



Cleveland Fire Brigade
Financial Report
2022/2023

CONTENTS

Page

SECTION 1: Authority Membership

Authority Membership 2022/23 Financial Year	1
---	---

SECTION 2: Narrative Report

Narrative Report	3
------------------	---

SECTION 3: Statement of Responsibility

Statement of Responsibilities for the Statement of Accounts	16
---	----

SECTION 4: Statement of Accounts

Movement in Reserves Statement	17
--------------------------------	----

Comprehensive Income and Expenditure Statement	18
--	----

Balance Sheet	19
---------------	----

Cash Flow Statement	20
---------------------	----

Summary of Significant Accounting Policies	21
--	----

Note 1: Accounting Standards that have been issued but have not yet been adopted	33
--	----

Note 2: Critical judgements in applying Accounting Policies	33
---	----

Note 3: Assumptions made about the future and other major sources of estimation uncertainty	34
---	----

Note 4: Adjustments between Accounting Basis and Funding Basis under Regulations	35
--	----

Note 5: Transfers to/(from) Earmarked and General Fund Reserves	37
---	----

Note 6: Expenditure and Funding Analysis	38
--	----

Note 7: Other Operating Expenditure	41
-------------------------------------	----

Note 8: Financing and Investment Income and Expenditure	41
---	----

Note 9: Grant Income & Taxation	41
---------------------------------	----

Note 10: Members' Allowances and Expenses	42
---	----

Note 11: Officers' Remuneration	43
---------------------------------	----

Note 12: Non Current Assets - Property, Plant & Equipment	46
---	----

Note 13: Non Current Assets - Investment Property	48
---	----

Note 14: Non Current Assets - Intangible Assets	49
---	----

Note 15: Long Term Debtors	49
----------------------------	----

Note 16: Inventories	49
----------------------	----

Note 17: Short Term Debtors	50
-----------------------------	----

Note 18: Cash and Cash Equivalents	50
------------------------------------	----

Note 19: Short Term Creditors	50
-------------------------------	----

Note 20: Provisions	51
---------------------	----

Note 21: Long Term Borrowing	51
------------------------------	----

Note 22: Other Long Term Liabilities	51
--------------------------------------	----

Note 23: Usable Reserves	52
--------------------------	----

Note 24: Unusable Reserves	53
----------------------------	----

Note 25: Related Party Transactions	57
-------------------------------------	----

Note 26: External Audit Costs	58
-------------------------------	----

Note 27: Operating Leases	58
---------------------------	----

Note 28: Finance Leases	59
-------------------------	----

Note 29: Capital Expenditure and Financing	60
--	----

Note 30: Financial Instruments	61
--------------------------------	----

Note 31: Nature and Extent of Risks Arising from Financial Instruments	64
--	----

Note 32: Cash Flow Statement - Operating Activities	67
---	----

Note 33: Cash Flow Statement - Investing Activities	67
---	----

Note 34: Cash Flow Statement - Financing Activities	67
---	----

Note 35: Defined Benefit Pension Schemes	68
--	----

Note 36: Contingent Liabilities	74
---------------------------------	----

Note 37: Events after the Balance Sheet Date	75
--	----

Pension Fund Account Statements	76
---------------------------------	----

SECTION 5: Group Statement of Accounts

Group Accounts Introduction	77
Group Movement in Reserves Statement	78
Group Comprehensive Income and Expenditure Statement	79
Group Balance Sheet	80
Group Cash Flow Statement	81
Notes to the Group Accounts	82

SECTION 6: Annual Governance Statement

Annual Governance Statement	83
-----------------------------	----

SECTION 7: Independent Auditor's Report

Draft Independent Auditor's Report to the Members of Cleveland Fire Authority	89
---	----

SECTION 8: Glossary

Glossary of Terms	93
-------------------	----

SECTION 1: Authority Membership 2022/23 Financial Year

Chair

Councillor P Kirton (Stockton on Tees BC) (Labour)

Vice-Chair

Councillor J O'Donnell (Stockton on Tees BC) (Labour)

Councillors

Hartlepool BC

B Clayton (Labour)
T Fleming (Independent) leaver 16/6/22
T Cassidy (Conservative) leaver 16/6/22
A Falconer (Conservative) 17/6/22 - present
L Smith (Independent) 17/6/22 - present

Middlesbrough BC

T Higgins (Labour)
N Hussain (Labour)
J Rathmell (Independent)
T Mawston (Middlesbrough Independent Group)

Redcar & Cleveland BC

M Ovens (Liberal Democrat)
W Ayre (Labour)
A Brook (The Independent Group) leaver 16/6/22
C Foggo (Cleveland Ind. Group) leaver 21/7/22
M Fletcher (The Independent Group) 17/6/22 - present
J Craig (Independent) 22/7/22 - present

Stockton on Tees BC

P Kirton (Labour)
J O'Donnell (Labour)
L Hall (Member (Conservative)
S Matthews (Conservative)
L Frost (Thornaby Independent Association) leaver 14/2/23
Vacant Post - from 15/02/23

The Authority is made up of 16 members who are appointed in proportion to the number of local government electors in each Authority area.

SECTION 2: Narrative Report

INTRODUCTION

This narrative report aims to provide information so that members of the public, Authority Members, partners, stakeholders and other interested parties are able to have:

- A full and understandable explanation of the overarching financial position of the Authority and the outturn for 2022/23;
- Confidence that the public money with which the Authority has been entrusted has been used and accounted for in an appropriate manner;
- Assurance that the financial position of the Authority is sound and secure.

The report provides information about the Authority, including the key issues affecting the Authority and its accounts. It also provides a summary of the financial position at 31 March 2023 and covers the following areas:

- Our Operating Context
- Our Strategic Direction
- Our Governance and Decision Making
- Our Organisational Structure
- Our Risk Management Arrangements
- Our Financial Performance 2022/23
- Financial Outlook 2023/24 to 2026/27
- Borrowing Facilities and Investment Strategy
- Pensions
- Statement of Accounts

OUR OPERATING CONTEXT

Cleveland is an area in the Northeast of England and incorporates the unitary borough authorities of Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton-on-Tees.

Cleveland Fire Authority provides fire and rescue services to an area of approximately 597km² across the above four borough council areas. The Brigade's area is centred around the mouth of the River Tees and we protect a population of 569,300¹, 265,433² dwellings and 15,805³ industrial and commercial premises.

As well as housing the Hartlepool Power Station, Cleveland is a major production centre for the chemical industry with 27 'top tier' Control of Major Accident Hazard (COMAH) sites⁴ located within the area. These sites represent a high hazard in the local area. Should serious incidents occur in such sites it would take the deployment of significant fire service resources, in terms of both equipment and people with suitable skills and abilities, to bring them to a safe conclusion.

We have six solar powered energy farms, five onshore and one offshore windfarm, three Anaerobic Digestion Plants and four biomass (wood pellets) power stations. There are also two Battery Energy Storage Sites (BESS) one is currently active and located at Boulby Mine and the other is under construction at Sembcorp on the Wilton Site. The demand to build renewable energy sources is expected to grow as Tees Valley has been awarded UK Government Care Status as a centre for Offshore Renewable Engineering.

Teesport handles 28 million tonnes of cargo a year, making it the 5th largest of the UK ports in terms of tonnage.

Like the majority of UK Fire Rescue Services (FRSs) we have an extensive network of road and rail but owing to the nature of commerce in Teesside our transportation conveys many significant hazards. Where the A19 crosses the Tees it carries over 106,000⁵ vehicles per day which is 147% more than the number of vehicles using the A1M at the equivalent point.

¹<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/populationandhouseholdestimatesenglandandwales/census2021>

² <https://www.gov.uk/government/statistics/council-taxbase-2022-in-england>

³ CFB, FE Count of Premises August 2022

⁴ CFB Emergency Resilience Dept – August 2022

⁵ <https://teesvalley-ca.gov.uk/investments/new-tees-crossing/>

SECTION 2: Narrative Report

Teesside shares many of the inner-city type problems that are a key feature of UK metropolitan areas such as older nineteenth century low-cost housing (terraced), derelict land, high unemployment, congestion, high density of buildings and narrow roadways; not fit for modern usage.

Our 82 wards include the 2nd most deprived ward nationally (North Ormesby) with 34% (28) falling within the 10% most deprived wards nationally. 38% of the area's population reside in the most (10%) deprived wards with more than half of the population (55%) living in wards that are in the 20% most deprived wards nationally. Over a third of our dwellings are social housing with almost two thirds of households in council tax bands A or B compared to less than half nationally. All four boroughs have a higher proportion of children living in low income families than the average for England and Wales.

Cleveland has the highest crime rate in England⁶, with a rate of 139.6 per 1,000 households within the Cleveland Police area compared to the national average of 91.9. There are high levels of antisocial behaviour and deliberate fires, with Cleveland suffering from the highest arson rates in the country. This is reflected in attacks that our firefighters have been subjected to whilst responding to operational incidents. Between 2017/18 – 2021/22, nationally the rate of violence to staff incidents increased by 9% compared to a 68% increase at Cleveland Fire Brigade (CFB). In 2021/22, the rates were 25 per 1000 staff nationally compared to 143 per 1000 staff within Cleveland Fire Brigade.

Risk factors such as deprivation, poor health and life expectancy are significantly worse than the England average within the Cleveland area. Nationally, 17.3%⁷ of residents are classed as having a disability under the Equality Act compared to 21.1% in the Cleveland area. Nationally, 7.3% of residents are classed as having a disability which limits their life significantly compared to 10% within the Cleveland area.

The area also suffers from low education attainment (21.9%⁸ of residents in the Cleveland area having no qualifications compared to 18.1%), high unemployment (higher than the national average) and limited opportunity for social mobility, which play a key part in the composition of our area with research demonstrating that higher deprived areas have higher risk from fire.

Full details of our operating environment are set out in our Community Risk Profile document available from our website.

⁶ <https://www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/datasets/policeforceareadatatables> - September 2022 Release

⁷ <https://www.nomisweb.co.uk/datasets/c2021ts038>

⁸ <https://www.nomisweb.co.uk/datasets/c2021ts067>

SECTION 2: Narrative Report

OUR STRATEGIC DIRECTION

Our Vision is to be a leading fire and rescue service where our:

- communities feel safe and protected.
- people are professional, proud and passionate.
- organisation is welcoming, trusted and respected.
- business is built on learning, and innovative digital approaches.
- future is 'greener' and bright.

Our Mission is to 'make Teesside Safer and Stronger'.

Our Vision is underpinned by **our Strategic Goals, Objectives and Outcomes** that are set out in our Corporate Plan 2022 -2026:



Safer, Stronger
Communities



Professional, Proud,
Passionate People



Efficient, Sustainable
Resources

Our strategies for the achievement of our strategic goals are presented within our three main plans.



Our **Community Risk Management Plan** sets out how we will manage the risks to our local communities and support the U.K.'s national resilience arrangements.

Our **People Plan** sets out how we will support, train, develop and engage our staff throughout their employment to make a difference every day.










Our **Resource Plan** sets out how we will use and manage our financial, human and technical resources to improve effectiveness, efficiency and the environment.

SECTION 2: Narrative Report



Performance – April 2022 to March 2023



Deliberate Secondary Fires	Deliberate Primary Fires	Total Incidents Attended	Accidental Dwelling Fires
4,308 Fires 35% (+1,107) higher than 5-year average 	538 Fires  29% (+120) higher than 5-year average	10,608 Incidents 22% (+1,879) higher than 5-year average 	216 Fires  44% (+66) higher than 5-year average
Accidents Causing Injury	Violence to Staff	Appliance Availability (with cover)	Sickness - All Staff
26 Accidents 21% (-7) lower than 5-year average 	44 Incidents  15% (-8) lower than 5-year average	Whole-time 94.40% On Call 47.84% 	12.70 (Average shifts lost per person)  44% (+3.87) higher than 5-year average
Safer Homes Attempted	Safer Homes Completed	RTC - killed and Seriously Injured	Building Fire Emergency Response Standards
36,676 Attempted 	21,157 Completed  21% (+3,716) higher than 3-year average	200 Seriously Injured 44% (+61) higher than 5-year average  11 Killed Remained the same as 5-year average	Average Attendance Times  1st Appliance 00:05:26 2nd Appliance 00:07:33

SECTION 2: Narrative Report

OUR GOVERNANCE AND DECISION MAKING

Cleveland Fire Authority has a duty under the Local Government Act 1999 to conduct business in accordance with the law ensuring public money is safeguarded, properly accounted for and used economically, efficiently and effectively. We are committed to the highest standards of conduct and have robust controls over the use of resources, based on open decision making, accountability and transparency.

The Authority takes decisions every day that impacts businesses, our residents and visitors to our area. Our Constitution details how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The most significant decisions relating to our plans and strategies, such as setting and agreeing the Community Risk Management Plan (CRMP), setting the budget and Council Tax level, are taken by the Cleveland Fire Authority. Other decisions are delegated to the Executive Committee, with operational management decisions, as well as decisions in respect of functions which require professional officer training and skills, delegated to Officers in accordance with our approved scheme of delegation.

In 2022/23 Cleveland Fire Authority was made up of 16 Elected Members from the four councils of Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton in the Authority Area. The membership from each of the four Councils is based on their population and is politically balanced to reflect the make-up of the Councils. In 2022/23 the membership was

Hartlepool	3 Members	1 Labour, 1 Independent, 1 Conservative
Middlesbrough	4 Members	2 Labour, 1 Independent, 1 Middlesbrough Independent Group
Redcar & Cleveland	4 Members	1 Labour, 1 The Independent Group, 1 Liberal Democrat, 1 Independent
Stockton	5 Members	2 Labour, 2 Conservative, 1 Vacant Post

Our governance framework comprises systems, processes, culture and values by which the Authority directs and controls its activities through which it is accountable for and engages with the community. The Authority has approved and adopted a code of corporate governance which encompasses the guidance and best practice outlined in the 'Delivering Good Governance in Local Government Framework' (2016 edition) which is published by CIPFA and SOLACE.

Corporate governance services are provided to the Fire Authority through the role of a Legal Adviser/Monitoring Officer and a Service Level Agreement with Hartlepool Borough Council for the provision of a financial governance function that includes the role of the Treasurer and an internal audit function.

Our commissioned Internal Audit function provides challenge and assurance over the effectiveness of our risk management, internal control and governance arrangements. The function supports, provides advice and challenges management to assist the development of robust systems of control, policies and procedures to ensure the best use of resources. They cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

Our External Auditors (Mazars) place reliance on the work of our Internal Audit function. Internal Audit carries out its role in compliance with Public Sector Internal Audit Standards. Our Annual Governance Statement reviews the extent to which the Authority has complied with its code of corporate governance and also meets the requirements of the Accounts and Audit (England) Regulations 2015, which requires the Authority to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review within the statement of accounts. The outcome of the annual review is incorporated within our Performance Management arrangements and is reported to Elected Members of the Audit and Governance Committee.

OUR ORGANISATIONAL STRUCTURE

The Chief Fire Officer (CFO) is responsible for the achievement of the Authority's Strategic Goals through the delivery of a suite of strategies and plans and the allocation and disposition of resources. The CFO is supported by two Assistant Chief Fire Officers – one who is responsible for the Community Protection Directorate and the other for Strategic Planning and Resources.

SECTION 2: Narrative Report

Community Protection Directorate

Our Community Protection Directorate delivers our front line, prevention, protection, emergency response and national resilience services.

- Our **Prevention** work takes many forms and includes safer homes visits, fire and road safety education and advice, arson reduction initiatives and community engagement. We focus on the most vulnerable people in our communities.
- Our **Protection** activities involve advising individuals and businesses on how to keep safe and their risk management responsibilities, so that buildings are safer. In addition, fire safety regulations are enforced where necessary.
- Our 999 Emergency Call Handling Service is delivered 24hrs a day, 365 days per year. Where and when emergency incidents still occur, they are responded to using modern methods, appliances and equipment. The Brigade operates one of the most stringent **emergency response** standards nationally and the latest information indicates that the Brigade has one of the fastest average actual response times to primary fire incidents in the country.
- The Government's aim is to reduce the risk from major emergencies such as natural disasters or terrorist attacks so that people can go about their business freely and with the confidence that the UK is equipped to deal with such incidents. The Brigade plays an integral part in ensuring **National Resilience** and is 100% compliant with the Government's requirements in supporting national resilience. We are an active member and maintain strong links with other category 1 responders through the Cleveland Local Resilience Forum.

In addition, the Directorate delivers support services in the areas of operational support, health and safety, communications and engagement.

Strategic Planning and Resources Directorate

Our Strategic Planning and Resource Directorate delivers services relating to strategic planning, policy development, finance, risk, performance and asset management, legal, democratic and administration, human resources, organisational development, procurement and assurance.

OUR RISK MANAGEMENT ARRANGEMENTS

The National Framework for Fire and Rescue Services in England (2018) identifies and places a number of requirements on all Fire Rescue Authority's to comply with, one of which being;

'Identify and assess the full range of foreseeable fire and rescue related risks their area face'

Our CRMP sets out the strategic direction, summarises assessment of risks faced by the Brigade, our financial position and the intended deployment of resources over the medium term to address the identified risks.

The Authority area and its communities face a complex profile of risks and we have for a long time recognised the need for, and reaped the benefits from, having effective and robust Risk Management arrangements that ensure the safety of our workforce, residents and businesses within the Brigade's area.

Based on our operating environment, historical incidents data and information from a multitude of other sources (internal and external to the Authority) we develop a Community Risk Profile that identifies and assesses the risks facing the Authority and classifies them in the following groups;

- The built environment
- The transport infrastructure serving the area
- The industry within our area
- Neighbourhoods and the environment
- National Resilience
- Community Health and Well Being

Each of the identified risk groups is assessed against the likelihood of the event occurring and the associated consequences/impacts if it does occur. Our assessment looks to identify who/what is at risk, when they are at risk and where they are at risk. The assessment includes an assessment of risk in terms of:

SECTION 2: Narrative Report

- People (Community) safety
- Firefighter safety
- Property
- Heritage
- Environment
- Value for Money

This information is provided at a detailed level within our available Community Risk Profile and is underpinned by a suite of detailed risk assessments that are refreshed on an annual basis.

Our Corporate Risks are identified and addressed through our Corporate Risk Register (CRR) that articulates and quantifies each individual risk. Risks are scored in the context of the likelihood and impact of the risks. Control measures are identified to address the risks and the CRR is reviewed at regular points during the year.

To ensure our risk management governance arrangements remain effective and efficient, the Brigade benchmarks and assesses arrangements on an annual basis through ALARM (The Public Risk Management Association) and CIPFA (The Chartered Institute of Public Finance Accountancy).

We ensure that we regularly review all of our risks to provide assurance that our management of risk is effective.

OUR FINANCIAL PERFORMANCE 2022/23

The Authority spends money on a wide range of services to promote fire safety, protect people and property from fire, rescue people from road traffic collisions, deal with other emergencies such as flooding or terrorist attack, work with other organisations to develop and implement emergency and business continuity plans. This spending can be revenue on day to day running costs such as staffing, purchasing goods/services from third parties and utilities; or capital on assets which are used for service delivery over a longer period, such as buildings and operational vehicles.

The following sections provide more detail about the Authority's financial position.

2022/23 Approved Revenue Budget

The Government grant settlement for 2022/23 was favourable and provided an increase in funding of £0.809m (£0.029m in 2021/22), which included the 'new services grant' of £0.646m. This is the first significant increase since 2013/14, although it does not reverse reductions in Government funding in previous years. The amount of Government funding received in 2022/23 is £5.7m less than it was in 2013/14 – a reduction of 31%.

As a result of these reductions we have previously made significant changes to modernise services and achieve efficiencies. The position for 2022/23 was challenging as we faced increased inflation pressures, including energy costs and higher national insurance costs.

After reflecting the increase in Government funding and a Council Tax increase of 1.9% - which raised an additional £0.237m – we balanced the 2022/23 budget without needing to use reserves or cut services. However, the budget set in February 2022, was well before the full extent of inflation became known and the national pay awards for Fire-fighters (payable from July 2022) and support staff (payable from April 2022) had been determined.

As pay costs account for approximately 80% of the budget this uncertainty made financial planning challenging and increased financial risk. The national pay award for support staff was agreed in November 2022. The national Fire Fighters pay award was agreed on 10th February 2023. Both national pay awards exceeded the forecasts included in the 2022/23 budget. Further information on the impact and how we managed this position are set out in the later sections.

2022/23 Revenue Budget – Actual Outturn

The previous years' outturn (2021/22) was marked by the economic impact of the COVID-19 pandemic which had an adverse financial impact on FRSS, including Cleveland. The Government provided significant financial support which mitigated the unprecedented financial impact.

SECTION 2: Narrative Report

The Russian invasion of Ukraine in February 2022 resulted in a huge economic shock during 2022/23 which resulted in a surge in energy prices, which then fed through into inflation – with CPI reaching 11.1% in October 2022. In response Central Banks across the world increased interest rates and this resulted in the Bank of England increasing interest rates from 0.1% in December 2021 to 4.25% in March 2023.

The Authority had earmarked one off resources to help mitigate the impact of higher inflation and energy prices in 2022/23. The scale and duration of these increases was significantly greater than forecast. Consequently, all of the allocated one off funding of £0.160m was used in 2022/23.

During the year we recognised the significantly higher level of inflation would increase pressure for higher national pay awards than provided for in the budget for 2022/23. The actual pay awards exceeded the budget forecast by £0.826m. By managing budgets carefully, including managing vacant posts and deferring expenditure where this did not impact on operational delivery, we managed to mitigate the majority of these costs and achieved a net underspend of £0.070m. This amount has been transferred to the General Fund.

The recurring impact of national pay awards has been reflected in the budget strategy for 2023/24 to 2025/26.

The outturn position is summarised in the following table.

	Approved Budget	Actual Expenditure/ (Income)	Variance from approved Budget Adverse / (Favourable)
	£'000	£'000	£'000
<u>Operational Costs</u>			
Employee Costs	24,787	24,442	(345)
Premises Costs	1,729	1,892	163
Supplies & Services	2,924	2,983	59
Transport Costs	722	704	(18)
Support Services	423	405	(18)
Capital Finance Costs	1,008	1,008	-
Investment Income	-	(287)	(287)
Income / Grants	(971)	(1,100)	(129)
Section 31 Grants	(3,274)	(3,625)	(351)
<u>Contribution from Reserves</u>			
Collection Fund	(229)	(229)	-
Grenfell Action Plan	-	(41)	(41)
Commissioned Services	-	(24)	(24)
Insurance Fund	-	(19)	(19)
Pension Admin	-	(11)	(11)
<u>Contribution to Reserves</u>			
Budget Support Fund - Investment Income	-	287	287
Commissioned Services	-	40	40
Invest to Save	-	624	624
Transfer to General Fund	27,119	27,049	(70)

The Authority's budget was funded from the following sources:

	Approved Budget	
	£'000	%
Government Grant	5,517	20.3%
Business Rates Top Up Grant	7,434	27.5%
Total Government Grants	12,951	47.8%
Income from Council Tax Precept	12,944	47.7%
Income from Business Rates Baseline Funding	1,284	4.7%
Collection Fund Deficit	(60)	(0.2%)
Total Funding	27,119	100.0%

SECTION 2: Narrative Report

Capital Expenditure

Capital expenditure relates to spend on the purchase or improvement of assets that have a long-term value to the Authority and our residents, such as Community Fire Stations and fire appliances.

In 2022/23 total capital expenditure was £1.108m. This consists of £0.136m of property expenditure, £0.571m to complete the construction of six water tenders, £0.155m on equipment and vehicles, £0.152m on Drill Towers, £0.054m on breathing apparatus, £0.027m on other equipment and £0.013m on a new Fleet Management system. These costs were funded from a combination of Prudential Borrowing of £0.282m, the Capital Investment Programme Reserve of £0.791m and £0.035m of Capital Receipts.

As at 31 March 2023, the Authority had rephased capital expenditure totalling £1.327m. This will be funded from a combination of the Capital Investment Programme Reserve and Prudential Borrowing.

FINANCIAL OUTLOOK 2023/24 TO 2026/27

The Government has delayed major reforms of the national funding system and again provided a one year grant settlement for 2023/24, which is the fifth successive one year settlement. A Government policy statement relating to 2024/25 was also issued, although the detailed impact on individual authorities will not be known until the actual 2024/25 settlement is issued. This will provide details of actual Council Tax referendum limits set by the Government and the level of Revenue Support Grant which will reflect the September 2023 CPI.

The grant settlement for 2023/24 was more favourable than anticipated and at a national level provided an increase in core spending power (the Government's measure of resources available for local services) of £5 billion. Of this amount Government figures forecast 38% - £1.916 billion coming from Council Tax and the Adult Social Care (ASC) precept. This underlines the continued reliance of the current funding system on Council Tax and the ASC precept to partly fund local services.

A two year national pay settlement for Fire Fighters was agreed in February 2023 and provided a 7% increase backdated to July 2022 and 5% increase for the twelve months from July 2023. After reflecting these increases and other inflationary pressures the Authority faced a 2023/24 budget increase of £2.132m to maintain existing services.

The 2023/24 grant formula benefitted the Authority and Government funding for 2023/24 was £0.608m higher than in 2022/23 – an increase of 4.5%. The Authority also benefits from the introduction of a £5 Band D Council Tax referendum limit, which the Authority used to protect services. These resources were not sufficient to cover the budget increase arising from national pay awards and inflation. As a result the Authority faced a net deficit of £0.531m:

	£m
Budget Increase required to maintain services	2.132
Less Government Grant Increase	(0.608)
Less Council Tax Increase	(0.796)
Less additional Council Tax from New Housing	(0.197)
Net deficit	0.531

As the net deficit reflected the settlement of the national Fire Fighters pay award in February 2023, the day before the Authority set the budget, the decision was taken to use investment income of 0.500m, which was secured from higher interest rates to support the 2023/24 budget and avoid service cuts. The remaining small deficit of £0.031m is being funded from the Budget Support Fund reserve. The Authority recognised this strategy defers a budget deficit of £0.531m, which provides a longer lead time to address the position.

SECTION 2: Narrative Report

The budget position for 2024/25 to 2025/26 remains uncertain and will be affected by:

- The level of Government funding from 2024/25 – which will not be known until December 2023;
- Decisions the Government makes after 2024/25 regarding the total level of public sector spending and the amount of funding allocated to Fire and Rescue Authorities;
- Decisions the Government makes regarding deferred changes to the national funding formula, which in 2023/24 provides 47.8% of the Authority's funding. Therefore, any changes the Government implements will be critical for the Authority;
- The level of inflation and national pay awards;
- The level of future Council Tax referendum limits.

Against this uncertain financial outlook the Authority has forecast a deficit for the three years up to 2025/26 of between £1.224m to £1.883m – respectively 4% and 6.2% of the budget. These forecasts will be reviewed throughout 2023 as more information becomes available.

The Authority will develop proposals to address the forecast deficit during 2023. To manage the uncertainty regarding funding for 2024/25 we have maintained a Budget Support Fund of £3.207m at 31st March 2023 (£2.920m at 31st March 2022). We recognise that using one off funding is not a permanent solution to address a recurring budget deficit. However, as funding for 2024/25 will not be known until late in 2023, the Authority may need to use the Budget Support Fund to provide a slightly longer lead time to make further recurring budget reductions.

Any further potential reduction needs to be considered against the changes made between 2010/11 and 2022/23 which have seen an overall 22% (162.06 full time equivalent) reduction in our workforce numbers as detailed below:

- 33% (162) reduction in whole time firefighters from 494 in 2010/11 to 332 in 2022/23
- 33% (24) increase in on-call firefighters from 72 in 2010/11 to 96 in 2022/23
- 25% (9) reduction in fire control posts from 26 in 2010/11 to 17 in 2022/23
- 300% (3) increase in on-call fire control operators from 0 in 2010/11 to 3 in 2022/23
- 12% (16.06) reduction in Green Book staff from 129.21 in 2010/11 to 113.15 in 2022/23
- 50% (2) reduction in Gold Book Officers from 4 in 2010/11 to 2 in 2022/23

BORROWING FACILITIES AND INVESTMENT STRATEGY

The Authority's arrangements for borrowing accord with the approved Treasury Management Strategy, which was drawn up to comply with the Code of Practice for Treasury Management in Local Authorities published by the Chartered Institute of Public Finance and Accountancy.

In accordance with this strategy the Authority has taken a proactive approach to managing cash investments and debt. For a number of years the Authority has internalised borrowing by netting down borrowing against investments. The Authority continues to keep under review the most appropriate approach to borrowing. Given the increase in interest rates experienced during 2022, no long term borrowing has been entered into, however, during the financial year end a short term loan was taken out. This ensured the Authority was not exposed to increased costs at a time of volatility and relatively high interest rates. The position will be kept under review.

The increase during 2022/23 in interest rates presented the Authority with an opportunity to maximise investment returns over the short to medium term. Detailed cash flow modelling has allowed investments to be placed for a longer time period (up to a year) with a number of institutions, so as to achieve the higher rates of investment interest now available.

PENSIONS

The Authority has accounted for retirement benefits according to International Financial Reporting Standard (IFRS) IAS 19. As at 31 March 2023 the accounts showed that there was a surplus on the Local Government Pension Scheme on the Pensions Reserve of £4.259m (a deficit of £10.535m in 2021/22) and a deficit on the Fire Fighters Pension of £368.034m (£487.721m in 2021/22). The increase does not impact on the revenue budget and reflects a revised actuarial valuation. This was offset by a Pensions Asset of £4.259m and a Pension Liability of £368.034m. The Authority has separate pension arrangements for Fire Fighters and other staff as outlined below.

SECTION 2: Narrative Report

Fire Fighter Pension Arrangements

The Fire Fighters Pension Scheme is an unfunded scheme. The Authority is required to maintain a separate Fire Fighters Pension Fund Account, details of which are provided in the Pension Fund Note.

The Authority is required to make defined contributions to the Pension Account, currently 37.3% for Fire Fighters who are members of either the 1992 Pension Scheme or the Modified Pension Scheme, 27.4% for those who are members of the 2006 Pension Scheme and 28.8% for those who are members of the 2015 Pension Scheme. The Authority must also make defined contributions in respect of Ill Health retirements.

As these contributions, plus employee contributions, are less than payments made from the Authority's Pensions Account the Government provides a specific grant to fund the resulting shortfall.

Local Government Pension Scheme

Pensions for other staff are provided through the Local Government Pension Scheme and the Authority is a member of the Teesside Pension Fund. The statutory arrangements for this scheme mean that the IAS19 deficit does not need to be made good by increased pension's contributions from the Authority or employees. A separate Pension Fund valuation is carried out every three years to determine the Authority's contribution rate which is currently 14.8%. The Pension Fund Valuation set the employer's contribution rate for the period 2020/21 to 2022/23.

STATEMENTS OF ACCOUNTS

Comprehensive Income and Expenditure Statement

This statement shows the economic cost in the year of providing services in accordance with International Financial Reporting Standards (IFRS), rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities at 31 March 2023. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are classified 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 (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves are those that the Authority is not able to use to provide services. This category of reserve includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'

The major movements on the Balance Sheet are as follows:

Pension Reserve – the Authority's unusable pension reserve has decreased by £134.481m which is a result of revised actuarial revaluations.

Short Term Investments – the Authority's Short Term Investments have increased by £8.908m owing to more of the Authority's cash being invested at the end of 2022/23. Consequently the Cash and Cash Equivalents has decreased by £6.298m.

Property Plant & Equipment (PPE) – the Authority's PPE has increased by £6.037m, which comprises of capital expenditure, upward revaluations of existing assets and depreciation.

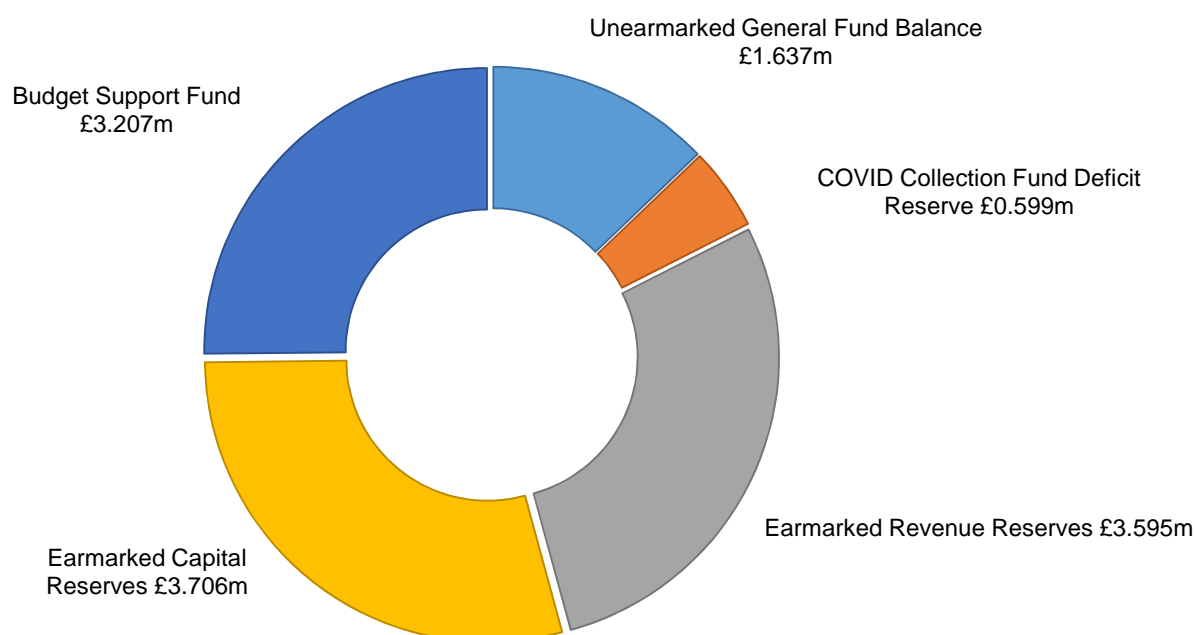
SECTION 2: Narrative Report

Summary of the Authority's Usable Reserves

At the 31 March 2023 the Authority had reserves of £12.744m (£12.555m as at 31 March 2022), which consisted of the following amounts:

- Earmarked Capital Reserves - £3.706m – this reserve is fully committed to supporting the approved Capital Investment Programme.
- Budget Support Fund - £3.207m this reserve is earmarked to manage potential financial risks in 2023/24 and future years arising from a range of potential changes to future funding and the costs of providing services. There is also a risk that pay awards are higher than forecast, or a reduction to the pension grant.
- Covid Collection Fund Deficit Reserve – £0.599m - this reserve is earmarked to offset a forecast Collection Fund deficit from an increase in Local Council Tax Support households from the economic impact of Covid. This will avoid the income reduction impacting on services.
- Earmarked Revenue Reserves - £3.595m – these reserves are fully committed to fund a range of one-off initiatives.
- Unearmarked General Fund Reserve - £1.637m – the reserve is held to meet any unforeseen circumstances that may arise. The value of this reserve reflects a risk assessment of potential financial risks facing the Authority and equates to approximately 6% of the Authority's on-going revenue budget. In view of the increasingly challenging financial position facing the Authority this level of uncommitted reserve is prudent.

Analysis of Usable Reserves as at 31 March 2023 – Total £12.744m



SECTION 2: Narrative Report

Unusable Reserves as at 31st March 2023 are £327.596m (£469.009m at 31st March 2022). The movement in Unusable Reserves is shown in Note 24, with the change largely attributable to the revised actuarial valuation in relation to the Pension Reserve.

Cash Flow Statement

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

Group Statement of Accounts

The Group Financial Statements consolidate the performance and balances that relate to the Authority's subsidiary, Cleveland Fire Brigade Risk Management Services Community Interest Company (CIC), into the Authority's statements. This allows the full picture of Group activities to be presented.

Cleveland Fire Authority established Cleveland Fire Brigade Risk Management Services CIC in March 2011 under the Local Government Authorities (Power to Trade) Order (2009) to commercially trade.

The Company commenced operating in 2011/12. Details are shown in Section 5, Group Accounts.

CHANGES IN AUTHORITY RESPONSIBILITIES

There were no changes in the Authority's statutory responsibilities during 2022/23.

ACCOUNTING POLICIES

The accounting policies adopted by the Authority comply, except where specific reference is made, with relevant recommended accounting practice.

The Authority's policies are explained fully on pages 21 to 32. For the purpose of the Statement of Accounts the Authority's expenditure follows the standard classification recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the comparative figures for 2021/22 have been shown where appropriate.

INSPECTION OF ACCOUNTS

Members of the public have a statutory right to inspect the accounts before the audit is completed, question the auditor and make objections at audit. The availability of the accounts for inspection was advertised on Cleveland Fire Authority website and in relation to the 2022/23 financial year the inspection period is 19th June 2023 to 28th July 2023.

Chris Little CPFA
Treasurer to the Cleveland Fire Authority
Date: 19 April 2024

SECTION 3: Statement of Responsibilities for the Statement of Accounts

The Fire Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the 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.

I confirm that the Statement of Accounts were approved by the Cleveland Fire Authority at the meeting held on 19 April 2024.

Chair of Cleveland Fire Authority

Date: 19 April 2024

The Treasurer's Responsibilities

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

In preparing this Statement of Accounts, the 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 on Local Authority Accounting.

The Treasurer has also:

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

Certification of the Accounts by the Treasurer

In accordance with the requirements of the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts shows a true and fair view of the financial position of Cleveland Fire Authority at the accounting date and its income and expenditure for the year ended 31 March 2023.

Chris Little CPFA

Treasurer to the Cleveland Fire Authority

Date: 19 April 2024

SECTION 4: Statement of Accounts

Movement in Reserves Statement for the year ended 31 March 2023

This statement shows the movement in the different reserves held by the Council over the financial year. These reserves can be analysed into usable reserves, those that can be applied to fund expenditure or to reduce taxation, and other unusable reserves, held for accounting purposes.

	General Fund Balance	Earmarked General Fund Reserves	Earmarked Reserves Revenue and Capital	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2021 carried forward	1,552	5,629	4,878		12,059	(499,739)	(487,680)
<u>Movement in reserves during 2021/22</u>							
Surplus or (deficit) on provision of services	(16,102)	-	-	-	(16,102)	-	(16,102)
Other Comprehensive Income and Expenditure	-	-	-	-	-	47,328	47,328
Total Comprehensive Income and Expenditure	(16,102)	-	-	-	(16,102)	47,328	31,226
Adjustments between accounting basis & funding basis under regulations	16,924	-	(326)	-	16,598	(16,598)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	822	-	(326)	-	496	30,730	31,226
Transfers to/(from) Earmarked Reserves	(822)	(2,709)	3,531	-	-	-	-
Increase/(Decrease) in Year	-	(2,709)	3,205	-	496	30,730	31,226
Balance at 31 March 2022 carried forward	1,552	2,920	8,083	-	12,555	(469,009)	(456,454)
<u>Movement in reserves during 2022/23</u>							
Surplus or (deficit) on provision of services	(15,631)	-	-	-	(15,631)	-	(15,631)
Other Comprehensive Income and Expenditure	-	-	-	-	-	157,233	157,233
Total Comprehensive Income and Expenditure	(15,631)	-	-	-	(15,631)	157,233	141,602
Adjustments between accounting basis & funding basis under regulations (note 4)	16,611	-	(791)	-	15,820	(15,820)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	980	-	(791)	-	189	141,413	141,602
Transfers to/(from) Earmarked Reserves	(895)	287	608	-	-	-	-
Increase/(Decrease) in Year	85	287	(183)	-	189	141,413	141,602
Balance at 31 March 2023 carried forward	1,637	3,207	7,900	-	12,744	(327,596)	(314,852)

For detail on Usable and Unusable Reserves see Notes 23 and 24.
For detail on Transfers to and from Earmarked Reserves see Note 5.

SECTION 4: Statement of Accounts

Comprehensive Income and Expenditure Statement for the year ended 31 March 2023

2021/22			2022/23			
Gross Expenditure	Gross Income	Net				
£000s	£000s	£000s	Gross Expenditure £000s	Gross Income £000s	Net £000s	Note
			Continuing operations:			
29,831	-	29,831	Employee Costs	27,567	-	27,567 6
2,773	-	2,773	Premises Costs	2,954	-	2,954 6
2,447	-	2,447	Supplies & Services	3,016	-	3,016 6
1,054	-	1,054	Transport Costs	1,045	-	1,045 6
373	-	373	Support Services	405	-	405 6
-	(3,295)	(3,295)	Income	-	(2,521)	(2,521) 6
36,478	(3,295)	33,183	Cost Of Services - continuing operations	34,987	(2,521)	32,466
-	-	-	Other Operating Expenditure	-	(33)	(33) 7
11,979	(841)	11,138	Financing and Investment Income and Expenditure	14,504	(1,333)	13,171 8
-	(28,219)	(28,219)	Taxation and Non-Specific Grant Income	-	(29,973)	(29,973) 9
48,457	(32,355)	16,102	(Surplus) or Deficit on Provision of Services	49,491	(33,860)	15,631
	240	(Surplus)/Deficit on revaluation of non-current assets			(6,400)	24 Table 1
	(47,568)	Remeasurement of net defined benefit liability /(asset)			(150,833)	24 Table 3
	(47,328)	Other Comprehensive Income and Expenditure			(157,233)	
	(31,226)	Total Comprehensive Income and Expenditure			(141,602)	

SECTION 4: Statement of Accounts

Balance Sheet for the year ended 31 March 2023

31 March 2022 £000s		31 March 2023 £000s	Note
38,922	Property, Plant and Equipment	44,959	12
225	Investment Assets	255	13
65	Intangible Assets	68	14
22	Long Term Debtors	-	15
-	Pension Asset	4,259	35
150	Long Term Investment	36	30
39,384	Long Term Assets	49,577	
3,451	Short Term Investments	12,359	30
571	Inventories	625	16
5,491	Short Term Debtors	6,799	17
7,286	Cash and Cash Equivalents	1,106	18
16,799	Current Assets	20,889	
-	Bank Overdraft	(118)	18
(3,834)	Short Term Creditors	(3,851)	19
(728)	Provisions	(643)	20
(145)	Short Term Borrowing	(3,153)	30
(778)	Revenue Grants Receipts in Advance	(723)	9
(5,485)	Current Liabilities	(8,488)	
(8,896)	Long Term Borrowing	(8,796)	21
(498,256)	Other Long Term Liabilities	(368,034)	22
(507,152)	Long Term Liabilities	(376,830)	
(456,454)	Net Assets:	(314,852)	
1,552	General Fund	1,637	
2,920	Budget Support Fund	3,207	
2,913	Earmarked Revenue Reserves	3,595	
4,342	Earmarked Capital Reserves	3,706	
11,727		12,145	23
828	COVID Collection Fund Deficit Reserve	599	23
(469,009)	Unusable Reserves	(327,596)	24
(456,454)	Total Reserves:	(314,852)	

SECTION 4: Statement of Accounts

Statement Of Cash Flows for the year ended 31 March 2023

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

2021/22 £000s		2022/23 £000s	Note
(16,102)	Net surplus or (deficit) on the provision of services	(15,631)	
18,853	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements	16,514	32
1,550	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	7	32
4,301	Net cash (outflow)/inflow from operating activities	890	
(903)	Investing activities	(10,096)	33
(120)	Financing activities	2,908	34
3,278	Net increase or (decrease) in cash and cash equivalents	(6,298)	
4,008	Cash and cash equivalents at the beginning of the reporting period	7,286	
7,286	Cash and cash equivalents at the end of the reporting period	988	18

An analysis of the components of cash and cash equivalents at the end of the reporting period are disclosed in Note 18.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003.

The Statements reflect the requirements of general accounting principals and concepts of:

Relevance - the financial statements provide information about the Authority's performance and position that is useful to the users of the accounts to assess the stewardship of public funds and for making economic decisions.

Reliability - the financial information faithfully represents the substance of the transactions, the activities underlying them and other events that have taken place are free from deliberate or systematic bias and material error and have been prudently prepared.

Comparability - the information has been prepared consistently and with adequate disclosures so that it can be compared with prior years and other Fire Authorities.

Understandability - the statements have been prepared to ensure they are as easy to understand as possible.

Materiality - the statements disclose items of a certain size and nature such that they provide a fair presentation of the financial position and transactions of the Authority.

Faithful Representation - the financial statements faithfully represent economic issues in words and numbers. They have been prepared on the basis that they are complete, neutral and free from error.

Accruals - other than the cash flow statement, the financial statements report transactions that have been recorded in the accounting period for which the goods and services were received or supplied rather than in which the cash was received or paid.

Going Concern - the financial statements have been prepared on the assumption that the Authority has continuity of Service Provision and will continue to provide those operational Services for the foreseeable future.

Legality - where the accounting principles and specific legislation requirements are in conflict, the financial statements have been prepared to reflect legislative requirements.
For detail on Usable and Unusable Reserves see Notes 23 and 24.

The accounting policies are the principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements of the Authority. Consistent accounting policies have been applied both within the year and between years. Where accounting policies are changed, this has been disclosed separately.

Where estimating techniques are required to enable the accounting practices adopted to be applied, then the techniques which have been used are, in the Authority's view, appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change and, if practicable, the effect on the results for the current period is separately disclosed.

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

There are no transactions which require the Authority to split the Other Comprehensive Income and Expenditure line in the Comprehensive Income and Expenditure Statement into two groups as per IAS 1 Presentation of Financial Statements.

2. Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Authority provides the relevant goods or services.

SECTION 4: Statement of Accounts

- Employees costs are charged to the accounts in the period within which the employees worked, which includes 12 monthly payments.
- Supplies and services 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.
- Works are charged as expenditure when they are completed, before which they are carried as Works in Progress on the Balance Sheet.
- Where income and expenditure has 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 it is doubtful that debts will be settled the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where payments are made or received in advance of a service being provided or received a payment or receipt in advance is recognised as a debtor or creditor in the Balance Sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.
- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- 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 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.

3. Cash and Cash Equivalents

Cash and cash equivalents are represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

4. Capital Expenditure

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment (PPE) has been capitalised on an accruals basis. Expenditure on the acquisition of PPE, or expenditure which adds to, and not merely maintains, the value of an existing asset, is capitalised provided that it yields benefits to the Authority and the services it provides are for a period of more than one year.

Capital expenditure is defined as the acquisition, reclamation, enhancement or laying out of land; acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures; and the acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels.

The definition of enhancement is works that are intended to lengthen substantially the useful life of the asset, or increase substantially the market value of the asset, or increase substantially the extent to which the asset can or will be used for the purposes of or in conjunction with the functions of the Authority.

Improvement works and structural repairs are capitalised, whereas expenditure to ensure that the long term asset maintains its previously assessed standard of performance is recognised in the revenue account as it is incurred.

Assets acquired on terms meeting the definition of a finance lease are capitalised and included together with a liability to pay future rentals.

Where a long term asset is acquired for other than a cash consideration or where payment is deferred, the asset has been recognised and included in the Balance Sheet at fair value.

The Authority does not have a de-minimis level for capital expenditure.

5. Property, Plant and Equipment

Property, Plant and Equipment (PPE) is initially measured at cost. Only those costs that are directly attributable to bringing the asset into working condition for its intended use are included in its measurement.

SECTION 4: Statement of Accounts

Property is valued on a five-year basis, although material changes to asset values will be adjusted in the interim period as they occur. The current asset valuations are carried out by Hartlepool Borough Council which provides valuation services for the Authority based upon certificates issued by the Council's Property Management Division. The valuations are prepared in accordance with the Statements and UK Practice Statements contained in the RICS Appraisal and Valuation Standards. From 1 April 2007, increases in asset valuations are credited to the Revaluation Reserve.

PPE is held or occupied, used or consumed by the Authority in the direct delivery of those services for which it has either statutory or discretionary responsibility, or for the service or strategic objectives of the Authority. Non-specialised PPE has been valued on the basis of Fair Value - Existing Use Value (EUV). Specialised PPE has been valued on a Depreciated Replacement Cost (DRC) basis. This is because their specialised nature means they are rarely, if ever, sold or let on the open market for their existing use. Assets that have been declared surplus to requirements have been valued at Market Value. Assets under construction are valued at historic cost.

The asset valuations have been prepared using the following assumptions:

- The Authority has good marketable title, free from any onerous or restrictive covenants.
- There are no hazardous substances or latent defects in the properties and there is no contamination present.
- Details of tenure, planning consents and other relevant information are assumed to be correct.
- That properties and their value are unaffected by any matters that would be revealed by a local search, replies to usual enquiries or by any statutory notice.
- It is assumed that the present use is lawful and that there are no adverse conditions attached. It is further assumed that there are no adverse planning proposals in existence that may affect the property in the future.
- No allowance has been made for any taxation, acquisition, realisation or disposal costs or other expenses.
- No soil surveys have been carried out or services tested.

Not all properties were specifically inspected for the purposes of asset valuations. This was neither practicable, nor considered by the Valuer to be necessary, for the purpose of the valuation. However, regular inspections are made by officers of Hartlepool Borough Council's Property Section of all the Authority's property assets. As allowable under the Code, depreciated historical cost is used as a proxy for some non-property assets that have short useful lives and/or low values.

Where an item of Property, Plant or Equipment is acquired under a finance lease, at the inception of the lease the amount to be recorded both as an asset and as a liability would be the present value of the minimum lease payments derived by discounting them at the interest rate implicit in the lease.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

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

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

Where decreases in value are identified, they are accounted for by:

- 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); and
- 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 expenditure category(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

SECTION 4: Statement of Accounts

6. Charges to Revenue for Non-Current Assets

Expenditure categories are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the expenditure category,
- revaluation and impairment losses on assets used by the expenditure category where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

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

7. Impairments

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

Where impairment losses are identified, they are accounted for by:

- 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); and
- 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 expenditure category(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant expenditure category(s) 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.

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.

8. Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of Property, Plant and Equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

9. Depreciation

Depreciation is provided for on all Property, Plant and Equipment by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction). Depreciation has been charged using the straight line method on the closing balances over the assets estimated useful life.

SECTION 4: Statement of Accounts

The useful lives of assets are estimated on a realistic basis and are reviewed regularly and, where necessary, revised. Where the useful life of an item of Property, Plant or Equipment is revised, the carrying amount of the item is depreciated over the revised remaining useful life. Depreciation is not charged in the year of acquisition or disposal but is charged in the year of enhancement.

Depreciation has been charged on a straight-line basis and calculated as follows:

- Fire Stations and HQ - 40 years,
- Vehicles, Plant and Equipment - 5 to 20 years,
- Intangible Assets - 5 to 10 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, or has a significantly different useful life, the components are recognised separately and depreciated based on the components useful economic life.

10. Intangible Assets

Expenditure on assets that do not have physical substance and are identifiable and controlled by the Authority (e.g. Software Licences) is capitalised when it will bring benefits to the Authority for more than one financial year. The cost is charged to the relevant expenditure category over the economic life to reflect the pattern of consumption of benefits.

11. Interests in Companies and Other Entities

The Authority has material interests in companies that have the nature of subsidiaries and is required to prepare group accounts. In the Authority's own single-entity accounts, the interests are recorded as financial assets at cost, less any provision for losses.

12. Inventories

Inventories are included in the Balance Sheet at the lower of average cost price or net realisable value. Where inventories have been identified as being of no further use to the Authority and the appropriate procedures have been complied with, the obsolete stock has been written off, or an allowance has been made for obsolescence.

13. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate expenditure category in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

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

14. Provisions and Contingent Liabilities

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

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

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

SECTION 4: Statement of Accounts

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Impairment of Bad and Doubtful Debts

The Authority recognises that debts are not always paid and makes provision for impairment of bad debts. Bad debt impairment is calculated using a percentage based on known historic collection rates. This is applied to current outstanding debt.

15. Employee Benefits

Benefits Payable During Employment

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

Termination Costs

Termination costs 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, and are charged on an accruals basis to the Non Distributed Costs 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 restructure.

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

Post Employment Benefits

The Authority participates in two pension schemes:

Fire Fighters

The Fire Fighters Pension scheme is an unfunded scheme. The Authority is required to maintain a separate Fire Fighters Pension Fund Account, details of which are provided in the Pension Fund Statements (Fund Accounts and Net Assets Statement).

The Authority is required to make defined contributions to the Pension Account, 37.3% for Fire Fighters who are members of the 1992 Pension Scheme or the Modified Pension Scheme and 27.4% for those who are members of the 2006 Pension Scheme and 28.8% for those who are members of the 2015 Pension Scheme. The Authority must also make defined contributions in respect of Ill Health retirements.

As these contributions, plus employee contributions, are less than the payments made from the Authority's Pensions Account, the Government provide a specific grant to fund the resulting shortfall.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme.

SECTION 4: Statement of Accounts

The liabilities of the Teesside Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and projections of projected earnings for current employees.

The assets of the Teesside Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

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

Service cost comprising:-

- **current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- **past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- **net interest on the defined benefit liability (asset) i.e. net interest expense for the Authority** – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:-

- **the return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **actuarial gains and losses** – 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 - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Teesside Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefit are earned by employees.

Discretionary Benefits

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

16. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

SECTION 4: Statement of Accounts

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

The Authority as a Lessee

Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

SECTION 4: Statement of Accounts

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

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

17. Value Added Tax

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

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

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

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

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

19. Events After the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- 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.

20. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For existing borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

For Public Works Loans Board (PWLB) loans, the fair value of each loan has been determined by information supplied by the PWLB. For market loans, the redemption rules of the PWLB have been used to approximate the fair value of loans held. The comparator market rates prevailing have been taken from indicative investment rates at each Balance Sheet date.

SECTION 4: Statement of Accounts

Financial Assets

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

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

The Authority's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Authority's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provision of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for the interest receivable are based on the carrying amount of the asset multiplied by the effective rate of the interest for the instrument. For most of the financial assets held by the Authority, this means that the amount presented in the Balance Sheet in the outstanding principal receivable (plus accrued interest) and interest credited to the CIES in the amount receivable for the year in the loan agreement.

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

Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

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

IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in the Fair Value through Other Comprehensive Income. The Authority will assess each investment on an individual basis and assign an IFRS 9 category. The assessment will be based on the underlying purpose for holding the financial instrument.

Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of service in the CIES and will have a General Fund impact.

The Authority currently holds no financial assets at FVPL.

Financial Assets measured at Fair Value through other Comprehensive Income (FVOCI)

Equity instruments may be irrevocably designated at Fair Value through Other Comprehensive Income (FVOCI) on the basis that they are held for non-contractual benefits. They are not held for trading but for strategic purposes. Such assets were previously classified as Available-For-Sale Financial Asset.

Changes in fair value are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve.

When the asset is de-recognised, the cumulative gain or loss previously recognised in the Surplus or Deficit on the Provision of Services.

The Authority currently holds no financial assets measured at FVOCI.

Expected Credit Loss Model

The Authority recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

SECTION 4: Statement of Accounts

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on a basis of 12-month expected losses.

21. Fair Value Measurement

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

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

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

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

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which the fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability

22. Council Tax Precept Income and Collection Fund

Council Tax precept income included in the Comprehensive Income and Expenditure Statement for the year is the accrued income. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

23. Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Capital Grants Receipts in Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

SECTION 4: Statement of Accounts

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

24. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value (i.e. market value), based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are reviewed annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

25. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

SECTION 4: Statement of Accounts

Note 1: Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2022/23 Code. The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would, therefore result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2023/24 Code are:

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is an exemption for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for Local Government to 1 April 2024 which is when we will adopt. This is not expected to significantly impact on the Council's Statement of Accounts.
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.

These changes are not expected to have a material impact on the Authority's single entity statements or group statements.

Note 2: Critical judgements in applying Accounting Policies

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

The critical judgements made in the Statement of Accounts is:

- The Government has delayed major reforms of the national funding system ie Fair Funding Review and increase in Business Rates Retention from 50% to 75% from 2020/21 until 2024/25. There is a high degree of uncertainty about future levels of funding for Fire Authorities in 2024/25 and beyond. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

SECTION 4: Statement of Accounts

Note 3: Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Authority's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Asset valuations are carried out on a 5-year rolling programme which may result in the possibility of material changes in value between valuations. Therefore an annual desktop exercise is undertaken to ensure assets are valued correctly. Valuations are inherently subject to major estimation uncertainty due to the significant assumptions required.	At 31 March 2023, the Authority had land and buildings to the value of £40.378m. A 1% change in the estimation of property values would lead to a £0.404m change in the value of the Authority's land and buildings. These changes to valuations would not have a direct impact on the Authority's general fund, since any effect charged to the CIES would be reversed to the Authority's unusable reserves.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate of increase in salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A consulting Actuary is engaged to provide the Authority with expert advice about the assumptions to be applied.	For the Local Government Pension Scheme (LGPS) the effect on the net pensions asset/liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption would result in a decrease in the liability of £0.622m. However, the assumptions interact in complex ways. During 2022/23, the Council's actuaries advised that the net pension liability for funded LGPS benefits had become a net pension asset of £4.259m (21/22 was a net liability of £10.535m) resulting from a reduction in liabilities of £18.842m as a result of financial assumptions, decreased by £0.282m as a result of demographic assumptions and increased by £2.462m as a result of liability experience. Actual pension rates are determined on an actuarial basis every 3 years. The previous valuation determined the employer's contribution for 3 years from March 2019. A 0.1% increase in this rate would increase the Authority's revenue budget requirement for pension costs by £0.004m. Uncertainties do not apply to the Fire Fighters Pension Schemes as these are Unfunded Schemes where costs are fully met by government grant.

SECTION 4: Statement of Accounts

Note 4: Adjustments between Accounting Basis and Funding Basis under Regulations

2022/23

	General Fund Balance £000s	Earmarked Reserves £000s	Capital Receipts Reserve £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement</i>				
Charges for depreciation and impairment of non-current assets	1,351	-	-	(1,351)
Charges for Revaluation losses on Property Plant & Equipment	105	-	-	(105)
Movement in the Market value of Investment Property	(30)	-	-	30
Amortisation of intangible assets	10	-	-	(10)
Capital grants and contributions applied	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Comprehensive Income & Expenditure Statement	2	-	-	(2)
Direct Revenue Funding	-	(791)	-	791
<i>Insertion of items debited or credited to the Comprehensive Income & Expenditure Statement</i>				
Statutory provision for the financing of capital investment (MRP)	(365)	-	-	365
Statutory provision for the financing of capital investment (VRP)	(139)	-	-	139
	934	(791)	-	(143)
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income & Expenditure Statement	(35)	-	35	-
Finance Lease payments transferred from Deferred Capital Receipts	-	-	21	(21)
Application of Capital Receipts to Capital Adjustment Account	-	-	(35)	35
Use of capital receipts to fund new capital expenditure	-	-	-	-
	(35)	-	21	14
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	20,412	-	-	(20,412)
Employers Pensions Contributions	(3,827)	-	-	3,827
Direct payments to pensioners payable in the year	(233)	-	-	233
	16,352	-	-	(16,352)
Adjustments involving the Deferred Capital Receipts Reserve:				
Transfer of Sale Proceeds credited as part of the Gain/Loss on disposal to the Comprehensive Income & Expenditure Statement	-	-	(21)	21
	-	-	(21)	21
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(652)	-	-	652
	(652)	-	-	652
Adjustments involving the Accumulated Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	12	-	-	(12)
	12	-	-	(12)
Total Adjustments	16,611	(791)	-	(15,820)

SECTION 4: Statement of Accounts

Note 4: Adjustments between Accounting Basis and Funding Basis under Regulations

2021/22	General Fund Balance £000s	Earmarked Reserves £000s	Capital Receipts Reserve £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement</u>				
Charges for depreciation and impairment of non-current assets	1,320	-	-	(1,320)
Charges for Revaluation losses on Property Plant & Equipment	92	-	-	(92)
Movement in the Market value of Investment Property	(120)	-	-	120
Amortisation of intangible assets	9	-	-	(9)
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Comprehensive Income & Expenditure Statement	-	-	-	-
Capital grants and contributions applied	-	-	-	-
Direct Revenue Funding	-	(326)	-	326
<u>Insertion of items debited or credited to the Comprehensive Income & Expenditure Statement</u>				
Statutory provision for the financing of capital investment (MRP)	(494)	-	-	494
Statutory provision for the financing of capital investment (VRP)	(300)	-	-	300
	507	(326)	-	(181)
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income & Expenditure Statement	-	-	-	-
Finance Lease payments transferred from Deferred Capital Receipts	-	-	-	-
Application of Capital Receipts to Capital Adjustment Account	-	-	-	-
Use of capital receipts to fund new capital expenditure	-	-	-	-
Adjustments involving the Deferred Capital Receipts Reserve:				
Transfer of Sale Proceeds credited as part of the Gain/Loss on disposal to the Comprehensive Income & Expenditure Statement	-	-	-	-
	-	-	-	-
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	20,899	-	-	(20,899)
Employers Pensions Contributions	(3,648)	-	-	3,648
Direct payments to pensioners payable in the year	(226)	-	-	226
	17,025	-	-	(17,025)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(593)	-	-	593
	(593)	-	-	593
Adjustments involving the Accumulated Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(15)	-	-	15
	(15)	-	-	15
Total Adjustments	16,924	(326)	-	(16,598)

SECTION 4: Statement of Accounts

Note 5: Transfers to/(from) Earmarked and General Fund Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23. Further details of usable reserves are provided in Note 23.

	Balance at 31 March 2021	Transfer between reserves in 2021/22	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31 March 2022	Transfer between reserves in 2022/23	Transfers Out 2022/23	Transfers In 2022/23	Balance at 31 March 2023
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Unearmarked General Fund Balance									
General Fund Balance	1,552	-	-	-	1,552	15	-	70	1,637
	1,552	-	-	-	1,552	15	-	70	1,637
Earmarked General Fund Reserves:									
Budget Support Fund	5,629	(2,830)	(398)	519	2,920	-	-	-	2,920
Budget Support Fund-Income	-	-	-	-	-	-	-	287	287
	5,629	(2,830)	(398)	519	2,920	-	-	287	3,207
Earmarked Revenue Reserves:									
Innovation Fund	453	-	-	-	453	-	-	-	453
Capital Phasing Reserve	1,026	-	-	129	1,155	-	-	253	1,408
Insurance Fund	662	-	-	-	662	-	(19)	-	643
Commissioned Services	238	-	(3)	-	235	-	(24)	40	251
Breathing Apparatus	125	-	-	-	125	(125)	-	-	-
Property Reserve	196	(142)	(39)	-	15	(15)	-	-	-
Grenfell Action Plan	197	-	-	-	197	-	(41)	-	156
Covid Reserve	137	-	(137)	-	-	-	-	-	-
Ringfenced Grants	96	-	(96)	71	71	-	(11)	-	60
Invest to Save Reserve	-	-	-	-	-	-	-	624	624
	3,130	(142)	(275)	200	2,913	(140)	(95)	917	3,595
Covid Collection Fund Deficit Reserve									
Collection Fund Deficit	533	-	(93)	388	828	-	(229)	-	599
	533	-	(93)	388	828	-	(229)	-	599
Earmarked Capital Reserves:									
Capital Investment Programme	1,215	2,972	(411)	566	4,342	125	(1,034)	273	3,706
Capital Receipts Reserve	-	-	-	-	-	-	(56)	56	-
	1,215	2,972	(411)	566	4,342	125	(1,090)	329	3,706
Total Usable Reserves:	12,059	-	(1,177)	1,673	12,555	-	(1,414)	1,603	12,744

SECTION 4: Statement of Accounts

Note 6: Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, 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. It also shows how this expenditure is allocated for decision making purposes between the authority's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Net Expenditure Chargeable to the General Fund	2021/22 Adjustments Between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	2022/23 Adjustments Between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000s	£000s	£000s		£000s	£000s	£000s
23,874	5,957	29,831	Employee Costs	24,442	3,125	27,567
2,126	647	2,773	Premises Costs	1,892	1,062	2,954
2,462	(15)	2,447	Supplies & Services	2,983	33	3,016
567	487	1,054	Transport Costs	704	341	1,045
373	-	373	Support Services	405	-	405
1,198	(1,198)	-	Capital Finance Costs	1,008	(1,008)	-
(491)	491	-	Transfer from Earmarked reserves	(324)	324	-
863	(863)	-	Transfer to Earmarked reserves	951	(951)	-
(4,758)	1,463	(3,295)	Income	(4,366)	1,845	(2,521)
26,214	6,969	33,183	Net Cost of Services	27,695	4,771	32,466
(26,257)	9,176	(17,081)	Other Income and Expenditure	(27,765)	10,930	(16,835)
(43)	16,145	16,102	(Surplus) or Deficit	(70)	15,701	15,631
1,552			Opening General Fund Balance	1,552		
43			Less/Plus Surplus or (Deficit) on General Fund Balance in Year	70		
-			Transfer between Reserves	15		
(43)			Transfer to Budget Support Fund	-		
1,552			Closing General Fund Balance at 31 March	1,637		

SECTION 4: Statement of Accounts

Note 6A: Note to the Expenditure and Funding Analysis

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	<u>2022/23</u>		Total Adjustments
			Other Statutory Differences (Note 3)	Other Non-Statutory Differences (Note 4)	
	£000s	£000s	£000s	£000s	£000s
Employee Costs	-	3,113	12	-	3,125
Premises Costs	955	-	-	107	1,062
Supplies and Services	170	-	-	(137)	33
Transport Costs	341	-	-	-	341
Capital Finance Costs	(505)	-	-	(503)	(1,008)
Income	-	-	-	1,845	1,845
Transfers From Earmarked Reserves	-	-	-	324	324
Transfers To Earmarked Reserves	-	-	-	(951)	(951)
Net Cost of Services	961	3,113	12	685	4,771
Other Income and Expenditure from the Expenditure and Funding Analysis	-	13,239	(2,209)	(100)	10,930
Difference between General Fund (Surplus) or Deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	961	16,352	(2,197)	585	15,701

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	<u>2021/22</u>		Total Adjustments
			Other Statutory Differences (Note 3)	Other Non-Statutory Differences (Note 4)	
	£000s	£000s	£000s	£000s	£000s
Employee Costs	-	6,042	(16)	(69)	5,957
Premises Costs	925	-	-	(278)	647
Supplies and Services	9	-	-	(24)	(15)
Transport Costs	487	-	-	-	487
Capital Finance Costs	(794)	-	-	(404)	(1,198)
Income	-	-	-	1,463	1,463
Transfers From Earmarked Reserves	-	-	-	491	491
Transfers To Earmarked Reserves	-	-	-	(863)	(863)
Net Cost of Services	627	6,042	(16)	316	6,969
Other Income and Expenditure from the Expenditure and Funding Analysis	-	10,983	(1,963)	156	9,176
Difference between General Fund (Surplus) or Deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	627	17,025	(1,979)	472	16,145

Note 1 This is the net change for the removal of depreciation and impairment and other capital costs from services and the addition of other operating costs and capital grants received.

Note 2 This is the net change for the removal of employer pension contributions made by the authority as allowed by statute and the replacement with current and past service costs.

Note 3 This is the net change in relation to statutory adjustments for council tax and accumulated absences.

Note 4 This is the net change in relation to any non-statutory adjustments included in the management accounts but not in the Comprehensive Income and Expenditure Statement.

SECTION 4: Statement of Accounts

Note 6B: Expenditure And Income Analysed By Nature

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

2021/22 £000s		2022/23 £000s
	Expenditure / Income	
	Expenditure	
29,831	Employee Benefits Expenses	27,567
5,226	Other Service Expenses	5,955
1,421	Depreciation, Amortisation, Impairment	1,465
11,979	Interest Payments	14,504
48,457	Total Expenditure	49,491
	Income	
(624)	Revenues from External Customers	(678)
(4)	Other Revenue	(7)
-	Gain/Loss on the disposal of assets	(33)
(841)	Interest and Investment Income	(1,333)
(14,061)	Income from Council Tax and Non Domestic Rates	(14,819)
(16,825)	Government Grants and Contributions	(16,990)
(32,355)	Total Income	(33,860)
16,102	Surplus or deficit on the provision of services	15,631

SECTION 4: Statement of Accounts

Note 7: Other Operating Expenditure

This note provides a breakdown of the various components included within the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement.

2021/22 £000s		2022/23 £000s
-	(Gain) or loss on the disposal of Vehicles / Land	(33)
-		(33)

Note 8: Financing and Investment Income and Expenditure

2021/22 £000s		2022/23 £000s	Note
10,983	Pensions Interest Cost & Expected Return on Pensions Assets	13,239	35
284	Interest payable and similar charges	267	30
(120)	Net (Gain) / Loss on Investment Properties	(30)	13
(9)	Interest Receivable and Similar Income	(305)	30
11,138		13,171	

Note 9: Grant Income & Taxation

2021/22 £000s		2022/23 £000s
	Credited to Taxation and Non Specific Grant Income	
14,061	Council Tax Precept & Business Rates Income	14,819
7,434	NNDR Distribution - Top Up Grant	7,434
5,353	Revenue Support Grant	5,517
-	Services Grant	646
1,371	Section 31 Grant Business Rates	1,557
28,219	Total	29,973
	Credited to Services	
1,409	Home Office Firefighter Pension Grant (Section 31)	1,409
422	LCTS Grant	-
517	Other Grants	278
165	Command and Control - FireLink Project	146
40	New Dimension - Training	3
114	Covid-19	-
2,667	Total	1,836

The Authority has received grants that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned if the conditions are not met. The balances at year end are as follows:

Current Liabilities

Grants Receipts in Advance (Revenue Grants)

2021/22 £000s		2022/23 £000s
465	New Risk Programme - Emergency Services Mobile Communication Programme	390
111	New Dimension Grant	162
151	Modern Apprentice Levy Grant	154
21	Other Grants	10
30	Protection Uplift	7
778		723

SECTION 4: Statement of Accounts

Note 10: Members' Allowances and Expenses

The amounts paid for the year ending 31st March 2023, including payments to former Members who only served on the Authority for part of the year are as shown below. It should be noted that the Authority does not pay attendance allowances and the fixed allowances paid are taxed and subject to National Insurance. The total amount paid to Members in respect of basic, special responsibility and travel and subsistence allowances was £53,848. An analysis of the allowances is shown in the table below:

Member	Basic Allowance	Special Responsibility Allowance	General Travel	General Subsistence	Car Mileage	Conference Travel	Conference Fees	Conference Subsistence	Members Training	Total 2022/23
	£	£	£	£	£	£	£	£	£	£
Ayre, W	2,238.00	-	-	-	-	-	-	-	-	2,238.00
Brooke, A	472.47	-	-	-	-	-	-	-	-	472.47
Cassidy, T	472.47	-	-	-	-	-	-	-	-	472.47
Clayton, B	2,238.00	-	212.00	-	-	-	-	-	-	2,450.00
Craig, J	1,552.16	-	-	-	-	-	-	-	-	1,552.16
Falconer, A	1,765.53	-	-	-	-	-	-	-	-	1,765.53
Fleming, T	472.47	-	-	-	-	-	-	-	-	472.47
Fletcher, M	1,765.53	-	-	-	-	-	-	-	-	1,765.53
Foggo, C	746.00	-	-	-	48.60	-	-	-	-	794.60
Frost, L	2,051.50	-	-	-	-	-	-	-	-	2,051.50
Hall, L	2,238.00	-	-	-	-	-	-	-	-	2,238.00
Higgins, T	2,238.00	-	-	-	175.50	-	-	-	-	2,413.50
Hussain, N	2,238.00	-	-	-	-	-	-	-	-	2,238.00
Kirton, P	2,238.00	8,952.00	-	-	-	1,179.88	395.00	182.88	-	12,947.76
Matthews, S	2,238.00	2,152.11	-	-	-	-	-	-	-	4,390.11
Mawston, T	2,238.00	-	-	-	168.30	-	-	-	-	2,406.30
O'Donnell, J	2,238.00	4,476.00	152.00	-	-	-	-	-	-	6,866.00
Ovens, M	2,238.00	-	72.20	-	-	-	-	-	-	2,310.20
Rathmell, J	2,238.00	-	-	-	-	-	-	-	-	2,238.00
Smith, L	1,765.53	-	-	-	-	-	-	-	-	1,765.53
Totals 2022/2023	35,681.66	15,580.11	436.20	0.00	392.40	1,179.88	395.00	182.88	0.00	53,848.13
Totals 2021/2022	35,363.02	14,570.10	307.00	0.00	353.70	-	395.00	96.00	108.30	51,193.12

Note 11: Officers' Remuneration

In accordance with the requirements of the Accounts and Audit Regulations 2015, the Authority is required to disclose details of remuneration for senior employees and those earning more than £50,000.

The statutory duty to make provision under Part 2 of the Fire and Rescue Services Act 2004 for fire safety, fire fighting, action in respect of road accidents and other emergencies, together with other functions provided for in the Act is vested with the Cleveland Fire Authority.

Details on the roles of the Authority's senior managers are summarised below. The Chief Fire Officer is Head of Paid Service with direct responsibility to the Authority for:-

- i) the efficient operation of all functions of the Brigade, both in respect of the statutory duties with regard to the Fire services Act 2004 and any other activities approved by the Fire Authority, and
- ii) all administrative and managerial activities incidental to the running of the Brigade, its equipment and premises.

Senior Employees

Senior employees are defined as the Chief Fire Officer and the senior managers reporting directly to the Chief Fire Officer.

The Chief Fire Officer is appointed by the whole Authority on a full-time basis; selected on merit against objective criteria. By law, the Chief Fire Officer is not allowed to participate in any party political activity and is expected to advise and assist all elected Members irrespective of their political affiliation.

The Assistant Chief Fire Officer Community Protection directs the Brigade's prevention, protection, emergency response, national resilience, operational support, health and safety, communications and engagement services and resources.

The Assistant Chief Fire Officer Strategic Planning and Resources directs the Brigade's services and resources relating to strategic planning, policy development, finance, risk, performance and asset management, legal, democratic and administration, human resources, organisational development, procurement and assurance.

Details of the remuneration of the senior employees of the Authority are shown in the following tables. Table A discloses the payments for 2022/23 and Table B provides the payments for 2021/22.

SECTION 4: Statement of Accounts

Note 11: Officers' Remuneration

2022/23 - TABLE A

Post Title	Gross Pay (before expenses and car lease) £	Expenses Reimbursed (Note 1) £	Car Lease / Allowance £	Total Remuneration excluding Pension Contributions 2022/23 £	Pension Contributions (Note 2) £	Total Remuneration including Pension Contributions 2022/23 £
Uniformed Posts						
Chief Fire Officer, Ian Hayton (Note 3)	167,810	71	11,710	179,591	-	179,591
Assistant Chief Fire Officer - Community Protection (Note 4)	112,756	-	6,239	118,995	32,474	151,469
Area Manager 1	84,552	-	5,252	89,804	24,063	113,867
Area Manager 2 (Left 12th April 2022) (Note 5)	3,196	-	-	3,196	776	3,972
Area Manager 2	78,028	-	3,883	81,911	22,376	104,287
Non-Uniformed Posts						
Assistant Chief Fire Officer - Strategic Planning and Resources (Note 6)	112,756	-	6,123	118,879	16,688	135,567
Legal Advisor and Monitoring Officer (Note 7)	31,934	29	-	31,963	4,726	36,689
	591,032	100	33,207	624,339	101,103	725,442

2021/22 - TABLE B

Post Title	Gross Pay (before expenses and car lease) £	Expenses Reimbursed (Note 1) £	Car Lease £	Total Remuneration excluding Pension Contributions 2021/22 £	Pension Contributions (Note 2) £	Total Remuneration including Pension Contributions 2021/22 £
Uniformed Posts						
Chief Fire Officer Ian Hayton (Note 3)	168,430	-	11,710	180,140	-	180,140
Assistant Chief Fire Officer - Community Protection (Note 4)	113,172	-	6,239	119,411	32,594	152,005
Area Manager 1 (left 6 September 2021) (Note 5)	35,331	219	1,692	37,242	12,992	50,234
Area Manager 1 (started 1 September 2021)(Note 5)	43,561	15	2,897	46,473	12,402	58,875
Area Manager 2	81,659	156	4,287	86,102	23,230	109,332
Non-Uniformed Posts						
Assistant Chief Fire Officer - Strategic Planning and Resources (Note 6)	113,172	-	6,397	119,569	16,750	136,319
Legal Advisor and Monitoring Officer (Note 7)	30,971	-	-	30,971	4,584	35,555
	586,296	390	33,222	619,908	102,552	722,460

SECTION 4: Statement of Accounts

Note 11: Officers' Remuneration

Notes

- (1) Expenses relate to NHS prescriptions, dental and ophthalmic treatments, travel and subsistence.
- (2) Pension contributions only relate to the Authority's contribution to the relevant pension scheme. For Uniformed posts these contributions are set nationally and for non-uniformed posts they are set by the Teesside Pension Fund. In addition, the employee contributes a share of their salary to the schemes. Uniformed staff in the 2015 Fire Fighters scheme earning between £51,516 and £142,500 contribute 13.5%, and earning more than £142,501 contribute 14.5%. Non-uniformed employees earning between £48,501 and £67,900 contribute 8.5%, earning between £67,901 and £96,200 contribute 9.9%, earning between £96,201 and £113,400 contribute 10.5% and earning between £113,401 and £170,100 contribute 11.4%.
- (3) The annualised salary of the Chief Fire Officer for 2022/23 was £167,810 (£167,810 in 2021/22). There were no pension contributions made on behalf of the Chief Fire Officer, which saved the Authority £48,329.
- (4) The Assistant Chief Fire Officer - Community Protection is paid on a single point salary scale which for 2022/23 was £112,756 (£112,756 for 2021/22).
- (5) The Area Manager 2 left the Authority on 12th April 2022 and was replaced by a new Area Manager.
- (6) The Assistant Chief Fire Officer - Strategic Planning and Resources is paid on a single point salary scale which for 2022/23 was £112,756 (£112,756 for 2021/22).
- (7) The Legal Advisor and Monitoring Officer is paid on a single point salary scale which for 2022/23 was £31,934 (£30,971 in 2021/22).

Other employees with a salary of £50,000 or more

In accordance with the Accounts and Audit Regulations 2015, the number of employees of the Authority whose remuneration was £50,000 or greater is detailed in the table below in bands of £5,000. This table excludes details of senior officers set out in the previous tables. The bandings have been used since 2002/03 and are not indexed and therefore do not make any adjustment for inflationary increases each year. If the starting banding had been indexed for cost of living increases for Authority employees then it would be £75,121. As a result, the number of employees requiring disclosure has increased, although there has been no increase in the number of managerial posts.

In line with the Code guidance, 'Remuneration' is measured as gross pay (before deduction of employees' pension contributions), plus compensation for loss of office and any other payments receivable on the termination of employment. Employer pension contributions are excluded.

2021/22 No. of Employees	Remuneration Band (£)	2022/23 No. of Employees
8	50,000 to 54,999	15
7	55,000 to 59,999	4
9	60,000 to 64,999	11
4	65,000 to 69,999	3
1	70,000 to 74,999	3
29		36

Termination Costs

There were no employees affected by redundancy during 2022/23. (nil in 2021/22).

SECTION 4: Statement of Accounts

Note 12: Non Current Assets - Property, Plant & Equipment

Movements in 2022/23

	Other Land & Buildings	Vehicles, Plant & Equipment	PP&E Under Construction	Surplus Assets	Assets Held for Sale	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Certified Valuation						
At 1 April 2022	37,512	9,064	1,002	-	-	47,578
Additions	136	155	804	-	-	1,095
Revaluation increases / (Decreases) recognised in the Revaluation Reserve	5,255	-	-	130	-	5,385
Revaluation increases / (Decreases) recognised in the Surplus/Deficit on the Provision of Services	(148)	-	-	-	-	(148)
Assets reclassified	-	1,628	(1,628)	-	-	-
Derecognition-Disposals	-	(383)	-	-	-	(383)
Impairment recognised in Revaluation Reserve	-	-	-	-	-	-
Impairment recognised in Surplus/Deficit on Provision of Services	-	-	-	-	-	-
At 31 March 2023	42,755	10,464	178	130	-	53,527
Accumulated Depreciation and Impairment						
At 1 April 2022	(2,585)	(6,071)	-	-	-	(8,656)
Depreciation Charge	(587)	(501)	-	-	-	(1,088)
Depreciation written out to the Revaluation Reserve on Historic Cost	(263)	-	-	-	-	(263)
Depreciation written out to the Revaluation Reserve on Revalued Assets	1,015	-	-	-	-	1,015
Depreciation written out to the Surplus/Deficit on Provision of service	43	-	-	-	-	43
Derecognition - Disposals	-	381	-	-	-	381
At 31 March 2023	(2,377)	(6,191)	-	-	-	(8,568)
Net Book Value						
At 31 March 2023	40,378	4,273	178	130	-	44,959
Nature of Asset Holding						
Owned	40,378	4,273	178	130	-	44,959
Total	40,378	4,273	178	130	-	44,959

Movements in 2021/22

	Other Land & Buildings	Vehicles, Plant & Equipment	PP&E Under Construction	Surplus Assets	Assets Held for Sale	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Certified Valuation						
At 1 April 2021	37,909	8,611	946	-	-	47,466
Additions	347	164	368	-	-	879
Revaluation increases / (Decreases) recognised in the Revaluation Reserve	(652)	-	-	-	-	(652)
Revaluation increases / (Decreases) recognised in the Surplus/Deficit on the Provision of Services	(92)	-	-	-	-	(92)
Assets reclassified	-	289	(312)	-	-	(23)
Derecognition-Disposals	-	-	-	-	-	-
Impairment recognised in Revaluation Reserve	-	-	-	-	-	-
Impairment recognised in Surplus/Deficit on Provision of Services	-	-	-	-	-	-
At 31 March 2022	37,512	9,064	1,002	-	-	47,578
Accumulated Depreciation and Impairment						
At 1 April 2021	(2,167)	(5,584)	-	-	-	(7,751)
Depreciation Charge	(607)	(487)	-	-	-	(1,094)
Depreciation written out to the Revaluation Reserve on Historic Cost	(226)	-	-	-	-	(226)
Depreciation written out to the Revaluation Reserve on Revalued Assets	415	-	-	-	-	415
Derecognition - Disposals	-	-	-	-	-	-
At 31 March 2022	(2,585)	(6,071)	-	-	-	(8,656)
Net Book Value						
At 31 March 2022	34,927	2,993	1,002	-	-	38,922
Nature of Asset Holding						
Owned	34,927	2,993	1,002	-	-	38,922
Total	34,927	2,993	1,002	-	-	38,922

SECTION 4: Statement of Accounts

Depreciation

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

- Other Land and Buildings - 40 years
- Vehicles, Plant, Furniture & Equipment - 5 to 20 years

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment is required to be revalued at least every five years. All valuations are carried out by Hartlepool Borough Council on behalf of the Authority. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

	Other Land & Buildings £000s	Vehicles, Plant & Equipment £000s	PP&E Under Construction £000s	Surplus Assets £000s	Assets Held for Sale £000s	Total £000s
Valued at Historical Cost	-	4,273	178	-	-	4,451
Valued at current value as at:						
Current Year	14,226	-	-	130	-	14,356
2021/2022	4,787	-	-	-	-	4,787
2020/2021	11,104	-	-	-	-	11,104
2019/2020	5,382	-	-	-	-	5,382
2018/2019	4,879	-	-	-	-	4,879
Total	40,378	4,273	178	130	-	44,959

Other Land and Buildings are measured at current value, Surplus Assets are measured at fair value. If the Authority had chosen to measure the value of these assets under the cost model their carrying amount as at 31 March 2023 would have been:

- Other Land and Buildings: £14.118m

Surplus Assets - Fair Value

The Authority holds one surplus asset. This is land at Church Lane Grangetown (former Grangetown Fire Station Site.) The asset was valued at fair value using the fair value hierarchy, level 2.

Capital Commitments

At 31 March 2023, the Authority has rephased capital expenditure totalling £1.327m into 2023/24, of which £0.492m will be funded by the Capital Investment Programme Reserve and £0.835m from Prudential Borrowing. The rephased capital relates to Drill Tower works £0.572m, Mobilising System £0.290m, Specialist Equipment £0.199m, Vehicles £0.108m, CCTV Upgrades £0.050m, Electric Charging points £0.045m, System upgrades £0.035m and Other equipment £0.028m.

Non Current Assets - Property, Plant & Equipment - Revaluations

Revaluation Reserve Balance

2021/22 £000s		2022/23 £000s
11,480	Other Land & Buildings	17,617
11,480		17,617

SECTION 4: Statement of Accounts

Note 13: Non Current Assets - Investment Property

The Authority has one investment property. The property is rented by Cleveland Police at a peppercorn rent. This building was refurbished by the tenant in 2017/18 and there has been no operating costs associated with this building.

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 or develop investment property or carry out repairs, maintenance or enhancement.

The Authority leases one property where it also acts as a lessor. This property is classed as an investment property. The following table summarises the movement in the fair value of investment properties over the year:

2021/22 £000s		2022/23 £000s
105	Balance at the start of the year	225
	Additions	
-	Acquisitions	-
-	Subsequent Expenditure	-
-	Disposals	-
-	Impairment	-
120	Net Gains/(Losses) from fair value adjustments	30
	Transfers	
-	(To)/from Property, Plant & Equipment	-
225	Balance at the end of the year	255

Investment Property - Fair Value

The Authority holds one Investment Property, Grangetown Training School and land. The asset was valued at fair value using the fair value hierarchy, level 2.

There were no transfers between Levels 1,2 and 3 during the year.

Valuation Techniques used to determine level 2 and 3 Fair Values for Investment Properties.

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs – unobservable inputs for the asset or liability.

Highest and Best Use of Investment Properties

The Authority's investment property has been valued on the basis of market value. The current value of the property is the 'highest and best', most valuable use of the site.

SECTION 4: Statement of Accounts

Note 14: Non Current Assets - Intangible Assets

The Authority accounts for its software as intangible assets and includes the purchase of software licences.

All software is given a finite useful life of up to 10 years. This is based on the assessment of the period that the software is expected to be of use to the Authority and is in line with the Authority's accounting policy.

The carrying amount of intangible assets is amortised on a straight line basis.

The amortisation of £0.010m charged to revenue in 2022/23 was charged to the Supplies and Services heading in the Cost of Services.

The movement on intangible asset balances during the year is as follows:

2021/22 £000s		2022/23 £000s
	Balance at the start of the year	
138	Gross carrying amounts	140
(137)	Accumulated amortisation	(75)
1	Net carrying amount at start of year	65
	Additions:	
73	Purchases	13
(9)	Amortisation for the period	(10)
65	Net carrying amount at end of year	68
	Comprising	
140	Gross carrying amounts	153
(75)	Accumulated amortisation	(85)
65		68

Note 15: Long Term Debtors

This note sets out amounts owed to the Authority as at 31st March 2023.

2021/22 Net Debtor £000s		2022/23 Net Debtor £000s
22	Finance Lease Receivable	-
22		-

The Finance Lease receivable related to the lease of a vehicle from the Authority to Cleveland Fire Brigade Risk Management Services CIC in 2013/14. The balance of £0.022m outstanding as at 31 March 2023 has been transferred to Short Term Debtors.

Note 16: Inventories

This note sets out the value of inventories held by the Authority at 31st March 2023.

2021/22 £000s	Stores	2022/23 £000s
594	Balance 1st April	571
581	Purchases	623
(595)	Recognised as an expense in year	(566)
(9)	Written on/(off) Balances	(3)
571		625

SECTION 4: Statement of Accounts

Note 17: Short Term Debtors

This note sets out amounts owed to the Authority as at 31st March 2023.

2021/22 Net Debtor £000s		2022/23 Net Debtor £000s
	Government Bodies:	
2,864	Central Government Bodies	4,411
2,304	Other Local Authorities	2,159
86	NHS Bodies	6
	Bodies external to general government:	
168	General and Other Debtors	158
69	Trade Debtors	65
<u>5,491</u>		<u>6,799</u>

The Central Government Bodies debtor relates mainly to the Fire Fighters Pension Scheme top up grant also disclosed in the Pension Fund Account Statements. The Other Local Authorities debtor mainly relates to year end entries required in relation to the Collection Fund.

Note 18: Cash and Cash Equivalents

This note sets out details of the Authority's cash in hand and instant access investment accounts in addition to the overdraft included in the Liabilities section of the balance sheet. The reduction reflects an increase of short term investments.

2021/22 £000s		2022/23 £000s
	Current Assets	
2,726	Bank and Imprests	-
4,560	Liquidity Accounts	1,106
<u>7,286</u>		<u>1,106</u>
	Current Liabilities	
-	Bank Overdraft	(118)
<u>-</u>		<u>(118)</u>
<u>7,286</u>		<u>988</u>

Note 19: Short Term Creditors

This note sets out amounts owed by the Authority as at 31st March 2023.

2021/22 £000s		2022/23 £000s
	Government Bodies	
453	Central Government Bodies	784
530	Collection Fund Agency Agreement	459
2,017	Other Local Authorities	1,697
	Bodies external to general government:	
318	Employees	257
399	General and Other Creditors	478
117	Trade Creditors	176
<u>3,834</u>		<u>3,851</u>

The Other Local Authorities creditor mainly relates to year end entries required in relation to the Collection Fund.

SECTION 4: Statement of Accounts

Note 20: Provisions

2021/22 £000s		2022/23 £000s
296	Balance at 1st April	728
59	Additional provisions made in year	36
415	New provision created in year	-
(42)	Amounts used in year	(121)
<u>728</u>	Balance at 31st March	<u>643</u>

Following the implementation of the Business Rates Retention Scheme, a provision was earmarked to fund backdated rating appeals as a result of Rateable Value changes and represents 1% of the total appeals.

A new provision for Pension Remedy was created in 2021/22 following the McCloud Remedy Judgement. Members were transitioned to the new Fire Fighters 2015 Scheme based on age, which has been judged to be discriminatory.

Note 21: Long Term Borrowing

This note sets out details of the Authority's Long Term Borrowing.

2021/22 £000s		2022/23 £000s
	Loan repayments due after one year:	
2,000	Money Market	2,000
6,896	Public Works Loan Board	6,796
<u>8,896</u>		<u>8,796</u>

Following the Pension Fund actuarial valuation the 2021/22 net pension liability is now a net pension asset (See Note 19). are provided in Note 53.

Note 22: Other Long Term Liabilities

The Other Long Term Liabilities relate to the Net Pensions Liability.

2021/22 £000s		2022/23 £000s
<u>498,256</u>	Net Pensions Liability	<u>368,034</u>

Following the Local Government Pension Scheme (LGPS) actuarial valuation, the 2021/22 net liability for LGPS is now a net pension asset. Further details are provided in note 35.

SECTION 4: Statement of Accounts

Note 23: Usable Reserves

2021/22 £000s		2022/23 £000s	Note
<u>1,552</u>	Unearmarked General Fund Balance	<u>1,637</u>	a
	Earmarked General Fund Reserves		
2,920	Budget Support Fund	2,920	
-	Budget Support Fund-Interest Income	287	
<u>2,920</u>		<u>3,207</u>	b
	Earmarked Revenue Reserves		
1,155	Capital Phasing Reserve	1,408	c
662	Insurance Fund	643	d
-	Invest to Save Reserve	624	e
453	Innovation Fund	453	f
235	Commissioned Services	251	g
197	Grenfell Action Plan	156	h
71	Ringfenced Grants	60	i
125	Breathing Apparatus	-	j
15	Property Reserve	-	k
<u>2,913</u>		<u>3,595</u>	
	Covid Collection Fund Reserve Deficit		
828	Collection Fund Deficit	599	l
<u>828</u>		<u>599</u>	
	Earmarked Capital Reserves		
4,342	Capital Investment Programme	3,706	m
<u>4,342</u>		<u>3,706</u>	
<u>12,555</u>	Total Reserves	<u>12,744</u>	

Usable Reserves are the Authority's main financial reserves and are earmarked to meet future expenditure liabilities and to manage financial risks as detailed below. Movements in these reserves are detailed in Note 5.

- a) This amount will be maintained to meet any unforeseen circumstances which might arise. The value of this reserve reflects the Authority's assessment of a range of financial risks which may occur over the next four years. The availability of this reserve will enable the Authority to manage these issues and avoid the need for additional in-year budget reductions over and above those already planned. These risks include the impact of potential shortfalls in the Authority's share of Business Rates income.
- b) This reserve is earmarked to support the budget in 2023/24 and future years.
- c) This reserve will be used over a number of years to smooth the interest and loan repayment costs which are charged to the annual budget. The reserve recognises that the annual charges, which arise from the use of Prudential Borrowing to fund part of the approved Asset Management Plan, are uneven and therefore avoids temporary increases/decreases in the annual charge to the revenue budget.
- d) This reserve has been established to support the self-insured insurance fund which provides for payments that fall within the Authority's insurance policy excesses.
- e) This reserve is earmarked to fund Invest to Save initiatives which will be implemented over more than 1 year.
- f) This reserve was created primarily to fund domestic sprinkler installations. This reserve will be used over a number of years as detailed projects are identified and implemented.
- g) This reserve is earmarked to manage income volatility and to provide a longer lead time to manage temporary income reductions.
- h) This reserve is earmarked to support sustained progress in implementing the recommendations from the Grenfell Tower Inquiry and improve resilience to major incidents.
- i) This reserve is earmarked for specific commitments in 2023/24 or future years in accordance with grant conditions.
- j) This reserve was fully utilised in 2022/23.
- k) This reserve was fully utilised in 2022/23.
- l) This reserve is earmarked to offset a forecast Collection Fund deficit from an increase in Local Council Tax Support households from the economic impact of COVID19. This will avoid the income reduction impacting on services.
- m) This reserve will be used to partly fund the Authority's Asset Management Plan which is designed to address operational requirements covering the Authority's buildings, including Fire Stations and operational fire fighting and rescue vehicles. It is planned to use this funding over the next two to three years. Expenditure on the Authority's buildings will ensure facilities meet operational requirements detailed in the Community Risk Management Plan and help deliver ongoing revenue savings in future years, including removing back log maintenance requirements. Expenditure on operational vehicles will ensure the Authority maintains its operational effectiveness and is able to respond to the significant risks within the Authority's area.

SECTION 4: Statement of Accounts

Note 24: Unusable Reserves

2021/22 £000s		2022/23 £000s	Table
11,480	Revaluation Reserve	17,617	1
18,609	Capital Adjustment Account	18,785	2
(498,256)	Pensions Reserve	(363,775)	3
64	Deferred Capital Receipts Reserve	43	4
(662)	Collection Fund Adjustment Account	(10)	5
(244)	Accumulated Absences Account	(256)	6
(469,009)	Balance at 31 March	(327,596)	

Table 1 - Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

2021/22 £000s		2022/23 £000s
11,946	Balance at 1 April	11,480
(530)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(164)
290	Upward revaluation of assets	6,564
(240)	Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	6,400
(226)	Difference between fair value depreciation and historical cost depreciation	(263)
(226)	Amounts written off to the Capital Adjustment Account	(263)
11,480	Balance at 31 March	17,617

SECTION 4: Statement of Accounts

Table 2 - Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 4 provides details of the source of all the transactions posted to the accounts apart from those involving the revaluation reserve.

2021/22 £000s		2022/23 £000s
18,564	Balance at 1 April	18,609
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(1,320)	Charges for depreciation and impairment of non-current assets	(1,351)
(92)	Revaluation losses on Property, Plant and Equipment	(105)
(9)	Amortisation of intangible assets	(10)
-	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2)
226	Adjusting amounts written out of the Revaluation Reserve	263
(1,195)	Net written out amount of the cost of non-current assets consumed in the year	(1,205)
	Capital financing applied in the year:	
-	Application of Capital Receipts Reserve to finance capital expenditure	35
-	Application of Capital Receipts in relation to finance lease to reduce capital financing requirement	21
494	Statutory provision for the financing of capital investment charged against the General Fund balances	365
300	Voluntary provision for the financing of capital investment charged against the General Fund balances	139
326	Direct revenue funding credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	791
-	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-
1,120		1,351
120	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	30
18,609	Balance at 31 March	18,785

SECTION 4: Statement of Accounts

Table 3 - Pensions Reserve

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. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employers' 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.

2021/22 £000s		2022/23 £000s
(528,799)	Balance at 1 April	(498,256)
47,568	Remeasurement of defined pension liability on pensions assets and liabilities	150,833
(20,899)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(20,412)
3,648	Employer's pension contributions	3,827
226	Direct payments to pensioners payable in year	233
(498,256)	Balance at 31 March	(363,775)

Table 4 - Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2021/22 £000s		2022/23 £000s
64	Balance at 1 April	64
-	Transfer to the Capital Receipts Reserve upon receipt of cash	(21)
64	Balance at 31 March	43

SECTION 4: Statement of Accounts

Table 5 - Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates precept income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying across amounts set by the billing authorities.

2021/22 £000s		2022/23 £000s
(1,255)	Balance at 1 April	(662)
593	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	652
<u>(662)</u>	Balance at 31 March	<u>(10)</u>

Table 6 - Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, 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.

2021/22 £000s		2022/23 £000s
(259)	Balance at 1 April	(244)
15	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 requirements	(12)
<u>(244)</u>	Balance at 31 March	<u>(256)</u>

SECTION 4: Statement of Accounts

Note 25: Related Party Transactions

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority.

Central Government

Central Government have effective control over the general operations of the Authority. It is responsible for providing the Statutory framework within which the Authority operates, and provides the majority of funding in the form of general or specific grants.

Local Government

The Authority obtains part of its income from Council Tax Precepts and Business Rates levied on the collection authorities in its area. During the year, transactions with related parties were as follows:

2021/22 £000s		2022/23 £000s
	Council Tax Precepts/Business Rates Retention	
2,256	Hartlepool Borough Council	2,374
3,072	Middlesbrough Borough Council	3,175
3,477	Redcar & Cleveland Borough Council	3,732
5,256	Stockton on Tees Borough Council	5,550
<u>14,061</u>		<u>14,831</u>

Authority Members

Disclosures in respect of Members' interests are required to be reported. After consultation with Members there are no disclosures to report.

Chief Officers

Disclosures in respect of Chief Fire Officer and Directors interests are also required to be reported. After consultation with the Chief Fire Officer and Directors there are no disclosures to report.

Cleveland Fire Authority Risk Management Services Community Interest Company (CIC)

The Cleveland Fire Brigade Risk Management CIC is a community interest company limited by guarantee and wholly owned by the Cleveland Fire Authority. The company was set up and registered on 31st March 2011. The Company registration number is 7583911. The Fire Authority has established the Community Interest Company as a trading organisation as required by the Local Government Act 2003 (section 95) and under the powers conferred by SI 2009/2393. Board members are Chairman - I Hayton (Chief Fire Officer); Company Secretary & Company Director - P Devlin (Legal Advisor and Monitoring Officer), Company Director - K Winter (Assistant Chief Fire Officer - Strategic Planning and Resources), Non-Executive Directors - A Lowden OBE, J Thompson, A Thomson, D Henderson, J Robson. The purpose of the company is to facilitate trading commercially by the Brigade in function related activities and use profits/surpluses for the benefit of the community. After consultation with the Directors there are no transactions to report.

Land & Property

The Authority has an operating lease with a peppercorn rent, relating to Land and Property with the Police and Crime Commissioner for use of part of Grangetown Training Centre.

Other Relevant Information

The cost of services provided by the Authority to the four constituent authorities total £0.090m (£0.071m in 2021/22). The cost of services received by the Authority from Hartlepool Borough Council total £0.237m (£0.230m in 2021/22). The Authority does not directly employ its own Treasurer. The role of Treasurer was carried out by Hartlepool Borough Council's Director of Resources and Development via a Service Level Agreement.

SECTION 4: Statement of Accounts

Note 26: External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, statutory inspections and to non-audit services provided by the Authority's external auditors:

2021/22 £000s		2022/23 £000s
27	Fees payable in respect of external audit services carried out by the appointed auditor for the year	31
3	Additional fee owing to work required for audit of the Group Accounts	3
7	Fees payable in respect of other services	7
7	Additional fee owing to previous financial year	-
44		41

£0.014m was received from Department of Levelling Up, Housing and Communities (DLUHC) in relation to Redmond Review Implementation and is not reflected in the above.

Note 27: Operating Leases

The Authority currently has 24 contract hire cars which are due to be replaced on a rolling programme. Four were received in 2022/23 but are not yet operational, an additional 18 will be received in 2023/24. The Authority also has 26 photocopier printing devices on lease. Outstanding obligations are as follows:

2021/22 £000s	Future minimum lease payments due	2022/23 £000s
50	Not later than one year	158
5	Later than one year & not later than five years	330
55		488

The minimum lease payments incurred were as follows:

2021/22 £000s	Minimum Lease Payments in Year	2022/23 £000s
114	Vehicles	112
-	Photocopiers	5
114		117

The Authority has an operating lease with a peppercorn rent, relating to Land and Property with the Police & Crime Commissioner for use of Grangetown Training Centre.

SECTION 4: Statement of Accounts

Note 28: Finance Leases

Authority as Lessor

The Authority has leased out a specialist industrial fire appliance to Cleveland Fire Brigade Risk Management Services Community Interest Company on a finance lease with a term of 8 years. The lease commenced on 1st July 2013. It was agreed in 2020/21 that the remaining lease balance would be spread over an extended 3 year period to 2023/24.

The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the appliance when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the appliance acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2022 £000s		31 March 2023 £000s
	Finance lease debtor (net present value of minimum lease payments):	
21	Current	22
22	Non-current	-
1	Unearned finance income	-
44	Gross investment in the lease	22

The gross investment in the lease and the minimum lease payments will be received over the following periods:

Gross Investment in the Lease 31 March 2022 £000s	Minimum Lease Payments 31 March 2022 £000s		Gross Investment in the Lease 31 March 2023 £000s	Minimum Lease Payments 31 March 2023 £000s
22	22	Not later than one year	22	22
22	22	Later than one year & not later than five years	-	-
44	44		22	22

SECTION 4: Statement of Accounts

Note 29: Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2021/22 £000s		2022/23 £000s
9,315	Opening Capital Financing Requirement	9,124
	Capital investment	
511	Property Plant and Equipment	291
368	Assets Under Construction	804
50	Intangible Assets	13
	Sources of Finance	
	<i>Sums set aside from revenue:</i>	
(326)	Direct revenue contributions	(791)
-	Application of Capital Receipts	(35)
	Application of Capital Receipts in relation to finance lease to	
-	reduce capital financing requirement	(21)
(494)	Minimum Revenue Provision (MRP)	(365)
(300)	Voluntary Revenue Provision (VRP)	(139)
9,124	Closing Capital Financing Requirement	8,881
	Explanation of movements in year	
603	Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	282
-	Application of Capital Receipts in relation to finance lease to reduce capital financing requirement	(21)
(494)	Minimum Revenue Provision (MRP)	(365)
(300)	Voluntary Revenue Provision (VRP)	(139)
(191)	Increase/(decrease) in Capital Financing Requirement	(243)

SECTION 4: Statement of Accounts

Note 30: Financial Instruments

Categories of Financial Instruments

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

2021/22			2022/23	
Long Term £000s	Current £000s		Long Term £000s	Current £000s
Investments at Amortised Cost				
-	4,560	Liquidity Accounts included in Cash Equivalents	-	1,106
150	3,451	Loans and receivables at Amortised Cost	36	12,359
150	8,011	Total Investments at Amortised Cost	36	13,465
Debtors				
22	237	Financial Assets (including Trade Debtors and General and Other Debtors and Long Term Debtors)	-	223
22	237	Total debtors	-	223
Borrowings at Amortised Cost				
8,896	145	Financial liabilities at amortised cost	8,796	3,153
8,896	145	Total borrowings at Amortised Cost	8,796	3,153
Creditors				
-	516	Financial liabilities carried at contract amount	-	653
-	516	Total creditors	-	653

Note 30: Financial Instruments

The fair value of Public Works Loan Board (PWLB) loans of £6.135m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value is calculated by applying the PWLB redemption interest rates, which are lower than the borrowing interest rates. The fair value therefore measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates, taken to be these lower redemption interest rates. However, it should be noted that the borrowing interest rates on the debt drawn equated to the prevailing borrowing, as opposed to redemption rates at the balance sheet date.

The Authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £6.943m would be valued at £5.398m. However, if the Authority were to seek to realise the projected gain by repaying the loans to the PWLB, the PWLB would give a discount for the reduced interest income that will be avoided. The exit price for the PWLB loans would be the outstanding loan debt and accrued interest of £6.943m less a discount for the reduced interest income of £0.808m totalling £6.135m.

The fair value of the liabilities is lower than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional gain (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders below current market rates.

Short term trade debtors and trade creditors are carried at cost as this is a fair approximation of their value.

SECTION 4: Statement of Accounts

Note 31: Nature and Extent of Risks Arising from Financial Instruments

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; and
- 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.

The Authority's overall risk management procedures focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by Hartlepool Borough Council's Treasury Management team as part of the Service Level Agreement under policies approved by the Authority in the annual Treasury Management Strategy. These are in accordance with the Local Government Act 2003 and associated regulations and require the Authority to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Authority to manage risk in the following ways:

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

The annual Treasury Management Strategy which incorporates the prudential indicators was approved by the Fire Authority on 25 March 2022 and is available on the Fire Authority website. The key issues within the strategy were:

- the Authorised Limit for 2022/23 was set at £15.0m (£14.0m in 2021/22). This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was set at £13.0m (£12.0m in 2021/22). This is the expected level of debt and other long term liabilities during the year.
- the maximum amounts of gross fixed interest rate exposure for borrowing and investments was set at 100% and 100% respectively.
- the maximum amount of gross variable interest rate exposure for borrowing and investments was set at 75% and 100% respectively.

These items are reported within the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is reported quarterly to Members. The role of the Audit & Governance Committee includes the scrutiny of treasury activities.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Following the fiscal events of autumn 2022 and the subsequent period of significant market volatility the impact on the financial instruments held has been considered and included within the credit risk disclosures. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. The Authority now operates a very restricted counterparty list which is actively managed to reflect continuing developments in the banking and financial sector.

The Investment Strategy for 2022/23 is included within the Authority's Treasury Management Strategy.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2023 that this was likely to crystallise.

SECTION 4: Statement of Accounts

Note 31: Nature and Extent of Risks Arising from Financial Instruments

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Authority.

Amounts Arising from Expected Credit Losses

The Authority has made no loss allowance for financial assets as the Council has assessed that any risk of default in relation to borrowers or trade, general and other debtors are not material.

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority does not generally allow credit for customers, such that £0.080m of the £0.223m Debtors (Financial Assets) balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2022 £000s	31 March 2023 £000s
Less than three months	55	56
Three to six months	2	21
Six months to one year	-	3
More than one year	1	-
	<u>58</u>	<u>80</u>

Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, 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 maturity structure of its fixed rate borrowing during specified periods. The limits have been set to enable maximum flexibility as experience has shown it is possible to move from 100% long term borrowing to 100% short term borrowing and then back to 100% long term borrowing over a period of two years. Therefore the lower limit was set to nil and upper limit to 100%.

The maturity structure of borrowing at the year end was as follows:

	31 March 2022 £000s	31 March 2023 £000s
Less than one year	96	99
Between one and five years	415	427
Between five and ten years	590	608
Between ten and fifteen years	682	702
Between fifteen and twenty years	789	812
Between twenty and twenty-five years	912	939
Between twenty-five years and thirty years	1,055	1,086
Between thirty and thirty-five years	2,403	2,223
Between thirty-five and forty years	50	-
Between forty and forty-five years	-	-
More than forty-five years	2,000	2,000
	<u>8,992</u>	<u>8,896</u>

All trade and other payables are due to be paid in less than one year.

SECTION 4: Statement of Accounts

Note 31: Nature and Extent of Risks Arising from Financial Instruments

Market Risk

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall;
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- investments at fixed rates – the fair value of the assets will fall.

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

The Authority's holds £2m of long term borrowing in the form of a LOBO (Lender Option Borrower Option) loan from the money markets, which is subject to periodic "calls" from the lender. Where the lender decides to "call" a loan, they increase the interest rate of the loan and the Authority then has the opportunity to accept the increased rate or to repay the loan. In accordance with the Code of Practice, the Authority's LOBO is included in the maturity analysis according to the end date of the loan rather than when the next call date falls.

The Treasury Management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2023, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000s
Increase in interest payable on borrowings	88
Increase in interest receivable on variable rate investments	(135)
	(47)
Impact on Surplus or Deficit on the Provision of Services	
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Comprehensive Income and Expenditure Statement)	(1,255)

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

Price Risk

The Authority does not invest in equity shares and is consequently not exposed to losses arising from movements in the prices of the shares.

Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Collateral Risk

During the reporting period the Authority held no collateral as security and is therefore not exposed to losses arising from this risk.

SECTION 4: Statement of Accounts

Note 32: Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2021/22 £000s		2022/23 £000s
10	Interest received	305
(284)	Interest paid	(267)

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

2021/22 £000s		2022/23 £000s
1,329	Depreciation and Amortisation	1,361
92	Impairment and downward valuations	105
45	Increase / (decrease) in creditors	171
29	(Increase) / decrease in debtors	(1,308)
21	(Increase) / decrease in inventories	(54)
17,025	Pension Liability	16,352
312	Other non-cash items	(115)
-	Carrying amount of non-current assets sold	2
18,853		16,514

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

2021/22 £000s		2022/23 £000s
1,550	Proceeds from short-term and long-term investments	42
-	Proceeds from sale of property, plant and equipment, investment property and intangible assets	(35)
1,550		7

Note 33: Cash Flow Statement - Investing Activities

2021/22 £000s		2022/23 £000s
(924)	Purchase of property, plant and equipment and investment property	(1,316)
-	Purchase of short-term and long term investments	(8,836)
21	Other receipts from investing activities	56
(903)	Net cash flows from investing activities	(10,096)

Note 34: Cash Flow Statement - Financing Activities

2021/22 £000s		2022/23 £000s
(120)	Repayments of short and long-term borrowing	2,908
(120)	Net cash flows from financing activities	2,908

SECTION 4: Statement of Accounts

Note 35: Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments and to disclose them at the time that employees earn their future entitlement.

The Authority participates in two pension schemes:

- The Local Government Pension Scheme. See Statement of Accounting Policies for further details.
- The Fire Fighters' Pension Scheme. New arrangements were introduced from 1st April, 2006. See Explanatory Foreword for details.

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Post-employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	LGPS (funded benefits)	LGPS (unfunded benefits)	FFPS 1992 (Old Scheme)	FFPS (Comp'n Scheme)	FFPS 2006 (New Scheme)	FFPS 2015 (New Scheme)	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
2022/23							
Comprehensive Income and Expenditure Statement							
Cost of Services:							
Current Service cost	1,693	-	-	76	-	5,404	7,173
Past Service cost (including curtailments)	-	-	-	-	-	-	-
Past Service Cost	-	-	-	-	-	-	-
Financing and Investment Income and Expenditure:							
Net Interest Expense	299	1	10,916	138	643	1,242	13,239
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,992	1	10,916	214	643	6,646	20,412
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement							
Remeasurement of the net defined benefit liability:							
Return on plan assets (excl amount in net interest expense)	455	-	-	-	-	-	455
Actuarial (gains) and losses - financial assumptions	(18,842)	-	(121,213)	(1,523)	(13,263)	(27,243)	(182,084)
Actuarial (gains) and losses - demographic assumptions	(282)	(1)	-	-	-	-	(283)
Actuarial (gains) and losses - liability experience	2,462	(3)	37,517	394	2,144	1,491	44,005
Other	-	-	(17,468)	-	(56)	4,598	(12,926)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(14,215)	(3)	(90,248)	(915)	(10,532)	(14,508)	(130,421)
Movement in Reserves Statement							
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(1,992)	(1)	(10,916)	(214)	(643)	(6,646)	(20,412)
Actual amount charged against the General Fund Balance for pensions in the year:							
Employers' contributions payable to the scheme	572	-	-	-	-	3,255	3,827
Retirement benefits payable to pensioners	-	4	-	229	-	-	233
Transfer from Pension Reserve	(1,420)	3	(10,916)	15	(643)	(3,391)	(16,352)

SECTION 4: Statement of Accounts

Note 35: Defined Benefit Pension Schemes

	LGPS (funded benefits)	LGPS (unfunded benefits)	FFPS 1992 (Old Scheme)	FFPS (Comp'n Scheme)	FFPS 2006 (New Scheme)	FFPS 2015 (New Scheme)	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
2021/22							
Comprehensive Income and Expenditure Statement							
Cost of Services:							
Current Service cost	1,696	-	391	105	(8)	7,732	9,916
Past Service cost (including curtailments)	-	-	-	-	-	-	-
Financing and Investment Income and Expenditure:							
Net Interest Expense	348	1	9,107	114	548	865	10,983
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	2,044	1	9,498	219	540	8,597	20,899
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement							
Remeasurement of the net defined benefit liability:							
Return on plan assets (excl amount in net interest expense)	(2,419)	-	-	-	-	-	(2,419)
Actuarial (gains) and losses - financial assumptions	(948)	(1)	(19,905)	(255)	(2,500)	(4,660)	(28,269)
Actuarial (gains) and losses - demographic assumptions	(2,271)	(1)	(4,171)	(53)	(241)	(458)	(7,195)
Actuarial (gains) and losses - liability experience	(431)	3	1,437	16	12	7	1,044
Other	-	-	(14,859)	-	(59)	4,189	(10,729)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(4,025)	2	(28,000)	(73)	(2,248)	7,675	(26,669)
Movement in Reserves Statement							
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(2,044)	(1)	(9,498)	(219)	(540)	(8,597)	(20,899)
Actual amount charged against the General Fund Balance for pensions in the year:							
Employers' contributions payable to the scheme	541	-	220	-	(4)	2,891	3,648
Retirement benefits payable to pensioners	-	4		222	-	-	226
Transfer from Pension Reserve	(1,503)	3	(9,278)	3	(544)	(5,706)	(17,025)

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	LGPS (funded benefits)	LGPS (unfunded benefits)	FFPS 1992 (Old Scheme)	FFPS (Comp'n Scheme)	FFPS 2006 (New Scheme)	FFPS 2015 (New Scheme)	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
2022/23							
Present Value of the defined benefit obligation	33,228	41	323,046	4,078	13,336	27,574	401,303
Fair Value of Assets	(37,528)	-	-	-	-	-	(37,528)
Funded Status	(4,300)	41	323,046	4,078	13,336	27,574	363,775
Impact of minimum funding requirement/asset ceiling	-	-	-	-	-	-	-
Net liability arising from defined benefit obligation	(4,300)	41	323,046	4,078	13,336	27,574	363,775
2021/22							
Present Value of the defined benefit obligation	47,504	48	413,294	5,222	23,868	45,337	535,273
Fair Value of Assets	(37,017)	-	-	-	-	-	(37,017)
Funded Status	10,487	48	413,294	5,222	23,868	45,337	498,256
Impact of minimum funding requirement/asset ceiling	-	-	-	-	-	-	-
Net liability arising from defined benefit obligation	10,487	48	413,294	5,222	23,868	45,337	498,256

SECTION 4: Statement of Accounts

Note 35: Defined Benefit Pension Schemes

Reconciliation of fair value of the scheme (plan) assets:

2022/23

	LGPS (funded benefits)	LGPS (unfunded benefits)	FFPS 1992 (Old Scheme)	FFPS (Comp'n Scheme)	FFPS 2006 (New Scheme)	FFPS 2015 (New Scheme)	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Opening balance at 1 April	37,017	-	-	-	-	-	37,017
Interest income on assets	998	-	-	-	-	-	998
Remeasurement gains/(losses) - return on plan assets	(455)	-	-	-	-	-	(455)
Remeasurement - other	-	-	17,468	-	56	(4,598)	12,926
Employer contributions	572	4	-	229	-	3,255	4,060
Contributions by scheme participants	251	-	2	-	11	1,442	1,706
Benefits paid	(855)	(4)	(17,470)	(229)	(67)	(99)	(18,724)
Closing balance at 31 March	37,528	-	-	-	-	-	37,528

2021/22

	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Opening balance at 1 April	33,960	-	-	-	-	-	33,960
Interest income on assets	712	-	-	-	-	-	712
Remeasurement gains/(losses) - return on plan assets	2,419	-	-	-	-	-	2,419
Remeasurement - other	-	-	14,859	-	59	(4,189)	10,729
Employer contributions	541	4	220	222	(4)	2,891	3,874
Contributions by scheme participants	241	-	95	-	8	1,281	1,625
Benefits paid	(856)	(4)	(15,174)	(222)	(63)	17	(16,302)
Closing balance at 31 March	37,017	-	-	-	-	-	37,017

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

2022/23

	LGPS (funded benefits)	LGPS (unfunded benefits)	FFPS 1992 (Old Scheme)	FFPS (Comp'n Scheme)	FFPS 2006 (New Scheme)	FFPS 2015 (New Scheme)	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Opening balance at 1 April	47,504	48	413,294	5,222	23,868	45,337	535,273
Current Service Cost	1,693	-	-	76	-	5,404	7,173
Interest Cost	1,297	1	10,916	138	643	1,242	14,237
Contributions by scheme participants	251	-	2	-	11	1,442	1,706
Actuarial gains and (losses) on liabilities - financial assumptions	(18,842)	-	(121,213)	(1,523)	(13,263)	(27,243)	(182,084)
Actuarial gains and (losses) on liabilities - demographic assumptions	(282)	(1)	-	-	-	-	(283)
Actuarial gains and (losses) on liabilities - experience	2,462	(3)	37,517	394	2,144	1,491	44,005
Benefits paid	(855)	(4)	(17,470)	(229)	(67)	(99)	(18,724)
Past Service cost (incl curtailments)	-	-	-	-	-	-	-
Past Service Costs	-	-	-	-	-	-	-
Settlements	-	-	-	-	-	-	-
Closing balance at 31 March	33,228	41	323,046	4,078	13,336	27,574	401,303

2021/22

	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Opening balance at 1 April	49,013	50	441,514	5,517	26,112	40,553	562,759
Current Service Cost	1,696	-	391	105	(8)	7,732	9,916
Interest Cost	1,060	1	9,107	114	548	865	11,695
Contributions by scheme participants	241	-	95	-	8	1,281	1,625
Actuarial gains and (losses) on liabilities - financial assumptions	(948)	(1)	(19,905)	(255)	(2,500)	(4,660)	(28,269)
Actuarial gains and (losses) on liabilities - demographic assumptions	(2,271)	(1)	(4,171)	(53)	(241)	(458)	(7,195)
Actuarial gains and (losses) on liabilities - experience	(431)	3	1,437	16	12	7	1,044
Benefits paid	(856)	(4)	(15,174)	(222)	(63)	17	(16,302)
Past Service cost (incl curtailments)	-	-	-	-	-	-	-
Settlements	-	-	-	-	-	-	-
Closing balance at 31 March	47,504	48	413,294	5,222	23,868	45,337	535,273

SECTION 4: Statement of Accounts

Note 35: Defined Benefit Pension Schemes

The Local Government Pension Scheme Assets

The Local Government Pension Scheme assets comprised:

	2021/22	2022/23
	£000s	£000s
Equity investments	24,981	26,543
Government Bonds	-	-
Other Bonds	-	-
Property	2,910	3,295
Cash	5,971	2,498
Other	3,155	5,192
	<u>37,017</u>	<u>37,528</u>

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Authority's liabilities have been assessed by AON Hewitt for the four Firefighter's pension scheme and by Hymans Robertson for the LGPS both independent firm of actuaries. Estimates for the Authority are based on the latest full valuation of the schemes being 31 March 2022 and 31 March 2023 for LGPS funded and unfunded schemes respectively. All four Firefighters' Pension Schemes were valued on 31 March 2019.

The principal assumptions used by the actuary have been:

	LGPS (funded benefits)	LGPS (unfunded benefits)	FFPS 1992 (Old Scheme)	FFPS (Comp'n Scheme)	FFPS 2006 (New Scheme)	FFPS 2015 (New Scheme)
2022/23						
Long-term expected rate of return on assets in the scheme:						
<i>Equity investments</i>	4.8%	n/a	n/a	n/a	n/a	n/a
<i>Government Bonds</i>	4.8%	n/a	n/a	n/a	n/a	n/a
<i>Bonds</i>	4.8%	n/a	n/a	n/a	n/a	n/a
<i>Property</i>	4.8%	n/a	n/a	n/a	n/a	n/a
<i>Cash</i>	4.8%	n/a	n/a	n/a	n/a	n/a
<i>Other</i>	4.8%	n/a	n/a	n/a	n/a	n/a
Mortality assumptions:						
<i>Longevity at 65 for current pensioners:</i>						
Men	20.6	20.6	21.6	21.6	21.6	21.6
Women	23.7	23.7	23.7	23.7	23.7	23.7
<i>Longevity at 65 for future pensioners:</i>						
Men	21.5	n/a	23.3	23.3	23.3	23.3
Women	25.2	n/a	25.5	25.5	25.5	25.5
Other assumptions:						
Rate of inflation (RPI)	n/a	n/a	n/a	n/a	n/a	n/a
Rate of inflation (CPI)	3.0%	3.0%	2.7%	2.7%	2.7%	2.7%
Rate of increase in salaries	4.0%	4.0%	3.7%	3.7%	3.7%	3.7%
Rate of increase in pensions	3.0%	3.0%	2.7%	2.7%	2.7%	2.7%
Rate for discounting scheme liabilities	4.8%	4.8%	4.7%	4.7%	4.7%	4.7%
Take-up of option to convert annual pension into retirement lump sum	80%	n/a	90%	n/a	75%	75%

SECTION 4: Statement of Accounts

Note 35: Defined Benefit Pension Schemes

	LGPS (funded benefits)	LGPS (unfunded benefits)	FFPS 1992 (Old Scheme)	FFPS (Comp'n Scheme)	FFPS 2006 (New Scheme)	FFPS 2015 (New Scheme)
<u>2021/22</u>						
Long-term expected rate of return on assets in the scheme:						
<i>Equity investments</i>	2.7%	n/a	n/a	n/a	n/a	n/a
<i>Government Bonds</i>	2.7%	n/a	n/a	n/a	n/a	n/a
<i>Bonds</i>	2.7%	n/a	n/a	n/a	n/a	n/a
<i>Property</i>	2.7%	n/a	n/a	n/a	n/a	n/a
<i>Cash</i>	2.7%	n/a	n/a	n/a	n/a	n/a
<i>Other</i>	2.7%	n/a	n/a	n/a	n/a	n/a
Mortality assumptions:						
<i>Longevity at 65 for current pensioners:</i>						
Men	20.9	20.9	21.5	21.5	21.5	21.5
Women	23.9	23.9	23.6	23.6	23.6	23.6
<i>Longevity at 65 for future pensioners:</i>						
Men	21.9	n/a	23.2	23.2	23.2	23.2
Women	25.5	n/a	25.4	25.4	25.4	25.4
Other assumptions:						
Rate of inflation (RPI)	n/a	n/a	n/a	n/a	n/a	n/a
Rate of inflation (CPI)	3.2%	3.2%	3.0%	3.0%	3.0%	3.0%
Rate of increase in salaries	4.2%	4.2%	4.0%	4.0%	4.0%	4.0%
Rate of increase in pensions	3.2%	3.2%	3.0%	3.0%	3.0%	3.0%
Rate for discounting scheme liabilities	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Take-up of option to convert annual	80%	n/a	n/a	n/a	n/a	n/a

SECTION 4: Statement of Accounts

Note 35: Defined Benefit Pension Schemes

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above.

The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on Defined Benefit Obligation in the Scheme

	LGPS (funded benefits)	LGPS (unfunded benefits)	FFPS 1992 (Old Scheme)	FFPS (Comp'n Scheme)	FFPS 2006 (New Scheme)	FFPS 2015 (New Scheme)
	£000s	£000s	£000s	£000s	£000s	£000s
Increase In Assumptions						
Adjustment to Discount rate (+ 0.1%)	622	n/a	4,518	49	373	744
Adjustment to Salary increase rate (+ 0.1%)	93	n/a	-	8	-	441
Adjustment to Pension increase rate (+ 0.1%)	537	n/a	4,518	41	387	303
Adjustment to Longevity (decrease 1 year)	1,331	n/a	8,391	106	347	717
Decrease in Assumptions						
Adjustment to Discount rate (- 0.1%)	622	n/a	4,518	49	387	744
Adjustment to Salary increase rate (- 0.1%)	93	n/a	-	8	-	441
Adjustment to Pension increase rate (- 0.1%)	537	n/a	4,518	41	373	303
Adjustment to Longevity (increase 1 year)	1,331	n/a	8,391	106	347	717

Impact on the Authority's Cash Flows

The objectives of the Local Government Pension Scheme are to keep employers' contributions at as constant a rate as possible. The current funding level of the scheme is 100%. Funding levels are monitored on an annual basis. The next triennial valuation is due to be calculated as at 31 March 2025.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2024 is £0.553m and the total contributions expected to be made to the Fire Fighters' Pension Scheme by the Authority in the same year is £17.345m including the Government Pensions Top Up Grant.

The weighted average duration of the defined benefit obligation for scheme members is 15.5 years in 2022/23 (18.2 years in 2021/22).

Note 36: Contingent Liabilities

Pensions – Age Discrimination Remedy

The Public Service Pensions and Judicial Offices Act (PSPJOA) 2022 provides an overarching framework to allow public service pension schemes to remedy the impact of unlawful age discrimination. That discrimination arose due to certain transitional arrangements put in place when public service pension schemes (including the firefighters' schemes) were reformed between 2014 and 2016. The second phase of the remedy, the retrospective remedy, is to remedy the discrimination that had taken place between 1 April 2015 and 31 March 2022.

On 28 February 2023 the Home Office (HO) launched a consultation on the amendments to the pension scheme regulations to enact the second phase of remedy in the McCloud/ Sargeant cases.

The consultation documents set out the background to the second, retrospective, part of the remedy and an explanation of legislative and policy changes required to implement it.

The retrospective remedy will come into effect from 1 October 2023.

Under the firefighter pension scheme regulations, the Authority is the legally responsible administrator for the purposes of section 270 of the Finance Act 2004 for the management and administration of the scheme and are defined in law as the Scheme Manager. In practice the CFA delegates the responsibility to the Chief Fire Officer (CFO). In turn the CFO relies on the appointed pension administrator (XPS) to undertake the necessary provisions of the legislation.

The lateness of the HO consultation on the FPS regulatory amendments, with the Statutory Instrument (SI) to be laid before parliament in September 2023 and effective from 1 October 2023 presents a significant risk to administrative implementation.

Currently, CFA are unable to quantify this significant risk and as such a contingent liability has been included within the accounts.

Employment Tribunals

Two claimants have brought certain complaints under the Equality Act 2010 against CFA with proceedings instituted before an Employment Tribunal. These claims will be robustly contested at any subsequent hearing.

In each case, the claimant must place before the Employment Tribunal a 'Schedule of Loss' indicating the amount of financial compensation they seek. As the CFA is unable to insure against such claims, a contingent liability has been included within the accounts.

Top up grant 2023 – Collection of pensions accounting data

As part of the 2022/23 'Top up' Grant claim, FRAs should submit audited 2021/22 and unaudited 2022/23 pensions income/expenditure data.

The Home Office (HO) has been made aware that there are ongoing delays in the audit process of 2021/22 accounts for some FRSs in England. CFA is one such Authority.

CFA are unable to meet the deadline for completing the return by mid-May. Consequently, the HO are unable to scrutinise, validate, and approve the claims which impacts on the Department's ability to make the Top Up grant payment in July 2023.

The HO are currently considering a number of potential options that will enable the Top Up Grant to be paid in July as usual whilst minimising the impact on FRS cash flow.

CFA expected Top Up Grant is circa £11.0m, therefore any delay or withholding of grant will impact on the 2023/24 budget management. As the CFA is unable to evaluate the impact of the unknown HO options, a contingent liability has been included within the accounts.

Note 37: Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Section 151 Officer on 16 June 2023. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

SECTION 4: Statement of Accounts

Pension Fund Account Statements

The Pension Fund is an unfunded scheme established under the Fire Fighters' Pension Scheme (Amendment) (England) Order 2006, administered by the Authority. The scheme has no investment assets and does not account for benefits payable in the future. The difference between contributions from employers and employees and the benefits payable is funded by top up grant from the Government. Any surplus on the fund is repaid to the Government.

The accounts are prepared in accordance with the same code of practice and accounting policies as outlined in the Statement of Accounting Policies.

Any Government funding 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.

Fund Account

2021/22 Expenditure / (Income) £000s		2022/23 Expenditure / (Income) £000s
	Contributions receivable	
(3,107)	From employer	(3,254)
(1,383)	From members	(1,455)
<u>(4,490)</u>		<u>(4,709)</u>
	FPS 1992 - Contributions Refund Grant	
	Transfers in	
(22)	Individual transfers in from other schemes	(161)
<u>(22)</u>		<u>(161)</u>
	Benefits payable	
13,726	Pensions	15,484
1,666	Commutation and lump sum retirement benefits	2,272
<u>15,392</u>		<u>17,756</u>
	Payment to and account of leavers	
-	Individual transfers out to other schemes	41
<u>-</u>		<u>41</u>
<u>10,880</u>	Net amount payable for the year	<u>12,927</u>
(10,880)	Top-up grant payable by the Government	(12,927)
<u>-</u>		<u>-</u>

Net Assets Statement

2021/22 £000s		2022/23 £000s
	Net current assets and liabilities	
(2,229)	Debtor: Pension top-up grant receivable from the Government	(4,057)
2,229	Amount owing to the General Fund	4,057
<u>-</u>	Net assets	<u>-</u>

The above statement does not include liabilities to pay pensions and other benefits after the Balance Sheet date. Further information about IAS 19 liability is contained in Note 35.

In accordance with the requirements of IAS 19 the actual cost of pensions required for Council Tax precepting purposes is replaced by the current service cost of pensions in the Comprehensive Income and Expenditure Account and reversed out.

GROUP ACCOUNTS

INTRODUCTION

Cleveland Fire Authority established a Community Interest Company, Cleveland Fire Brigade Risk Management Services CIC, which was incorporated in March 2011 and commenced trading in July 2011. The Group Financial Statements consolidate the performance and balances that relate to the Community Interest Company into the statements of Cleveland Fire Authority, which allows the full picture of the Group activities to be presented.

The following pages include:

- Group Movement in Reserves Statement
- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Cash Flow Statement

The group financial statements are presented in accordance with International Financial Reporting Standards (IFRS). The financial statements of Cleveland Fire Brigade Risk Management Services CIC are presented under FRS102; their accounts have been restated to comply with IFRS.

Subsidiaries/Associates

Cleveland Fire Brigade Risk Management Services CIC is a subsidiary of Cleveland Fire Authority. The Authority does not have any associates.

SECTION 5: Group Statement of Accounts

Group Movement in Reserves Statement for the year ended 31 March 2023

This Statement shows the movement in the year on the Authority's single entity usable and unusable reserves, and the Authority's share of the Group Reserves.

	General Fund Balance £000s	Earmarked General Fund Reserves £000s	Earmarked Reserves £000s	Capital Receipts Reserve £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Authority Reserves £000s	Authority's Share of Subsidiary Reserves £000s	Total Group Reserves £000s
Balance at 31 March 2021 carried forward	1,552	5,629	4,878	-	12,059	(499,739)	(487,680)	153	(487,527)
<u>Movement in reserves during 2021/22</u>									
Surplus or (deficit) on provision of services	(16,102)	-	-	-	(16,102)	-	(16,102)	59	(16,043)
Other Comprehensive Income and Expenditure	-	-	-	-	-	47,328	47,328	-	47,328
Total Comprehensive Income and Expenditure	(16,102)	-	-	-	(16,102)	47,328	31,226	59	31,285
Adjustments between accounting basis & funding basis under regulations (note 4)	16,924	-	(326)	-	16,598	(16,598)	-	-	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	822	-	(326)	-	496	30,730	31,226	59	31,285
Transfers to/(from) Earmarked Reserves	(822)	(2,709)	3,531	-	-	-	-	-	-
Increase/(Decrease) in Year	-	(2,709)	3,205	-	496	30,730	31,226	59	31,285
Balance at 31 March 2022 carried forward	1,552	2,920	8,083	-	12,555	(469,009)	(456,454)	212	(456,242)
<u>Movement in reserves during 2022/23</u>									
Surplus or (deficit) on provision of services	(15,631)	-	-	-	(15,631)	-	(15,631)	(46)	(15,677)
Other Comprehensive Income and Expenditure	-	-	-	-	-	157,233	157,233	-	157,233
Total Comprehensive Income and Expenditure	(15,631)	-	-	-	(15,631)	157,233	141,602	(46)	141,556
Adjustments between accounting basis & funding basis under regulations (note 4)	16,611	-	(791)	-	15,820	(15,820)	-	-	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	980	-	(791)	-	189	141,413	141,602	(46)	141,556
Transfers to/(from) Earmarked Reserves	(895)	287	608	-	-	-	-	-	-
Increase/(Decrease) in Year	85	287	(183)	-	189	141,413	141,602	(46)	141,556
Balance at 31 March 2023 carried forward	1,637	3,207	7,900	-	12,744	(327,596)	(314,852)	166	(314,686)

Group Comprehensive Income and Expenditure Statement
for the year ended 31 March 2023

	2021/22				2022/23		
Gross Expenditure	Gross Income	Net		Gross Expenditure	Gross Income	Net	
£000s	£000s	£000s		£000s	£000s	£000s	
30,467	-	30,467	Continuing operations:	28,321	-	28,321	
2,774	-	2,774	Employee Costs	2,978	-	2,978	
2,641	-	2,641	Premises Costs	3,381	-	3,381	
1,054	-	1,054	Supplies & Services	1,084	-	1,084	
373	-	373	Transport Costs	405	-	405	
-	(4,199)	(4,199)	Support Services	-	(3,657)	(3,657)	
37,309	(4,199)	33,110	Income	36,169	(3,657)	32,512	
-	-	-	Cost of Services - continuing operations	-	(33)	(33)	
11,979	(841)	11,138	Other Operating Expenditure	14,448	(1,275)	13,173	
-	(28,219)	(28,219)	Financing and Investment Income and Expenditure	-	(29,973)	(29,973)	
49,288	(33,259)	16,029	Taxation and Non-Specific Grant Income	50,617	(34,938)	15,679	
		14	(Surplus) or Deficit on Provision of Services			(4)	
		16,043	Tax Expenses (Subsidiaries)			15,675	
		240	Group (Surplus) or Deficit on Provision of Services			(6,400)	
		(47,568)	(Surplus)/Deficit on revaluation of non-current assets			(150,833)	
		(47,328)	Remeasurement of net defined benefit liability /(asset)			(157,233)	
		(31,285)	Other Comprehensive Income and Expenditure			(141,558)	
			Total Comprehensive Income and Expenditure				

SECTION 5: Group Statement of Accounts

Group Balance Sheet for the year ended 31 March 2023

The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group.

31 March 2022		31 March 2023
£000s		£000s
38,965	Property, Plant and Equipment	44,980
375	Investments	255
65	Intangible Assets	68
-	Long Term Debtors	-
-	Pension Asset	4,259
150	Long Term Investments	150
<u>39,555</u>	Long Term Assets	<u>49,712</u>
3,301	Short term investments	12,287
571	Inventories	625
5,768	Short Term Debtors	6,908
7,417	Cash and Cash Equivalents	1,296
<u>17,057</u>	Current Assets	<u>21,116</u>
-	Bank Overdraft	(118)
(4,000)	Short Term Creditors	(4,013)
(732)	Provisions	(644)
(155)	Short Term Borrowing	(3,163)
(778)	Revenue Grants Receipts in Advance	(723)
<u>(5,665)</u>	Current Liabilities	<u>(8,661)</u>
-	Long Term Creditors	(21)
(8,933)	Long Term Borrowing	(8,796)
(498,256)	Other Long Term Liabilities	(368,034)
<u>(507,189)</u>	Long Term Liabilities	<u>(376,851)</u>
<u><u>(456,242)</u></u>	Net Assets:	<u><u>(314,684)</u></u>
12,555	Usable Reserves	12,744
(469,009)	Unusable Reserves	(327,596)
212	Subsidiary Reserve	168
<u><u>(456,242)</u></u>	Total Reserves:	<u><u>(314,684)</u></u>

SECTION 5: Group Statement of Accounts

Group Statement Of Cash Flows for the year ended 31 March 2023

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

2021/22 £000s		2022/23 £000s
(16,043)	Net surplus or (deficit) on the provision of services	(15,677)
18,700	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements	16,619
1,550	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	7
4,207	Net cash (outflow)/inflow from operating activities	949
(903)	Investing activities	(10,096)
(123)	Financing activities	2,908
3,181	Net increase or (decrease) in cash and cash equivalents	(6,239)
4,236	Cash and cash equivalents at the beginning of the reporting period	7,417
7,417	Cash and cash equivalents at the end of the reporting period	1,178

SECTION 5: Group Statement of Accounts

Notes to the Group Accounts

Group Accounting Policies

The Group Financial Statements have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom 2022/23 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounting policies used in preparing the Group Accounts are largely those used by Cleveland Fire Authority. In order to align group entities accounting policies to those used by the Authority and ensure consistency of accounting treatment across the group, the following policies have been adopted.

Deferred Taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

Consolidation of Subsidiaries

Subsidiaries have been consolidated using the acquisition accounting basis. This is a full, line by line consolidation of the financial transactions and balances of the Authority and its subsidiary. To avoid overstating the figures in the group financial statements, all transactions and balances between the members of the group (Cleveland Fire Authority and Cleveland Fire Brigade Risk Management Services CIC) have been eliminated.

International Financial Reporting Standards

The Authority produces its financial statements in accordance with IFRS. Cleveland Fire Brigade Risk Management Services CIC produces its financial statements in accordance with UK GAAP; their financial statements have been adjusted to reflect IFRS where any changes have a material effect on the presentation of the Group Financial Statements.

Officers' Remuneration

There is no remuneration for Directors of Cleveland Fire Brigade Risk Management Services CIC.

Audit Fees

Audit fees owing to additional work required for the audit of the group accounts are disclosed in Note 26.

Group Adjustments

The following transactions have been eliminated from the Group Financial Statements:-

During 2022/23 goods and services with a value of £0.057m were supplied by Cleveland Fire Authority to Cleveland Fire Brigade Risk Management Services Community Interest Company (CIC). The CIC provided £0.013m of services to the Authority. These transactions have been eliminated from the Consolidated Income and Expenditure Statement in the Group Accounts. In addition, intra-company debtors and creditors have been adjusted for in the Balance sheet.

The Authority has leased out a specialist industrial fire appliance to Cleveland Fire Brigade Risk Management Services Community Interest Company on a finance lease with a term of 8 years, subsequently extended for a further 3 years. The lease commenced in 2013 and ends during 2023/24. The transactions relating to this lease have been eliminated from Group Accounts.

The Fire Authority had provided a loan to the CIC of £0.150m. Monthly repayments of the loan are received by CFA. The remaining loan value as at 31 March 2023 is £0.108m. The transactions relating to remaining lease repayment liabilities and assets have been eliminated from Group Accounts.

SCOPE OF RESPONSIBILITY

Cleveland Fire Authority (CFA) is responsible for ensuring that:

- Its business is conducted in accordance with the law and proper standards;
- Public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging these overall responsibilities, CFA must ensure that there are proper arrangements in place for the governance of its affairs, and sound systems of internal control that support the Authority in the effective exercising of its functions and responsibilities including arrangements for the management of risk.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises of systems, processes, culture and values by which the Authority directs and controls its activities for which it is accountable for and engages with the community. It enables the Authority to monitor the achievement of its strategic priorities and consider whether those have resulted in the delivery of appropriate, effective and cost-effective services.

The systems of internal control are a significant part of the framework and are designed to manage risk to a reasonable level, they cannot eliminate all risk of failing to achieve priorities and can therefore only provide reasonable and not absolute assurance of their effectiveness. The systems of internal control are based on ongoing processes designed to identify, evaluate and prioritise the risks to the achievement of Cleveland Fire Authority's priorities, evaluate the likelihood of those risks occurring, assess the impact should they be realised and thereby manage them efficiently, effectively and economically.

The governance framework has been in place at CFA for the year ended 31st March 2023.

THE INTERNAL CONTROL GOVERNANCE FRAMEWORK

The key elements of the Authority's policy, decision making and internal control governance framework are outlined in the CFA Constitution which details the Authority's Corporate and Ethical Governance arrangements and the Member Development Framework.

The Authority has approved and adopted a revised 'Local Code of Corporate Governance' which encompasses the guidance and best practice as outlined in the 'Delivering Good Governance in Local Government Framework (2016)' that is published by CIPFA and SOLACE. The code draws strongly on the good practices already established and outlines the way in which the Authority will meet that commitment.

Financial services are provided to the Authority through a Service Level Agreement with Hartlepool Borough Council, which includes the provision of the Treasurer. The Treasurer is responsible for ensuring the proper administration of the Authority's financial affairs and has a duty to report formally any adverse financial governance issues. The Treasurer reports annually to the Audit and Governance Committee on how the Authority's financial arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The Authority has appointed a Legal Adviser and Monitoring Officer who is responsible for ensuring that the Authority acts within its legal powers at all times and has a duty to report formally any adverse issues.

The Authority operates an Integrated Personal Development System and associated Training and Education framework to ensure services are delivered by trained and competent personnel. All posts have job descriptions and person specifications and induction training is provided to all staff. All training and development is tailored to job needs/requirements based on an annual needs assessment and analysis.

The Fire Authority publishes the following key documents:

- A Community Risk Management Plan (CRMP) 2022-26 which sets out its strategic direction, financial position, risk assessments and intended deployment of resources over the medium term. This plan is underpinned by complimentary Resource Plan 2022-26 and a People Plan 2022-26.
- An Annual Service Plan, which encompasses the requirements of the Fire and Rescue Services Act 2004 and National Framework for Fire and Rescue Services in England.
- A Performance and Efficiency Report which provides information on the Authority's performance, risk, finance and efficiency over the previous 12 months.
- An Annual Statement of Assurance that provides the government and the public with assurance on our operational, financial and governance arrangements.

SECTION 6: Annual Governance Statement 2022/2023

The Fire Authority has robust systems for identifying, evaluating and managing all significant risks. A Risk Management Framework consisting of a risk management policy, procedure and systems are in place and embedded across the organisation and communicated to all staff. A Community Risk Profile for the Authority's area that is underpinned by a suite of detailed risk assessments, is produced and publicly available to staff and public detailing the foreseeable risks facing the Authority.

Through this dynamic Risk Management Framework, risk assessment and management of risks is embedded into the Integrated Strategic, Risk and Financial Planning Framework which helps inform business and resource decisions. The Community Risk Management Plan 2022/2026 is the key output from this framework which links resources to our risks, strategic goals, aims and outcomes. To ensure services contribute to the achievement of the Authority's vision, goals, aims and outcomes and represent value for money, a robust and comprehensive performance management framework has been established.

The Authority strives for continuous improvement and as part of its Strategic Integrated Risk and Finance and Business planning cycle, outcomes from the Risk and Performance Management Frameworks assists the Authority to identify, prioritise and inform resource allocation decisions to drive continuous improvement in services.

A robust Performance Management Framework is in place which uses a traffic light system to indicate areas of compliance and non-compliance. Improvement plans are produced on a risk basis to address areas of partial or full non-compliance and any issues identified by Internal Audit and other external inspections. Performance management is embedded and operates throughout the organisation.

Performance outcomes are reported regularly to the Executive Leadership Team, Directorate Management Teams, managers, staff and the public. On a monthly basis performance is reported to directorates and operational staff. On a quarterly basis detailed reports are reported to the Executive Leadership Team and the Audit and Governance Committee and then made publicly available. This framework has been externally assessed and validated by the Authority's external auditors, Mazars, to ensure it provides a realistic, reliable and transparent view of the Authority's performance.

Procedures are in place to enable Internal Audit to report on a regular basis to the Audit and Governance Committee on the effectiveness of the organisation's system of internal control and provide recommendations for improvement. Internal Audit performance is measured against standards agreed by management and Elected Members. These indicators were met for 2022/23.

On an annual basis, as prescribed in the National Framework for Fire and Rescue Services in England 2018, the Authority publishes its Annual Statement of Assurance which provides a summary and assurance on the operational, financial and governance arrangements within the Authority. The latest statement was published in November 2022.

Other review bodies external to the Authority make regular reports on compliance with our statutory duties, operational arrangements and the efficiency and effectiveness of the Authority.

In 2018 the Government introduced an inspection framework for all Fire Services led by His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS). The Brigade was inspected by the Inspectorate in 2019 and achieved a rating of 'GOOD' for each of the three pillars of Effectiveness, Efficiency and People. Our second inspection by HMICFRS took place throughout May and June 2022, with the Brigade maintaining the rating of 'GOOD' across all three pillars.

REVIEW OF EFFECTIVENESS

The Treasurer of the Fire Authority has the responsibility for conducting, at least annually, a review of the internal control governance framework. The review of the effectiveness of internal control is informed by the work of Internal Audit and Senior Managers who have responsibility for the development and maintenance of the internal control environment. Additional information by external audit and other review agencies and inspectorates can also contribute to this review.

The arrangements that are in place for maintaining and reviewing the effectiveness of the system of internal control include:

- Internal Audit – the Treasurer of the Fire Authority has the responsibility for maintaining and reviewing the system of financial internal control. In practice, the Fire Authority, and its External Auditor, actively use the assurance from the work of Internal Audit. In fulfilling this responsibility Internal Audit;
 - Operates to CIPFA's Code of Internal Audit Practice and the Institute of Internal Auditors' Guidance and Code of Ethics.
 - An Internal audit plan is formulated on a risk assessed basis on an annual basis
 - Internal Audit reports from this plan are provided to the Assistant Chief Fire Officer - Strategic Planning and Resources and the Audit and Governance Committee.
 - Annually the Head of Internal Audit at Hartlepool Borough Council provides an independent opinion on the adequacy and effectiveness of the system of internal financial control.

SECTION 6: Annual Governance Statement 2022/2023

- External Audit, as part of their Audit Completion Report, provide opinions on the corporate governance and performance management arrangements in place within the CFA. External audit also expresses an opinion on the adequacy of Internal Audit work during the year.

From the work undertaken during the year 2022/23, Internal Audit has reached the opinion that key systems are operating soundly and that there is no fundamental breakdown in controls resulting in material discrepancy. Satisfactory arrangements were implemented to ensure the effective, efficient and economic operation of Cleveland Fire Authority's financial affairs.

ANNUAL REVIEW OF CORPORATE GOVERNANCE ARRANGEMENTS : ACTION PLAN FOR 2022/23

The following actions have been identified to further improve the governance framework:

No.	Area	Action
AGS1	Reduce the overall cost base of the revenue budget in line with the medium term financial strategy.	<ul style="list-style-type: none"> · ESR 33.2: Review Medium Term Financial Strategy including efficiencies and reserves; · ESR 83.2: Implement 2023/24 Capital Programme.
AGS2	Develop Corporate Governance Arrangements.	<ul style="list-style-type: none"> · SP 9.1: Undertake a gap analysis against the Home Office's White Paper 'Reforming our Fire and Rescue Service' and put a plan in place to address identified gaps; · ESR 1.2: Implement our new 'Better Together' Collaboration and Partnership Framework, develop a rolling programme of collaboration and partnership evaluation and establish a Collaboration Strategy; · ESR 70.2: Establish a differentiated approach to managing strategic and tactical contracts; · ESR 71.2: Embed our contract management platform and establish strong governance arrangements; · SSC 108.1: Undertake an evaluation of the effectiveness of the Brigade's business continuity arrangements in response to Industrial Action by FBU members, and develop an action plan to implement any lessons learnt; · SP 10.1: Undertake a gap analysis against the Local Government Association and the NFCC's Report entitled 'Fit for the Future' and put a plan in place to address any identified gaps.

SECTION 6: Annual Governance Statement 2022/2023

AGS3	Promote greater partnership and collaborative working.	<ul style="list-style-type: none"> · ESR 1.2: Implement our new 'Better Together' Collaboration and Partnership Framework, develop a rolling programme of collaboration and partnership evaluation and establish a Collaboration Strategy; · SSC 6.2: Continue to work with partners to gather better insight relating to our diverse and 'hard to reach' communities (NFCC Access to Services); · SSC 22.2: Use good practice (NFCC Access to Services) to improve engagement with our business community; · SSC 26.2: Progress our Fire Investigation Implementation Plan established as a result of our work with and secondment to Cleveland Police relating to their achievement of ISO 17020 when it becomes legal in 2023; · SSC 29.2: Develop and implement our Arson Reduction Strategy with Partners; · SSC 30.2: Work with NEFRSs to understand, through academic research, the science behind why the North East experiences significantly higher levels of arson than other parts of the country; · SSC 101.1: Support the work of Cleveland's Unit Reduction of Violence (CURV) through partnership working, the sharing of data, resources, and development of local initiatives where appropriate; · SSC 105.1: Monitor and engage with the Freeport development process through the Local Resilience Forum and ensure that relevant information and intelligence is fed back into the CRMP process; · ESR 1.1: Ensure we effectively monitor, review and evaluate the benefits and outcomes of any collaboration; · ESR 34.2: demonstrate collaboration throughout our local and regional supply chain; · ESR 35: Work to the ISO 44001 Framework for partnerships; · ESR 75.2: Encourage suppliers to gain certification to relevant accreditation schemes; · ESR 22.2: Upgrade QMC Technical Hub to support vehicle maintenance collaboration.
AGS4	Further Develop the Authority's Performance Framework.	<ul style="list-style-type: none"> · SP 7.1: Ensure HMICFRS Inspection 2022 improvement actions are reported, communicated and captured within the Brigade's Corporate Internal Operating Plan; · ESR 18: Establish a suite of digital performance measures and introduce systems to record and monitor performance; · SSC 12.2: Undertake a Gap Analysis against the Fire Standard for Prevention; · SSC 13.2: Undertake a Gap Analysis against the Fire Standard for Operational Preparedness; · SSC 14.2: Progress our programme of quality assurance compliance audits aligned to each of the prevention activities; · SSC 23.2: Review our fire protection arrangements against the new Fire Protection Standard and address any identified gaps; · SSC 43.2: Undertake a gap analysis of our water rescue capability against the NFCC Rescue Boat Code for the Fire and Rescue Service; · SSC 102.1: Following the introduction of the Building Safety Act 2022, assess the impact on capacity and potential increase in demand from the Building Safety Regulator; · ESR 16.2: Enhance the visualisation and presentation of our data through the expanded use of business intelligence dashboards using Microsoft Power BI.

SECTION 6: Annual Governance Statement 2022/2023

AGS5	Further develop the Authority's Risk Framework.	<ul style="list-style-type: none"> · SSC 7.2: Continue to develop our data sources and sets, as presented in our Data Register, to ensure we have the most up to date risk profile; · SSC 8.2: Use the outcomes from the NFCC CRM work to develop enhancements in our approach to risk management to improve the safety, health, wellbeing and economic prosperities of communities; · SSC 9.2: Develop a more detailed understanding of the impact of vulnerability factors on the causes of dwelling fires to support the assessment of risk; · SSC 11.2: Undertake a Gap Analysis against the Fire Standard for Community Risk Management Planning; · SSC 21.1: Embed and evaluate the Risk Based Inspection Programme; · SSC 27.2: Evaluate our digital Safer Homes Visits following Year 1 implementation to ensure we continue to target our resources to those people deemed to be 'most at risk', and make further enhancements of the digitally interactive elements as required; · SSC 103.1: Develop a Wildfire Strategy to consider the emerging risk around anticipated climate change and expected increase in wildfires; · ESR 102.1: Develop our training facilities to ensure we are prepared to manage our risks associated with off-shore and on-shore wind farms.
AGS6	Delivering against the Equality and Diversity and Inclusion framework.	<ul style="list-style-type: none"> · SSC 6.2: Continue to work with partners to gather better insight relating to our diverse and 'hard to reach' communities (NFCC Access to Services); · PPP 6.2: Develop our diversity performance indicators to identify and address disproportionality across recruitment, retention and progression; · PPP 8.2: Voluntarily compile an Ethnicity Pay Report; · PPP 9: Gain re-accreditation of our Disability Confident Leader; · PPP 12.2: Achieve Level 4 of NFCC EDI Maturity Model; · PPP 14.2: Improve our local community intelligence to identify any potential barriers busting any myths and showcasing our work; · PPP 104.1: Review the Independent Cultural Report relating to London Fire Brigade and consider the outcomes from HMICFRS Inspection Report 2021/22. Produce recommendations to address any cultural and EDI gaps in our current arrangements; · PPP 114.1: Continue to identify the barriers to the recruitment and retention of staff from underrepresented groups; · EDI 3.2: Publish Public Sector Equality Duty Report; · EDI 4.2: Publish Gender Pay Gap Report.

SECTION 6: Annual Governance Statement 2022/2023

AGS7	Improvement / Value for Money	<ul style="list-style-type: none"> · ESR 90.2: Achieve an unqualified opinion on the financial statements; · ESR 91.2: Achieve an unqualified opinion on Value for Money; · ESR 83.2: Implement 2023/24 Capital Programme; · SSC 32.2: Further explore innovative and digital solutions to delivering prevention services; · SSC 34.2: Further explore innovative and digital solutions to delivering protection services; · SSC 38.2: use the outcomes from the independent resource review to develop options for improving our emergency response cover to meet current and future risks and demand; · SSC 39.2: Use on-call review to increase availability of on-call fire engines; · SSC 41.2: Continue to develop our digital monitoring system to gain a better understanding of our operational capacity and productivity; · UOR 27.2: Review the provision of the Brigade's Financial Management Services; · ESR 22.2: Upgrade QMC Technical Hub to support vehicle maintenance collaboration; · ESR 24.2: Investigate the use of alternative and smaller emergency response vehicles; · ESR 25.2: Evaluate greener vehicles in support of our Climate Change aims; · ESR 65.2: Implement an 'Electric Vehicle' charging infrastructure; · ESR 28.2: Review the provision of Prevention Services to ensure efficiency and effectiveness; · ESR 36.2: Undertake a best value review of CFB's procurement service; · ESR 62.2: Aim to reduce our electricity, gas and water consumption; · ESR 66.2: Improve the tracking and monitoring of our fleet usage and driving behaviours; · ESR 74.2: Identify opportunities to maximise value from products and services; · DUOR 6.1: Implement Integra Stores System to improve stock management in CFB; · ESR 76.2: Undertake an Independent Peer Review of our procurement services.
-------------	-------------------------------	--

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

CHAIR OF CLEVELAND FIRE AUTHORITY:

DATE:

CHIEF FIRE OFFICER:

DATE:

MONITORING OFFICER:

DATE:

TREASURER TO THE CLEVELAND FIRE AUTHORITY:

DATE:

SECTION 7: Independent Auditor's Report

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLEVELAND FIRE AUTHORITY REPORT ON THE FINANCIAL STATEMENTS

GLOSSARY OF TERMS

ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- recognising;
- selecting measurement bases for; and
- presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the Comprehensive Income and Expenditure Statement or Balance Sheet it is to be presented.

CAPITAL EXPENDITURE

Expenditure on the acquisition of an asset or expenditure that adds to and not merely maintains the value of an existing asset.

COMMUNITY RISK MANAGEMENT PLAN (CRMP)

The plan identifies the strategic issues to be addressed and how the Authority will address them over the medium term.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

The Chartered Institute of Public Finance and Accounting (CIPFA) Code sets out the accounting concepts and accounting principles which underpin the statement of accounts.

CONSISTENCY

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

CONSTRUCTIVE OBLIGATION

a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the Authority has indicated to other parties that it will accept certain responsibilities; and

b) as a result, the Authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

CONTINGENT LIABILITY

A contingent liability is either:

a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control or;

b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

CREDITORS

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

CURRENT ASSETS

Assets which can be expected to be consumed or realised during the next accounting period, e.g. debtors and stocks.

CURRENT LIABILITIES

Amounts which will become payable or could be called in within the next accounting period e.g. creditors, cash overdrawn.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefit scheme's liabilities expected to rise from employee service in the current period.

SECTION 8: Glossary

CURTAILMENT

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- a) termination of employee's services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and
- b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify for only reduced benefits.

DEBTORS

Amounts due to the Authority for works done, goods received or services rendered before the end of the accounting period, but for which payments have not been received by the end of that accounting period.

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

DEFINED CONTRIBUTION SCHEME

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DEPRECIATION

The measure of the cost or revalued amount of the benefits of the asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

DISCRETIONARY BENEFITS

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996.

ESTIMATION TECHNIQUES

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- a) methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of an asset consumed in a period.
- b) difference methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts are authorised for issue.

EXCEPTIONAL ITEMS

Material items that derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXPECTED RATE OF RETURN ON PENSION ASSETS

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

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

SECTION 8: Glossary

FINANCE LEASE

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.

FINANCIAL INSTRUMENT

A legally enforceable agreement between two or more parties, expressing a contractual right or a right to the payment of money. Typical examples include investments, loans, trade creditors and trade debtors.

GOING CONCERN

The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

GOVERNMENT GRANTS

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

IMPAIRMENT

A reduction in the value of Property, Plant and Equipment below its carrying amount on the Balance Sheet.

INTANGIBLE ASSETS

Expenditure which may properly be capitalised, but which does not result in an asset with substance. Examples of this type of expenditure are software and other licences, patents and trademarks and artistic originals.

INTEREST COST (PENSIONS)

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

INTERNATIONAL ACCOUNTING STANDARDS (IAS)

These standards are developed by the International Accounting Standards Board and regulate the preparation and presentation of financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

A set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board.

INVENTORIES

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

Inventories comprise the following categories:

- goods or other assets purchased for resale;
- consumable stores;
- raw materials and components purchased for incorporation into products for sale;
- products and services in intermediate stages of completion;
- long term contract balances; and
- finished goods.

INVESTMENT PROPERTIES

Interest in land and/or buildings:

- a) in respect of which construction work and development have been completed; and
- b) which is held for its investment potential, any rental income being negotiated at arm's length.

INVESTMENTS (PENSIONS FUND)

The investments of the Pensions Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of Pension Scheme assets associated with their underlying obligations.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

SECTION 8: Glossary

MINIMUM REVENUE PROVISION (MRP)

The statutory minimum amount that authorities must set aside each year as provision for debt repayment based on the Capital Financing Requirement.

NET BOOK VALUE

The amount at which assets are included in the Balance Sheet, that is their historical cost of current value less the cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST

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

NET REALISABLE VALUE

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NON-CURRENT ASSET

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

OPERATING LEASES

A lease other than a finance lease.

OPERATIONAL ASSETS

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

PAST SERVICE COST

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PROJECTED UNIT METHOD

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- b) the accrued benefits for members in service at the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

PROPERTY, PLANT AND EQUIPMENT

This covers all assets with physical substance that are for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

PROVISION

Funds set aside to cover potential liabilities or losses which are likely or certain to be incurred at a future date but where the exact amount and timing of the liability or loss is currently not known.

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an Authority include:

- Central Government;
- Local Authorities and other bodies precepting or levying demands on the Council Tax;
- its subsidiary and associated companies;
- its joint ventures and joint venture partners;
- its Councillors;
- its Chief Fire Officer and Directors; and
- its Pension Fund.

SECTION 8: Glossary

Examples of related parties of a pension fund include its:

- administering Authority and its related parties;
- scheduled bodies and their related parties; and
- Trustees and Advisors.

These lists are not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the Pension Fund;
- the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- the provision of services to a related party, including the provision of pension fund administration services;
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, Rents and payment of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the Authority, but also in relation to its related party.

REMEASUREMENT OF DEFINED LIABILITY

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses); or
- the actuarial assumptions have changed.

REMUNERATION

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

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the Revaluation Reserve cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after completion of employment. Retirement benefits do not include termination costs payable as a result of either:

- an employer's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

SCHEME LIABILITIES

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

SECTION 8: Glossary

SERVICE REPORTING CODE OF PRACTICE

A Chartered Institute of Public Finance and Accountancy (CIPFA) guide to accounting for local government services which provides a consistent and comparable calculation of the total costs of services.

SETTLEMENT

An irrecoverable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- the purchase of an irrecoverable annuity contract sufficient to cover vested benefits; and
- the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

USEFUL LIFE

The period over which the Authority will derive benefits from the use of an asset.

FURTHER INFORMATION

Copies of this document can also be provided on audiotape or in large print, Braille and ethnic minority languages on request. We can also be contacted via Typetalk and enquiries in any language can be dealt with in person or on the telephone using Language Line instant translation service.