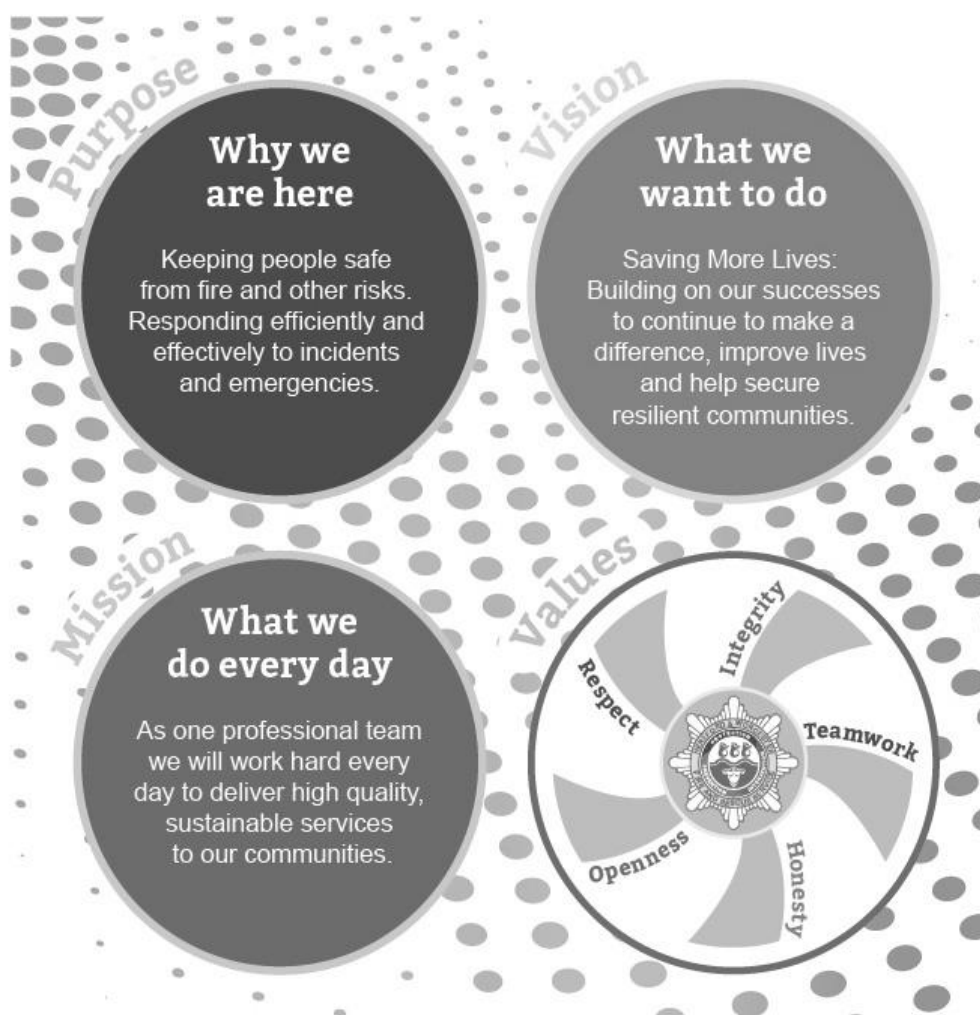
### 2020/21

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## NARRATIVE REPORT

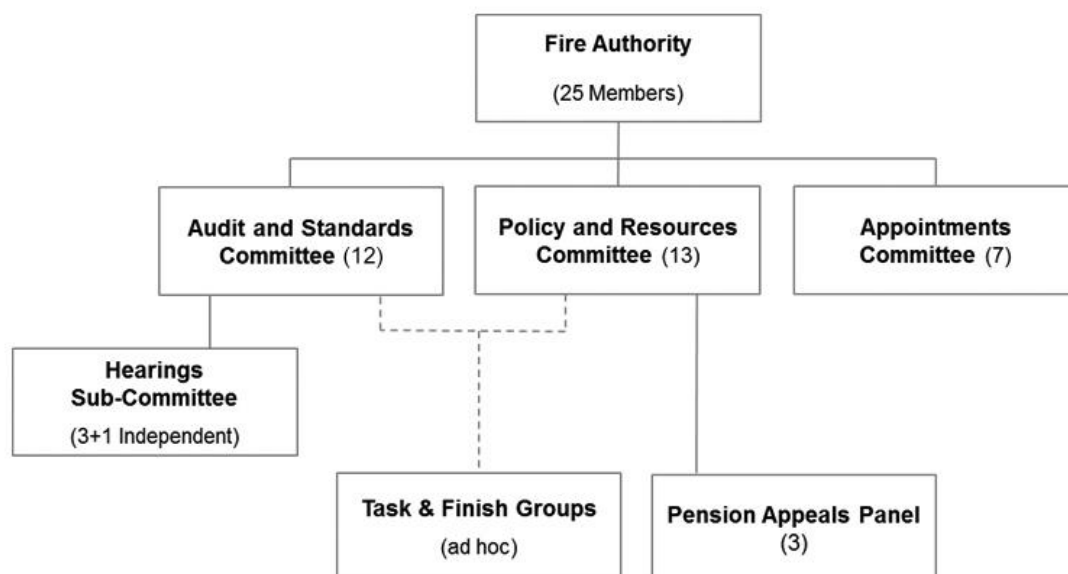
1. Originally formed as an independent corporate body, as a result of Local Government Reorganisation, on 1 April 1998, Hereford & Worcester Fire Authority (the Authority) is now constituted under the Fire and Rescue Services Act 2004. The Authority sets its own budget requirement, receives a share of Retained Business Rates, Business Rate Support Grant and Revenue Support Grant, and issues its own Council Tax Precept.
2. Under the provisions of the Policing and Crime Act 2017, the Police and Crime Commissioner (PCC) may submit a business case to the Home Secretary for the PCC to take over governance of the Fire Authority. Currently there is no business case being considered by the Home Secretary.
3. The Service covers the whole of Herefordshire and Worcestershire, an area of around 1,500 square miles (392,000 hectares) and a resident population of about three-quarters of a million people (788,587 – ONS mid-2019 population estimate). Of these, three in four live in Worcestershire, with around 101,222 people living in the city of Worcester. Herefordshire is more sparsely populated with a largely rural population, about a third of whom (63,783 people) live in the city of Hereford.



4. Our Strategy is the Service's overall statement of intent. With safety firmly at its heart, the statement has a clear core purpose built on strong foundations linked by three driving principles: firefighter safety, community safety and delivery of quality services. It relies on all parts of the service – from frontline firefighting to support staff and community safety volunteers – working together to deliver services and plans.

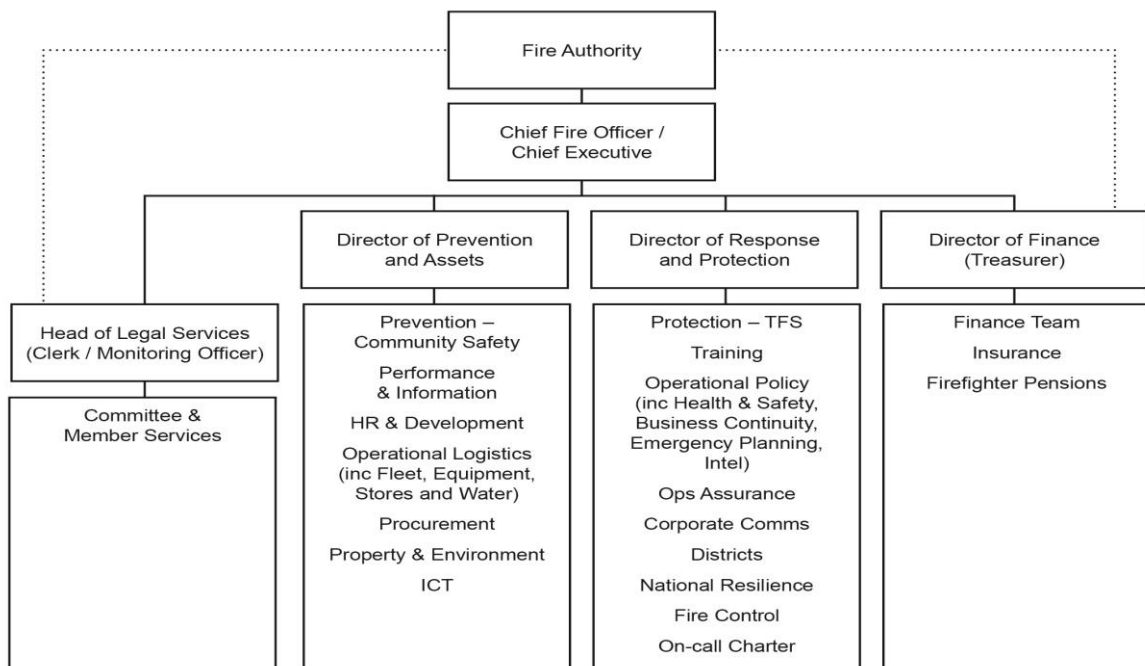
### The Fire Authority

5. Hereford & Worcester Fire Authority is the governing body of the Fire and Rescue Service and is the legal entity responsible for carrying out duties as set out in the Fire and Rescue Services Act 2004, in relation to fire prevention, fire safety, firefighting and rescues (including from road traffic collisions and other emergencies such as flooding). It is made up of 25 local councillors, six appointed by Herefordshire Council and 19 by Worcestershire County Council. Since October 2016 the Fire Authority has also included the West Mercia Police and Crime Commissioner in a non-voting capacity.
6. The Authority currently carries out its duties by directly employing operational and other staff as Hereford and Worcester Fire and Rescue Service.
7. The Authority sets the budget and approves the overall strategic direction for the Service. It also appoints the Chief Fire Officer, Treasurer, Monitoring Officer and Deputy Chief Fire Officer and makes sure the Service has the right people, equipment and training to deliver their services effectively and efficiently in the best interests of the communities of Herefordshire and Worcestershire.
8. The Fire Authority normally meets four times a year and is supported by three committees as shown in the structure chart below. All meetings are open to the public, unless there is a reason that any individual matters under discussion need to remain confidential. Members of the Authority are also kept up to date on fire and rescue matters through an annual programme of seminars, workshops and visits to fire stations and other facilities.



## The Fire and Rescue Service

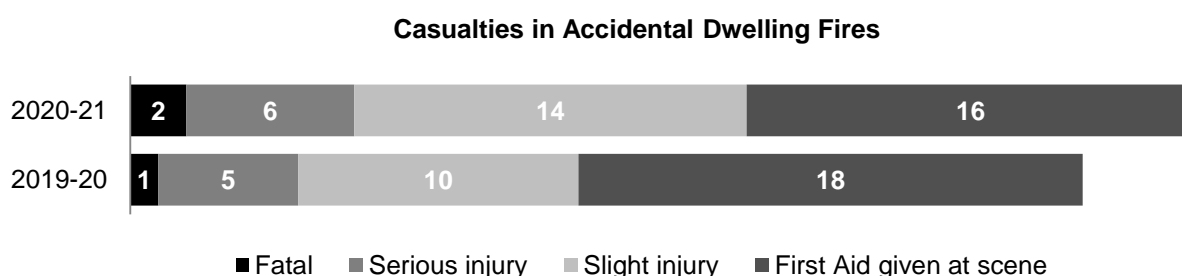
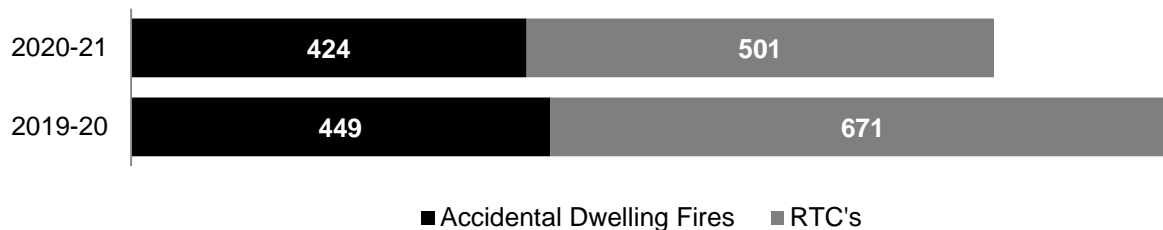
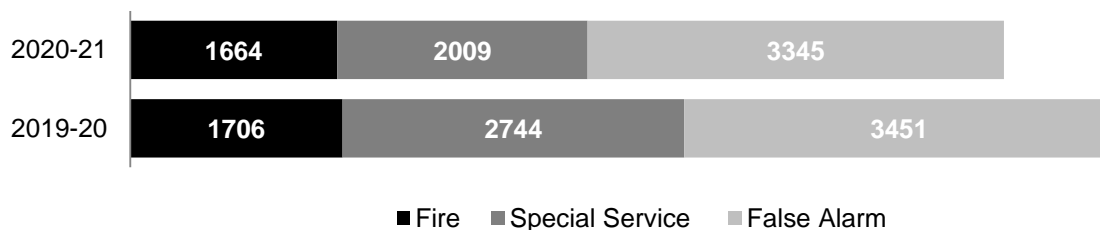
9. The Service is led by the Chief Fire Officer/Chief Executive with the support of the Senior Management Board. The Service employs 783 full-time and part-time staff, most of whom are highly trained firefighters (approximately 84 per cent of the total workforce).
10. In addition to Service Headquarters at Hindlip Hall, in Worcester, there are 25 fire stations across the two counties, a training centre, stores/workshops and a number of locally based training facilities.
11. The Service is structured into three directorates – Service Delivery, Service Support, and Finance. Most staff are directly involved in providing prevention, protection, response and resilience services. These services are designed to keep the communities of Herefordshire and Worcestershire as safe as possible by working with local people, organisations and business to try to make sure emergency incidents don't happen in the first place, as well as by being able to respond quickly and effectively to any emergencies that do happen. These essential services are supported by a wide range of organisational support services such as financial, personnel and legal management functions. The full range of services is shown in the chart below:



## Our Performance

12. In 2020/21, the service received 11,281 emergency calls to a wide range of incidents including property and countryside fires, road traffic collisions, water and animal rescues, collapsed structures and dealing with hazardous substances. In all we attended 7,018 incidents (7,901 incidents in 2019/20), about 135 a week. This represents an overall annual decrease of 883 incidents over the previous year, though the majority is accounted for by a 26.8% decline in Special Service incidents attended during the year. Analysis shows that most of this decrease occurred due to the extensive flooding in 2019/20. Recently introduced policies regarding assisting other agencies, such as West Mercia Police and the Ambulance Service, and weather conditions are now two major factors influencing the number of type of incidents attended.

13. For the first time since 2016/17 the total number of incidents attended by the service has not followed the continually increasing pattern. Fires, special services and false alarms all decreased during 2020/21. False Alarms continue to be the largest proportion of incidents, representing almost one in every two incidents (47.7%), this represents an actual reduction in the number of false alarms attended a slight decrease of 3.1% on last year. There has been a decrease (2.5%) in the number of fires attended during the year. The Service continues to work with businesses to reduce the number of automated false alarms, including working with occupiers to identify where false alarm activations are by repeat offenders. Fire Control Officers also challenge reports of alarms activating to assess whether the activation is false or not, and can quickly pass on information to attending crews.
14. In terms of potential life risk incidents the Service attended 424 accidental dwelling fires in the two counties during 2020/21. This was a 5.6 per cent decrease compared with the previous year. Unfortunately, two people died in house fires. While any death is a tragedy, the figures remain low given the relative size of the population. Injuries and fatalities in accidental dwelling fires represent approx. 4.6 casualties per 100,000 population. The Service also attended 501 road traffic collisions in 2020/21, 170 less than the previous year.



### Collaboration and the Policing and Crime Act 2017

15. The Policing and Crime Act 2017 contains a wide range of measures, including a statutory duty on the fire and rescue service to work collaboratively with their local Police and Ambulance Services. The introduction of this statutory duty aims to improve efficiency and effectiveness through better local accountability and an improved service for communities as well as savings for taxpayers.

16. It should be noted that there was already a high degree of collaboration between this authority and West Mercia Police.

### **The Accounting Statements**

17. The Statement of Accounts that follows covers the Authority's financial year ending 31 March 2021. The accounts, which are prepared in accordance with International Financial Reporting Standards (IFRS) as guided by the CIPFA Code of Practice on Local Authority Accounting 2020/21, comprise a group of Core Financial Statements:
- Comprehensive Income & Expenditure Statement (CIES)
  - Movement in Reserves Statement (MiRS)
  - Balance Sheet
  - Cash Flow Statement
  - Notes to the Core Statements
18. In addition there is a Supplementary Financial Statement in respect of the Firefighters' Pension Account.
19. The purpose of the Core Financial Statements is as below:

#### **Comprehensive Income and Expenditure Statement (CIES)**

- This 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.
- The Authority raises taxation to cover expenditure in accordance with statutory regulation; this may be different to the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

#### **Movement in Reserves Statement (MiRS)**

- This shows the movement in the year on the different reserves held by the Authority, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.
- The Surplus (or Deficit) on the Provision of Services Line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income & Expenditure Statement (CIES).
- These are different to the statutory amounts required to be charged to the General Fund Balance for grant and Council Tax setting purposes.
- The Net Increase/Decrease before Transfers to Ear-marked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves.

#### **Balance Sheet**

- This shows the value as at the balance sheet date of assets and liabilities recognised by the Authority.
- The net assets of the Authority (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories.
- The first category of reserves are "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 (e.g. the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).
- The second category is those that the Authority is not able to use to provide services. This category of reserves included those that hold unrealised gains and losses (e.g. 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".

## Cash-flow Statement

- This 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 current taxation and grant income.
- 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 to the Authority (i.e. those from whom long term borrowing is taken).

## Expenditure and Funding Analysis

- This shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.
- The statement shows how expenditure is allocated for decision making purposes between the Authority's reporting areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully on the Comprehensive Income and Expenditure Statement.

20. The accounting policies adopted by the Authority comply with the relevant recommended accounting practice. The Authority's policies are explained fully in the Statement of Accounting Policies which is set out on pages 16-25.
21. The Authority's spending is planned and controlled by a process which includes regular reporting to the Service's management team and the Authority's Policy and Resources Committee.

## Revenue Budget and Expenditure

22. The Authority's main funding sources are Council Tax, Non-Domestic Rate income and various Government grants which are used to fund the Authority's revenue budget.
23. At the start of 2020/21 the budget was set at £36.121m with expected funding of £35.707m and a planned use of £0.414m of reserves.
24. The budget was set before the full impact of Covid was anticipated and during the year there were significant shifts in expenditure. Additional spending on cleaning and protective products was offset by savings in training costs (*as training was reduced to essentials in order to reduce the risk of cross-infection of operational crews and consequent impacts on appliance availability*) and fuel/travel costs. In addition government paid a special grant of £0.750m, part of which will be used to offset future reductions in council tax and business rates as the longer term economic effects of Covid are felt
25. Whilst the Service was heavily involved with the Local Resilience Forum (LRF) in planning and preparation for supporting other Agencies, this was not called upon as much as in other areas of the country, and that support that was provided was from core costs where normal activity was curtailed.
26. The expenditure outturn for 2020/21 was £35.405m (an underspend of £0.716m), but the funding out-turn was £37.421m (£1.714m better). A summary of the revenue budget and the final outturn is shown in the table below.

	<b>Budget £m</b>	<b>Out-turn £m</b>	<b>Variance £m</b>
Employee Costs	24.854	24.533	(0.321)
Running Costs	8.138	7.947	(0.191)
Provisional Sums	0.285	0.000	(0.285)
Capital Financing Costs	2.844	2.925	0.081
Expenditure	36.121	35.405	(0.716)
Special Grants	(1.025)	(2.333)	(1.308)
Funding Grants	(7.118)	(7.116)	0.002
Business Rates & Grants	(3.002)	(3.410)	(0.408)
Council Tax	(24.562)	(24.562)	0.000
Funding	(35.707)	(37.421)	(1.714)
Net	0.414	(2.016)	(2.430)
To/(From) Reserves	(0.414)	2.015	2.429
	(0.000)	(0.001)	(0.001)

27. The out-turn position results in a transfer of £2.015m to reserves rather than a transfer of £0.414m from reserves, a net change of £2.429m.
28. The principle areas of variation, which explain £2.400m of the £2.429m total, are outlined below:

Expenditure:

**-£0.400m** – Employers pension contributions. It was assumed that the settlement of the age discrimination case would come early enough for the higher charges of the 1992 pension scheme to be required from April 2020. The Home Office later confirmed that this would not be required until April 2022 at the earliest

**-£0.285m** – provision had been made for the July 2017 pay award to be increased from the 1% paid on account to the 2% originally offered but rejected. It is now clear that this award is now regarded as settled at 1%

Both of these items have been adjusted in the 2021/22 and subsequent budgets

Funding:

**+£0.763m** – Special Covid Grant paid on a formula basis to cover any additional costs of Covid. As referred to above this will be largely used to cover future (temporary) reductions in tax yields

**+£0.390m** – Retained Business Rate Income. The Authority joined the Worcestershire Rates Pool in 2020/21, principally to help keep rate income within Worcestershire and not payable to the Treasury. The intention was that the Authority would be no worse off than it would have been outside the Pool, but the distribution method adopted by the partners resulted in an unexpected one-off gain.

**+£0.242m** – Special (Protection) Grants provided to increase protection capability – which it is planned to use over the next two years

**+£0.146m** – Taxation Income Guarantee Grant – part of governments financial support for taxation losses over the next three years, paid early



**+£0.054m** – Pensions Administration Grant – another grant paid early to cover additional pension administration costs to deal with settlement of the age discrimination case.

**+£0.120m** – miscellaneous other grants

29. As a consequence of the net underspending £2.015m was approved to be taken to reserves by the Fire Authority on 17<sup>th</sup> June 2021. At the same meeting the Authority agreed a review and reallocation of these reserves to be better utilised to support priorities and the net movement in reserves is shown in the table

<b>Future Expenditure Reserves</b>	<b>£m</b>
to ICT Replacements Reserve	1.200
to Organizational Excellence Reserve	1.040
to On Call Recruitment Reserve	1.000
to Capital Projects Reserve	0.900
from Pay Award Reserve	(0.837)
from ESMCP Reserve	(0.500)
to Sustainability Reserve	0.310
to C&C Reserve	0.260
to Protection Grants Reserve	0.201
from Fire Alliance Reserve	(0.188)
from DCP Change Reserve	(0.164)
to Property Maintenance Reserve	0.152
to Development Reserve	0.073
to Pensions Reserve	0.054
from Safety Initiatives Reserve	(0.048)
from Broadway Reserve	(0.019)
from Fire Prevention Reserve	(0.011)
from Equipment Reserve	(0.001)
	<b>3.422</b>
<b>Budget Reduction Reserves</b>	
from Budget Reduction Reserve	(2.154)
to Budget Reduction (Covid) Reserve	0.602
to Tax Income Guarantee Grant Reserve	0.146
	<b>(1.406)</b>
	<b>2.016</b>

:

### **General Reserve**

30. The general reserve stood at £1.538m at 31<sup>st</sup> March 2021, this figure remains unchanged at 31<sup>st</sup> March 2021, following planned usage of £0.300m in 2019/20.

### **Going Concern**

31. Hereford and Worcester Fire Authority continue to closely monitor the impact of the wider economy on its operations by reacting to reducing finance settlements in recent years and reviewing the levels of operational workforce to ensure it is in line with the Community Risk Management Plan.
32. The Authority's Auditors, Grant Thornton UK LLP, have reported that they are satisfied with the Management's assessment that the going concern basis was appropriate for the 2020/21 financial statements, and the Director of Finance's expectation is that this will continue for the

foreseeable future. Using reserves the Authority has a balanced budget for the whole of the Medium Financial Plan Period and robust and deliverable plans for a balanced budget going forward. The legislative potential for a replacement of the Fire Authority by a Police, Fire and Crime Commissioner does not affect this assumption as in that there would be a successor body taking on all the assets and liabilities of the Fire Authority.

## Covid 19 Pandemic

33. The current Covid 19 pandemic began to affect most countries in the world during the first quarter of 2020 and the United Kingdom went into lockdown in March 2020. Service delivery and support functions have continued and the Service has provided assistance to other agencies where required.

The impact of the pandemic on the Service going forward is unknown but there are number of areas for consideration in the next financial year:

- **Provision of service** – response plans ensuring continuation of operational activities and close collaboration with cross agency working have been implemented.
- **Workforce** – this includes continued safety of operational staff and working remotely for other staff where possible. Health and wellbeing of employees is paramount and individual circumstances must also be taken into account.
- **Supply Chains** – use of existing suppliers as well as sourcing of new markets to ensure continued provision of personal protective equipment and other essential equipment, and to assist, as far as reasonable, the sustainability of the key supplier.
- **Financial management and cash flow** – the potential issue around income from constituent authorities has been reviewed and there is no immediate cause for concern. Government grants have been paid to local authorities early to ensure that funds are available for continuation of service and grants of £0.690m have been paid to the Fire Authority for Covid 19 related expenditure. The Authority does not receive significant income from fees and charges and has not experienced a loss of income. Reserves are also available for use if funds in excess of grant provision are required.
- **Future financial issues** – Potential reductions in business rates and council tax receipts to constituent authorities will indirectly affect the Authority through reduced collection fund balances and council tax bases. The costs borne by central government to support businesses and individuals through the pandemic must also be considered when reviewing possible settlements in 2021/22 and into the medium term.  
Although the existing approved Medium Term Financial Plan is already based on uncertainty, the report considered by Policy & Resources Committee in September 2020 demonstrates that the Authority (subject to other things remaining unchanged) is able to contain these potential costs from reserves prudently held for such unforeseen events. The impact on the underlying uncertainties will need to be considered but there is at present no need for immediate and significant changes.
- **Restoration of service** – a phased approach will be taken to restore the functions of the service following the pandemic. There has been a reduction in prevention and protection activity, but those most at risk have been supported as normal, and throughout the period the Service has maintained a full response capability. Key areas will include the resuming of training, full prevention and protection activities, recruitment of staff and the return of office based functions to Service buildings,

where this is appropriate, or to take advantage of some of the benefits of more agile working.

### **Firefighters' Pensions**

34. Since 1 April 2006 Firefighters' pensions are paid from a separate pensions account, into which the employees' contributions and a new employer contribution are also paid. The net deficit on this account is funded by direct government grant.
35. The employer contribution and certain costs in relation to injury pensions still fall on the General Fund Balance.

### **Capital Programme Budget**

36. During 2020/21 £1.098m was spent on new assets or improvements to existing ones. Expenditure was incurred on the approved vehicle programme, planned major building works, minor property works, small equipment and IT schemes. The majority of the programme was, as planned, funded by borrowing and revenue contributions.
37. During financial year 2020/21, the Authority updated part of its vehicle fleet, by replacing vehicles used for rope and water rescue.

### **Balance Sheet**

38. At 31 March 2020 the Authority held Long Term Assets with a net book value of £57.716m. Professional advice has not identified any further impairment due to changes in the economic climate, and adjusting for disposals, depreciation, revaluation and capital expenditure, Long Term Assets are valued at £58.136m at 31 March 2021.
39. Long Term borrowing has increased by £3m to £13.637m during the financial year, of this figure £1.5m is due for repayment in the next financial year. All borrowing is from the Public Works Loans Board (PWLb). The total value of Long Term loans at £13.637m remains well below the value of Long Term Assets.
40. The Balance Sheet includes liabilities in respect of the five pension schemes provided for staff.
41. The £16.660m liability on the Local Government Scheme will be covered by the continued level of employer contributions.
42. The Firefighters' schemes are statutory un-funded ones and the significant total liability of £360.896m is a result of this position. There is no requirement, or legal powers, for the Authority to fund this deficit, and any costs not financed by employee or employer contributions are met by direct government grant. More details on pensions can be found on pages 49-58.

### **Corporate Governance Arrangements**

43. The Authority is responsible for ensuring that its business is conducted in accordance with relevant legislation and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, Members and Senior Officers are responsible for putting in place proper procedures for the governance of the Authority's affairs and the stewardship of the resources at its disposal.
44. During 2020/21 the Authority has reviewed the systems and processes it has in place to ensure sound corporate governance and to confirm that they are consistent with the principles outlined in the CIPFA Delivering Good Governance in Local Government Framework 2016

Edition. The latest review of compliance with the code was approved by the Authority Audit and Standards Committee on 21 April 21.

45. Many of the elements of the code had been in place since the creation of the Authority such as: Codes of Conduct, Codes of Practice, Policy Statements, Standing Orders, Financial Regulations, Internal Audit arrangements and Risk Management arrangements which have been strengthened as referred to in the Annual Governance Statement on pages 73-76.

#### **Memorandum of Understanding (MoU)**

46. A formal Memorandum of Understanding (MoU) has been entered into with Shropshire and Wrekin Fire Authority, to signify the ratification by both Fire Authorities to work towards the creation of a single resilient command and control function, operated from two remote locations, Worcester and Shrewsbury.
47. A separate tri-partite Memorandum of Understanding has been entered into with Shropshire and Wrekin Fire Authority and Cleveland Fire Authority. The three authorities are now well advanced with plans to align their Command & Control systems. This will create a resilient network of systems capable of being operated from control rooms in Worcester, Shrewsbury and Hartlepool. Common operating procedures and ways of working continue to be further refined to enable each Fire Authority to take calls and mobilise the other's resources seamlessly at any time. The Authorities will have immediate and fully operational fallback arrangements.

#### **Fire Alliance**

48. The Policing and Crime Act 2017 introduced a statutory duty to collaborate on all three emergency services to improve their efficiency and effectiveness. On 28<sup>th</sup> March 2018, Members of the Policy and Resources Committee gave approval for Officers to examine the strategic options for formalising collaborative working between Shropshire and Hereford & Worcester Fire Authorities. The Alliance allows the Authorities to develop working arrangements that allow resources and expertise to be shared to provide long term capacity and resilience to meet increasing pressures from budgetary restrictions and changing demands of both established and new risks with the communities.

#### **Post Balance Sheet Events**

49. Left just in case we have any – remove before draft

## **A STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Authority's Responsibilities**

1. The Authority is required to:
  - make arrangements for the proper administration of its financial affairs and to ensure that one of its Officers has responsibility for the administration of those affairs. In this Authority, that Officer is the Treasurer;
  - manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
  - approve the Statement of Accounts.

### **The Treasurer's Responsibilities**

2. The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code') is required to provide a true and fair view of the financial position of the Authority at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.
3. In preparing this Statement of Accounts the Treasurer has:
  - selected suitable accounting policies and then applied them consistently;
  - made judgements and estimates that were reasonable and prudent; and
  - complied with the Code of Practice.
4. The Treasurer has also:
  - kept proper accounting records which were up to date;
  - taken reasonable steps for the prevention and detection of fraud and other irregularities; and
  - ensured the Statement of Accounts provides a true and fair view of the financial position of the Authority at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.
5. I certify that this Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and of its income and expenditure for the year ended 31 March 2021.

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Martin Reohorn CPFA B.Comm (Acc)  
Treasurer to the Fire Authority

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Date

**Issue Date**

6. The date that these financial statements are authorised for issue is 8th October 2020. All known material events that have occurred up to and including this date which relate to 2020/21 or before have been reflected in the accounts.

**AUTHORITY APPROVAL**

7. The statement of Accounts was approved at a meeting of the Audit and Standards Committee on 8th October 2020

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Presiding Chairman of the  
Audit and Standards Committee

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Date

## **STATEMENT OF ACCOUNTING POLICIES**

### **General Principles**

1. The Statement of Accounts has been prepared in accordance with proper accounting principles contained within the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and International Financial Reporting Standards (IFRS).

### **Accrual of Income and Expenditure**

2. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:
  - Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
  - Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
  - Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
  - Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
  - Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
3. Exceptions to this policy are as follows:
  - Utilities (gas, telephone, electricity etc) and other annual fees, where invoices will be accounted for in the year they fall, providing that only one annual, four quarterly or twelve monthly invoices are charged in any one year.
  - Existing contracts for aerial sites where income will be accounted for in the year it falls providing that only one twelve monthly invoice is charged in any one year. New contracts of a material nature will be treated on a full accruals basis.
  - Employee expenses paid through payroll where the cut-off date for claim is 20<sup>th</sup> of the month, but where twelve months' claims will be included in the Comprehensive Income and Expenditure Statement.
4. Individual invoices of less than £500 are accounted for in the year they fall.

### **Cash and Cash Equivalents**

5. Cash is represented by cash in hand and deposits with financial institutions (through Worcestershire County Council) repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in a period of not more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

## **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

6. Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.
7. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.
8. Any material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## **Events After the Reporting Period**

9. Events after the Balance Sheet date are those events, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:
  - those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
  - those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events 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.

## **VAT**

10. Income and expenditure excludes any amounts related to recoverable VAT, as all VAT collected is paid to HM Revenue and Customs and all VAT paid recovered from it.

## **Overheads and Support Services**

11. The costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

## **Property, Plant and Equipment (PP&E)**

12. Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment (PP&E) has been capitalised provided it yields benefit to the Authority for more than one year. Capital expenditure enhances the value, usage or life of an asset. Some relatively immaterial items may be financed directly from revenue.
13. PP&E valued at fair value on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). A full valuation of Property assets has been carried out this financial year, as at 31 March 2021, using the independent professional services of Place Partnership Ltd. The Authority's valuation service has confirmed that the carrying value of these assets is not materially different to their fair value and complies with the requirements of the accounting code and IAS16.
14. PP&E are classified into the groupings required by the Code of Practice on Local Authority Accounting and valued on the following basis:



- Land is included in the balance sheet at net current replacement cost.
  - Properties, where there is evidence of Market Value, are valued at Open Market Value for Existing Use. Specialised properties, where there is no evidence of market value, are valued at Depreciated Replacement Cost.
  - Plant and Equipment is measured at the purchase price and any attributable costs, less depreciation, as a proxy for current value.
15. The Authority has a de-minimis of £5,000 for vehicle purchases.
16. Assets are held in the Balance Sheet at gross value, net of depreciation and impairment where appropriate.

#### Impairment

17. 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.
18. Where impairment losses are identified, they are accounted for as follows:
- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
  - Where there is no balance in the Revaluation Reserve, or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.
19. Where an impairment loss is reversed subsequently, the reversal is credited to the relevant lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.
20. 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

21. From 1 April 2010 Component Accounting, as set out in IAS 16 – Property, Plant & Equipment, requires the Authority to componentise all Property, Plant and Equipment where the components have a distinctly different economic life to enable PP&E to be accurately and fairly included in the Authority's Comprehensive Income and Expenditure Statement (CIES) so that the depreciation charge properly reflects the consumption of the asset.
22. The requirement, however, is prospective and not retrospective, and will therefore be introduced as and when properties are re-valued. It is applied only where an item of PP&E has components whose value makes up more than 25% of the asset value.
23. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped together.
24. Where a component of an existing asset is to be de-recognised and the component amount is not known, then an estimate using a reasonable basis will be used. The component calculation will be established using the replacement cost of the component, indexed back to the original component's inception and adjusted for any subsequent depreciation and impairment.

25. Any surpluses arising on the initial valuation of fixed assets have been credited to the Capital Adjustment Account. Surpluses arising on revaluation are credited to the Revaluation Reserve.

### **Heritage Assets**

26. Heritage assets are those that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They include historical buildings, civic regalia, orders and decorations (medals), military equipment and works of art.
27. Authorities are required to account for tangible assets in accordance with FRS30 Heritage Assets.
28. Heritage Assets are recognised and measured in accordance with the Authority's policies on PP&E. However, where information on cost or value is not available, and the cost of obtaining reliable information outweighs the benefits to users of the financial statements, the Code does not require the asset to be recognised on the Balance Sheet.
29. The estimated value of such assets is less than £0.015m and the expected cost of an independent valuation is 10% of this figure.

### **Intangible Assets**

30. Intangible assets (e.g. computer software) are defined in IAS 38 - Intangible Assets as an identifiable non-monetary asset without physical substance, and are measured at cost.

### **Basis of Charge for the use of Assets**

31. A depreciation charge is reflected within the Net Cost of Services in the Comprehensive Income and Expenditure Statement (CIES) and is calculated on all PP&E and Intangible assets according to the following policy:
- A charge is made for all fixed assets with a finite useful life. This charge is calculated using the straight line method.
  - Land is not normally depreciated.
  - Buildings are depreciated in accordance with IAS 16 – Property, Plant and Equipment, using the estimated life from the most recent valuation report, on a straight line basis over this period.
  - Surplus assets are measured at fair value, estimated at highest and best use from a market participant's perspective.
  - Operational vehicles, plant and equipment have an asset life between 5 and 10 years. Fire appliances have an asset life of between 10 and 15 years. Both classes are depreciated on a straight line basis over these periods.
  - Information technology assets have an average asset life of 5 years and are depreciated on a straight line basis over this period.
  - Other equipment assets have an average life of 5-7 years, but depreciation is based on the expected life of each individual asset type, on a straight line basis.
  - Some equipment assets carried on fire appliances have a 15 year life and are depreciated accordingly.
  - Newly acquired assets are depreciated from the year of acquisition.
  - Assets in the course of construction are not depreciated until the year that they are brought into use.

- Intangible assets are amortised over their average economic life (5 years).

## Financing of Capital Expenditure

32. Capital expenditure is funded by government grants, capital receipts, revenue contributions and in the long term borrowing. The interest on external borrowing is charged to the CIES. A provision for repayment of external borrowing, in accordance with the Minimum Revenue Provision, is set aside each year as a contribution to the Capital Adjustment Account.

## Redemption of Debt

33. The Authority finances a proportion of its capital investment by raising loans. In accordance with the Local Government and Housing Act 1989, the Income and Expenditure Account is charged annually with a sum to provide for the eventual repayment of those loans. This sum is known as the Minimum Revenue Provision (MRP).
- Since 2008/09, the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, has required the Authority to determine an appropriate MRP policy, which has been broadly to set aside sufficient funds over the life of the assets funded from net borrowing.
  - All expenditure from 2008/09 onwards - MRP using an approximate Asset life basis:
    - Buildings over 50 years – per depreciation policy.
    - IT equipment over 5 years - reflecting average life.
    - Other equipment over 7 years – reflecting actual average usage within the FRS.
    - Vehicles – on actual estimated life of each vehicle.
  - Vehicle expenditure before 2008/09 – MRP on a proxy Asset Life basis using original cost, less accumulative MRP, over the remaining useful life of the individual vehicle.
  - Expenditure before 2008/09, (other than vehicles) - MRP on a proxy Asset Life basis using original cost, less accumulative MRP over average asset life as above.

## Investment Property

34. 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.
35. The Authority does not acquire properties with the intent for them to be used for investment purposes, but will generate income from assets that are no longer required for operational purposes if this is appropriate.
36. 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.
37. Rentals received in relation to investment properties are credited to the Financing 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.

### **Joint Operation**

38. A Joint Operation involves the parties that have joint control of the arrangement and have rights to the assets and obligations for the liabilities relating to the arrangement. All parties have joint control of decisions and use of the assets and obligations for the liabilities relating to the arrangement. The Fire Authority recognises, if material, on its Balance Sheet the assets that it controls and the liabilities that it incurs, and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

### **Leases**

39. 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.
40. During 2020/21 the Authority held only operating leases under the definition of IAS 17 leases. The authority's operating leases are not capitalised and rentals are charged directly to the CIES in the year to which they relate.

### **Operating leases**

#### **The Authority as Lessee**

41. Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

#### **The Authority as Lessor**

42. 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. Initial direct costs incurred in negotiation 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.

### **Non Current Assets held for Sale**

43. A non-current asset is reclassified as an Asset Held for Sale where it is probable that the carrying amount of the asset will be recovered through a sale transaction rather than through its continual use.
44. The asset is re-valued and carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

### **Capital Receipts**

45. Capital receipts from the disposal of assets are treated in accordance with the provisions of the Local Government Act 2003, as amended by subsequent Statutory Instruments. Individual receipts of less than £10,000 are credited direct to the CIES.

### **Inventories**

46. Stocks, where material, are shown in the Balance Sheet valued at the average purchase price, except that:

- Vehicle fuel is valued at latest invoice price, which is considered appropriate for this type of stock.
- Other immaterial stocks, e.g. stationery, are treated as current expenditure and charged directly to the CIES.

## **Pension Arrangements**

47. The disclosure requirements are included in the main financial statements as notes to the accounts in accordance with IAS 19 – Employee Benefits and CIPFA recommended practice. This is further explained in paragraphs 48 and 49 below.

### Types of pension schemes

48. As part of the terms and conditions of employment of its staff, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.
49. The Authority participates in five schemes:
- The Firefighters' Pension Scheme (FFPS) (the "1992 Scheme"). This is a statutory un-funded defined benefit final salary scheme and has been closed to new entrants since 6 April 2006.
  - The New Firefighters' Pension Scheme (NFPS) (the "2006 Scheme") – this is also a statutory un-funded defined benefit final salary scheme.
  - The Firefighters' Care Scheme (FF CARE) (the "2015 scheme") – is open to all uniformed staff (except Fire Control) and is a statutory un-funded defined benefit Career Average Revalued Earnings Scheme. Members starting after the 1<sup>st</sup> April 2015, and members of the 1992 and 2006 Final Salary Schemes will move into the 2015 scheme, unless protection applies.
  - The Firefighters' Compensation Scheme (FFCS) (the Injury Scheme) – another statutory un-funded defined benefit scheme covering existing and new injury pensions.
  - The Firefighters' schemes are unfunded meaning that there are no investment assets built up to meet the pensions' liabilities and cash has to be generated to meet the actual pensions' payments as they eventually fall due. The arrangements are determined by the Home Office.
  - The Local Government Pension Scheme (LGPS) – subject to qualifying criteria, open to staff not covered by the Firefighters' schemes. This scheme is administered by Worcestershire County Council and is a funded defined benefit final salary scheme. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
  - In accordance with IAS 19 the Authority recognises the cost of retirement benefits within the Net Cost of Services, in the CIES, when they are earned, rather than when benefits are actually paid as pensions. However the charge to be made to the Council Tax, via the precepts, is based on the amount payable in the year. The difference is reversed out in the General Fund.

## **Interest on Balances**

50. During the year surplus money was invested and the interest earned credited to the CIES.

## **Government Grants and Contributions**

- 51. Government grants and contributions are recognised in the CIES when conditions attached to a grant or contribution have been satisfied. Government grants and contributions that have not been satisfied are carried in the Balance Sheet as creditors.
- 52. Where capital grants are credited to the CIES they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where a grant is yet to be used to finance capital, it is held on the Capital Grant Unapplied Reserve. When it has been used, it is transferred to the Capital Adjustment Account.

## **Financial Liabilities**

- 53. Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The amount of borrowings presented in the Balance Sheet is the outstanding principal repayable, and interest charged to the CIES is the amount payable for the year in the loan agreement.
- 54. Gains and losses on the repurchase or early settlement of borrowing would be credited and debited to Net Operating Expenditure in the CIES in the year of repurchase/settlement.
- 55. However, if repurchase had taken place as part of restructuring of the loan portfolio that involved the modification or exchange of existing instruments, the premium or discount would be deducted from or added to (respectively) the amortised cost of the new or modified loan and the write down to the CIES would be spread over the life of the loan by an adjustment to the effective interest rate.
- 56. Where premiums and discounts are charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has not yet undertaken such a restructuring of debt and has therefore not yet adopted a policy for its treatment.

## **Council Tax and Non-Domestic Rates**

- 57. The Council Tax and the non-domestic rates income included in the CIES will show the accrued income for the year. The difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is held in the Collection Fund Adjustment Account and included as a reconciling item in the 'Adjustments between accounting basis and funding basis under regulations' reconciliation.
- 58. The Authority's Balance Sheet shows the proportion of surplus/deficit of the Billing Authorities' Collection Fund in the Debtors/Creditors balance. The Authority also shows the attributable share of the impairment allowance for doubtful debts and a provision for non-domestic rates appeals.
- 59. The IFRS treatment differs from the statutory accounting arrangement, where the Authority precepts directly on the Billing Authority and has no direct debtor or creditor relationship with individual council tax-payers.

## **Employee Benefits**

### **Accumulating Compensating Absences**

- 60. A review of the cost of holiday entitlements (in the form of annual leave, lieu time and flexi-time) earned by employees but not taken before the year-end which employees can carry forward into the next year. If the value is of a significant amount an accrual is charged to the CIES.

## **Termination Benefits**

61. 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 line in the Comprehensive Income and Expenditure Statement 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.

## **Post Employment Benefits**

62. These 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. Such changes will be debited or credited to the Pensions Reserve.

## **Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

63. Provisions are made when an event has taken place that gives the Authority an obligation that probably requires payment, but where the timing of the payment is uncertain. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely payment. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of the financial year, and where it is likely that payment does not need to be made, the provision is reversed and credited back to the relevant service.

### **Contingent Liabilities**

64. 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 whether it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.
65. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Contingent Assets**

66. 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 certain future events not wholly within the control of the Authority.
67. 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.

### **Reserves**

68. At 31 March 2021 a general reserve is held to meet expenditure which may arise from unforeseen events.
69. In addition the Authority holds a variety of earmarked reserves to meet specific known future costs. The value and nature of the current reserves are disclosed in the Notes to the Core Financial Statements on pages 58-61.

## Capital Accounting Reserves

70. There are two capital accounting reserves as part of the system of capital accounting, these reserves are not available to spend. These are:

- **The Capital Adjustment Account**

This account records the consumption (of the historical cost) of a fixed asset over the life of the asset. It also records the amounts set aside from revenue resources or capital receipts to finance capital expenditure on fixed assets or for the repayment of external loans and other capital financing transactions.

- **The Revaluation Reserve**

This reserve records the unrealised net gains and losses from revaluations made after 1 April 2007, with the proviso that losses are charged to the Comprehensive Income and Expenditure Statement if the loss is attributable to impairment (the consumption of economic benefits). In the event of such a charge to the CIES, accounting entries are made to ensure that there is no effect on the council tax precept requirement.

## Operating Segments

71. The CIPFA Code of Practice on Local Authority Accounting 2020/21 guidance on applying IFRS, requires that where an organisation considers and manages financial, operating and performance information in material segments, then additional financial information must be provided on these segments.
72. Due to the nature of its operation, as a single purpose Authority, the Authority and the Service management team manage the organisation as an entity, and do not have relevant operating segments to report upon.

## Revenue Funded From Capital Under Statute

73. 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. This funding relates to the relocation of Hereford and Worcester Fire Authority Headquarters to the West Mercia Police Headquarters site, this move was funded by a Transformation Grant received from DCLG.



## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		2019/20			2020/21		
	Notes	Gross Expd £'000	Gross Income £'000	Net Expd £'000	Gross Expd £'000	Gross Income £'000	Net Expd £'000
<b>Gross Expenditure, Gross Income and Net Expenditure on Continuing Operations</b>							
Employee Costs		27,903	(967)	<b>26,936</b>	28,511	(978)	<b>27,533</b>
Employee Costs – Past Service Costs		(170)		<b>(170)</b>			<b>0</b>
Running Costs		8,337	(580)	<b>7,757</b>	8,049	(358)	<b>7,691</b>
Capital Financing		4,401		<b>4,401</b>	3,694		<b>3,694</b>
<b>Cost of Services</b>		40,471	(1,547)	<b>38,924</b>	40,254	(1,336)	<b>38,918</b>
<b>Other Operating Expenditure</b>	9	20	(5,854)	<b>(5,834)</b>	5,460	(10,561)	<b>(5,101)</b>
<b>Financing &amp; Investment Income and Expenditure</b>	10	10,817	(982)	<b>9,835</b>	9,043	(35)	<b>9,008</b>
<b>Taxation &amp; Non-Specific Grant Income</b>	11		(33,747)	<b>(33,747)</b>		(34,490)	<b>(34,490)</b>
<b>Deficit/(Surplus) on Provision of Services</b>		<b>51,308</b>	<b>(42,130)</b>	<b>9,178</b>	<b>54,757</b>	<b>(46,422)</b>	<b>8,335</b>
<b>Deficit/(Surplus) on revaluation of non-current assets</b>	31-32			<b>2,166</b>			<b>1,129</b>
<b>Remeasurement of the net defined benefit liability/(asset)</b>	75			<b>(26,997)</b>			<b>23,745</b>
<b>Other Comprehensive Income and Expenditure</b>				<b>(24,831)</b>			<b>24,745</b>
<b>Total Comprehensive Income and Expenditure – Deficit/(Surplus)</b>				<b>(15,653)</b>			<b>33,209</b>

**MOVEMENT IN RESERVES STATEMENT FOR THE 12 MONTHS ENDING 31 MARCH 2021**

Note	General Fund 95 £'000	Ear-marked Rev Res 96-98 £'000	Sub Total £'000	Unapplied Grant 99 £'000	Cap Rcpts Reserve 100 £'000	Total Usable 94 £'000	Revaln. Reserve 102-103 £'000	Capital Adj Acct 104-107 £'000	Pensions Reserve 108-109 £'000	Coll Fund Adj Acct 110 £'000	Acc. Abs. Adj Acct 111 £'000	Lease Inc Adj Acc 112 £'000	Total Unusable 101 £'000	All Reserves £'000
<b>Balance at 31-Mar-2020</b>	<b>1,538</b>	<b>12,417</b>	<b>13,955</b>	<b>3</b>	<b>0</b>	<b>13,958</b>	<b>10,604</b>	<b>26,443</b>	<b>(377,556)</b>	<b>611</b>	<b>(232)</b>	<b>422</b>	<b>(339,708)</b>	<b>(325,750)</b>
Adjustment for capital grant relating to 2015/16														
<b>Restated Balance at 31-Mar-2020</b>														
<b>Total Comprehensive Income &amp; Expenditure</b>	(33,208)		(33,208)			<b>(33,208)</b>							<b>0</b>	<b>(33,208)</b>
<b>Other Comprehensive Income &amp; Expenditure</b>														
Surplus on revaluation of non-current assets	1,129		1,129			<b>1,129</b>	(1,129)						<b>(1,129)</b>	<b>0</b>
Movement in Pensions Reserve	23,745		23,745			<b>23,745</b>			(23,745)				<b>(23,745)</b>	<b>0</b>
<b>Reversal of items in the CIES</b>														
<i>to be removed for determining movement in General Fund</i>														
Relating to Depreciation/Amortisation	2,591		2,591			<b>2,591</b>		(2,591)					<b>(2,591)</b>	
Relating to Depreciation on un-realised gains			0			<b>0</b>	(143)	143					<b>0</b>	<b>0</b>
Relating to Revaluation/Impairment gains/losses	841		841			<b>841</b>		(841)					<b>(841)</b>	<b>0</b>
Relating to Revaluation losses on Investment Assets							(215)	215					<b>0</b>	<b>0</b>
Relating to Retirement Benefits	7,337		7,337			<b>7,337</b>			(7,337)				<b>(7,337)</b>	<b>0</b>
Relating to Investment Property w/off on disposal	5,443		5,443			<b>5,443</b>		(5,443)					<b>(5,443)</b>	<b>0</b>
Relating to Capital Receipts	(5,533)		(5,533)		5,533	<b>0</b>							<b>0</b>	<b>0</b>
Relating to Grants used to Finance Capital Expd														
Relating to Capital Receipts used to Finance Expd														
Relating to Council Tax Income	483		483			<b>483</b>				(483)			<b>(483)</b>	<b>0</b>
Relating to Non-domestic rates income	1,286		1,286			<b>1,286</b>				(1,286)			<b>(1,286)</b>	<b>0</b>
Relating to Compensated absences	35		35			<b>35</b>					935)		<b>35</b>	
Relating to Lease Income	422		422			<b>422</b>						(422)	<b>0</b>	<b>0</b>
<b>Insertion of items in the CIES</b>														
<i>to be included for determining movement in General Fund</i>														
Employers Contribution to Pension Schemes														
Statutory Provision for Debt Repayment	1,697		1,697			<b>1,697</b>		1,697					<b>1,697</b>	<b>0</b>
Revenue Financing of Capital	437		437			<b>437</b>		437					<b>437</b>	<b>0</b>
<b>Transfers Between Earmarked Reserves</b>	(2,015)	2,015	0											
<b>Balance at 31-Mar-2021</b>	<b>1,959</b>	<b>14,433</b>	<b>16,392</b>	<b>3</b>	<b>5,533</b>	<b>21,928</b>	<b>9,116</b>	<b>20,061</b>	<b>(408,638)</b>	<b>(1,159)</b>	<b>(267)</b>	<b>0</b>	<b>(380,886)</b>	<b>(358,958)</b>

**SUMMARY OF MOVEMENTS**

<b>Balance at 31-Mar-2020</b>	<b>1,538</b>	<b>13,955</b>	<b>3</b>	<b>0</b>	<b>13,958</b>	<b>10,604</b>	<b>26,443</b>	<b>(377,556)</b>	<b>611</b>	<b>(232)</b>	<b>422</b>	<b>(339,708)</b>	<b>(325,750)</b>
<b><u>Movement in Reserves during 2020/21</u></b>													
Deficit/(Surplus) on Provision of Services													
Other Comprehensive Income & Expenditure													
<b>Total Comprehensive Income &amp; Expenditure</b>													
Adjustments between accounting basis and funding basis under regulations													
<b>Net change before Earmarked Reserve Transfers</b>													
Earmarked Reserves Transfers													
<b>Net Movement in Year</b>													
<b>Balance at 31-Mar-2021 Carried Forward</b>													

# MOVEMENT IN RESERVES STATEMENT FOR THE 12 MONTHS ENDING 31 MARCH 2020

Note	General Fund 95 £'000	Ear-marked Rev Res 96-98 £'000	Sub Total £'000	Unapplied Grant 99 £'000	Cap Rcpts Reserve 100 £'000	Total Usable 94 £'000	Revaln. Reserve 102-103 £'000	Capital Adj Acct 104-107 £'000	Pensions Reserve 108-109 £'000	Coll Fund Adj Acct 110 £'000	Acc. Abs. Adj Acct 111 £'000	Lease Inc Adj Acc 112 £'000	Total Unusable 101 £'000	All Reserves £'000
<b>Balance at 31-Mar-2019</b>	<b>1,838</b>	<b>12,768</b>	<b>14,606</b>	<b>1,052</b>	<b>2,327</b>	<b>17,985</b>	<b>12,982</b>	<b>24,327</b>	<b>(396,726)</b>	<b>177</b>	<b>(203)</b>	<b>114</b>	<b>(359,329)</b>	<b>(341,344)</b>
Adjustment for capital grant relating to 2015/16				(59)		(59)								(59)
<b>Restated balance at 31-March-2019</b>	<b>1,838</b>	<b>12,768</b>	<b>14,606</b>	<b>993</b>	<b>2,327</b>	<b>17,926</b>	<b>12,982</b>	<b>24,327</b>	<b>(396,726)</b>	<b>177</b>	<b>(203)</b>	<b>114</b>	<b>(359,329)</b>	<b>(341,403)</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	15,653		15,653			<b>15,653</b>								<b>15,653</b>
<b>Other Comprehensive Income &amp; Expenditure</b>														
Surplus on revaluation of non-current assets	2,166		2,166			<b>2,166</b>	(2,166)						<b>(2,166)</b>	<b>0</b>
Movement in Pensions Reserve	(26,997)		(26,997)			<b>(26,997)</b>			26,997				<b>26,997</b>	<b>0</b>
<b>Reversal of items in the CIES</b>														
<i>to be removed for determining movement in General Fund</i>														
Relating to Depreciation/Amortisation	2,690		2,690			<b>2,690</b>		(2,690)					<b>(2,690)</b>	<b>0</b>
Relating to Depreciation on un-realised gains							(212)	212					<b>0</b>	<b>0</b>
Relating to Revaluation/Impairment gains/losses	1,649		1,649			<b>1,649</b>		(1,649)					<b>(1,649)</b>	<b>0</b>
Relating to Revaluation losses on Investment Assets	(206)		(206)			<b>(206)</b>		206					<b>206</b>	<b>0</b>
Relating to Retirement Benefits	13,177		13,177			<b>13,177</b>			(13,177)				<b>(13,177)</b>	<b>0</b>
Relating to Non-current assets w/off on disposal	5		5			<b>5</b>		(5)					<b>(5)</b>	<b>0</b>
Relating to Capital Receipts	(95)		(95)		95	<b>0</b>							<b>0</b>	<b>0</b>
Relating to Grants used to Finance Capital Expd				(990)		<b>(990)</b>		990					<b>990</b>	<b>0</b>
Relating to Receipts used to Finance Revenue Expd					(2,422)	<b>(2,422)</b>		2,422					<b>2,422</b>	<b>0</b>
Relating to Council Tax Income	(7)		(7)			<b>(7)</b>				7			<b>7</b>	<b>0</b>
Relating to Non-domestic rates income	(427)		(427)			<b>(427)</b>				427			<b>427</b>	<b>0</b>
Relating to Compensated absences	29		29			<b>29</b>					(29)		<b>(29)</b>	<b>0</b>
Relating to Lease Income	(308)		(308)			<b>(308)</b>						308	<b>308</b>	<b>0</b>
<b>Insertion of items in the CIES</b>														
<i>to be included for determining movement in General Fund</i>														
Employers Contribution to Pension Schemes	(5,350)		(5,350)			<b>(5,350)</b>			5,350				<b>5,350</b>	<b>0</b>
Statutory Provision for Debt Repayment	(1,807)		(1,807)			<b>(1,807)</b>		1,807					<b>1,807</b>	<b>0</b>
Revenue Financing of Capital	(823)		(823)			<b>(823)</b>		823					<b>823</b>	<b>0</b>
<b>Transfers Between Earmarked Reserves</b>	351	(351)	0			<b>0</b>							<b>0</b>	<b>0</b>
<b>Balance at 31-Mar-2020</b>	<b>1,538</b>	<b>12,417</b>	<b>13,955</b>	<b>3</b>	<b>0</b>	<b>13,958</b>	<b>12,982</b>	<b>26,443</b>	<b>(377,556)</b>	<b>611</b>	<b>(232)</b>	<b>422</b>	<b>(339,708)</b>	<b>(325,750)</b>

## SUMMARY OF MOVEMENTS

<b>Balance at 31-Mar-2019</b>	<b>1,838</b>	<b>12,768</b>	<b>14,606</b>	<b>1,052</b>	<b>2,327</b>	<b>17,985</b>	<b>12,982</b>	<b>24,327</b>	<b>(396,726)</b>	<b>177</b>	<b>(203)</b>	<b>114</b>	<b>(359,329)</b>	<b>(341,344)</b>
Adjustment for Capital Grant relating to 2015/16				(59)		(59)								(59)
<b>Restated Balance at 31 Mar 2019</b>	<b>1,838</b>	<b>12,768</b>	<b>14,606</b>	<b>993</b>	<b>2,327</b>	<b>17,926</b>	<b>12,982</b>	<b>24,327</b>	<b>(396,726)</b>	<b>177</b>	<b>(203)</b>	<b>114</b>	<b>(359,329)</b>	<b>341,403</b>
<b><u>Movement in Reserves during 2019/20</u></b>														
Deficit/(Surplus) on Provision of Services	15,653		15,653			<b>15,653</b>							<b>0</b>	<b>15,653</b>
Other Comprehensive Income & Expenditure	(24,831)		(24,831)			(24,831)	(2,166)		26,997				24,831	0
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(9,178)</b>	<b>0</b>	<b>(9,178)</b>	<b>0</b>	<b>0</b>	<b>(9,178)</b>	<b>(2,166)</b>	<b>0</b>	<b>26,997</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,831</b>	<b>15,653</b>
Adjustments between accounting basis and funding basis under regulations	8,527		8,527	(990)	(2,327)	5,210	(212)	2,116	(7,827)	434	(29)	308	(5,210)	0
<b>Net change before Earmarked Reserve Transfers</b>	<b>(651)</b>	<b>0</b>	<b>(651)</b>	<b>(990)</b>	<b>(2,327)</b>	<b>(3,968)</b>	<b>(2,378)</b>	<b>2,116</b>	<b>19,170</b>	<b>434</b>	<b>(29)</b>	<b>308</b>	<b>19,621</b>	<b>15,653</b>
Earmarked Reserves Transfers	351	(351)	0										0	0
<b>Net Movement in Year</b>	<b>(300)</b>	<b>(351)</b>	<b>(651)</b>	<b>(990)</b>	<b>(2,327)</b>	<b>(3,968)</b>	<b>(2,378)</b>	<b>2,116</b>	<b>19,710</b>	<b>434</b>	<b>(29)</b>	<b>308</b>	<b>19,620</b>	<b>15,654</b>
<b>Balance at 31-Mar-2019 Carried Forward</b>	<b>1,538</b>	<b>12,417</b>	<b>13,955</b>	<b>3</b>	<b>0</b>	<b>13,958</b>	<b>10,604</b>	<b>26,443</b>	<b>(377,556)</b>	<b>611</b>	<b>(232)</b>	<b>422</b>	<b>(339,708)</b>	<b>(325,750)</b>

## BALANCE SHEET

	<b>Notes</b>	<b>31-Mar-2020</b> Restated <b>£'000</b>	<b>31-Mar-2021</b> <b>£'000</b>
Property Plant & Equipment	31-32	52,537	48,978
Investment Assets	35-41	5,417	0
Intangible Assets	42-45	182	251
<b>Long Term Assets</b>		<b>58,136</b>	<b>49,229</b>
Inventories		293	259
Short Term Debtors	67	6,407	5,779
Cash & Cash Equivalents	69-70	5,593	10,576
<b>Current Assets</b>		<b>12,293</b>	<b>16,614</b>
Short Term Borrowing	49-66	(1,500)	(1,726)
Short Term Creditors	71	(4,805)	(4,598)
<b>Current Liabilities</b>		<b>(6,305)</b>	<b>(6,324)</b>
Provisions	113	(181)	(351)
Long Term Borrowing	55-56	(12,137)	(10,411)
Other Long Term Liabilities	72-93	(377,556)	(408,136)
<b>Long Term Liabilities</b>		<b>(389,874)</b>	<b>(418,898)</b>
<b>Net Liabilities</b>		<b>(325,750)</b>	<b>(359,379)</b>
Useable Reserves	94-100	13,958	21,507
Un-useable Reserves	101-112	(339,708)	(380,886)
<b>Total Reserves</b>		<b>(325,750)</b>	<b>(359,379)</b>

The unaudited accounts were issued on 29<sup>th</sup> May 2020 and the audited accounts were authorised for issue on 8<sup>th</sup> October 2020.

Following an adjustment to the funding of Evesham Fire Station by Wychavon District Council in 2015/16, the Balance Sheet relating to the financial year ended 31<sup>st</sup> March 2020 has been updated to reflect this. Amendment has been made to the following Balance Sheet headings: Useable Reserves and Debtors

These changes are explained in note 8 on page 34.

## CASH-FLOW STATEMENT

	Notes	2019/20 £'000	2020/21 £'000
Net (surplus) or deficit on the provision of services		9,178	
Adjustments to net surplus or deficit on the provision of services for non cash movements	118	(12,990)	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	119	96	
Net cash flows from operating activities		<b>(3,716)</b>	
Investing Activities	120	7,703	
Financing Activities	121	(3,000)	
Net increase or decrease in cash and cash equivalents		<b>988</b>	
Cash and cash equivalents at the beginning of the period		<b>(6,580)</b>	
Net increase or decrease in cash and cash equivalents in the Period		988	
<b>Cash and cash equivalents at the end of the reporting period</b>	69	<b>(5,593)</b>	

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. **Accounting Standards that have been issued but not yet been adopted**

The Code requires that the Authority disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued and not yet adopted. These amendments are listed below; it is expected that these will have no material impact on the Statement of Accounts.

**Definition of a Business: Amendment to IFRS3 Business Combinations** – aims to resolve the difficulties that arise when an entity determines whether it has acquired a business or group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. This change will not impact the Authority.

**Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 9** – clarifies that interest rate benchmarks such as interbank offered rates (IBORs) play an important role in global financial markets. Market developments have undermined the reliability of some existing benchmarks, in this context, the Financial Stability Board has published a report setting out recommendations to reform some major benchmarks. The Authority has no hedging relationships so there will not be an impact on the Authority.

**Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16** – the changes in Interest Rate Benchmark Reform – Phase 2 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting. This change will not impact the Authority.

## 2. Expenditure and Funding Analysis – 2020/21

	Net Expd on General Fund Mngt Accts £m	Re- Allocation Note 3 £m	Net Expd on General Fund CIES Format £m	Adjustments Between Funding and Accounting Note 4 £m	Net Expd in the CIES £m
<b>Employee Costs</b> Employee Costs – Past Service Cost					
<b>Running Costs</b> Capital Financing					
<b>Net Cost of Services</b>					
Funding					
Other Income and Expenditure					
Surplus or deficit on provision of services					
Transfer from Reserves					
Net movement on General fund					
Deficit/(Surplus) on revaluation of non-current assets					
Remeasurement of the net defined benefit/(liability)					
Other Comprehensive Income and Expenditure					
Deficit/(Surplus) Comprehensive Income and Expenditure					
Opening General Fund and Earmarked Reserve Balance at 31 March 2019 Plus Surplus on General Fund in year <b>Closing General Fund and Earmarked Reserve Balance at 31 March 2020</b>					

## 3. Note to the Expenditure and Funding Analysis – 2020/21

Budget allocations for management purposes do not exactly follow the Code in respect of the distinction between the Net Cost of Services and the total Cost for the provision of services. This table analyses the difference

	Other Employee Costs £m	Interest £m	Special Grants £m	Funding £m	Total Adj £m
Employee Costs					
Running Costs					
Capital Financing					
Income					

4. **Adjustments relating to the Expenditure and Funding Analysis – 2020/21**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amount

	Adj for Capital Purpose £m	Net Pension Adj £m	Capital Grant Adj £m	Other Difference £m	Total Adj £m
Employee Costs					
Running Costs					
Capital Financing					
Pension Past Service Cost					
Net Cost of Services					
Other Income and expenditure					
Surplus or deficit on provision of services					
Other Comprehensive Income and Expenditure					
Difference between General Fund surplus and Comprehensive Income and Expenditure Statement Deficit					

5. **Expenditure and Funding Analysis – 2019/20**

	Net Expd on General Fund Mngt Accts  £m	Re- Allocation Note 6 (Restate) £m	Net Expd on General Fund CIES Format (Restate) £m	Adjustments Between Funding and Accounting Note 7  £m	Net Expd in the CIES  £m
<b>Employee Costs</b>	<b>23.860</b>	(0.997)	<b>22.863</b>	4.073	<b>36.936</b>
Employee Costs – Past Service Cost	<b>0.000</b>	0.000	<b>0.000</b>	(0.170)	<b>(0.170)</b>
<b>Running Costs</b>	<b>7.911</b>	(0.154)	<b>7.757</b>	0.000	<b>7.757</b>
Capital Financing	<b>3.344</b>	(0.447)	<b>2.896</b>	1.504	<b>4.401</b>
<b>Net Cost of Services</b>	<b>35.115</b>	(1.598)	<b>33.517</b>	5.407	<b>38.923</b>
Funding	<b>(34.464)</b>	34,464	<b>0.000</b>		
Other Income and Expenditure	<b>0.000</b>	(32.866)	<b>(32.866)</b>	3.882	<b>(29.745)</b>
Surplus or deficit on provision of services	<b>0.651</b>	<b>0.000</b>	<b>0.651</b>	<b>8.527</b>	<b>9.178</b>
Transfer to Ear-marked reserve	<b>0.651</b>				
Net movement on General fund	<b>0.000</b>	0.000	<b>0.651</b>		<b>0.300</b>
Deficit/(Surplus) on revaluation of non-current assets				2.166	2.166
Remeasurement of the net defined benefit/(liability)				(26.997)	(26.997)
Other Comprehensive Income and Expenditure				<b>24.831</b>	<b>24.831</b>
Deficit/(Surplus) Comprehensive Income and Expenditure				<b>(16.304)</b>	<b>(15.653)</b>
Opening General Fund and Earmarked Reserve Balance at 31 March 2018	14.606				
Plus Surplus on General Fund in year	(0.651)				
<b>Closing General Fund and Earmarked</b>	<b>13.955</b>				



## 6. Note to the Expenditure and Funding Analysis – 2019/20

Budget allocations for management purposes do not exactly follow the Code in respect of the distinction between the Net Cost of Services and the total Cost for the provision of services. This table analyses the difference between the management account format and the CIES format.

	Other Employee Costs	Interest	Special Grants	Funding	Total Adj
	£m	£m	£m	£m	£m
Employee Costs	(0.085)		(0.912)		<b>(0.997)</b>
Running Costs	0.085		(0.239)		<b>(0.154)</b>
Capital Financing		(0.447)			<b>(0.447)</b>
	<b>0.000</b>	<b>(0.447)</b>	<b>(1.151)</b>	<b>0.000</b>	<b>(1.598)</b>
Income		0.447	1.151		<b>1.598</b>
	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

## 7. Adjustments relating to the Expenditure and Funding Analysis – 2019/20

Adjustments from General Fund to arrive at the CIES amounts

	Adj for Capital Purpose £m	Net Pension Adj £m	Capital Grant Adj £m	Other Difference £m	Total Adj £m
Employee Costs		4.044		0.029	<b>4.073</b>
Running Costs					<b>0.000</b>
Capital Financing	1.504				<b>1.504</b>
Pension Past Service Cost		(0.170)			<b>(0.170)</b>
Net Cost of Services	1.504	3.874	0.000	0.029	<b>5.407</b>
Other Income and expenditure	(0.091)	3.953	0.000	(0.741)	<b>3.120</b>
Surplus or deficit on provision of services	<b>1.412</b>	<b>7.827</b>	<b>0.000</b>	<b>(0.713)</b>	<b>8.527</b>
Other Comprehensive Income and Expenditure	2.166	(26.997)			<b>24.831</b>
Difference between General Fund surplus and Comprehensive Income and Expenditure Statement Deficit	<b>3.578</b>	<b>(19.170)</b>	<b>0.000</b>	<b>(0.713)</b>	<b>(16.304)</b>

## 8. Analysis of Other Operating Expenditure in CIES

	2019/20 £'000	2020/21 £'000
Gross Expenditure		
(Gain)/loss on disposal of non-current assets	5	
LGPS pensions administrative costs	15	
Revenue expenditure funded from capital grant	20	
Gross Income		
Firefighter Scheme Pension Grant	(5,758)	
Proceeds from sale of assets	(96)	
<b>Total Other Operating Expenditure</b>	<b>5,834</b>	

## 9. Analysis of Financing and Investment Income and Expenditure

	2019/20 £'000	2020/21 £'000
Interest payable and similar charges	492	
Interest receivable and similar income	(45)	
Pensions net interest cost and expected return on pensions assets	9,695	
Income and Expenditure in relation to Investment Properties	(308)	
	<b>9,835</b>	

## 10. Analysis of Taxation and non-specific Grant Income

	2019/20 £'000	2020/21 £'000
Council Tax income	23,643	
National Non-Domestic Rates (NNDR) income and expenditure	6,384	
Rural Service Grant	109	
Pension Grant	1,568	
Revenue Support Grant (RSG)	2,036	
Transparency Grant	7	
	<b>33,747</b>	

## Members' Allowances

11. The Authority paid the following amounts to Members as Allowances and expenses during the year.

	2019/20 £'000	2020/21 £'000
Basic Allowances	29	29
Special Allowances	21	22
Expenses	2	2
	<b>52</b>	<b>53</b>

A breakdown of the amounts paid to individual Members is available on the Authority's website, this can be accessed using the following link.  
<https://hwfire.cmis.uk.com/hwfire/documents/documentLibrary.aspx>

## Officers' Emoluments

12. During the year the number of Staff who received remuneration in excess of £50,000 (excluding employers pension contributions) is as detailed below. The table represents total payments to individual staff members during the year (including the taxable use of Authority Assets - vehicles), and includes a number of operational staff working significant amounts of overtime.

£	2019/20 No. of Staff	2020/21 No. of Staff
50,000 - 54,999	27	30
55,000 - 59,999	16	12
60,000 - 64,999	7	7
65,000 - 69,999	4	5
70,000 - 74,999	2	6
75,000 - 79,999	2	1
80,000 - 84,999	0	1
85,000 - 89,999	1	0
90,000 - 94,999	0	0
95,000 - 99,999	1	0
100,000 - 104,999	0	0
105,000 - 109,999	1	0
110,000 - 114,999	0	1
115,000 - 119,999	0	0
120,000 – 124,999	0	0
125,000 – 129,999	0	0
130,000 – 134,999	1	1
	<b>62</b>	<b>66</b>

Senior Officers – included in table above

2020/21 Post Title		Salary	Benefit in Kind	(Table 13) Sub-Total	Pension Contrib.	Total incl Pension
		£	£	£	£	£
Chief Fire Officer/Chief Executive	<i>U</i>	134,324	0	<b>134,324</b>	50,103	<b>184,427</b>
Deputy Chief Fire Officer to 16.09.20	<i>U</i>	48,426	0	<b>48,426</b>	16,934	<b>65,360</b>
Deputy Chief Fire Officer from 01.09.20	<i>U</i>	63,800	3,973	<b>67,773</b>	22,340	<b>90,113</b>
Assistant Chief Fire Officer to 31.08.20	<i>U</i>	41,023	3,973	<b>44,996</b>	15,302	<b>60,298</b>
Assistant Chief Fire Officer from 17.09.20	<i>U</i>	54,369	0	<b>54,369</b>	20,186	<b>74,555</b>
Director of Finance/Treasurer	<i>NU</i>	83,734	7,148	<b>90,882</b>	15,574	<b>106,457</b>
Head of Legal Services	<i>NU</i>	69,180	0	<b>69,180</b>	12,867	<b>82,047</b>
<i>U : Uniformed; NU : Non-Uniformed</i>		<b>484,856</b>	<b>15,095</b>	<b>509,951</b>	<b>153,307</b>	<b>663,257</b>

2019/20 Post Title		Salary	Benefit in Kind	Sub-Total	Pension Contrib.	Total incl Pension
		£	£	£	£	£
Chief Fire Officer/Chief Executive	<i>U</i>	131,650	939	<b>132,589</b>	49,105	<b>181,694</b>
Deputy Chief Fire Officer	<i>U</i>	105,891	2,079	<b>107,970</b>	36,893	<b>144,863</b>
Assistant Chief Fire Officer	<i>U</i>	98,798	1,651	<b>100,449</b>	36,703	<b>137,152</b>
Director of Finance/Treasurer	<i>NU</i>	82,151	6,529	<b>88,680</b>	12,158	<b>100,838</b>
Head of Legal Services	<i>NU</i>	67,395	1,241	<b>68,636</b>	9,974	<b>78,610</b>
<i>U : Uniformed; NU : Non-Uniformed</i>		<b>485,885</b>	<b>12,439</b>	<b>498,324</b>	<b>144,833</b>	<b>643,157</b>

13. Pension contributions in the above tables relate to average scheme contribution rates and not an individual pension pot. Uniformed staff are

members of the Firefighters Pension Scheme (FFPS), all other senior officers are members of the Local Government Scheme (LGPS).

14. The majority of the Benefit in Kind relates to the provision of cars. In 2019/20, due to their continuous duty system (and the requirement to be able to respond to emergencies) the taxable benefit was significantly lower for uniformed staff than for non-uniformed staff. The actual cost to the Authority is very similar.

### Related Party Transactions

15. 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 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.
16. **Central Government** has a significant influence over the general operations of the Authority – it is responsible for setting the statutory framework within which the Authority operates, provides a proportion of funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills). Grants received from Government are set out in table 11 on page 35.
17. **Members** of the Authority have direct control over the Authority's financial and operating policies. The total of Members' allowances paid is shown in Note 12 on page 35. No Members of the Authority or members of their immediate family or household declared any positions of influence.
18. **Officers** – No Senior Officers within the Service or members or their immediate family or household declared any positions of influence
19. **Place Partnership Ltd** is a facilities management company co-owned by Hereford & Worcester Fire Authority, Worcestershire County Council, Warwickshire Police, and West Mercia Police (up until 31<sup>st</sup> March 2020 Redditch Borough Council and Worcester City Council were also co-owners) each party has equal shares and equal voting rights. Place Partnership Ltd has been classed as a Joint Operation because there is joint control and the activity of the arrangement is primarily to provide services to the parties within each party's boundaries. In 2020/21, the operating costs for the Authority were £1,531,632 (2019/20 £1,508,410) paid as principal costs to the company, with an additional sum of £353,732 (2019/20 £4,398,739) paid as agency costs, the Authority has received £0 (2019/20 £1,950) as income and this is reflected in the Comprehensive Income and Expenditure Statement. Place Partnership Ltd has not been fully consolidated into the Fire Authority's accounts as a Joint Operation, because there is no material difference between the costs already reflected.

### External Audit Fees

20. During 2020/21 Hereford & Worcester Fire Authority incurred the fees below in respect of external audit and statutory inspection services, to auditors appointed under the Local Audit and Accountability Act 2014.

	2019/20 £'000	2020/21 £'000
<b>Fees payable to Grant Thornton UK LLP:</b>		
in respect of external audit services : 2018/19 Accounts	2	0
in respect of external audit services : 2019/20 Accounts	30	0
in respect of external audit services : 2020/21 Accounts	0	40
Refund from LPSAA –Local Public Sector Audit Appointments	(3)	0
	<b>29</b>	<b>40</b>

## Leases

21. The Authority does not have any leases that meet the accounting requirement to be treated as Finance Leases.

## Operating Leases

### Authority as Lessee

22. The Authority has entered into operational leases for the provision of ancillary vehicles. The total rentals paid to lessors on these operating leases in the year totalled £21,880 (2019/20 £27,527).
23. The Authority has entered into two lease agreements with the Police & Crime Commissioner for West Mercia, as part of collaborative working. These are detailed as follows:
- On the 3<sup>rd</sup> April 2014 the Authority entered into a lease arrangement for the provision of a joint Fire/Police Station in Bromsgrove. The lease is for a term of 30 years with the option for the Authority to extend for a further 30 years. The total rent paid in 2020/21 was £239,996 (2019/20 was £239,996).
  - On the 1<sup>st</sup> November 2018, the Authority entered into a lease arrangement for the provision of a Headquarters Facility at Hindlip Hall. The lease is based on a peppercorn arrangement.
24. The future lease payments under non-cancellable operating leases in future years are:

	31-Mar-2020 £'000	31-Mar-2021 £'000
Not later than one year	263	262
Later than one year and not later than 5 years	998	976
Later than 5 years	4,560	4,320
	<b>5,821</b>	<b>5,588</b>

### Authority as Lessor

25. The Authority leased out a property at Kings Court, Worcester under an operating lease, until it was sold at the beginning of the financial year, on the 9<sup>th</sup>

April 2020. The future minimum lease payments receivable under non-cancellable leases in future years were :

	<b>31-Mar-2020</b> <b>£'000</b>	<b>31-Mar-2021</b> <b>£'000</b>
Not later than one year	342	0
Later than one year and not later than 5 years	1,366	0
Later than 5 years	4,560	0
	<b>6,268</b>	<b>0</b>

26. Following the sale of Kings Court no contingent rents are receivable in 2020/21 (2019/20, £0.308m).

### Capital Expenditure

27. Details of capital expenditure incurred during the year are as follows:

	<b>2019/20</b> <b>£'000</b>	<b>2020/21</b> <b>£'000</b>
New Buildings & Adaptations	4,338	314
Vehicles (including fitted equipment)	1,438	442
IT and Communication Equipment	362	218
Other Equipment	585	124
<b>Total Capital Expenditure</b>	<b>6,723</b>	<b>1,098</b>

28. Capital expenditure was financed as follows:

	<b>2019/20</b> <b>£'000</b>	<b>2020/21</b> <b>£'000</b>
Net Borrowing	2,488	661
Capital Receipts	2,422	0
Capital Grant	990	0
Revenue Contributions	823	437
	<b>6,723</b>	<b>1,098</b>

## 29. Capital Financing Requirement

	2019/20			2020/21		
	Owned £'000	Leased £'000	Total £'000	Owned £'000	Leased £'000	Total £'000
<b>Opening CFR</b>	<b>20,647</b>	<b>0</b>		<b>21,328</b>	<b>0</b>	<b>21,328</b>
<b>Capital investment</b>						
Operational assets	5,999		<b>5,999</b>	1,035		<b>1,035</b>
Assets not yet Operational	724		<b>724</b>	63		<b>63</b>
Revenue Expenditure Funded from Capital under Statute (REFCUS)	0		<b>0</b>	0		<b>0</b>
<b>Sources of Finance</b>						
Capital receipts	(2,422)		<b>(2,422)</b>	0		<b>0</b>
Government grants and other contributions	(990)		<b>(990)</b>	0		<b>0</b>
Sums set aside from Revenue - Direct Revenue Financing	(823)		<b>(823)</b>	(437)		<b>(437)</b>
<b>Sums set aside from Revenue - Minimum Revenue Provision</b>	<b>2,488</b>		<b>2,488</b>	<b>661</b>		<b>661</b>
	(1,807)		<b>(1,807)</b>	(1,697)		<b>(1,697)</b>
<b>Increase/(Decrease) in CFR</b>	<b>681</b>		<b>681</b>	<b>(1,036)</b>		<b>(1,036)</b>
<b>Closing CFR</b>	<b>21,328</b>		<b>21,328</b>	<b>20,292</b>		<b>20,292</b>
<b>Explanation of movements in year Increase/(Decrease) in underlying need to borrow: unsupported by government financial assistance</b>						
	681	n/a	<b>681</b>	(1,036)	n/a	<b>(1,036)</b>
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>681</b>	<b>0</b>	<b>681</b>	<b>(1,036)</b>	<b>0</b>	<b>(1,036)</b>

## Property, Plant and Equipment

### 30. Movements in 2020/21

	Land and Buildings £'000	Vehicles Plant, Furniture and Equipment £'000	Surplus Assets £'000	Assets not yet Operational £'000	TOTAL Tangible Assets £'000
<b>Cost or Valuation at 01 April 2020</b>	<b>40,701</b>	<b>25,431</b>	<b>2,335</b>	<b>988</b>	<b>69,455</b>
Additions	251	715		63	1,029
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,925)				(1,925)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(508)		(148)		(656)
Reclassifications	16	659		(675)	(0)
Reclassifications – to surplus assets					
Reclassification - to intangible assets				(109)	(109)
Reclassifications – to investment assets					
Disposals/derecognition		(387)			(387)
<b>At 31 March 2021</b>	<b>38,535</b>	<b>26,418</b>	<b>2,187</b>	<b>267</b>	<b>67,407</b>
<b>Accumulated Depreciation and Impairment at 01 April 2020</b>	<b>0</b>	<b>(16,918)</b>	<b>0</b>	<b>0</b>	<b>(16,918)</b>
Reclassifications					
Depreciation Charge for 2020/21	(612)	(1,873)			(2,485)
Depreciation written out to Revaluation Reserve	581				581
Depreciation written out to the Surplus/Deficit on Provision of Services	31				31
Disposals/derecognition		363			363
<b>At 31 March 2021</b>	<b>0</b>	<b>(18,428)</b>	<b>0</b>	<b>0</b>	<b>(18,428)</b>
<b>Balance Sheet amount at 01 April 2020</b>	<b>40,701</b>	<b>8,513</b>	<b>2,335</b>	<b>988</b>	<b>52,537</b>
<b>Balance Sheet amount at 31 March 2021</b>	<b>38,535</b>	<b>7,990</b>	<b>2,187</b>	<b>267</b>	<b>48,979</b>



31. Comparative Movements in 2019/20

	Land and Buildings £'000	Vehicles Plant, Furniture and Equipment £'000	Surplus Assets £'000	Assets not yet Operational £'000	TOTAL Tangible Assets £'000
<b>Cost or Valuation at 01 April 2019</b>	<b>39,067</b>	<b>25,561</b>	<b>1,323</b>	<b>3,192</b>	<b>69,142</b>
Additions	4,338	1,654	0	724	6,716
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,399)		(1,486)		(2885)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(157)		(1,501)		(1658)
Reclassifications	2,852	76		(2,928)	
Reclassifications - to surplus assets	(3,999)		3,999		
Reclassification to intangible assets					
Reclassifications – to investment assets					
Disposals/derecognition		(1,860)			(1,860)
<b>At 31 March 2020</b>	<b>40,702</b>	<b>25,431</b>	<b>2,335</b>	<b>988</b>	<b>69,455</b>
<b>Accumulated Depreciation and Impairment at 01 April 2019</b>	<b>0</b>	<b>(16,887)</b>	<b>0</b>	<b>0</b>	<b>(16,887)</b>
Reclassifications					
Depreciation Charge for 2019/20	(621)	(1,886)	(108)		(2,615)
Depreciation written out to Revaluation Reserve	612		108		720
Depreciation written out to the Surplus/Deficit on Provision of Services	9				9
Disposals/derecognition		1,855			1,855
<b>At 31 March 2020</b>	<b>0</b>	<b>(16,918)</b>	<b>0</b>	<b>0</b>	<b>(16,918)</b>
<b>Balance Sheet amount at 01 April 2019</b>	<b>39,067</b>	<b>8,674</b>	<b>1,323</b>	<b>3,192</b>	<b>52,255</b>
<b>Balance Sheet amount at 31 March 2020</b>	<b>40,701</b>	<b>8,513</b>	<b>2,335</b>	<b>988</b>	<b>52,537</b>

32. Property, Plant and Equipment are represented in the Balance Sheet at current value, with the exception of additions occurring since the last revaluation, which are held at historic cost, net of depreciation where appropriate. Assets disposed of have been written-out at their net book value.
33. The current global pandemic has meant that the valuer is faced with an unprecedented set of circumstances upon which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS3 and VPGA10 of the RICS Red Book Global. Consequently, less certainty, and a higher degree of caution should be attached to valuations than would normally be the case.

## Investment Assets

34. The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	<b>31-Mar-20 £'000</b>	<b>31-Mar-21 £'000</b>
Rental Income From Investment Property	308	
	<b>308</b>	

35. The following table summarises the fair value of investment properties and the movement in the fair value of those properties over the year:

	<b>31-Mar-20 £'000</b>	<b>31-Mar-21 £'000</b>
Balance at the start of the year	5,211	5,417
Reclassification to Investment Assets	0	0
Increase/(decrease) in valuation	206	0
Disposals	0	(5,417)
	<b>5,417</b>	<b>0</b>

### Fair Value Hierarchy

36. Inputs to the valuation techniques in respect of the Authority's fair value measurement of its assets and liabilities 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.

The Authority's investment Property has been value assessed as Level 2 on the fair value hierarchy for valuation purposes.

### Valuation Techniques Used to Determine Level 2 Fair Values for Investment Properties

37. The fair value of the investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Authority's Investment Asset portfolio. 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 as level 2 on the fair value hierarchy.

### Highest and Best Use

38. In estimating the fair value of the Authority's investment property, the highest and best use is their current use.

## Valuation Process

39. The investment property portfolio has been valued at 31 March 2021, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors.
40. There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct, develop or enhance investment property.

## **Intangible Assets**

41. The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item or Property, Plant and Equipment.
42. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are 5 years.
43. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £106,000 charged to revenue in 2020/21 was charged to the capital financing line.
44. The movement on Intangible Asset balances during the year is as follows:

	2019/20 £'000	2020/21 £'000
Balance at start of year:	250	182
- Gross carrying amount	991	998
- Accumulated amortisation	(741)	(816)
Net carrying amount at start of year	250	182
Additions	7	69
Reclassification	0	109
Disposals	0	(41)
Accumulated amortisation on disposal	0	38
Amortisation for the period	(75)	(106)
Net carrying amount at end of year	182	251
Comprising:		
- Gross carrying amount	998	1,135
- Accumulated amortisation	(816)	(884)
	182	251

## **Heritage Assets**

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

46. These assets are held at Authority fire stations and other buildings throughout the two counties. The estimated value of these assets is not material to the financial statements.
47. As there are no valuations held for these assets and valuations could not be obtained at a cost which is commensurate with the benefits to the users of the financial statements, in accordance with the code therefore these assets are not recognised in the Balance Sheet.

## Financial Instruments

48. The classification of financial instruments included in the Balance Sheet and their carrying amounts are shown overleaf. (Additional information in respect of the Long Term Loans is given at notes 55-56):

	31-Mar-20			31-Mar-21		
	Long-term £'000	Current £'000	Total £'000	Long-term £'000	Current £'000	Total £'000
<b>Short Term Deposits</b>						
Deposits with WCC		3,500	<b>3,500</b>		10,000	<b>10,000</b>
		<b>3,500</b>	<b>3,500</b>		<b>10,000</b>	<b>10,000</b>
Cash and Cash Equivalents		2,093	<b>2,093</b>		576	<b>576</b>
		<b>2,093</b>	<b>2,093</b>		<b>576</b>	<b>576</b>
<b>Loans &amp; Receivables</b> <i>(at amortized cost)</i>						
Trade Debtors		117	<b>117</b>		23	<b>23</b>
		<b>117</b>	<b>117</b>		<b>23</b>	<b>23</b>
		<b>5,710</b>	<b>5,710</b>		<b>10,599</b>	<b>10,599</b>
<b>Financial Liabilities</b> <i>(at amortized cost)</i>						
PWLB Borrowing	12,137	1,500	<b>13,637</b>	10,411	1,726	<b>12,137</b>
Trade Creditors		602	<b>602</b>		310	<b>310</b>
	<b>12,137</b>	<b>2,102</b>	<b>14,239</b>	<b>10,411</b>	<b>2,036</b>	<b>12,447</b>

## Fair Value of Assets and Liabilities carried at amortised cost

49. Financial liabilities, financial assets represented by loans and receivable and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.
50. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.
51. The Fair Value of the loans at 31 March 2021 was £16.115m (£18.068m at 31 March 2020), the fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following assumptions:
- Estimated ranges of interest rates at 31 March 2021 of 3.10% to 5.00% for loans from the PWLB

- No early repayment or impairment is recognised
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

52. The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the balance sheet date (new loan rates).

#### Financial Instruments Gains and Losses

53. The gains and losses recognised in the CIES in relation to financial instruments are shown below:

	<b>Interest Expense 2019/20 £'000</b>	<b>Interest Income 2019/20 £'000</b>	<b>Interest Expense 2020/21 £'000</b>	<b>Interest Income 2020/21 £'000</b>
<b>Financial Liabilities</b>				
PWLB Borrowing	492			
<b>Total</b>	492	0		
<b>Short Term Deposits</b>		(45)		
<b>Total</b>	0	(45)		

#### Long and Short Term Borrowing

54. Additional information in respect of Long Term Loans shown in the table below is given in paragraph 49 on page 45.

	<b>31-Mar-20</b>			<b>31-Mar-21</b>		
	<b>Long Term £'000</b>	<b>Short Term £'000</b>	<b>TOTAL £'000</b>	<b>Long Term £'000</b>	<b>Short Term £'000</b>	<b>TOTAL £'000</b>
<b>Loan Source</b>						
Public Works Loans Board	12,137	1,500	13,637	10,411	1,726	12,137
	<b>12,137</b>	<b>1,500</b>	<b>13,637</b>	<b>10,411</b>	<b>1,726</b>	<b>12,137</b>
<b>Analysis by Maturity</b>						
Less than 1 year		1,500	1,500		1,726	1,726
Between 1 and 2 years	1,726		1,726	1,365		1,365
Between 2 and 5 years	1,923		1,923	558		558
Between 5 and 10 years	0		0	2,000		2,000
Over 10 years	8,488		8,488	6,488		6,488
<b>Total of Loans</b>	<b>12,137</b>	<b>1,500</b>	<b>13,637</b>	<b>10,411</b>	<b>1,726</b>	<b>12,137</b>

55. Other than the maturing Long Term loan, there are no short term borrowings.

#### **Financial Instruments – Exposure to Risk**

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

- 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.
  - Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.
57. The CIPFA Code of Practice on Treasury Management has been adopted by the Authority, and under the Service Level Agreement with Worcestershire County Council the County Council is obliged to, and does, adopt the Code also. In this way risks are actively managed.

## Credit Risk

58. Under the Treasury Management SLA, the Authority invests surplus cash with WCC, but in return for receiving an average investment rate based on the Council's portfolio of investments the Authority shares risk in proportion to its value of the total portfolio. Credit risk also arises from credit exposures to the Authority's customers.
59. Amounts invoiced to customers are of relatively low value and are actively pursued by the in-house legal service.
60. The following analysis summarises the Authority's potential maximum exposure to credit risk based on actual experience in terms of deposits and percentage of debt which has been written off as unrecoverable in the last three years in terms of debtors (total £0.002m).

	<b>31-Mar-21 £'000</b>	<b>Written off in last 3 years £'000</b>	<b>Historical Default</b>
Short Term deposits with WCC	10,000	0	
Customers	23	2	0.8%
<b>Total</b>	<b>10,023</b>	<b>2</b>	

61. Of the £0.023m invoiced to customers at 31 March 2021 the following table analyses the due dates.

	<b>£'000</b>
Not yet due	23
Less than 1 month overdue	0
1 to 2 months overdue	0
more than 2 months overdue	0
	23

## Liquidity Risk

62. The Authority is able to access borrowings from the Public Works Loan Board (PWLb) so there is no significant risk that it will be unable to meet its commitments relating to financial liabilities. The risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of borrowings due to mature at intervals as shown below.

<b>Period of Maturity</b>	<b>Upper Limit %</b>	<b>Lower Limit %</b>
Under 12 months	25	0
12 months and within 24 months	25	0
24 months and within 5 years	50	0
5 years and within 10 years	75	0
10 years and above	95	25

63. This strategy allows the Authority time to restructure debt when interest rates are favourable. The strategy is to maintain sufficient cash balances to meet daily revenue requirements without recourse to short term borrowing other than in exceptional circumstances.

## **Market Risk**

64. The Authority does not invest in equity shares and therefore has no exposure to loss arising from movements in share prices.
65. The Authority has no financial assets or liabilities, denominated in foreign currencies and therefore has no exposure to loss arising from exchange rate movements.

## **66. Debtors**

	<b>31-Mar-20 £'000</b>	<b>31-Mar-21 £'000</b>
Central Government Bodies	325	630
Other Local Authorities	722	498
National Health Service	515	0
Public Corporations and Trading Funds	2,855	2,234
Other entities and individuals	1,990	2,416
	<b>6,407</b>	<b>5,778</b>

## **67. Assets Held for Sale**

	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
<b>Balance outstanding at start of year</b>	<b>0</b>	<b>0</b>
Assets reclassified as Surplus Assets		
<b>Balance outstanding at year-end</b>	<b>0</b>	<b>0</b>

## **Cash and Cash Equivalents**

68. The balance of Cash and Cash Equivalents is made up of the following elements:

	<b>31-Mar-20 £'000</b>	<b>31-Mar-21 £'000</b>
Cash held by the Authority	11	9
Bank Current Accounts	2,082	567
Short term deposits with WCC	3,500	10,000
	<b>5,593</b>	<b>10,576</b>

69. The only financial asset held by the Authority is the short term deposit via Worcestershire County Council, there are no other investments.

## 70. Creditors

	31-Mar-20 £'000	31-Mar-21 £'000
Central Government Bodies	1,501	664
Other Local Authorities	984	1,626
National Health Service	88	0
Other entities and individuals	2,232	2,308
	<b>4,805</b>	<b>4,598</b>

## Pension Arrangements

71. As part of the terms and conditions of employment of its staff, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

72. The Authority participates in five schemes:

- The Firefighters' Pension Scheme (FFPS) (the "1992 Scheme"). This is a statutory un-funded defined benefit final salary scheme and has been closed to new entrants since 6 April 2006.
- The 2006 Firefighters' Pension Scheme (NFPS) (the "2006 Scheme") – is open to all uniformed staff (except Fire Control) and is also a statutory un-funded defined benefit final salary scheme, with differing benefits.
- The 2015 Firefighters' Pension Scheme (FFCARE) – this is a career average scheme, and is available to operational firefighters appointed on or after 1 April 2015. Serving firefighters will also have been transferred into the scheme unless they have protected status under one of the existing schemes.
- The Firefighters' Compensation Scheme (FFCS) (the Injury Scheme) – another statutory un-funded defined benefit scheme covering existing and new injury pensions.
- The four Firefighters' schemes are unfunded meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet the actual pensions payments as they eventually fall due. The arrangements are determined by the Home Office.
- The Local Government Pension Scheme (LGPS) – subject to qualifying criteria, open to staff not covered by the Firefighters' schemes. This scheme is administered by Worcestershire County Council and is a funded defined benefit final salary scheme. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- The Local Government Pension Scheme (LGPS – Place Partnership Ltd) – The Fire Authority transferred all of its Property Section staff to Place Partnership Ltd, as part of the agreement between the partners of this company, the Fire Authority has guaranteed any pension fund liability will be met based on the proportion of staff transferred into the scheme. Prior to the transfer the liability relating to these staff was included in the Fire Authority liability. At the Balance Sheet date this liability was zero.

73. The retirement benefits are recognised in the Net Cost of Service when they are earned by employees, rather than when the benefits are eventually paid as



pensions. However, the charge that is required to be made against council tax precept is based on the cash payable in the year, (as described in paragraph 76 below) so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement (MiRS).

74. Charges made to the Income and Expenditure Account for council tax precept purposes are as below:
- LGPS – the employer's contribution payable to the Pension Fund.
  - FFPS/NFPS – the notional employer's contribution payable into the Pension Account as explained in Paragraphs 41-42 on page 12 of the Narrative Report.
  - FFCS – the actual injury pensions and any RDS ill-health pensions payable.
75. Transactions made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement (MiRS) during the year are shown in the tables below:

	LGPS 2020/21 £'000	FFPS 2020/21 £'000	NFPS 2020/21 £'000	FF CARE 2020/21 £'000	FFCS 2020/21 £'000	TOTAL 2020/21 £'000
<b>Income and Expenditure Account</b>						
<b>Net Cost of Services:</b>						
Current Service Cost	1,334					
Past Service Cost	0					
<b>Other Operating Expenditure comprising:</b>						
Business Combinations						
Administration Expenses	17					
Pensions Grant						
<b>Financing and Investment Income and Expenditure:</b>						
Net Interest Expense	371					
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	1,722					
<b>Remeasurement of the net defined benefit liability comprising:</b>						
Actuarial (gains)/losses arising on changes in financial assumptions (retained settlement)	(856)					
Experience (gains)/losses						
Return on plan assets (excluding the amount included in the net interest expense)	(4,952)					
Actuarial (gains) and losses arising in demographic assumption	0					
Actuarial (gains) and losses arising in financial assumptions	7,962					
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	3,876					

	<b>LGPS 2020/21 £'000</b>	<b>FFPS 2020/21 £'000</b>	<b>NFPS 2020/21 £'000</b>	<b>FF CARE 2020/21 £'000</b>	<b>FFCS 2020/21 £'000</b>	<b>TOTAL 2020/21 £'000</b>
<b>Movement in Reserves Statement</b>						
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(1,722)					
Reversal of remeasurements of the net defined benefit liability/asset charged to Other Comprehensive Income and Expenditure	(2,155)					
<b>Actual Amount charged against the General Fund Balance for pensions in the year:</b>						
Employer's contribution payable to scheme						
Retirement Benefits payable to Pensioners						
<b>Net Charge to General Fund</b>						

	<b>LGPS 2019/20 £'000</b>	<b>FFPS 2019/20 £'000</b>	<b>NFPS 2019/20 £'000</b>	<b>FF CARE 2019/20 £'000</b>	<b>FFCS 2019/20 £'000</b>	<b>TOTAL 2019/20 £'000</b>
<b>Income and Expenditure Account</b>						
<b>Net Cost of Services:</b>						
Current Service Cost	1,284	920	340	6,690	160	<b>9,394</b>
Past Service Cost	230	1,250	(1,650)			<b>(170)</b>
<b>Other Operating Expenditure comprising</b>						
Business Combinations						
Administration Expenses	15					<b>15</b>
Pensions Grant		(10,011)	192	4,062		<b>(5,757)</b>
<b>Financing and Investment Income and Expenditure</b>						
Net Interest Expense	355	7,720	630	520	470	<b>9,695</b>
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,884</b>	<b>(121)</b>	<b>(488)</b>	<b>11,272</b>	<b>63</b>	<b>13,177</b>
<b>Remeasurement of the net defined benefit liability comprising:</b>						
Actuarial (gains)/losses arising on changes in financial assumptions (retained settlement)						
Experience (gains)/losses	747	(3440)	990	200	10	<b>(1,493)</b>
Return on plan assets (excluding the amount included in the net interest expense)	1,420					<b>1,420</b>
Actuarial (gains) and losses arising in demographic assumptions	(1,295)	(9,370)	(870)	(780)	(670)	<b>(12,985)</b>
Actuarial (gains) and losses arising in financial assumptions	(219)	(11,010)	(1,370)	(930)	(410)	<b>(13,939)</b>
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>2,537</b>	<b>(23,941)</b>	<b>1,738</b>	<b>9,762</b>	<b>(440)</b>	<b>(13,820)</b>
<b>Movement in Reserves Statement</b>						
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(1,884)	121	488	(11,272)	(630)	(13,177)
Reversal of remeasurements of the net defined benefit liability/asset charged to Other Comprehensive Income and Expenditure	(653)	23,820	1,250	1,510	1,070	26,997
<b>Actual Amount charged against the General Fund Balance for pensions in the year:</b>						
Employer's contribution payable to scheme	880	510	209	2,765		<b>4,364</b>
Retirement Benefits payable to Pensioners					986	<b>986</b>
<b>Net Charge to General Fund</b>	<b>880</b>	<b>510</b>	<b>209</b>	<b>2,765</b>	<b>986</b>	<b>5,350</b>

## Pensions Assets and Liabilities Recognised in the Balance Sheet

	Funded Liability LGPS 2020/21 £'000	Un-funded Liability FFPS 2020/21 £'000	Un-funded Liability NFPS 2020/21 £'000	Un-funded Liability FFCARE 2020/21 £'000	Un-funded Liability FFCS 2020/21 £'000	TOTAL 2020/21 £'000
Present value of the defined benefit obligation						
Fair Value of Plan assets						
<b>Net liability arising from defined benefit obligation</b>						

	Funded Liability LGPS 2019/20 £'000	Un-funded Liability FFPS 2019/20 £'000	Un-funded Liability NFPS 2019/20 £'000	Un-funded Liability FFCARE 2019/20 £'000	Un-funded Liability FFCS 2019/20 £'000	TOTAL 2019/20 £'000
Present value of the defined benefit obligation	40,785	294,781	23,741	24,416	17,958	401,681
Fair Value of Plan assets	(24,125)					(24,125)
<b>Net liability arising from defined benefit obligation</b>	<b>16,660</b>	<b>294,781</b>	<b>23,741</b>	<b>24,416</b>	<b>17,958</b>	<b>377,556</b>

## Assets and Liabilities in relation to post-employment benefits

### 76. Reconciliation of the present value of scheme liabilities:

	Funded Liabilities (LGPS) 2020/21 £'000	Un-funded Liabilities (FFPS) 2020/21 £'000	Un-funded Liabilities (NFPS) 2020/21 £'000	Un-funded Liabilities (FF CARE) 2020/21 £'000	Un-funded Liabilities (FFCS) 2020/21 £'000	TOTAL 2020/21 £'000
<b>at 1 April</b>						
Adjustment relating to McCloud Judgement						
<b>Restated Opening Balance</b>						
Current Service Cost						
Past Service Cost						
Interest Cost						
Employee Contributions						
<b>Remeasurement Gains and Losses</b>						
Experience (Gains) and Losses						
Actuarial (Gains) and Losses arising on changes in demographic assumptions						
Actuarial (Gains) and Losses arising on changes in financial assumptions						
Pensions Grant						
Employer contributions firefighter scheme/benefits paid LGPS scheme						
<b>at 31 March</b>						

	<b>Funded Liabilities (LGPS) 2019/20 £'000</b>	<b>Un-funded Liabilities (FFPS) 2019/20 £'000</b>	<b>Un-funded Liabilities (NFPS) 2019/20 £'000</b>	<b>Un-funded Liabilities (FF CARE) 2019/20 £'000</b>	<b>Un-funded Liabilities (FFCS) 2019/20 £'000</b>	<b>TOTAL 2019/20 £'000</b>
<b>at 1 April</b>	<b>39,312</b>	<b>319,121</b>	<b>25,688</b>	<b>17,419</b>	<b>19,384</b>	<b>421,035</b>
Adjustment relating to McCloud Judgement	26					
Current Service Cost	1,284	920	340	6,690	160	<b>9,394</b>
Past Service Cost	230	1,250	(1,650)			<b>170</b>
Interest Cost	985	7,720	630	520	470	<b>10,325</b>
Employee Contributions	252					<b>252</b>
<b>Remeasurement Gains and Losses</b>						
Experience (Gains) and Losses	747	(3,440)	990	200	10	<b>(1,493)</b>
Actuarial (Gains) and Losses arising on changes in demographic assumptions	(1,295)	(9,370)	(870)	(780)	(670)	<b>(12,985)</b>
Actuarial (Gains) and Losses arising on changes in financial assumptions	(219)	(11,010)	(1,370)	(930)	(410)	<b>(13,939)</b>
Pensions Grant		(10,011)	192	4,062	0	<b>(5,757)</b>
Employer contributions firefighter scheme/benefits paid LGPS scheme	(537)	(510)	(209)	(2,765)	(986)	<b>(5,007)</b>
<b>at 31 March</b>	<b>40,785</b>	<b>294,781</b>	<b>23,741</b>	<b>24,416</b>	<b>17,958</b>	<b>401,681</b>

77. Reconciliation of fair value of scheme assets:

	<b>Funded Assets (LGPS) 2019/20 £'000</b>	<b>Funded Assets (LGPS) 2020/21 £'000</b>
<b>Fair value at 1 April</b>	<b>24,620</b>	
Adjustment relating to McCloud Judgement	26	
<b>Restated Opening Balance</b>	<b>24,646</b>	
Interest Income	629	
<b>Remeasurement gain/loss</b>		
Return on plan assets (excluding the amount included in the net interest expense)	(1,420)	
Other (administration expenses)	(15)	
Employer Contributions	570	
Employee Contributions	252	
Benefits Paid	(537)	
<b>at 31 March</b>	<b>24,125</b>	

78. The expected rate of return on assets (LGPS only) is based on market expectations, at the beginning of the period, for investment returns over the life of the entire life of the related obligation. The assumption used is the average of the assumptions shown in table 91 appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class as shown in table 92. Note that rates quoted are gross of expenses. The actual return on schemes' assets in the year was £1.045m (2018/19 £0.916m).

79. The objective of the Local Government Pension scheme is to keep employers' contributions at as constant a rate as possible. The Worcestershire County Council Pension Fund has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 25 years. Funding levels are monitored on an annual basis. The triennial valuation was completed on 31 March 2019.
80. The Authority anticipates it will pay approximately £0.554m in contributions to the Local Government Pension scheme in 2020/21.
81. The Firefighter scheme employer contribution rates are set by the Home Office and the current rates are in place from April 2019 until March 2022.
82. Expected employers' contributions for the firefighters' pension schemes in the year to 31 March 2021 are approximately £3.589m.
83. No adjustment has been made to the expected employer contributions to allow for the implications of the appeal relating to McCloud/Sargeant which reviews the lawfulness of the transitional protection arrangements, as it is not possible to assess the impact at this time.
84. Reconciliation of Movements in Net Pensions Liability:

	<b>Funded Liabilities (LGPS) 2020/21 £'000</b>	<b>Un-funded Liabilities (FFPS) 2020/21 £'000</b>	<b>Un-funded Liabilities (NFPS) 2020/21 £'000</b>	<b>Un-funded Liabilities (FF CARE) 2020/21 £'000</b>	<b>Un-funded Liabilities (FFCS) 2020/21 £'000</b>	<b>TOTAL 2020/21 £'000</b>
<b>at 1 April</b>						
Current Service Cost						
Past Service Cost						
Employer Contributions						
Pensions Grant						
Administration Expenses						
Interest on Liabilities						
Interest on Assets						
Net remeasurement gains and losses						
<b>at 31 March</b>						

	<b>Funded Liabilities (LGPS) 2019/20 £'000</b>	<b>Un-funded Liabilities (FFPS) 2019/20 £'000</b>	<b>Un-funded Liabilities (NFPS) 2019/20 £'000</b>	<b>Un-funded Liabilities (FF CARE) 2019/20 £'000</b>	<b>Un-funded Liabilities (FFCS) 2019/20 £'000</b>	<b>TOTAL 2019/20 £'000</b>
<b>at 1 April</b>	<b>14,692</b>	<b>319,232</b>	<b>25,688</b>	<b>17,419</b>	<b>19,384</b>	<b>396,416</b>
Current Service Cost	1,284	920	340	6,690	160	9,394
Past Service Cost	230	1,250	(1,650)			(170)
Employer Contributions	(570)	(510)	(209)	(2,765)	(986)	(5,040)
Pensions Grant		(10,011)	192	4,062		(5,757)
Administration Expenses	15					15
Interest on Liabilities	985	7,720	630	520	470	10,325
Interest on Assets	(629)					(629)
Net remeasurement gains and losses	653	(23,820)	(1,250)	(1,510)	(1,070)	(26,997)
<b>at 31 March</b>	<b>16,660</b>	<b>294,781</b>	<b>23,741</b>	<b>24,416</b>	<b>17,958</b>	<b>377,556</b>

## 85. Scheme History

	31-Mar 2016 £'000	31-Mar 2017 £'000	31-Mar 2018 £'000	31-Mar 2019 £'000	31-Mar 2020 £'000	31-Mar 2021 £'000
<b>Present value of liabilities:</b>						
LGPS : Local Government Pension Scheme	28,399	34,802	34,990	39,313	40,785	
FFPS : Firefighters' 1992 Scheme	247,905	296,194	299,345	319,232	294,781	
NFPS : Firefighters' 2006 Scheme	14,462	21,616	22,638	25,688	23,741	
FFCARE: Firefighters' 2015 Scheme	2,769	8,082	11,424	17,419	24,416	
FFCS : Firefighters' Injury Scheme	15,697	16,457	18,447	19,384	17,958	
	<b>309,232</b>	<b>377,151</b>	<b>386,844</b>	<b>421,036</b>	<b>401,681</b>	
<b>Fair value of assets in the LGPS</b>	18,787	21,432	23,433	24,620	24,125	
	<b>18,787</b>	<b>21,432</b>	<b>23,433</b>	<b>24,620</b>	<b>24,125</b>	
<b>Net Liabilities of the scheme:</b>						
LGPS : Local Government Pension Scheme	9,612	13,370	11,557	14,692	16,660	
FFPS : Firefighters' 1992 Scheme	247,905	296,194	299,345	319,232	294,781	
NFPS : Firefighters' 2006 Scheme	14,462	21,616	22,638	25,688	23,741	
FFCARE: Firefighters' 2015 Scheme	2,769	8,082	11,424	17,419	24,416	
FFCS : Firefighters' Injury Scheme	15,697	16,457	18,447	19,384	17,958	
<b>Total</b>	<b>290,445</b>	<b>355,719</b>	<b>363,411</b>	<b>396,416</b>	<b>377,556</b>	

86. The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £377.556m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £325.750m.

87. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the LGPS will be made good by 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 pension is actually paid.

### Basis for Estimating Liabilities

88. 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.

89. Estimates for the LGPS have been made by Mercer Human Resource Consulting Ltd (an independent firm of actuaries), and for the firefighters' schemes by GAD, the Government Actuary's Department.

90. The principal assumptions used by the Actuaries are shown overleaf:

	<b>LGPS 2020/21</b>	<b>FFPS 2020/21</b>	<b>NFPS 2020/21</b>	<b>FFCARE 2020/21</b>	<b>FFCS 2020/21</b>
<b>Mortality assumptions:</b>					
<b>Longevity at 65 for current pensioners</b>					
Male	22.7	21.4	21.4	21.4	21.4
Female	25.1	21.4	21.4	21.4	21.4
<b>Longevity at 65 for future pensioners</b>					
Male	24.4	23.1	23.1	23.1	23.1
Female	27.1	23.1	23.1	23.1	23.1
Rate of inflation (CPI)	2.7%	2.40%	2.40%	2.40%	2.40%
Short term rate of increase in salaries	n/a	n/a	n/a	n/a	n/a
Long term rate of increase in salaries	n/a	4.15%	4.15%	4.15%	4.15%
Rate of increase in salaries	4.2%	n/a	n/a	n/a	n/a
Rate of CARE revaluation	n/a	4.15%	4.15%	4.15%	4.15%
Rate of increase in pensions	2.80%	2.40%	2.40%	2.40%	2.40%
Rate for discounting scheme liabilities	2.10%	2.00%	2.00%	2.00%	2.00%
<b>Take-up of option to convert annual pension into retirement lump sum:</b>					
take maximum cash	50%	n/a	n/a	n/a	n/a
take 3/80ths cash	50%	n/a	n/a	n/a	n/a

	<b>LGPS 2019/20</b>	<b>FFPS 2019/20</b>	<b>NFPS 2019/20</b>	<b>FFCARE 2019/20</b>	<b>FFCS 2019/20</b>
<b>Mortality assumptions:</b>					
<b>Longevity at 65 for current pensioners</b>					
Male	22.6	21.3	21.3	21.3	21.3
Female	25.0	21.3	21.3	21.3	21.3
<b>Longevity at 65 for future pensioners</b>					
Male	24.2	23.0	23.0	23.0	23.0
Female	27.0	23.0	23.0	23.0	23.0
Rate of inflation (CPI)	2.10%	2.00%	2.00%	2.00%	2.00%
Short term rate of increase in salaries	n/a	n/a	n/a	n/a	n/a
Long term rate of increase in salaries	n/a	4.00%	4.00%	4.00%	4.00%
Rate of increase in salaries	3.6%	n/a	n/a	n/a	n/a
Rate of CARE revaluation	n/a	4.00%	4.00%	4.00%	4.00%
Rate of increase in pensions	2.20%	2.00%	2.00%	2.00%	2.00%
Rate for discounting scheme liabilities	2.40%	2.25%	2.25%	2.25%	2.25%
<b>Take-up of option to convert annual pension into retirement lump sum:</b>					
take maximum cash	50%	n/a	n/a	n/a	n/a
take 3/80ths cash	50%	n/a	n/a	n/a	n/a

91. The Firefighters' schemes have no assets to cover their liabilities. The LGPS assets consist of the following categories by proportion of the total assets held – shown in the following table.



Asset Category	Sub Category	31-Mar-20	31-Mar-21
Equities	UK Quoted	0.2%	0.1%
	Overseas Quoted	24.2%	31.3%
	UK Managed Funds	12.6%	13.9%
	UK Managed Funds – Overseas Equities)	33.5%	39.5%
	Overseas Managed Fund	0.1%	0.1%
Bonds	UK Corporate	0.4%	0.0%
	Overseas Corporate	4.6%	0.0%
	Other Bonds	0.0%	0.1%
	UK Government Fixed	7.2%	0.0%
	Overseas Government	0.1%	0.0%
Property	European Property Funds	2.3%	1.9%
	UK Property Debt	0.7%	0.4%
	Overseas Property Debt	0.5%	0.3%
	UK Property Funds	2.1%	2.0%
	Overseas REITs	0.2%	0.1%
Alternatives	UK Infrastructure	4.9%	3.9%
	European Infrastructure	2.7%	2.8%
	US Infrastructure	1.8%	2.1%
	US Stock Options	0.7%	0.3%
	Overseas Stock Options	-0.6%	0.1%
Cash	Corporate Private Debt	1.2%	1.1%
	Cash Instruments	0.2%	0.0%
	Cash Accounts	0.2%	0.0%
	Net Current Assets	0.2%	0.0%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

### Injury Awards

92. The level of injury awards payable to eligible members is dependent on the salary, service and also degree of disablement of the member at the time the injury is incurred. Therefore, in line with IFRS Code of Practice, the assumption that such awards are “not usually subject to the same degree of uncertainty as the measurement of post-employment benefits” can be rebutted and injury awards are therefore accounted for, under IAS19, in the same manner as for the main pension scheme benefits.

### **Usable Reserves**

93. Movements in the Authority’s usable reserves are summarised in the Movement in Reserves Statement and Notes and are described below:

	31-Mar-20 £'000	31-Mar-21 £'000
General Fund	1,538	1,538
Earmarked Reserves	12,417	14,433
Unapplied Grants	3	3
Capital Receipts Reserve	0	5,532
	<b>13,958</b>	<b>21,506</b>

94. General Fund Balance

	2019/20 £'000	2020/21 £'000
<b>Balance at 01 April</b>	<b>1,838</b>	<b>1,538</b>
Transfers from CIES	(300)	0
<b>Balance at 31 March</b>	<b>1,538</b>	<b>1,538</b>

## Earmarked Reserves

95. Earmarked revenue reserves are held for a variety of purposes, and they were reviewed and consolidated at the Authority meeting in February 2020. The nature and value of these is outlined below:

- **Equipment Reserve** – To fund additional equipment required within the service, when it falls due, (including the remaining costs of mobile data terminals and fire-ground radios) as well as allowing investment in new equipment on an “invest to save” basis.
- **ESMCP Reserve** – to fund the as yet unknown, costs associated with the implementation of the Emergency Services Mobile Communications Project (ESMCP), the new national radio/communications system, as and when the significantly delayed project requires.
- **C&C Reserve** – to fund the cyclical upgrade/replacement of the mobilising system. The current system was largely funded by specific government grant.
- **RPE Reserve** – To fund the future costs of replacing Respiratory Protective Equipment (RPE)
- **ICT Replacement Reserve** – to fund replacement of key ICT systems principally Equipment safety monitoring and tracking, Intel (Intelligence on Operational Risks) and station end equipment for alerting.
- **Property Maintenance Reserve** – to be utilised in future years to ensure the completion of planned station maintenance.
- **Pay Award Reserve** – this reserve is held to fund the balance of the 2017/18 pay award when the increase has finally been confirmed.
- **Pension Tribunal Reserve** – to meet the potential costs of HMRC challenge relating to employment of Fire fighters on the retained fire fighter duty system who had retired from whole time posts before reaching the age of 55.
- **Broadway Reserve** – to fund the replacement of the Fire Station at Broadway.
- **DCP Change Reserve** – the Authority has had to cease using the innovative Day Crewing Plus (DCP) and as part of the transition there are some short term pay protection costs which were originally budgeted in 2019/20, but which will now fall in 2020/21, to be funded from this reserve
- **Alliance Reserve** – the Authority has formed a Collaboration Alliance with Shropshire Fire Service to gain some longer term benefits of working together. Both Services agreed to provide some certainty by providing a specific reserve for future shared on-off costs.
- **Development Reserve** – To provide funding for capacity building or “invest to save” type initiatives to prepare for future grant reductions.
- **Organisational Excellence Reserve** – to embed National Operational Guidance (NOG), enhance Command Training and achieve statutory accreditation of the Fire Investigation function.
- **On Call Recruitment Reserve** – to provide an in-depth sustained and targeted approach to On-Call recruitment over the next four years.
- **Capital Projects Reserve** – to provide funds to complete the North Herefordshire Training Facility and continue to move training facilities from the cramped site at Droitwich
- **Sustainability Reserve** – for targeted actions with the Environmental Sustainability Plan
- **Fire Prevention Reserve** – monies set aside for targeted increases in prevention activities
- **Pension Reserve** – To meet the potential back cost of any matters arising from pensions including grant given at the end of 2020/21 for 2021/22 administration costs

- **Protection Grants Reserve** – specific government grant to improve protection arrangements, being used over next two years to embed and extend capabilities
- **Safety Initiatives Reserve** – monies set aside for targeted increases in protection activities
- **Budget Reduction Reserve** – this reserve is held as part of the MTFP in response to the extreme uncertainty about future funding. It can meet short term costs as necessary or be released for future investment if future funding becomes sustainable.
- **Budget Reduction (Covid) Reserve** – as above, but specifically showing monies received as special Covid grants being used to offset loss of tax income in the next few years
- **Tax Income Grant Reserve** – Government grant to support tax losses over next three years (and included in the Medium Term Financial Plan)
- **Pensions Reserve** – To meet the potential back cost of any matters arising from pensions and includes provision for additional 2019/20 costs
- **Operational Activity Reserve** – To fund exceptional activity costs arising from spate conditions e.g. prolonged fires in the Malvern Hills or flooding,
- **Development Reserve** – To provide funding for capacity building or “invest to save” type initiatives to prepare for future grant reductions.
- **Insurance Reserve** – This reserve is created to fund the excess on any long-tail claims.
- **Safety Initiatives Reserve** – This reserve was created to fund some prevention and protection initiatives which were anticipated for 2019/20 but delayed for various reasons

96. A summary of movements is shown below.

	Balance at 31-Mar- 20 £'000	Reclassific ations £'000	Realloc By Fire Authority £'000	Trans to General Fund £'000	Trans from General Fund £'000	Balance at 31-Mar- 21 £'000
Equipment Reserve	190			(1)		189
ESMCP Reserve	1,599		(500)			1,099
C & C Reserve	1,267		300	(40)		1,527
RPE Reserve	1,000					1,000
ICT Replacement Reserve	0		1,200			1,200
Property Maintenance Reserve	660		250	(98)		812
Pay Award Reserve	837		(837)			0
Pensions Tribunal Reserve	400					400
Broadway Reserve	1,000			(19)		981
DCP Change Reserve	164			(164)		0
Fire Alliance Reserve	188		(121)	(67)		0
Development Reserve	0	237	121	(48)		310
Organisational Excellence Reserve	0		1,040			1,040
On Call Recruitment Reserve	0		1,000			1,000
Capital Projects Reserve	0		900			900
Sustainability Reserve	0				310	310
Fire Prevention Reserve	0	242		(11)		231
Pension Reserve	0	162			54	216
Protection Grants Reserve	0				201	201
Safety Initiatives Reserve	0	158		(48)		110
	<b>7,305</b>	<b>799</b>	<b>3,353</b>	<b>(496)</b>	<b>565</b>	<b>11,526</b>
Budget Reduction Reserve	3,583		(3,353)		1,199	1,429
Budget Reduction (Covid) Reserve					602	602
Tax Income Guarantee Grant Reserve					146	146
	<b>3,583</b>	<b>0</b>	<b>(3,353)</b>	<b>0</b>	<b>1,947</b>	<b>2,177</b>
Pensions Reserve	162	(162)				0
Operational Activity Reserve	600					600
Development Reserve	237	(237)				0
Insurance Reserve	130					130
Safety Initiative Reserve	400	(400)				0
	<b>1,529</b>	<b>(799)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>730</b>
	<b>12,417</b>	<b>0</b>	<b>0</b>	<b>(496)</b>	<b>2,512</b>	<b>14,433</b>

97. The comparative movements for 2019/20 are summarised below:

	Balance at 31-Mar-19 £'000	Realloc By Fire Authority £'000	Trans to General Fund £'000	Trans from General Fund £'000	Balance at 31-Mar-20 £'000
Equipment Reserve	461		(270)		191
ESMCP Reserve	1,599				1,599
C & C Reserve	1,267				1,267
RPE Reserve	1,000				1,000
ICT Reserve	33	(33)			0
Property Maintenance Reserve	775		(115)		660
YFA Reserve	17	(17)			0
Pay Award Reserve	552			285	837
Pensions Tribunal Reserve	400				400
Broadway Reserve	750			250	1000
DCP Change Reserve	0			164	164
Fire Alliance Reserve	0			188	188
	6,854	(50)	(385)	887	7,306
Grant Phasing Reserve	385	(385)			0
Budget Reduction Reserve	3,734	227	(379)		3,582
Pensions 19-20	0	75	(75)		0
	4,119	(83)	(454)	0	3,582
Pensions Reserve	497	(75)	(250)		162
Operational Activity Reserve	600				600
New Dimensions Reserve	381		(381)		0
Development Reserve	187	50			237
Insurance Reserve	130				130
Safety Initiative Reserve	0	158		242	400
	1,795	133	(641)	242	1,529
	12,768	0	(1,480)	1,129	12,417

98. Unapplied Grant

	Formula Capital Grant £'000	Hereford Hub Contribution £'000	Transformation Grant £'000	TOTAL £'000
<b>Balance at 31 March 2018</b>	904	88	3,104	4,096
Amendment for 2016/17 correction	(59)			(59)
<b>Balance at 31 March 2018 (restated)</b>	845	88	3,104	4,037
Used to Finance Capital Expenditure in 2018/19		(84)	(2,960)	(3,044)
<b>Balance at 31 March 2020 (restated)</b>	845	4	144	993
Used to Finance Capital Expenditure in 2019/20	(845)	(1)	(144)	(990)
<b>Balance at 31 March 2020</b>	0	3	0	3
<b>Balance at 31 March 2021</b>	0	3	0	3

99. Capital Receipts

	2019/20 £'000	2020/21 £'000
<b>Balance at 01 April</b>	<b>2,327</b>	<b>0</b>
Net Proceeds from sale of fixed assets	95	(5,532)
Used to Finance Capital Expenditure	(2,422)	0
<b>Balance at 31 March</b>	<b>0</b>	<b>(5,532)</b>

100. **Unusable Reserves**

	31-Mar-20 £'000	31-Mar-21 £'000
Revaluation Reserve	10,604	9,116
Capital Adjustment Account	26,443	20,061
Pensions Reserve	(377,556)	(408,638)
Collection Fund Adjustment Account	611	(1,158)
Accumulated Absences Adjustment Account	(232)	(267)
Lease Income Adjustment Account	422	0
	<b>(339,708)</b>	<b>(380,886)</b>

Revaluation Reserve

101. The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). 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.

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

	2019/20 £'000	2020/21 £'000
<b>Balance at 1 April</b>	<b>12,982</b>	<b>10,604</b>
Upward revaluation of assets	314	529
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,480)	(1,874)
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services</b>	<b>10,816</b>	<b>9,259</b>
Difference between fair value depreciation and historical cost depreciation	(212)	(143)
Accumulated gains on assets sold	0	0
Accumulated gains on assets derecognised		
Amounts written off to the Capital Adjustment Account		

<b>Balance at 31 March</b>	<b>10,604</b>	<b>9,116</b>
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### Capital Adjustment Account

103. 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 provisions. 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.
104. The Account contains accumulated gains and losses on Investment Properties and gains recognised as donated assets that have yet to be consumed by the Authority.
105. 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.
106. The table below provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
<b>Balance at 1 April</b>	<b>24,327</b>	<b>26,443</b>
<ul style="list-style-type: none"> <li>Charges for depreciation and impairment of non-current assets</li> <li>Revaluation gains/(losses) on Property, Plant and Equipment</li> <li>Revaluation gains/(losses) on current assets held for sale</li> <li>Amortisation of intangible assets</li> <li>Amounts of current assets (assets held for sale) written off on Disposal or sale as part of the gain/loss on disposal in the Comprehensive Income and Expenditure Statement</li> <li>Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal in the Comprehensive Income and Expenditure Statement</li> </ul>	(2,614) (1,443) 0 (76) 0 (5)	(2,485) (626) 0 (106)  (5,443)
<ul style="list-style-type: none"> <li>Adjusting amounts written out to the Revaluation Reserve - <i>difference in depreciation on historical &amp; current cost basis</i></li> </ul>	<b>20,189</b> 212	<b>17,783</b> 143
<b>Capital financing applied in the year:</b>	<b>20,400</b>	
<ul style="list-style-type: none"> <li>Use of the Capital Receipts Reserve to finance new capital Expenditure</li> <li>Capital Grants and contributions debited to the Comprehensive Income and Expenditure Statement that have been charged Against Revenue Expenditure Funded from Capital Under Statute</li> <li>Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing</li> <li>Statutory provision for the financing of capital investment</li> </ul>	2,422  0 990	

charged against the General Fund balance.	1,807	1,698
• Capital expenditure charged against the General Fund balance	823	437
<b>Balance at 31 March</b>	<b>26,443</b>	<b>20,061</b>

### Pensions Reserve

107. The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.
108. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing for 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>2019/20 £'000</b>	<b>2020/21 £'000</b>
<b>Balance at 1 April</b>	<b>396,726</b>	<b>377,556</b>
Actuarial gains or losses on pensions assets & liabilities	(26,997)	25,555
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services the CIES	13,177	12,713
Employer's pensions contributions and direct payments to pensioners payable in the year	(5,350)	(7,186)
<b>Balance at 31 March</b>	<b>377,556</b>	<b>408,638</b>

### Collection Fund Adjustment Account

109. 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 rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
<b>Balance at 1 April</b>	<b>177</b>	<b>611</b>
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements:		
Council Tax	7	(483)
Non-Domestic Rates	427	(1,286)
<b>Balance at 31 March</b>	<b>611</b>	<b>(1,158)</b>



### Accumulated Absences Account

110. 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, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2019/20 £'000	2020/21 £'000
<b>Balance at 1 April</b>	<b>(203)</b>	<b>(232)</b>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory provisions	(29)	(35)
<b>Balance at 31 March</b>	<b>(232)</b>	<b>(267)</b>

### Lease Income Adjustment Account

111. The Lease Income Adjustment Account manages the differences arising from the recognition of lease income in the Comprehensive Income and Expenditure Statement as it falls due from lessors compared with the statutory accounting arrangements.

	2019/20 £'000	2020/21 £'000
<b>Balance at 1 April</b>	<b>114</b>	<b>422</b>
Amount by which lease income credited to the Comprehensive Income and Expenditure Statement is different from lease income calculated for the year in accordance with statutory requirements:	308	(422)
<b>Balance at 31 March</b>	<b>422</b>	<b>0</b>

### **Provision - NNDR Appeals Provision**

112. This is a provision to reflect the authority's share of the appeals made by NNDR payers at billing authorities.

	2019/20 £'000	2020/21 £'000
<b>Balance at 1 April</b>	<b>393</b>	<b>181</b>
Transfer from CIES	(212)	170
	<b>181</b>	<b>351</b>

### **Contingent Liabilities**

#### McCloud/Sergeant

113. The Authority is aware of the recent lodging of the "injury to feelings" claim concerning the transitional arrangements that were put in place when the 2015 Fighters' Pension Scheme came into effect on 1 April 2015. There is currently no date set aside for the case to be heard by the courts, but if the claim is successful it is possible that the Authority may incur a financial impact. At this stage the value and quantum of any impact is unknown.

## Protected Pension Age of Fire-fighters

114. The Authority and HMRC have different views on the interpretation of the rules regarding Protected Pension Age of fire-fighters who retired from their whole-time role whilst continuing in an On-Call (RDS) capacity. This is currently part of a long-running national issue and may involve the Authority in an HMRC Tribunal. If the HMRC view prevails the Authority may face a potential liability. Although the risk is covered by an earmarked reserve, estimated at £400k the Authority's view is that it will have no liability.

## Place Partnership Limited

115. In March 2020, Worcestershire County Council gave notice of its intention to exit the joint operation known as Place Partnership Limited (PPL) effective from 1<sup>st</sup> April 2021. The remaining partners agreed to dissolve PPL and it ceased trading 31<sup>st</sup> March 2021. The final position of PPL in respect of the balance of any assets and liabilities that will fall on the partners has not yet been established as at the date of issuing the unaudited Statement of Accounts, any impact on the Authority is expected to be immaterial.

## Specific Government Grants

116. The following grants are included as income within the CIES on page 26

	2019/20 £'000	2020/21 £'000
Fire Revenue Grant - New Dimensions/Firelink	1,039	
Service and Maintenance Grant	8	
Regional ESN Funding	88	
MORSE Funding – PCC	24	
	<b>1,159</b>	

## Cashflow Statement – Operating Activities

117. The surplus or deficit on the provision of services has been adjusted for the following non-cash movements

	2019/20 £'000	2020/21 £'000
Depreciation	(2,614)	
Downward revaluations	(1,443)	
Amortisations	(75)	
Increase/decrease in creditors	(912)	
Increase/decrease in debtors	(80)	
Increase/decrease in inventories	66	
Movement in pensions liability	(8,137)	
Carrying amount of non-current assets sold or derecognised	(5)	
Other non-cash items charged to the net surplus or deficit on the provision of services	212	
	<b>(12,990)</b>	

118. The net surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

	2019/20 £'000	2020/21 £'000
Proceeds of sales of Property, Plant & Equipment – Capital Receipts	96	
	<b>96</b>	

The cashflows for operating activities include the following items:

	2019/20 £'000	2020/21 £'000
Interest Paid	(477)	
Interest Received	52	
	<b>(426)</b>	

119. Cashflow Statement – Investing Activities

	2019/20 £'000	2020/21 £'000
Purchase of Property, Plant & Equipment	7,799	
Proceeds of sales of Property Plant & Equipment - Capital Receipts	(96)	
	<b>7,703</b>	

120. Cashflow Statement – Financing Activities

	2019/20 £'000	2020/21 £'000
Long Term Loans Raised	(3,000)	
Long Term Loans Repaid		
	<b>(3,000)</b>	

### Assumptions made about the future and other major sources of estimation uncertainty

121. 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 based on past experience, current trends and other relevant factors. As some balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.
122. The items in the balance sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are set out below. The list does not include items which are carried at fair value based on recently observed market prices, such as land and buildings, for which the Authority relies on independent advice from specialist valuers.
123. There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be significantly impaired as a result of a need to close facilities and reduce levels of service provision.

124. Action has been taken by HMRC in other Fire Authorities, which relates to the retirement of whole time firefighters before reaching the age of 55, if they remain employed as Firefighters on the Retained Duty System. HMRC are stating that the individual loses their protected status for tax exemption as they have been re-employed. However, guidance had been sought from the Authority's Tax Advisors who determined that the employee has not broken their service and so have not been re-employed. This guidance has now been charged. A reserve has been set up to cover any potential losses or costs that could arise in relation to this.
125. The Actuaries have provided an assessment of the effect of changes in the assumptions used in estimating the pension and assets included in the Accounts according to the requirements of IAS19.
- There are a range of actuarial assumptions which is acceptable under IAS19, particularly in respect of expected salary increases and demographic factors. The assumptions made are the responsibility of the Authority, after taking the advice of the Actuaries. There are risks and uncertainties associated with whatever assumptions are adopted, as the assumptions are effectively projections of future investment returns and demographic experience many years into the future. Inevitably this involves a great deal of uncertainty about what constitutes a "best estimate" under IAS19. The Actuaries interpret this as meaning that the proposed assumptions are neutral, i.e. there is an equal chance of actual experience being better or worse than the assumptions used.
  - The assumptions used are largely prescribed and reflect market conditions at 31 March 2021. Changes in market conditions can have a significant effect on the value of liabilities reported. For example, a reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. The effect of changes in financial assumptions made by the relevant Actuary is shown in the table.
  - With regard to the LGPS, it is also relevant to note that IAS19 requires the discount to be set with reference to the yields on high quality corporate bonds irrespective of the actual investment strategy of the Fund. Therefore the balance sheet position may change significantly due to relative changes in the equity and AA corporate bond markets at the reporting date.
126. Approximate increase in Net Liability

<b>Change in financial assumptions 2020/21: 1992 Firefighters' Scheme</b>		
	<b>£'000</b>	<b>%</b>
0.5% Decrease in rate of discounting scheme liabilities	26,000	8.5%
0.5% Increase in rate of salaries	2,000	0.5%
0.5% increase in rate of pensions/deferred revaluation	25,000	8.0%
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed	11,000	3.5%

<b>Change in financial assumptions 2020/21: 2006 Firefighters' Schemes</b>		
	<b>£'000</b>	<b>%</b>
0.5% Decrease in rate of discounting scheme liabilities	4,000	14.0%
0.5% Increase in rate of salaries	1,000	4.5%
0.5% increase in rate of pensions/deferred revaluation	2,000	11.0%

Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed	1,000	3.5%
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<b>Change in financial assumptions 2020/21: 2015 Firefighters' Schemes</b>		
	<b>£'000</b>	<b>%</b>
0.5% Decrease in rate of discounting scheme liabilities	5,000	15.5%
0.5% Increase in rate of salaries	2,000	6.0%
0.5% increase in rate of pensions/deferred revaluation	3,000	11.0%
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed	1,000	3.0%

<b>Change in financial assumptions 2020/21: LGPS</b>		
	<b>£'000</b>	<b>%</b>
0.1% Increase in real discount rate	(889)	(4.6%)
0.1% Increase in rate of increase in salaries	110	0.6%
1 Year Increase in Member Life Expectancy	1,388	7.2%

### Property, Plant and Equipment

127. Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.
128. If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £17,000 for every year that useful lives had to be reduced.
129. The current global pandemic has meant that the valuer is faced with an unprecedented set of circumstances upon which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case.

### **Critical Judgements in Applying Accounting Policies**

130. At the current time there are no critical judgements that have been made that will affect these Statements, but there is a certain amount of uncertainty about future levels of Government funding, as detailed in paragraph 124.
131. Two employment tribunal cases were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

132. The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the Government's request for an appeal in the case.
133. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to Firefighters' Pension Schemes and LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and HMT published their response to their consultation on 4 February 2021, confirming their approach to remedying age discrimination, in line with their proposals. The liability calculations have been updated to be in line with the agreed final remedy.

### **Firefighters' Pension Schemes**

134. The final remedy will apply to those members that were in active service on or prior to 31 March 2012 and on or after 1 April 2015. At retirement, these members will be given a choice in which scheme they wish to accrue benefits over the remedy period, 1 April 2015 to 31 March 2022. To make that choice all members will be automatically defaulted to the legacy scheme during the remedy period and the reformed scheme benefits kept as an underpin. From 1 April 2022, everyone is assumed to accrue benefits in the CARE scheme.
135. Given the uncertainty in how members' benefits will accrue over the remedy period, due to future salary increases, preferences for early/late retirement over more pension, we have made assumptions in order to determine which scheme the member will choose to accrue benefits in at retirement.
136. We calculated the estimated present value of the benefits that would accrue over the remedy period under each member's legacy and the CARE scheme and determined that the member would choose the scheme that had the highest present value. Where retirement dates differed we applied early retirement factors to the CARE benefits to bring in line with the assumed retirement age of the legacy scheme. Where the member's legacy scheme retirement age is lower than 55 we have assumed that the member would remain in their legacy scheme. The effect of this adjustment to the McCloud allowance is a very slight reduction to the overall liability.

### **LGPS**

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

potentially inflict less cost to the Employer. For example, the solution proposed by the Government would only apply the underpin to all members who were active on 31 March 2012. This would have less impact than GAD's scenario (which also includes any new joiners from 1 April 2012).

139. IAS19/FRS102 requires us to place a best estimate value on liabilities and costs. Consistent with the approach we adopted for the McCloud impact estimates made last year, we will adjust GAD's estimate to include only members that were active on 31 March 2012. This is in line with that proposed in the Government's consultation.

### **Kings Court EMC Ltd**

140. The Authority is a member of Kings Court EMC Ltd, which manages ground maintenance on the common areas of the office site, at Kings Court, Charles Hastings Way, Worcester, which was owned by the Fire Authority to realise rental income, until its sale on the 9<sup>th</sup> April 2020. The company is one that is limited by guarantee, for which the maximum liability to the Authority is £1. The turnover of the company for 2020/21 is estimated at £XX,XXX (2019/20 estimated £20,114), and the Authority has appointed the Director of Finance (Treasurer) as its (unpaid) director, but Companies House have been notified that this will cease.

### **LGPS Pension Liability Prepayment**

141. As part of the triennial revaluation of the Worcestershire Pension Fund (LGPS), the Fire Authority has a liability to make lump sum contributions to the previous deficit relating to prior years in 2020/21, 2021/22 and 2022/23 totalling £801k. In April 2020 the Authority paid the 2020/21 liability and prepaid the liability for 2021/22 and 2022/23 to secure a discount of £47.1k in the liability.

## SUPPLEMENTARY FINANCIAL STATEMENT

### Firefighters' Pension fund

1. Since 2006/07 Firefighters' pensions are paid out of a separate account into which the employee's contributions and an employer's contribution are paid. Any deficit on this account is made up by direct government grant.
2. A detailed explanation of the schemes can be found on pages 49-50, but although they are all statutory, national un-funded defined benefit schemes, they are administered locally by each Authority.
3. The financial arrangements for the schemes were established under the Firefighters' Pension Scheme (Amendment) (England) Order 2006.
4. The employer's contribution is borne by the General Fund for Council Tax Precept setting purposes.
5. Employees' and employers' contribution levels are based on percentages of pensionable pay set nationally by Home Office and subject to triennial revaluation by the Government Actuary's Department.
6. In accordance with the requirements of IAS19 the employer's contribution is replaced by the current service cost of pensions in the CIES, and reversed out again in the MiRS.
7. Although the scheme remains an un-funded one, Government has determined that this account is deemed a Pension Fund separate from the income and expenditure account and is thus reported on separately. As an un-funded scheme there are no assets and the difference between income and expenditure is met by the direct government grant.
8. The accounts are prepared in accordance with the same Code of Practice and accounting policies as outlined in the Statement of Accounting Policies set out on pages 16-25.
9. Any Government grant payable is paid in two instalments, 80% of the estimated annual amount at the start of the year, and the actual balance paid following completion of the accounts for the year.
10. The following Statement shows the income and expenditure for the year. It does not take account of liabilities to pay pensions and other benefits after the year end. These are calculated in accordance with IAS 19 and are included in the Balance Sheet on page 29 and detailed in the Notes to the Core Financial Statements on pages 49-58.



## Firefighters' Pension Fund Account

	2019/20 £'000	2020/21 £'000
<b>Contributions receivable</b>		
Fire & Rescue Authority		
Contributions in relation to pensionable pay	(3,479)	(3,488)
Other	(4)	(85)
Firefighters' Contributions	(1,520)	(1,543)
	<b>(5,003)</b>	<b>(5,116)</b>
Transfers in from other schemes	(84)	0
<b>Benefits Payable</b>		
Pensions	8,137	8,701
Commutations & lump sum retirement benefits	2,418	1,258
<b>Payments to and on account of leavers</b>		
Transfers out to other schemes	289	185
<b>Net amount payable for the year</b>	<b>5,757</b>	<b>5,028</b>
<b>Top-up grant payable by government</b>	(5,757)	(5,028)
<b>Backdated Commutation Grant Payable by Government</b>		
<b>Firefighters' Contribution Holiday Grant Payable by Government</b>		
	<b>0</b>	<b>0</b>

## Firefighters' Pension Fund Statement of Net Assets

The following balances are held in relation to the Pensions Fund.

	31-Mar-20 £'000	31-Mar-21 £'000
<b>Current Assets</b>		
Debtors		
Employer Contributions Due	70	65
Employee Contributions Due	36	32
Top Up receivable from the government	2,079	1,465
Prepayments		
Pensions paid in advance	672	673
Creditors		
Amounts due to General Fund	(2,857)	(2,234)
	<b>0</b>	<b>0</b>

## ANNUAL GOVERNANCE STATEMENT 2020/21

### 1. Scope of Responsibility

- 1.1 The Fire Authority (the Authority) has a statutory responsibility to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. To do this the Authority must ensure that proper arrangements exist for the governance of its affairs. This includes maintaining a sound system of internal control and ensuring that robust arrangements for the management of risk are in place.

### 2. The Purpose of the Governance Framework

- 2.1 Governance is about how the Authority ensures that it is doing the right thing, in the right way for the right people in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, cultures and values, by which the Authority is directed and controlled and through which it accounts to and engages with its communities.
- 2.2 The system of internal control is designed to manage risk to a reasonable level (rather than to eliminate all risk). The Authority maintains a sound system to protect against risks and mitigate their impact. The systems are regularly reviewed and updated.

### 3. Key Elements of the Governance Framework and Internal Control System

- 3.1 The Authority has adopted a Code of Corporate Governance, which sets out how the Authority promotes good governance. A copy of the code is available at [hwfire.cmis.uk.com/hwfire/Documents/DocumentLibrary.aspx](http://hwfire.cmis.uk.com/hwfire/Documents/DocumentLibrary.aspx) or may be obtained from Hereford & Worcester Fire Authority Headquarters, Hindlip Park, Worcester, WR3 8SP.
- 3.2 The Authority has the following protocols and processes in place which demonstrate the core principles as required by the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016:

#### **Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law is demonstrated through:**

- **Members' Code of Conduct and Registers of Interests** – a local Code of Conduct for all Members is in place and a Register of Financial Interests for each Member is published on the Authority's website.
- **Ethical Framework** - reflects the Authority's commitment to always operating fairly and ensuring dignity and respect in the workplace and in the communities we serve, in an environment which values individual contributions and work towards the elimination of unlawful discrimination.
- **Equality, Diversity & Inclusion Plan** – sets out the Authority's commitment to being an inclusive organisation which recognises and diverse backgrounds, beliefs and needs of our staff and the communities we serve. There is an Equality, Diversity & Inclusion Officer in post and two Fire Authority Members are appointed as Equality, Diversity & Inclusion Champions
- **Code of Conduct for Staff and Register of Staff Interests** - requires employees to perform their duties with honesty, integrity, impartiality and objectivity.
- **Whistleblowing Policy** - in place for receiving and investigating complaints from staff and/or contractors.

- **Complaints Systems** - in place for receiving and investigating complaints from the public. A procedure is also in place for complaints relating to alleged breaches of the Code of Conduct by Members.
- **Anti-Fraud, Bribery and Corruption Policy** – the Authority has a zero tolerance approach to fraud, bribery and corruption, whether it is attempted from inside or outside the organisation.
- **Monitoring Officer** - provides advice on the scope of the powers and responsibilities of the Authority. The Monitoring Officer has a statutory duty to ensure lawfulness and fairness of decision making and also to receive allegations of breaches of the Code of Conduct by Authority Members. The Head of Legal Services acts as the Authority's Monitoring Officer and is governed by the professional standards set by the Solicitors' Regulation Authority.

**Core Principle B: Ensuring openness and comprehensive stakeholder engagement demonstrated through:**

- **Public Participation at Authority meetings** – members of the public can raise any topic at full Authority meetings as long as it is relevant to the duties and power of the Fire Authority. This is still the case with regards to meetings held virtually during the Covid-19 pandemic. All Authority meetings are streamed live on Youtube.
- **Public Consultation** - public consultation on the draft Community Risk Management Plan 2021-25 took place between 6 July 2020 and 25 September 2020. This included public focus groups and an on-line questionnaire sent to key stakeholders, including councillors, parish and town councils, libraries, housing associations and trusts, voluntary organisations, faith and community groups, as well as other fire and rescue services, emergency services and representative bodies.
- **Internal engagement** – the Authority is committed to ensuring effective engagement with its staff. In addition to consultation and negotiation with recognised trade union bodies, for example via the Joint Consultative Committee (JCC), staff groups such as the Organisational Development & Challenge Group, women@hwfire and provide forums for engagement with staff. The Authority has also appointed an Employee Engagement and Wellbeing Officer
- **Active engagement with partners** – the Authority is represented on Local Strategic Partnerships, the Safer Roads Partnership and local Community Safety Partnerships. The Authority has also worked closely with West Mercia Police with regards to sharing buildings and assets and has set up a strategic alliance with Shropshire Fire and Rescue Service with a Strategic Alliance Plan 2018-2022 in place.

**Core Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits demonstrated through:**

- **Fire Authority Annual Report 2020/21** (Corporate Plan) - incorporates the future outlook and objectives for the year.
- **Community Risk Management Plan 2021-2025 (CRMP)** – sets out how we will deliver sustainable services for our communities.
- **Strategic Projects Programme** – a programme of major projects identified as being critical to the success of the organisation because they ensure its on-going resilience in the coming years. The projects in the programme include new fire stations, the roll out of vital new technology upgrades as part of national projects, and pivotal work with local partner organisations.

- **Fleet Strategy 2016-2021** – provides a structured approach to vehicle management that ensures the Authority continues to provide and maintain an effective fleet of vehicles to ensure that staff can undertake their jobs effectively.
- **Property Strategy 2018-2023** – to ensure premises are sustainable, safe and meet operational need
- **ICT Strategy 2017-2020** - provides a comprehensive picture of how the Authority will use ICT to support the services it provides
- **Environmental Sustainability Plan 2021-2025** – sets out how we will continue to improve the ways in which we use our resources to ensure the least harm to our environment

**Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes demonstrated through:**

- **Performance Management Framework** – a comprehensive set of key performance indicators measures the quality of service for users. Performance is monitored on a quarterly basis by the Authority's Policy & Resources Committee and Senior Management Board to ensure that services are delivered in accordance with the Authority's objectives and best use of resources.
- **Medium Term Financial Plan** - sets out the resources needed to deliver services.
- **Strategic Risk Register** - identifies controls to mitigate inherent identified risks and is monitored on an on-going basis with exception reporting to the Senior Management Board and to the Audit & Standards Committee.
- **Departmental Risk Registers** - reviewed by managers on a quarterly basis.

**Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it demonstrated through:**

- **Constitution** - defines the roles and responsibilities of the Authority, Committees, Members and Officers and the protocols to be followed.
- **Fire Authority Members** – all new Members are provided with an induction and information is available for all Members to further develop fire-specific knowledge during their tenure.
- **Senior Management Board (SMB)** – involves all Principal Officers and Assistant Directors in supporting the Chief Fire Officer to lead the Service.
- **People Strategy 2020 - 2022** - sets out how the Authority is supporting its workforce to become more resilient and diverse, to develop their skills and maximise their wellbeing at work.
- **Staff Development Process** – Individual Appraisals are in place for all staff to enable personal objectives to be set which contribute to the overall aims of the Authority. Competency training records and a course management system are also in place.

**Core Principle F: Managing risks and performance through robust internal control and strong public financial management demonstrated through:**

- **Audit & Standards Committee** - reviews arrangements for identifying and managing the Authority's business risks and the approval of policies in respect of the Authority's governance framework.

- **Chief Financial Officer (Treasurer)** - ensures the sound administration of the financial affairs of the Authority, as required by the statutory duties associated with s.151 of the Local Government Act 1972, the Local Government Finance Act 1988 and the Accounts and Audit Regulations 2015. The Chief Financial Officer is also governed by professional standards set by CIPFA.
- **Risk Management Strategy** - ensures that the Authority identifies strategic risks and applies the most cost effective control mechanisms to manage those risks.
- **Business Continuity Plans** – these plans have been implemented during the Covid-19 pandemic to ensure the delivery of core functions.

**Core Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability demonstrated through:**

- **Transparency Information** - published on the website in accordance with the Local Government Transparency Code to promote openness and accountability through reporting on local decision making, public spending and democratic processes.
- **Agendas, minutes and decisions** – published on the website and includes the rationale and considerations on which decisions are based.
- **Internal Auditors** - Worcestershire Internal Audit Shared Service Audit Team provides the internal audit function for the Authority and reports quarterly to the Audit & Standards Committee.
- **External Auditors** - Grant Thornton UK LLP provides the external audit services to the Authority and reports regularly to the Audit & Standards Committee.
- **Annual Assurance Statement** - provides staff, partners and local communities with an assurance that the Authority is doing everything it can to keep them safe and that it is providing value for money.
- **Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services** – provides an additional external perspective on the effectiveness and efficiency of services provided.

#### **4. Review of Effectiveness**

- 4.1 The Authority has prepared the Annual Governance Statement in accordance with the "Delivering Good Governance in Local Government Framework 2016" published by CIPFA/SOLACE. As part of the process the Audit & Standards Committee will consider the self-assessment review of its corporate governance arrangements against the CIPFA/SOLACE framework to ensure that the Authority's governance arrangements are working correctly and are relevant to the current environment.
- 4.2 The Authority is satisfied that its financial management arrangements conform with the governance requirements of the CIPFA Statement of the Role of the Chief Financial Officer in Local Government. In addition, the key financial systems are continually reviewed by the Internal Auditor. There were no major weaknesses identified in the 2020/21 financial year.
- 4.3 2020/21 has been an exceptional year in many ways, but specifically in relation to Authority finances. In February 2020 the Fire Authority approved the Medium Term Financial Plan (MTFP) up to 2024/25. The MTFP was set in light of great uncertainty about future funding arrangements and included a significant range of scenarios. It was also set before the impact of Covid-19.

- 4.4 The continued uncertainty over the delayed Comprehensive Spending Review (CSR) has required some re-allocation of revenue budget to support core business activity and address the short-term impacts of Covid-19. Budget Monitoring reports have been presented to the Policy and Resources Committee and have shown that the Authority's finances continue to be well controlled.

## **5. Significant Governance Issues**

- 5.1 Based on the information provided above there are no significant governance issues identified at this time. We are satisfied that the need for improvements will be addressed and we will thereafter monitor the implementation and operation of any agreed recommendations as part of our next annual review.

**Chief Fire Officer/Chief Executive**

**Chairman of the Fire Authority**

**Date: 21<sup>st</sup> April**

## **GLOSSARY OF TERMS**

### **Accrual**

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

### **Capital Adjustment Account**

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

### **Capital Expenditure**

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

### **Capital Receipts**

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

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy.

### **Capital Financing Requirement**

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

### **Collection Fund Adjustment Account**

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

### **Council Tax**

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

### **Creditors**

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

### **Current Assets**

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

### **Current Liabilities**

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

### **DCLG**

The Department of Communities and Local Government – the Government department which had responsibility for the Fire and Rescue Service until 5 January 2016. Responsibility for Fire then transferred to the Home Office.

### **Debtors**

Sums of money due to the Fire Authority for goods sold or services rendered but for which payment has not been received at the balance sheet date.

**Depreciation**

The measure of the wearing out, consumption, or other reduction in the useful economic life of a non current asset, whether arising from use, passage of time or obsolescence through technological or other changes.

**Finance Lease**

Leases which transfer the risks and rewards of ownership of a fixed asset to the lessee and such assets are included within the non current assets in the balance sheet.

**Government Grants**

Assistance by government in the form of cash or transfers of assets to authorities, in return for past or future compliance with certain conditions relating to the activities of the Fire Authorities.

**Heritage Assets**

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

**Home Office**

The Government department with responsibility for the Fire and Rescue Service from 5 January 2016.

**Impairment**

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

**International Accounting Standards (IAS)****International Financial Accounting Standards (IFRS)**

The framework of standards within which the financial statements are prepared.

**Long Term Borrowing**

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

**Minimum Revenue Provision (MRP)**

The minimum amount which must be charged to the revenue account each year to set aside the provision for credit liabilities, previously 4% of the capital financing requirement.

**Non Current Assets**

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

**Operating Lease**

Leases where the ownership of the asset remains with the lessor , and the annual rental is charged to the revenue account.

**Operational Assets**

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

**PCC**

The Police and Crime Commissioner – this is a directly elected role which oversees policing and ensures that police forces are effective. The Police and Crime Act 2017 now enables the PCC to take on responsibility for Fire and Rescue Services where a local case is made.

**Revaluation Reserve**

Contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation.



**Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset. These costs may be charged as expenditure to the relevant service in the CIES in the year.

**Revenue Support Grant**

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

**RICS**

Royal Institution of Chartered Surveyors.

**Stocks**

The amount of unused or unconsumed stocks held in expectation of future use.

**Useful Life**

The period over which the Fire Authority will derive benefits from the use of non current assets.

**Virement**

The transfer of resources between budget heads. Virements must be properly authorised by the appropriate committee or by officers under delegated powers.

**VPS**

Royal Institution of Chartered Surveyors – Valuation Technical and Performance Standard

**VPGA**

Royal Institution of Chartered Surveyors – Valuation Practice Global Alert