



**CLEVELAND  
FIRE BRIGADE**



**Draft**

**Cleveland Fire Brigade  
Financial Report**

**2023/24**



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## SECTION 1: Authority Membership 2023/24 Financial Year

### ***Chair***

Councillor D Coupe (Middlesbrough) (Conservative)

### ***Vice-Chair***

Councillor S Mubeen (Stockton-on-Tees) (Conservative)

### **Councillors**

#### **Hartlepool BC**

B Clayton (Labour)  
H Ashton (Conservative & Independent Coalition)  
07/06/23 to present  
J Leedham (Conservative & Independent Coalition)  
23/02/24 to present

T Cassidy (Conservative & Independent Coalition) Period  
07/06/23-22/02/24  
A Falconer (Conservative) Leaver 08/05/23  
L Smith (Independent) Leaver 08/06/23

#### **Redcar & Cleveland BC**

M Ovens (Liberal Democrat)  
P Chaney (Labour) 07/06/23 to present  
S Kay (Independent Group) 07/06/23 to present  
David Taylor (Conservative) 07/06/23 to present

W Ayre (Labour) Leaver 08/05/23  
M Fletcher (The Independent Group) Leaver 08/06/23  
J Craig (Independent) Leaver 08/05/23

#### **Middlesbrough BC**

D Coupe (Conservative) 07/06/23 to present  
J Kabuye (Labour) 07/06/23 to present  
N Hussain (Labour) 19/06/23 to present  
D McCabe (MICA) 07/06/23 to present

J Thompson (Labour) Period 07/06/23-18/06/23  
T Higgins (Labour) Leaver 08/05/23  
N Hussain (Labour) Leaver 08/06/23  
J Rathmell (Independent) Leaver 08/05/23  
T Mawston (Middlesbrough Independent Group) Leaver  
08/05/23

#### **Stockton on Tees BC**

J Beall (Labour) 07/06/23 to present  
S Houghton (Conservative) 07/06/23 to present  
J Gardner (Conservative) 07/06/23 to present  
S Mubeen (Conservative) 07/06/23 to present  
M Stoker (Labour) 07/06/23 to present

P Kirton (Labour) Leaver 08/05/23  
J O'Donnell (Labour) Leaver 08/05/23  
L Hall (Conservative) Leaver 08/05/23  
S Matthews (Conservative) Leaver 08/05/23

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 provides key information so that members of the public, Authority Members, partners, stakeholders, and other interested parties can have:

- A full explanation of the financial position of the Authority and the outturn for 2023/24.
- Confidence that the public money with which the Authority has been entrusted with has been used and accounted for in an appropriate manner.
- Assurance that the financial position of the Authority is sound and secure.

### **OUR OPERATING ENVIRONMENT**

Cleveland Fire Brigade is in Northeast England and provides services to the four boroughs of Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton. The area is 597km<sup>2</sup> with a population of 579,287<sup>1</sup>, occupying 267,396<sup>2</sup> dwellings. It is the seventh most densely populated fire authority area in England with only the Metropolitan Fire Rescue Services (FRS) being more densely populated. Teesside is home to 16,941<sup>3</sup> Non-Domestic Premises.

We have 23 Top Tier Control of Major Accident Hazard sites in the area which account for 8% of the national number. Some of our dwellings are in extremely close proximity to these high hazard industries thereby making the risks more unique. Hartlepool and Teesport handle 28 million tonnes of exports and imports each year.

We have one nuclear power station; four solar powered energy farms; and four onshore and one offshore wind farms; four Anaerobic Digestion Plants and five biomass (wood pellets) power stations in our area. 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 was awarded UK Government Care Status as a Centre for Offshore Renewable Engineering<sup>4</sup>.

Like the majority of UK FRSs we have an extensive network of road and rail but due to the nature of commerce in Teesside our transportation conveys many significant hazards. Where the A19 crosses the Tees, it carries over 100,000 vehicles per day which is 133% more than the number of vehicles using the A1M at the equivalent point.

Teesside shares many inner-city type problems that are a key feature of the UK's 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.

There are currently 32,844 Lower Super Output Areas (LSOAs) in England which are divided into separate ranks. Rank 1 being the most deprived and Rank 10 the least deprived. Within Cleveland 41% of the LSOAs are within ranks 1 and 2 when compared nationally. More than half the population of Cleveland (57%) live in the worst 4 ranks with 41% of the population living within ranks 1 and 2. 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 and all four districts have a higher proportion of children living in low income families than the average for England and Wales.

The crime rate in the Cleveland Police area is 147 per 1,000 households compared to the national average of 93: Cleveland has recorded the highest rates of crime<sup>5</sup>. 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. Over the five years up to 2022/23 the Brigade's personnel suffered nearly three times the national average of rate of attacks per 1000 operational firefighters. In 2022/23 the rates were 34 nationally compared to 97 for CFB.

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<sup>1</sup> Population/Households Mid 2022

<sup>2</sup> Local Authorities Council Taxbase 2023

<sup>3</sup> Home Office FS Return 2023-24

<sup>4</sup> Investment in Tees Valley, 2016. <https://teesvalley-ca.gov.uk>

<sup>5</sup> <https://www.statista.com/statistics/866788/crime-rate-england-and-wales-by-region>

## SECTION 2: Narrative Report

Risk factors such as, deprivation, poor health, life expectancy is significantly worse than the England average and 21.1% of the population in the area is classed as disabled or having long term health issues with 10.1% having a condition which limits their life significantly. The area also suffers from low education attainment (lower than the England average); 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.

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

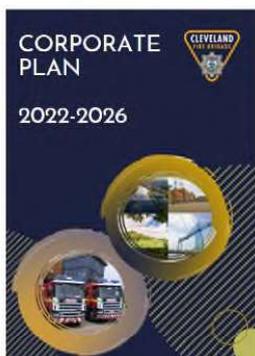
### **OUR STRATEGIC DIRECTION**

**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

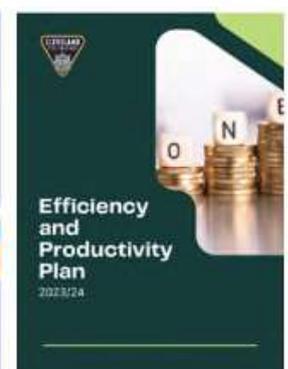


Professional, Proud,  
Passionate People



Efficient, Sustainable  
Resources

Our strategies for the achievement of our strategic goals are presented within our Suite of Corporate 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 **Culture & People Plan** sets out how we will support, train, develop and engage our staff throughout their employment to make a difference every day.

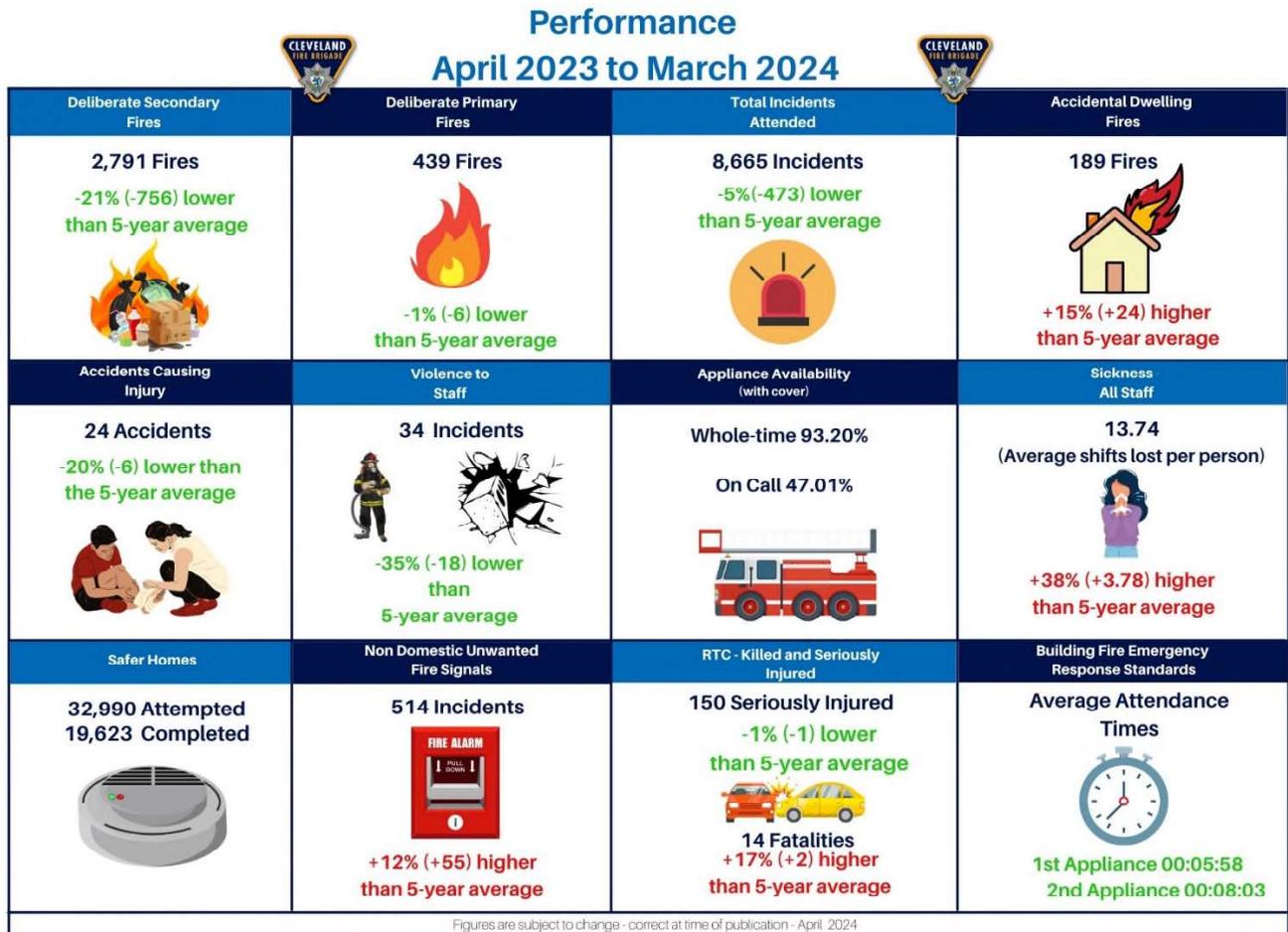
## SECTION 2: Narrative Report

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

Our **Service Plan** outlines our priorities for the forthcoming year and reflects the final year of the Authority's Community Risk Management Plan CRMP 2022-26.

Our **Efficiency and Productivity Plan** expands on details already contained within the Authority's Resource Plan and includes more detail regarding our approach to Firefighter capacity and productivity.

### OUR PERFORMANCE



## SECTION 2: Narrative Report

### **OUR GOVERNANCE AND DECISION MAKING**

Cleveland Fire Authority (CFA) 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 impact 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 approving our Community Risk Management Plan (CRMP), and setting the budget and Council Tax level, are taken by the CFA; policy decisions are delegated to the Executive Committee. Operational management decisions relating to Cleveland Fire Brigade are taken by the Chief Fire Officer in accordance with our approved scheme of delegation.

In 2023/24 CFA comprised 16 Elected Members from the four councils of Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton. 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 2023/24 the membership was:

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

Our governance framework comprises systems, processes, and values through which the Authority directs and controls its activities and engages with the community. The Authority has 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 by a directly appointed Legal Advisor and Monitoring Officer and Treasurer. The Deputy Treasurer, Financial Management and Internal Audit functions are provided through a Service Level Agreement with Hartlepool Borough Council.

Our Internal Auditors provide challenge and assurance over the effectiveness of our risk management, internal control, and governance arrangements. They aim to support, advise, and challenge management to assist in the development of robust, effective, and efficient systems of control, policies and procedures. The Audit team cannot eliminate all risk of failure and can therefore only provide reasonable and not absolute assurance of effectiveness.

Our External Auditors (Forvis Mazars LLP) place reliance on the work of our Internal Auditors, who carry out their 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.

## SECTION 2: Narrative Report

### **OUR BRIGADE**

Our employee establishment as at 31 March 2024 is 563.45; staff are located in either our Community Protection or Strategic Planning and Resources Directorates. The Chief Fire Officer and two Assistant Chief Fire Officers strategically manage the Brigade.



### **Community Protection Directorate**

Our public facing and frontline service delivery Directorate that co-ordinates and delivers our Prevention, Protection, Emergency Response and National Resilience services.

#### **Prevention**

One of the biggest factors in the number of incidents that we attend is how people behave; this includes people at home, at work, the elderly and the young. We believe that by influencing and changing behaviours the number of fires can be reduced along with the number of injuries and deaths that result from them. Our work includes safer homes visits, marketing and advice.

#### **Protection**

Our protection services are at the heart of improving business safety and are centred on delivering the Authority's duty to enforce the Regulatory Reform (Fire Safety) Order 2005 (FSO). Our work includes 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.

#### **Emergency Response**

No-one can predict when an emergency will happen and what type of event that will be. That is why we must be fully equipped to respond to every situation so that the right number of trained firefighters are sent with the right type of equipment to resolve the incident in the most effective way, with the lowest risk to lives, businesses and property.

Our emergency response service is available 24-hours a day, 365 days a year responding to fires in buildings, industrial complexes, vehicles and open spaces, rescues from the waterways around Teesside, road traffic collisions across our roads, rescues from height and other rescues, for example ,wildfires on Cleveland Hills, people who are cut off in snowy conditions, flooding, etc. The Brigade operates one of the most stringent emergency response standards nationally.

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.

### **Strategic Planning and Resources Directorate**

Our Strategic Planning and Resources Directorate delivers our enabling services that support the Authority and the Directorates in delivering their duties. The people within these teams are either directly employed or employed on an outsourced or commissioned basis.

Enabling services include: Administration, Assurance, Democratic Services, Equipment Management, Estates Management, Financial Management, Human Resources, ICT, Insurance, Learning and Development, Legal, Occupational Health, Pension Administration, Performance Management, Procurement, Risk Management, Transport Management and Water Management

## SECTION 2: Narrative Report

### **OUR RISK MANAGEMENT ARRANGEMENTS**

The National Framework for Fire and Rescue Services in England (2018) identifies and places several statutory requirements for all Fire Rescue Authorities, one of which is being to: *'Identify and assess the full range of foreseeable fire and rescue related risks their area face'*.

Our CRMP sets out:

- Our strategic approach to risk management through our risk identification and assessment process.
- Summarises our identified risks and assessments of those risks.
- Our intended deployment of resources over the medium term to address the identified risks.

### **Our Identified Risks**

There are five main types of risk that we need to be prepared for and manage.

#### National Risks

The Government monitors the most significant emergencies that the U.K. could face now and in forthcoming years through its National Risk Assessment; these are captured in and managed through its National Risk Register 2020. Even though the likelihood of such events is remote, owing to their potential catastrophic impacts we classify them as high risk. They include terrorist incidents, severe weather, pandemic influenza, river and coastal flooding, cyber-attack, widespread electricity failure, emerging infectious diseases, and poor air quality. The National Risk Register informs our operational preparedness and business continuity plans.

#### Cleveland Area Risks

As a member of the Cleveland Local Resilience Forum, we actively prepare to respond to any major emergency in the Cleveland area. The Community Risk Register sets out the area's identified risks and the likelihood and impact of them happening. These include pandemic influenza, adverse weather, hazardous transport, marine pollution, flooding, drought, wildfires, animal disease, large scale industrial action, industrial site incident, utilities, infrastructure failure and civil unrest. The Community Risk Register informs our operational preparedness and business continuity plans.

#### Organisational Risks

We regularly scan our operating environment to identify our political, economic, social, technological, legislative, environmental, and organisational risks. Once identified these are managed through our Corporate Risk Register.

#### Operational Risks

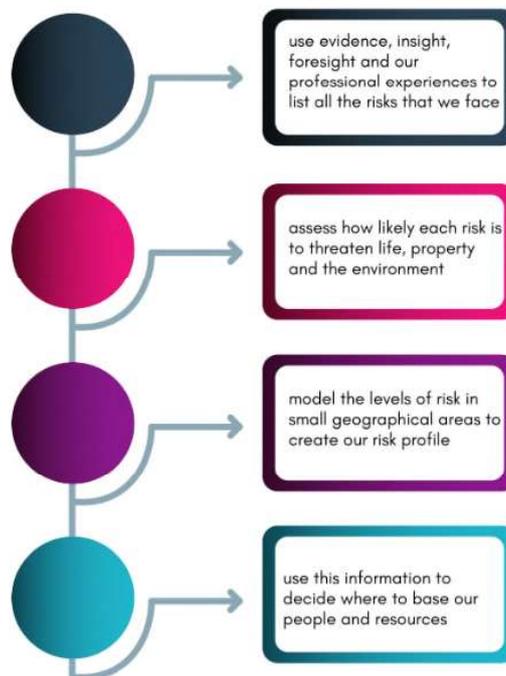
These are the risks prevalent in our operating environment and relate to property, transport, environment, high hazard industry, technical rescues, and malicious attacks/terrorism. They are identified through our community risk management planning process and are underpinned by a suite of detailed risk assessments which are refreshed on an annual basis.

#### Emerging Risks

Our emerging risks are those that may occur over the next five years, and we monitor these risks through our strategic planning 'Changing Landscape' work.

Full details of our risks and their assessments are captured within our Community Risk Profile document which is available from our website. Our risk management governance arrangements remain effective and efficient, as confirmed by HMICFRS' most recent inspection 2022 which assessed our arrangements for Community Risk Management as GOOD.

### **Risk Identification and Assessment Process**



## SECTION 2: Narrative Report

### **OUR FINANCIAL PERFORMANCE 2023/24**

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.

#### **2023/24 Approved Revenue Budget**

The Government grant settlement for 2023/24 was favourable 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% (£1.916m) coming from Council Tax and the Adult Social Care (ASC) precepts. This underlines the continued reliance of the current funding system on Council Tax to fund local services.

For Fire and Rescue Services the Band Tax Council Tax Referendum Limit was set at £5 – which is financially more beneficial than a 3% limit for most FRS's, including Cleveland.

Government grant funding for 2023/24 increased by £0.608m (£0.809m in 2022/23). The increases in 2022/23 and 2023/24 do not reverse the significant reductions in Government funding in previous years. The amount of Government funding received in 2023/24 is £5.1m less than it was in 2013/14 – a cash reduction of 27%. When account is taken of inflation the real term reduction in funding is significantly greater.

As a result of the previous recurring funding reductions, we have previously made significant changes to modernise services and achieve efficiencies. The position for 2023/24 was challenging as we faced increased inflationary pressures, including energy costs.

A two year national pay settlement for Firefighters was made in February 2023 and provided a 7% increase backdated to July 2022 and a 5% increase from July 2023. This exceeded our forecast increases and meant we faced a net 2023/24 budget 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 income 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 was funded from the Budget Support Fund reserve. The Authority recognised this strategy deferred a budget deficit of £0.531m, which provided a longer lead time to address the position.

#### **2023/24 Revenue Budget – Actual Outturn**

The Russian invasion of Ukraine in February 2022 resulted in a huge economic shock which caused a surge in energy prices, which then fed through into inflation – with CPI reaching 11.1% in October 2022 and remaining above 6.7% until September 2023. 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 5.25% in September 2023 -which remains the current rate.

Against this uncertain background the budget was managed extremely carefully, including managing vacant posts and deferring expenditure where this did not impact on operational delivery. This enabled resources to be allocated to fund future capital expenditure and Invest to Save initiatives. Additionally, investment income achieved during the year was transferred to the Budget Support Fund and will be used to support the Medium Term Financial Strategy over the next

## SECTION 2: Narrative Report

four years. After reflecting these commitments there was a net underspend of £0.260m, which has been transferred to the General Fund Reserve.

The outturn position is summarised in the following table.

	<b>Approved Budget</b>	<b>Actual Expenditure/ (Income)</b>	<b>Variance from Approved Budget Adverse / (Favourable)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b><u>Operational Costs</u></b>			
Employee Costs	27,288	26,545	(743)
Operating costs	6,343	6,436	93
Capital Finance Costs	1,003	1,068	65
Investment Income	-	(779)	(779)
Income / Grants	(1,159)	(1,413)	(254)
Section 31 Grant - Business Rates	(1,909)	(2,048)	(139)
Section 31 Grant - Pension	(1,409)	(1,409)	-
<b><u>Contribution from Reserves</u></b>			
Investment Income	(500)	(500)	-
Invest to Save		(219)	(219)
Collection Fund	(123)	(123)	-
Budget Support Fund	(63)	(63)	-
Pension Admin	-	(60)	(60)
Grenfell Action Plan	-	(43)	(43)
Commissioned Services	-	(40)	(40)
<b><u>Contribution to Reserves</u></b>			
Revenue Contribution to fund Capital Expenditure	-	719	719
Budget Support Fund - Investment Income	-	714	714
Invest to Save	-	375	375
Commissioned Services	-	42	42
Community Support Fund		9	9
<b>Transfer to General Fund</b>	<b>29,471</b>	<b>29,211</b>	<b>(260)</b>

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

	<b>Approved Budget</b>	
	<b>£'000</b>	<b>%</b>
Government Grant	6,076	20.6%
Business Rates Top Up Grant	7,749	26.3%
<b>Total Government Grants</b>	<b>13,825</b>	<b>46.9%</b>
Income from Council Tax Precept	13,916	47.2%
Income from Business Rates Baseline Funding	1,736	5.9%
Collection Fund Deficit	(6)	0.0%
<b>Total Funding</b>	<b>29,471</b>	<b>100.0%</b>

## 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 2023/24 total capital expenditure was £1.809m. This consists of £0.668m of property expenditure, £0.188m on equipment and vehicles, £0.624m on Drill Towers and £0.329m on breathing apparatus. These costs were funded from a combination of Prudential Borrowing of £1.315m, the Capital Investment Programme Reserve of £0.472m and £0.022m of Capital Receipts.

At 31 March 2024, the Authority had rephased capital expenditure totalling £1.764m into 2024/25 of which £0.984m is funded by Capital Investment Programme Reserve and £0.780m from Prudential Borrowing.

### **FINANCIAL OUTLOOK 2024/25 TO 2027/28**

The Government has delayed major reforms of the national funding system and again provided a one-year grant settlement for 2024/25, which is the sixth successive one-year settlement. The grant settlement for 2024/25 was more favourable than anticipated and at a national level provided an increase in Core Spending Power of £4.5 billion (£5 billion 2023/24).

The 2024/25 settlement again assumes authorities use the Council Tax and ASC precept flexibilities which accounts for 46% of the 2024/25 Core Spending Power increase (38% 2023/24).

For FRS's the Council Tax referendum limit reverted to 3%, which is financially less favourable than 2023/24 Band D referendum limit of £5. For this Authority the 3% limit raised additional recurring income of £0.418m, significantly less than the £0.802m which would have been raised if the £5 limit had continued.

The budget for 2024/25 was set in February 2024 and negotiations of the national fire fighters pay award payable from July 2024 and for support staff payable from April 2024 had not commenced at that time. The budget for 2024/25 makes provision for a lower national pay award for fire fighters than applied in previous years on the basis of reducing inflation and private sector pay awards. Provision for a support staff national pay increase has also been made and this reflects the impact on the April 2024 increase in the National Living Wage and the impact this has on the national pay spine for support staff.

A balanced budget was set for 2024/25 based on forecast pay awards which addressed the increased forecast funding requirement of £1.521m to maintain existing services, as summarised below:

	£'m
Government Grant increase	0.453
Council Tax increase	0.418
Funding Guarantee grant	0.294
Investment income/use of Budget Support Fund	0.259
Increase in Business Rates/Section 31 grant	0.097
Total increase in funding	1.521

Our strategy recognised that actual pay awards may exceed our forecasts and if this is the case additional budget savings will need to be identified during 2024/25. Settlement of the national fire fighters pay award in May 2024 reduced this risk. However, the actual increase exceeded our forecast by 1%, which is an additional full year cost of approximately £0.220m.

## SECTION 2: Narrative Report

The budget position for 2025/26 to 2026/27 remains uncertain and will be affected by:

- The next Comprehensive Spending Review;
- The level of Government funding from 2025/26 – which will not be known until December 2024;
- Decisions the Government makes regarding deferred changes to the national funding formula, which in 2024/25 provides 48% 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; and
- The level of future Council Tax referendum limits.

Against this uncertain financial outlook, the Authority has forecast a deficit for the two years up to 2026/27 of between £0.826m to £1.764m which includes the impact of fire fighters July 2024 national pay settlement. These deficits are respectively 1.8% and 4.6% of the budget. These forecasts will be reviewed throughout 2024 as more information becomes available.

The Authority will develop proposals to address the forecast deficit during 2024. To manage the uncertainty regarding funding for 2025/26 we have maintained a Budget Support Fund of £3.358m at 31st March 2024 (£3.207m at 31st March 2023). We recognise that using one off funding is not a permanent solution to address a recurring budget deficit. However, as funding for 2025/26 will not be known until late 2024, 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 reductions need to be considered against the changes made between 2010/11 and 2023/24 which have seen our workforce reduced by 173.06 (FTE) 24% over the same austerity period as follows:

- Grey Book Whole-time reduced by 33% (164)
- Grey Book On-Call increased by 33% (24)
- Grey Book Control reduced by 38% (10)
- Grey Book On-call Control increased 300% (3)
- Green Book reduced by 14% (18.56)
- Gold Book reduced by 50% (2)
- Elected Members reduced by 30% (7)

### **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 continued high interest rates experienced during 2023, 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 continued higher interest rates during 2023/24 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 2024 the accounts showed that there was a surplus on the Local Government Pension Scheme on the Pensions Reserve of £7.488m (£4.259m surplus in 2022/23) and a deficit on the Fire Fighters Pension of £372.145m (£368.034m in 2022/23). The change does not impact on the revenue budget and reflects a revised actuarial valuation. This was offset by a Pensions Asset of £7.488m and a Pension Liability of £372.145m. 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 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 14.3%. The Pension Fund Valuation set the employer's contribution rate for the period 2023/24 to 2025/26.

## 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 2024. 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 increased by £0.882m which is a result of revised actuarial revaluations.

**Property Plant & Equipment (PPE)** – the Authority's PPE has increased by £0.944m, which comprises of capital expenditure, upward revaluations of existing assets and depreciation.

**Short Term Borrowing** – the Authority's Short Term Borrowing has reduced by £2.186m. The Authority has not taken any new borrowing for capital expenditure whilst rates continue to be elevated and used cash balances or reserves until interest rates reduce. Consequently Cash and Cash Equivalents have decreased by £1.215m.

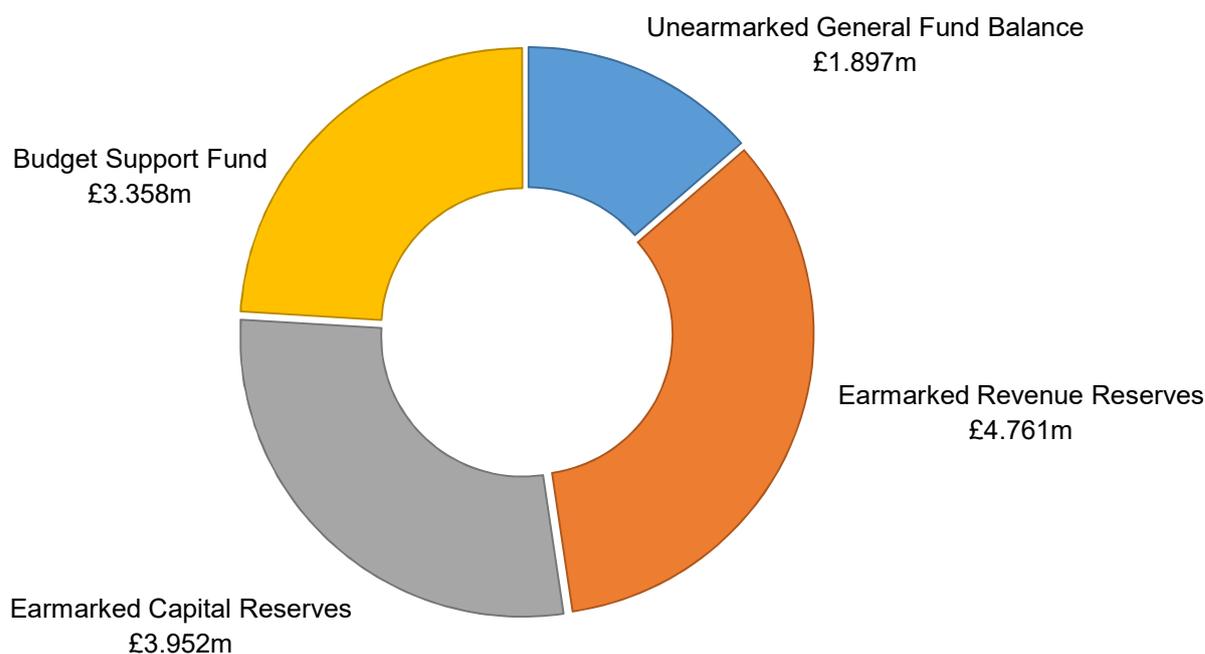
## SECTION 2: Narrative Report

### Summary of the Authority's Usable Reserves

As at 31 March 2024 the Authority had reserves of £13.968m (£12.744m as at 31 March 2023), which consisted of the following amounts:

- Earmarked Capital Reserves - £3.952m – this reserve is fully committed to supporting the approved Capital Investment Programme.
- Budget Support Fund - £3.358m this reserve is earmarked to manage potential financial risks in 2024/25 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.
- Earmarked Revenue Reserves - £4.761m – these reserves are fully committed to fund a range of one-off initiatives.
- Unearmarked General Fund Reserve - £1.897m – 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 2024 – Total £13.968m



**Unusable Reserves** as at 31 March 2024 are £327.841m (£327.596m at 31 March 2023). The movement in Unusable Reserves is shown in Note 23, with the change largely attributable to the revised actuarial valuation in relation to the Pension Reserve.

## SECTION 2: Narrative Report

### 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 2023/24.

### **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 in Section 4. 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 2022/23 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 2023/24 financial year the inspection period is 3 June 2024 to 12 July 2024.



Chris Little CPFA  
Treasurer to the Cleveland Fire Authority  
Date: 31 May 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 XXXXXX.

Chair of Cleveland Fire Authority

Date: XXXXXX

### 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 2024.



Chris Little CPFA  
Treasurer to the Cleveland Fire Authority  
Date: 31 May 2024

## SECTION 4: Statement of Accounts

### Movement in Reserves Statement for the year ended 31 March 2024

This statement shows the movement in the different reserves held by the Authority 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
<b>Balance at 31 March 2022 carried forward</b>	1,552	2,920	8,083	-	12,555	(469,009)	(456,454)
<b><u>Movement in reserves during 2022/23</u></b>							
Surplus or (deficit) on provision of services	(15,631)	-	-	-	(15,631)	-	(15,631)
Other Comprehensive Income and Expenditure	-	-	-	-	-	157,233	157,233
<b>Total Comprehensive Income and Expenditure</b>	<b>(15,631)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,631)</b>	<b>157,233</b>	<b>141,602</b>
Adjustments between accounting basis & funding basis under regulations	16,611	-	(791)	-	15,820	(15,820)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>980</b>	<b>-</b>	<b>(791)</b>	<b>-</b>	<b>189</b>	<b>141,413</b>	<b>141,602</b>
Transfers to/(from) Earmarked Reserves	(895)	287	608	-	-	-	-
<b>Increase/(Decrease) in Year</b>	<b>85</b>	<b>287</b>	<b>(183)</b>	<b>-</b>	<b>189</b>	<b>141,413</b>	<b>141,602</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>1,637</b>	<b>3,207</b>	<b>7,900</b>	<b>-</b>	<b>12,744</b>	<b>(327,596)</b>	<b>(314,852)</b>
<b><u>Movement in reserves during 2023/24</u></b>							
Surplus or (deficit) on provision of services	(15,219)	-	-	-	(15,219)	-	(15,219)
Other Comprehensive Income and Expenditure	-	-	-	-	-	16,198	16,198
<b>Total Comprehensive Income and Expenditure</b>	<b>(15,219)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,219)</b>	<b>16,198</b>	<b>979</b>
Adjustments between accounting basis & funding basis under regulations (note 4)	16,443	-	-	-	16,443	(16,443)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>1,224</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,224</b>	<b>(245)</b>	<b>979</b>
Transfers to/(from) Earmarked Reserves	(964)	151	813	-	-	-	-
<b>Increase/(Decrease) in Year</b>	<b>260</b>	<b>151</b>	<b>813</b>	<b>-</b>	<b>1,224</b>	<b>(245)</b>	<b>979</b>
<b>Balance at 31 March 2024 carried forward</b>	<b>1,897</b>	<b>3,358</b>	<b>8,713</b>	<b>-</b>	<b>13,968</b>	<b>(327,841)</b>	<b>(313,873)</b>

For detail on Usable and Unusable Reserves see Notes 22 and 23. For details 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 2024

2022/23			2023/24				
Gross Expenditure	Gross Income	Net		Gross Expenditure	Gross Income	Net	Note
£000s	£000s	£000s		£000s	£000s	£000s	
			<b>Continuing operations:</b>				
27,567	-	27,567	Employee Costs	26,206	-	<b>26,206</b>	6
7,420	-	7,420	Operating Costs	8,042	-	<b>8,042</b>	6
-	(2,521)	(2,521)	Income	-	(2,834)	<b>(2,834)</b>	6
34,987	(2,521)	32,466	<b>Cost Of Services - continuing operations</b>	<b>34,248</b>	<b>(2,834)</b>	<b>31,414</b>	
-	(33)	(33)	Other Operating Expenditure	-	(20)	<b>(20)</b>	7
14,504	(1,333)	13,171	Financing and Investment Income and Expenditure	18,842	(2,555)	<b>16,287</b>	8
-	(29,973)	(29,973)	Taxation and Non-Specific Grant Income	-	(32,462)	<b>(32,462)</b>	9
49,491	(33,860)	15,631	<b>(Surplus) or Deficit on Provision of Services</b>	53,090	(37,871)	<b>15,219</b>	
		(6,400)	(Surplus)/Deficit on revaluation of non-current assets			<b>(733)</b>	23 Table 1
		(150,833)	Remeasurement of net defined benefit liability /(asset)			<b>(15,465)</b>	23 Table 3
		(157,233)	<b>Other Comprehensive Income and Expenditure</b>			<b>(16,198)</b>	
		(141,602)	<b>Total Comprehensive Income and Expenditure</b>			<b>(979)</b>	

## SECTION 4: Statement of Accounts

### Balance Sheet for the year ended 31 March 2024

31 March 2023 £000s		31 March 2024 £000s	Note
44,959	Property, Plant and Equipment	45,903	12
255	Investment Assets	255	13
68	Intangible Assets	58	14
4,259	Pension Asset	7,488	34
36	Long Term Investment	-	29
<u>49,577</u>	<b>Long Term Assets</b>	<u><b>53,704</b></u>	
12,359	Short Term Investments	12,326	29
625	Inventories	712	15
6,799	Short Term Debtors	6,475	16
1,106	Cash and Cash Equivalents	4	17
<u>20,889</u>	<b>Current Assets</b>	<u><b>19,517</b></u>	
(118)	Bank Overdraft	(231)	17
(3,851)	Short Term Creditors	(4,037)	18
(643)	Provisions	(713)	19
(3,153)	Short Term Borrowing	(967)	29
(723)	Revenue Grants Receipts in Advance	(307)	9
<u>(8,488)</u>	<b>Current Liabilities</b>	<u><b>(6,255)</b></u>	
(8,796)	Long Term Borrowing	(8,694)	20
(368,034)	Other Long Term Liabilities	(372,145)	21
<u>(376,830)</u>	<b>Long Term Liabilities</b>	<u><b>(380,839)</b></u>	
<u>(314,852)</u>	<b>Net Assets:</b>	<u><b>(313,873)</b></u>	
1,637	General Fund	1,897	
3,207	Budget Support Fund	3,358	
3,595	Earmarked Revenue Reserves	4,761	
3,706	Earmarked Capital Reserves	3,952	
<u>12,145</u>		<u><b>13,968</b></u>	22
599	COVID Collection Fund Deficit Reserve	-	22
(327,596)	Unusable Reserves	<u><b>(327,841)</b></u>	23
<u>(314,852)</u>	<b>Total Reserves:</b>	<u><b>(313,873)</b></u>	

## SECTION 4: Statement of Accounts

### Statement Of Cash Flows for the year ended 31 March 2024

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.

2022/23 £000s		2023/24 £000s	Note
(15,631)	Net surplus or (deficit) on the provision of services	<b>(15,219)</b>	
16,514	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements	<b>17,946</b>	31
7	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	<b>(22)</b>	31
890	<b>Net cash (outflow)/inflow from operating activities</b>	<b>2,705</b>	
(10,096)	<b>Investing activities</b>	<b>(1,632)</b>	32
2,908	<b>Financing activities</b>	<b>(2,288)</b>	33
(6,298)	Net increase or (decrease) in cash and cash equivalents	<b>(1,215)</b>	
7,286	Cash and cash equivalents at the beginning of the reporting period	<b>988</b>	
988	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>(227)</b>	17

An analysis of the components of cash and cash equivalents at the end of the reporting period are disclosed in Note 17.

### SUMMARY OF MATERIAL ACCOUNTING POLICIES

#### 1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. 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 2023/24, 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 22 and 23.

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, currently 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 benefits 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 markets 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 2023/24 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 2024/25 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.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
- Classification of Liabilities as Current or Non-current (Amendments to IAS1) issued in January 2020. The amendments:
  - specify that an entity's right to defer settlement must exist at the end of the reporting period
  - clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement
  - clarify how lending conditions affect classification, and
  - clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information as entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.

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 2025/26. 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 2024 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 2024, the Authority had land and buildings to the value of £41.479m. A 1% change in the estimation of property values would lead to a £0.415m 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 at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. During 2023/24, the Authority's Actuary advised that the net pension asset for funded LGPS benefits had decreased by the Authority with expert advice about the assumptions to be applied.	For the Local Government Pension Scheme (LGPS) the effect on the net pensions 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 £0.651m. However, the assumptions interact in complex ways. During 2023/24, the Authority's Actuary advised that the net pension asset for funded LGPS benefits had decreased by £2.031m as a result of financial assumptions, decreased by £0.196m as a result of demographic assumptions and increased by £0.984m 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 2022. 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

2023/24	General Fund Balance £000s	Earmarked Reserves £000s	Capital Receipts Reserve £000s	Movement in Unusable Reserves £000s
<b>Adjustments involving the Capital Adjustment Account:</b>				
<i>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</i>				
Charges for depreciation and impairment of non-current assets	1,505	-	-	(1,505)
Charges for Revaluation losses on Property Plant & Equipment	91	-	-	(91)
Movement in the Market value of Investment Property		-	-	-
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	(473)		-	473
<i>Insertion of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</i>				
Statutory provision for the financing of capital investment (MRP)	(494)	-	-	494
	<b>641</b>	<b>-</b>	<b>-</b>	<b>(641)</b>
<b>Adjustments involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income & Expenditure Statement	(22)	-	22	-
Finance Lease payments transferred from Deferred Capital Receipts	-	-	(21)	21
Application of Capital Receipts to Capital Adjustment Account	-	-	(22)	22
Use of capital receipts to fund new capital expenditure	-	-	-	-
	<b>(22)</b>	<b>-</b>	<b>(21)</b>	<b>43</b>
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	20,791	-	-	(20,791)
Employers Pensions Contributions	(4,200)	-	-	4,200
Direct payments to pensioners payable in the year	(244)	-	-	244
	<b>16,347</b>	<b>-</b>	<b>-</b>	<b>(16,347)</b>
<b>Adjustments involving the Deferred Capital Receipts Reserve:</b>				
Transfer of Sale Proceeds credited as part of the Gain/Loss on disposal to the Comprehensive Income & Expenditure Statement	-	-	21	(21)
	<b>-</b>	<b>-</b>	<b>21</b>	<b>(21)</b>
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
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	(565)	-	-	565
	<b>(565)</b>	<b>-</b>	<b>-</b>	<b>565</b>
<b>Adjustments involving the Accumulated Absences Adjustment Account:</b>				
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	42	-	-	(42)
	<b>42</b>	<b>-</b>	<b>-</b>	<b>(42)</b>
<b>Total Adjustments</b>	<b>16,443</b>	<b>-</b>	<b>-</b>	<b>(16,443)</b>

## 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
<b>Adjustments involving the Capital Adjustment Account:</b>				
<u>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>				
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)
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)
Capital grants and contributions applied	-	-	-	-
Direct Revenue Funding	-	(791)	-	791
<u>Insertion of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>				
Statutory provision for the financing of capital investment (MRP)	(504)	-	-	504
	934	(791)	-	(143)
<b>Adjustments involving the Capital Receipts Reserve:</b>				
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
<b>Adjustments involving the Deferred Capital Receipts Reserve:</b>				
Transfer of Sale Proceeds credited as part of the Gain/Loss on disposal to the Comprehensive Income & Expenditure Statement	-	-	(21)	21
	-	-	(21)	21
<b>Adjustments involving the Pensions Reserve:</b>				
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)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
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
<b>Adjustments involving the Accumulated Absences Adjustment Account:</b>				
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)
<b>Total Adjustments</b>	<b>16,611</b>	<b>(791)</b>	<b>-</b>	<b>(15,820)</b>

## 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 2023/24. Further details of usable reserves are provided in Note 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	Transfer between reserves in 2023/24	Transfers Out 2023/24	Transfers In 2023/24	Balance at 31 March 2024
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Unearmarked General Fund Balance</b>									
General Fund Balance	1,552	15	-	70	<b>1,637</b>	-	-	<b>260</b>	<b>1,897</b>
	1,552	15	-	70	<b>1,637</b>	-	-	<b>260</b>	<b>1,897</b>
<b>Earmarked General Fund Reserves:</b>									
Budget Support Fund	2,920	-	-	-	<b>2,920</b>	-	(63)	-	<b>2,857</b>
Budget Support Fund-Income	-	-	-	287	<b>287</b>	-	(500)	714	<b>501</b>
	2,920	-	-	287	<b>3,207</b>	-	(563)	714	<b>3,358</b>
<b>Earmarked Revenue Reserves:</b>									
Innovation Fund	453	-	-	-	<b>453</b>	-	-	-	<b>453</b>
Capital Phasing Reserve	1,155	-	-	253	<b>1,408</b>	-	-	235	<b>1,643</b>
Insurance Fund	662	-	(19)	-	<b>643</b>	-	-	-	<b>643</b>
Commissioned Services	235	-	(24)	40	<b>251</b>	-	(40)	42	<b>253</b>
Breathing Apparatus	125	(125)	-	-	-	-	-	-	-
Property Reserve	15	(15)	-	-	-	-	-	-	-
Grenfell Action Plan	197	-	(41)	-	<b>156</b>	-	(43)	-	<b>113</b>
Ringfenced Grants	71	-	(11)	-	<b>60</b>	-	(60)	390	<b>390</b>
Invest to Save Reserve	-	-	-	624	<b>624</b>	<b>68</b>	(219)	375	<b>848</b>
Non-Statutory Community Projects	-	-	-	-	-	-	-	9	<b>9</b>
Asset Management Plan Inflation Risk	-	-	-	-	-	<b>409</b>	-	-	<b>409</b>
	2,913	(140)	(95)	917	<b>3,595</b>	<b>477</b>	(362)	<b>1,051</b>	<b>4,761</b>
<b>Covid Collection Fund Deficit Reserve</b>									
Collection Fund Deficit	828	-	(229)	-	<b>599</b>	(477)	(123)	-	-
	828	-	(229)	-	<b>599</b>	(477)	(123)	-	-
<b>Earmarked Capital Reserves:</b>									
Capital Investment Programme	4,342	125	(1,034)	273	<b>3,706</b>	-	(473)	719	<b>3,952</b>
Capital Receipts Reserve	-	-	(56)	56	-	-	(43)	43	-
	4,342	125	(1,090)	329	<b>3,706</b>	-	(516)	762	<b>3,952</b>
<b>Total Usable Reserves:</b>	12,555	-	(1,414)	1,603	<b>12,744</b>	-	(1,564)	<b>2,787</b>	<b>13,968</b>

## 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	2022/23 Adjustments Between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	2023/24 Adjustments Between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000s	£000s	£000s		£000s	£000s	£000s
24,442	3,125	27,567	Employee Costs	26,545	(339)	<b>26,206</b>
5,984	1,436	7,420	Operating Costs	6,436	1,606	<b>8,042</b>
1,008	(1,008)	-	Capital Finance Costs	1,068	(1,068)	-
(324)	324	-	Transfer from Earmarked reserves	(1,048)	1,048	-
951	(951)	-	Transfer to Earmarked reserves	1,859	(1,859)	-
(4,366)	1,845	(2,521)	Income	(5,649)	2,815	<b>(2,834)</b>
27,695	4,771	32,466	<b>Net Cost of Services</b>	<b>29,211</b>	<b>2,203</b>	<b>31,414</b>
(27,765)	10,930	(16,835)	Other Income and Expenditure	(29,471)	13,276	<b>(16,195)</b>
(70)	15,701	15,631	<b>(Surplus) or Deficit</b>	<b>(260)</b>	<b>15,479</b>	<b>15,219</b>
1,552			<b>Opening General Fund Balance</b>	1,637		
70			<b>Less/Plus Surplus or (Deficit) on General Fund Balance in Year</b>	260		
15			<b>Transfer between Reserves</b>	-		
			<b>Transfer to Budget Support Fund</b>	-		
1,637			<b>Closing General Fund Balance at 31 March</b>	<b>1,897</b>		

## 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	<u>2023/24</u>				
	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Statutory Differences (Note 3)	Other Non-Statutory Differences (Note 4)	Total Adjustments
	£000s	£000s	£000s	£000s	£000s
Employee Costs	-	(381)	42	-	(339)
Operating Costs	1,606	-	-	-	1,606
Capital Finance Costs	(493)	-	-	(575)	(1,068)
Income	-	-	-	2,815	2,815
Transfers From Earmarked Reserves	-	-	-	1,048	1,048
Transfers To Earmarked Reserves	-	-	-	(1,859)	(1,859)
<b>Net Cost of Services</b>	<b>1,113</b>	<b>(381)</b>	<b>42</b>	<b>1,429</b>	<b>2,203</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(20)	16,728	(565)	(2,867)	13,276
<b>Difference between General Fund (Surplus) or Deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services</b>	<b>1,093</b>	<b>16,347</b>	<b>(523)</b>	<b>(1,438)</b>	<b>15,479</b>

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	<u>2022/23</u>				
	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	Other Statutory Differences (Note 3)	Other Non-Statutory Differences (Note 4)	Total Adjustments
	£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)
<b>Net Cost of Services</b>	<b>961</b>	<b>3,113</b>	<b>12</b>	<b>685</b>	<b>4,771</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	-	13,239	(2,209)	(100)	10,930
<b>Difference between General Fund (Surplus) or Deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services</b>	<b>961</b>	<b>16,352</b>	<b>(2,197)</b>	<b>585</b>	<b>15,701</b>

**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:

2022/23 £000s		2023/24 £000s
	<b>Expenditure / Income</b>	
	<b>Expenditure</b>	
27,567	Employee Benefits Expenses	26,206
5,955	Other Service Expenses	6,434
1,465	Depreciation, Amortisation, Impairment	1,606
14,504	Interest Payments	18,842
49,491	<b>Total Expenditure</b>	<b>53,088</b>
	<b>Income</b>	
(678)	Revenues from External Customers	(629)
(7)	Other Revenue	(38)
(33)	Gain/Loss on the disposal of assets	(20)
(1,333)	Interest and Investment Income	(2,555)
(14,819)	Income from Council Tax and Non Domestic Rates	(16,210)
(16,990)	Government Grants and Contributions	(18,417)
(33,860)	<b>Total Income</b>	<b>(37,869)</b>
15,631	<b>Surplus or deficit on the provision of services</b>	<b>15,219</b>

## 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.

2022/23 £000s		2023/24 £000s
(33)	(Gain) or loss on the disposal of Vehicles / Land	(20)
<u>(33)</u>		<u>(20)</u>

### Note 8: Financing and Investment Income and Expenditure

2022/23 £000s		2023/24 £000s	Note
13,239	Pensions Interest Cost & Expected Return on Pensions Assets	16,728	34
267	Interest payable and similar charges	337	29
(30)	Net (Gain) / Loss on Investment Properties	-	13
(305)	Interest Receivable and Similar Income	(778)	29
<u>13,171</u>		<u>16,287</u>	

### Note 9: Grant Income & Taxation

2022/23 £000s		2023/24 £000s
<b>Credited to Taxation and Non Specific Grant Income</b>		
14,819	Council Tax Precept & Business Rates Income	16,210
7,434	NNDR Distribution - Top Up Grant	7,749
5,517	Revenue Support Grant	6,076
1,557	Section 31 Grant Business Rates	1,987
646	Services Grant	379
-	Business Rates Reconciliation Grant	53
-	Transparency Code	8
<u>29,973</u>	<b>Total</b>	<u>32,462</u>
<b>Credited to Services</b>		
1,409	Home Office Firefight Pension Grant (Section 31)	1,409
	New Risk Programme - Emergency Services Mobile Communication Programme	390
278	Other Grants	214
146	Command and Control - FireLink Project	109
3	New Dimension - Training	43
<u>1,836</u>	<b>Total</b>	<u>2,165</u>

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)

2022/23 £000s		2023/24 £000s
390	New Risk Programme - Emergency Services Mobile Communication Programme	-
162	New Dimension Grant	174
154	Modern Apprentice Levy Grant	116
10	Fire Link	10
7	Protection Uplift	7
<u>723</u>		<u>307</u>

## SECTION 4: Statement of Accounts

### Note 10: Members' Allowances and Expenses

The amounts paid for the year ending 31st March 2024, 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 £51,352.64. 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	Local Pension Board Training	Members Training	Total 2023/24
	£	£	£	£	£	£	£	£	£	£	£
Ashton, H	1,815.27										1,815.27
Ayre, W	234.63										234.63
Beall, J	1,815.27										1,815.27
Cassidy, T	1,583.75										1,583.75
Chaney, P	1,815.27										1,815.27
Clayton, B	2,238.00					481.50	395.00	340.83			3,455.33
Coupe, D	1,815.27	7,261.07	92.00			540.35	395.00	340.83			10,444.52
Craig, J	234.63										234.63
Falconer, A	234.63										234.63
Fletcher, M	422.73										422.73
Gardner, J	1,815.27										1,815.27
Hall, L	234.63										234.63
Higgins, T	234.63										234.63
Houghton, S	1,815.27										1,815.27
Hussain, N	2,175.83										2,175.83
Kabuye, J	1,815.27										1,815.27
Kay, S	1,815.27	2,268.65			104.40						4,188.32
Kirton, P	234.63	938.52	61.00								1,234.15
Leedham, J	231.52										231.52
Matthews, S	234.63	293									527.86
Mawston, T	234.63					15.30					249.93
McCabe, D	1,815.27					59.40					1,874.67
Mubeen, S	1,815.27	3,630.53									5,445.80
O'Donnell, J	234.63	469.26	23.00								726.89
Ovens, M	2,238.00		103.40								2,341.40
Rathmell, J	234.63										234.63
Smith, L	422.73										422.73
Stoker, M	1,815.27					35.10					1,850.37
Taylor, D	1,815.27										1,815.27
Thompson, J	62.17										62.17
<b>Totals 2023/2024</b>	<b>33,504.27</b>	<b>14,861.26</b>	<b>279.40</b>	<b>0.00</b>	<b>214.20</b>	<b>1,021.85</b>	<b>790.00</b>	<b>681.66</b>	<b>0.00</b>	<b>0.00</b>	<b>51,352.64</b>
Totals 2022/2023	35,681.66	15,580.11	436.20	0.00	392.40	1,179.88	395.00	182.88	0.00	0.00	53,848.13

## SECTION 4: Statement of Accounts

### 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 2023/24 and Table B provides the payments for 2022/23. The figures disclosed for 2023/24 for the Chief Fire Officer and Assistant Chief Fire Officers include the impact of backdated national pay awards payable from 1st January 2022 (4%) and 1st January 2023 (3.5%), which were agreed in July 2023 and paid in 2023/24. These national pay awards were lower than national pay awards for Fire Fighters applied from 1st July 2022 (7%) and 1st July 2023 (5%).

## SECTION 4: Statement of Accounts

### Note 11: Officers' Remuneration

#### 2023/24 - TABLE A

Post Title	Gross Pay (before expenses and car lease)	Other Gross Pay (Pay award prior period arrears)	Expenses Reimbursed (Note 1)	Car Lease /Allowance	Total Remuneration excluding Pension Contributions 2023/24	Pension Contributions (Note 2)	Total Remuneration including Pension Contributions 2023/24
	£	£	£	£	£	£	£
<b>Uniformed Posts</b>							
Chief Fire Officer, Ian Hayton (Note 3)	180,630	9,917	71	11,710	<b>202,328</b>	-	<b>202,328</b>
Assistant Chief Fire Officer - Community Protection (Note 4) (Left 14th October 2023)	65,253	6,664	-	3,359	<b>75,276</b>	20,712	<b>95,988</b>
Assistant Chief Fire Officer - Community Protection (Note 4) (TP Start 16th October 2023)	45,677	-	-	3,416	<b>49,093</b>	9,848	<b>58,941</b>
Area Manager 1 (Note 5a) (Leaver 15th October 2023)	56,558	-	110	3,890	<b>60,558</b>	16,001	<b>76,559</b>
Area Manager 1 (Note 5b) (Start 1st November 2023)	27,097	-	-	2,987	<b>30,084</b>	6,980	<b>37,064</b>
Area Manager 2	88,897	-	69	6,432	<b>95,398</b>	25,334	<b>120,732</b>
<b>Non-Uniformed Posts</b>							
Assistant Chief Fire Officer - Strategic Planning and Resources (Note 6)	121,370	6,664	40	6,397	<b>134,471</b>	18,309	<b>152,780</b>
Treasurer to the Fire Authority (Note 7) (Start 1st July 2023)	17,729	-	-	-	<b>17,729</b>	-	<b>17,729</b>
Legal Advisor and Monitoring Officer (Note 8)	33,172	-	22	-	<b>33,194</b>	4,744	<b>37,938</b>
	<b>636,383</b>	<b>23,245</b>	<b>312</b>	<b>38,191</b>	<b>698,131</b>	<b>101,928</b>	<b>800,059</b>

#### 2022/23 - TABLE B

Post Title	Gross Pay (before expenses and car lease)	Other Gross Pay (Gross Pay award prior period arrears)	Expenses Reimbursed (Note 1)	Car Lease	Total Remuneration excluding Pension Contributions 2022/23	Pension Contributions (Note 2)	Total Remuneration including Pension Contributions 2022/23
	£	£	£	£	£	£	£
<b>Uniformed Posts</b>							
Chief Fire Officer, Ian Hayton	167,810	-	71	11,710	179,591	-	179,591
Assistant Chief Fire Officer - Community Protection	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)	3,196	-	-	-	3,196	776	3,972
Area Manager 2	78,028	-	-	3,883	81,911	22,376	104,287
<b>Non-Uniformed Posts</b>							
Assistant Chief Fire Officer - Strategic Planning and Resources	112,756	-	-	6,123	118,879	16,688	135,567
Legal Advisor and Monitoring Officer	31,934	-	29	-	31,963	4,726	36,689
	<b>591,032</b>	<b>-</b>	<b>100</b>	<b>33,207</b>	<b>624,339</b>	<b>101,103</b>	<b>725,442</b>

## 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 £42,101 and £53,300 contribute 6.8%, earning between £53,301 and £74,700 contribute 8.5%, earning between £74,701 and £105,900 contribute 9.9% and earning between £105,901 and £124,800 contribute 10.5%.
- (3) The annualised salary of the Chief Fire Officer for January 2023 was £180,630 (£174,522 from January 2022, i.e previous annual salary of £167,810 uplifted for 4% national pay award from 1st January 2022). The pay award prior period arrears reflects the backdated national pay awards payable from 1st January 2022 (4%) and 1st January 2023 (3.5%), which were agreed in July 2023. There were no pension contributions made on behalf of the Chief Fire Officer, which saved the Authority £52,021 (£48,329 saving in 2022/23).
- (4) The Assistant Chief Fire Officer - Community Protection is paid on a single point salary scale which for January 2023 was £121,370 (£117,266 from January 2022 i.e previous annual salary of £112,756 uplifted for 4% national pay award from 1st January 2022). The pay award prior period arrears reflects the backdated national pay awards payable from 1st January 2022 (4%) and 1st January 2023 (3.5%), which were agreed in July 2023.
- (5) (a) Area Manager 1 in post 1/4/23 to 15/10/23, then temporarily acting up to ACFO Community Protection 16/10/23 to 31/3/24.  
(b) The Area Manager 1 post was then covered by a Group Manager temporarily acting up for the period 1/11/23 to 31/3/24.
- (6) The Assistant Chief Fire Officer - Strategic Planning and Resources is paid on a single point salary scale which for 2023/24 was £121,370 (£117,266 from January 2022 i.e previous annual salary of £112,756 uplifted for 4% national pay award from 1st January 2022). The pay award prior period arrears reflects the backdated national pay awards payable from 1st January 2022 (4%) and 1st January 2023 (3.5%), which were agreed in July 2023).
- (7) The Treasurer to the Fire Authority is paid on a single point salary scale which for 2023/24 was £25,000 (The post was previously secured through the Financial Management SLA for the sum of £25,000 in 2022/23). There were no pension contributions made on behalf of the Treasurer.

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

This table excludes details of senior officers set out in the table above.

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 £89,250. As a result the number of employees requiring disclosure has increased. There has been no change in the Senior Management posts between 2022/23 and 2023/24.

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.

2022/23 No. of Employees	Remuneration Band (£)	2023/24 No. of Employees
15	50,000 to 54,999	23
4	55,000 to 59,999	5
11	60,000 to 64,999	7
3	65,000 to 69,999	5
3	70,000 to 74,999	8
0	75,000 to 79,999	2
0	80,000 to 84,999	1
<u>36</u>		<u>51</u>

#### **Termination Costs**

There were no employees affected by redundancy during 2023/24.

## SECTION 4: Statement of Accounts

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

Movements in 2023/24	Other Land & Buildings	Vehicles, Plant & Equipment	PP&E Under Construction	Surplus Assets	Assets Held for Sale	Total
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Certified Valuation</b>						
At 1 April 2023	42,755	10,464	178	130	-	<b>53,527</b>
Additions	662	498	649	-	-	<b>1,809</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(254)	-	-	-	-	<b>(254)</b>
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(91)	-	-	-	-	<b>(91)</b>
Assets reclassified	762	46	(808)	-	-	-
Derecognition-Disposals	-	(332)	-	-	-	<b>(332)</b>
Impairment recognised in Revaluation Reserve	-	-	-	-	-	-
Impairment recognised in Surplus/Deficit on Provision of Services	-	-	-	-	-	-
<b>At 31 March 2024</b>	<b>43,834</b>	<b>10,676</b>	<b>19</b>	<b>130</b>	<b>-</b>	<b>54,659</b>
<b>Accumulated Depreciation and Impairment</b>						
At 1 April 2023	(2,377)	(6,191)	-	-	-	<b>(8,568)</b>
Depreciation Charge	(584)	(540)	-	-	-	<b>(1,124)</b>
Depreciation written out to the Revaluation Reserve on Historic Cost	(381)	-	-	-	-	<b>(381)</b>
Depreciation written out to the Revaluation Reserve on Revalued Assets	987	-	-	-	-	<b>987</b>
Depreciation written out to the Surplus/Deficit on Provision of service	-	-	-	-	-	-
Derecognition - Disposals	-	330	-	-	-	<b>330</b>
<b>At 31 March 2024</b>	<b>(2,355)</b>	<b>(6,401)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,756)</b>
<b>Net Book Value</b>						
At 31 March 2024	41,479	4,275	19	130	-	<b>45,903</b>
<b>Nature of Asset Holding</b>						
Owned	41,479	4,275	19	130	-	<b>45,903</b>
<b>Total</b>	<b>41,479</b>	<b>4,275</b>	<b>19</b>	<b>130</b>	<b>-</b>	<b>45,903</b>
<b>Movements in 2022/23</b>						
<b>Certified Valuation</b>						
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
<b>Accumulated Depreciation and Impairment</b>						
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)
<b>Net Book Value</b>						
At 31 March 2023	40,378	4,273	178	130	-	44,959
<b>Nature of Asset Holding</b>						
Owned	40,378	4,273	178	130	-	44,959
<b>Total</b>	<b>40,378</b>	<b>4,273</b>	<b>178</b>	<b>130</b>	<b>-</b>	<b>44,959</b>

## 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 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
<b>Valued at Historical Cost</b>	-	4,275	19	-	-	<b>4,294</b>
<b>Valued at current value as at:</b>						
Current Year	13,700	-	-	-	-	<b>13,700</b>
2022/2023	9,430	-	-	130	-	<b>9,560</b>
2021/2022	4,703	-	-	-	-	<b>4,703</b>
2020/2021	10,706	-	-	-	-	<b>10,706</b>
2019/2020	2,940	-	-	-	-	<b>2,940</b>
<b>Total</b>	<b>41,479</b>	<b>4,275</b>	<b>19</b>	<b>130</b>	<b>-</b>	<b>45,903</b>

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 2024 would have been:

- Other Land and Buildings: £13.714m

### 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 2024, the Authority had rephased capital expenditure totalling £1.764m into 2024/25 of which £0.984m is funded by Capital Investment Programme Reserve and £0.780m from Prudential Borrowing. The rephased capital relates to Property works £0.033m, Mobilising System £0.727m, Specialist Equipment £0.640m, Vehicles £0.092m, CCTV Upgrades £0.051m, Electric Charging Points £0.035m, Fuel Pump Management Systems £0.045m and Other Equipment £0.141m. The comparable capital commitment at 31 March 2023 was 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 updates £0.035m and Other Equipment £0.028m.

## Non Current Assets - Property, Plant & Equipment - Revaluations

### Revaluation Reserve Balance

Restated 2022/23 £000s		2023/24 £000s
17,586	Other Land & Buildings	<b>17,938</b>
31	Investment Properties	<b>31</b>
<b>17,617</b>		<b>17,969</b>

## 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:

<u>2022/23</u> £000s		<u>2023/24</u> £000s
225	Balance at the start of the year	255
	<b>Additions</b>	
-	Acquisitions	-
-	Subsequent Expenditure	-
-	Disposals	-
-	Impairment	-
30	Net Gains/(Losses) from fair value adjustments	-
	<b>Transfers</b>	
-	(To)/from Property, Plant & Equipment	-
<u>255</u>	<b>Balance at the end of the year</b>	<u>255</u>

#### 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 3. The previous valuation was based on Level 2 following a physical inspection.

#### 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 2023/24 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:

2022/23 £000s		2023/24 £000s
	Balance at the start of the year	
140	Gross carrying amounts	153
(75)	Accumulated amortisation	(85)
<u>65</u>	Net carrying amount at start of year	<u>68</u>
	Additions:	
13	Purchases	-
(10)	Amortisation for the period	(10)
<u>68</u>	<b>Net carrying amount at end of year</b>	<b><u>58</u></b>
	<b>Comprising</b>	
153	Gross carrying amounts	153
(85)	Accumulated amortisation	(95)
<u>68</u>		<b><u>58</u></b>

### Note 15: Inventories

This note sets out the value of inventories held by the Authority at 31st March 2024.

2022/23 £000s	Stores	2023/24 £000s
571	Balance 1st April	625
623	Purchases	935
(566)	Recognised as an expense in year	(820)
(3)	Written on/(off) Balances	(28)
<u>625</u>		<b><u>712</u></b>

## SECTION 4: Statement of Accounts

### Note 16: Short Term Debtors

This note sets out amounts owed to the Authority as at 31st March 2024.

2022/23 Net Debtor £000s		2023/24 Net Debtor £000s
	<b>Government Bodies:</b>	
4,411	Central Government Bodies	2,939
2,159	Other Local Authorities	3,290
6	NHS Bodies	2
	<b>Bodies external to general government:</b>	
158	General and Other Debtors	153
65	Trade Debtors	91
<u>6,799</u>		<u>6,475</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 17: 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.

2022/23 £000s		2023/24 £000s
	<b>Current Assets</b>	
-	Bank and Imprests	1
1,106	Liquidity Accounts	3
<u>1,106</u>		<u>4</u>
	<b>Current Liabilities</b>	
(118)	Bank Overdraft	<u>(231)</u>
<u>(118)</u>		<u>(231)</u>
<u>988</u>		<u>(227)</u>

### Note 18: Short Term Creditors

This note sets out amounts owed by the Authority as at 31st March 2024.

2022/23 £000s		2023/24 £000s
	<b>Government Bodies</b>	
784	Central Government Bodies	595
459	Collection Fund Agency Agreement	432
1,697	Other Local Authorities	2,033
	<b>Bodies external to general government:</b>	
257	Employees	299
478	General and Other Creditors	554
176	Trade Creditors	124
<u>3,851</u>		<u>4,037</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 19: Provisions

2022/23 £000s		2023/24 £000s
728	<b>Balance at 1st April</b>	643
36	Additional provisions made in year	73
-	New provision created in year	54
<u>(121)</u>	Amounts used in year	<u>(57)</u>
<u>643</u>	<b>Balance at 31st March</b>	<u>713</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 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.

A new provision for Bear Scotland was created in 2023/24, this relates to the finding of the Court of Appeal in Flowers v East of England Ambulance Trust. The appeal decided that 'voluntary overtime that is regularly worked' should be included in normal pay for holiday pay calculation purposes.

### Note 20: Long Term Borrowing

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

2022/23 £000s		2023/24 £000s
	Loan repayments due after one year:	
2,000	Money Market	2,000
6,796	Public Works Loan Board	6,694
<u>8,796</u>		<u>8,694</u>

### Note 21: Other Long Term Liabilities

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

2022/23 £000s		2023/24 £000s
<u>368,034</u>	Net Pensions Liability	<u>372,145</u>

The above relates to Fire Fighters Pension Scheme. Further details are provided in note 34.

## SECTION 4: Statement of Accounts

### Note 22: Usable Reserves

2022/23 £000s		2023/24 £000s	Note
<u>1,637</u>	<b>Unearmarked General Fund Balance</b>	<u>1,897</u>	a
	<b>Earmarked General Fund Reserves</b>		
2,920	Budget Support Fund	2,857	
<u>287</u>	Budget Support Fund-Interest Income	<u>501</u>	
<u>3,207</u>		<u>3,358</u>	b
	<b>Earmarked Revenue Reserves</b>		
1,408	Capital Phasing Reserve	1,643	c
624	Invest to Save Reserve	848	d
643	Insurance Fund	643	e
453	Innovation Fund	453	f
-	Asset Management Plan Inflation Risk	409	g
60	Ringfenced Grants	390	h
251	Commissioned Services	253	i
156	Grenfell Action Plan	113	j
-	Non-Statutory Community Projects	9	k
<u>3,595</u>		<u>4,761</u>	
	<b>Covid Collection Fund Reserve Deficit</b>		
599	Collection Fund Deficit	-	l
<u>599</u>		<u>-</u>	
	<b>Earmarked Capital Reserves</b>		
3,706	Capital Investment Programme	3,952	m
<u>3,706</u>		<u>3,952</u>	
<u>12,744</u>	<b>Total Reserves</b>	<u>13,968</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 2024/25 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 set aside to fund one-off commitments rephased to 2024/25 and beyond.
- e) 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.
- 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 inflation risks in relation to the Asset Management Plan.
- h) This reserve is earmarked for specific commitments in 2024/25 or future years in accordance with grant conditions.
- i) This reserve is earmarked to manage income volatility and to provide a longer lead time to manage temporary income reductions.
- j) This reserve is earmarked to support sustained progress in implementing the recommendations from the Grenfell Tower Inquiry and improve resilience to major incidents.
- k) This reserve has been established to fund Non-Statutory Community Projects (Volunteers / Cadets Schemes etc.). Bids are submitted to the CFB Risk Management Services Community Interest Company for approval by their Board. Funds are ring-fenced where the timing of the receipt of the approved funding and the delivery aspects of the projects do not occur in the same financial periods. Funds are allocated as the projects are delivered.
- l) This reserve was earmarked to offset a forecast Collection Fund deficit from an increase in Local Council Tax Support households from the economic impact of COVID19.
- 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 23: Unusable Reserves

2022/23 £000s		2023/24 £000s	Table
17,617	Revaluation Reserve	17,969	1
18,785	Capital Adjustment Account	18,568	2
(363,775)	Pensions Reserve	(364,657)	3
43	Deferred Capital Receipts Reserve	22	4
(10)	Collection Fund Adjustment Account	555	5
(256)	Accumulated Absences Account	(298)	6
<u>(327,596)</u>	<b>Balance at 31 March</b>	<u><b>(327,841)</b></u>	

#### 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.

2022/23 £000s		2023/24 £000s
11,480	<b>Balance at 1 April</b>	17,617
(164)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(929)
<u>6,564</u>	Upward revaluation of assets	<u>1,662</u>
6,400	Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	<b>733</b>
<u>(263)</u>	Difference between fair value depreciation and historical cost depreciation	<u>(381)</u>
(263)	Amounts written off to the Capital Adjustment Account	<b>(381)</b>
<u>17,617</u>	<b>Balance at 31 March</b>	<u><b>17,969</b></u>

## 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.

2022/23 £000s		2023/24 £000s
18,609	<b>Balance at 1 April</b>	18,785
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(1,351)	Charges for depreciation and impairment of non-current assets	(1,505)
(105)	Revaluation losses on Property, Plant and Equipment	(91)
(10)	Amortisation of intangible assets	(10)
(2)	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)
263	Adjusting amounts written out of the Revaluation Reserve	381
<u>(1,205)</u>	Net written out amount of the cost of non-current assets consumed in the year	<u>(1,227)</u>
	Capital financing applied in the year:	
35	Application of Capital Receipts Reserve to finance capital expenditure	22
21	Application of Capital Receipts in relation to finance lease to reduce capital financing requirement	21
504	Statutory provision for the financing of capital investment charged against the General Fund balances	494
791	Direct revenue funding credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	473
-	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-
<u>1,351</u>		<u>1,010</u>
30	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-
<u>18,785</u>	<b>Balance at 31 March</b>	<u>18,568</u>

## 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.

2022/23 £000s		2023/24 £000s
(498,256)	<b>Balance at 1 April</b>	(363,775)
150,833	Remeasurement of defined pension liability on pensions assets and liabilities	15,465
(20,412)	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	(20,791)
3,827	Employer's pension contributions	4,200
233	Direct payments to pensioners payable in year	244
<u>(363,775)</u>	<b>Balance at 31 March</b>	<u>(364,657)</u>

**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.

2022/23 £000s		2023/24 £000s
64	<b>Balance at 1 April</b>	43
(21)	Transfer to the Capital Receipts Reserve upon receipt of cash	(21)
<u>43</u>	<b>Balance at 31 March</b>	<u>22</u>

## 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.

2022/23 £000s		2023/24 £000s
(662)	<b>Balance at 1 April</b>	(10)
652	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	565
(10)	<b>Balance at 31 March</b>	<b>555</b>

### **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.

2022/23 £000s		2023/24 £000s
(244)	<b>Balance at 1 April</b>	(256)
(12)	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	(42)
(256)	<b>Balance at 31 March</b>	<b>(298)</b>

## SECTION 4: Statement of Accounts

### Note 24: 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:

2022/23 £000s		2023/24 £000s
	<b>Council Tax Precepts/Business Rates Retention</b>	
2,374	Hartlepool Borough Council	2,518
3,175	Middlesbrough Borough Council	3,709
3,732	Redcar & Cleveland Borough Council	3,469
5,550	Stockton on Tees Borough Council	6,514
<u>14,831</u>		<u>16,210</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 £0.094m (£0.090m in 2022/23). The cost of services received by the Authority from Hartlepool Borough Council total £0.221m (£0.237m in 2022/23). From the 1 July 2023, the Authority employed its own Treasurer. From 1 April 2023 to 30 June 2023, the role of the 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 25: 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:

2022/23 £000s		2023/24 £000s
31	Fees payable in respect of external audit services carried out by the appointed auditor for the year	91
3	Additional fee owing to work required for audit of the Group Accounts	5
7	Fees payable in respect of other services	7
-	Additional fee owing to previous financial year	-
<u>41</u>		<u>103</u>

### Note 26: Operating Leases

The Authority currently has 25 contract hire cars and 26 photocopier printing devices on lease. Outstanding obligations are as follows:

2022/23 £000s	Future minimum lease payments due	2023/24 £000s
158	Not later than one year	160
330	Later than one year & not later than five years	196
<u>488</u>		<u>356</u>

The minimum lease payments incurred were as follows:

2022/23 £000s	Minimum Lease Payments in Year	2023/24 £000s
112	Vehicles	179
5	Photocopiers	14
<u>117</u>		<u>193</u>

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 27: 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. As at 31 March 2024, the lease is fully paid up.

31 March 2023 £000s		31 March 2024 £000s
-	Finance lease debtor (net present value of minimum lease payments):	-
22	Current	-
-	Non-current	-
-	Unearned finance income	-
<u>22</u>	<b>Gross investment in the lease</b>	<u>-</u>

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 2023 £000s	Minimum Lease Payments 31 March 2023 £000s		Gross Investment in the Lease 31 March 2024 £000s	Minimum Lease Payments 31 March 2024 £000s
22	22	Not later than one year	-	-
-	-	Later than one year & not later than five years	-	-
<u>22</u>	<u>22</u>		<u>-</u>	<u>-</u>

## SECTION 4: Statement of Accounts

### Note 28: 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.

2022/23 £000s		2023/24 £000s
9,124	<b>Opening Capital Financing Requirement</b>	<b>8,881</b>
	<b>Capital investment</b>	
291	Property Plant and Equipment	1,160
804	Assets Under Construction	649
13	Intangible Assets	-
	<b>Sources of Finance</b>	
	<i>Sums set aside from revenue:</i>	-
(791)	Direct revenue contributions	(473)
(35)	Application of Capital Receipts	(22)
	Application of Capital Receipts in relation to finance lease to	
(21)	reduce capital financing requirement	(21)
(504)	Minimum Revenue Provision (MRP)	(494)
<u>8,881</u>	<b>Closing Capital Financing Requirement</b>	<u><b>9,680</b></u>
	<b>Explanation of movements in year</b>	
282	Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	1,314
(21)	Application of Capital Receipts in relation to finance lease to reduce capital financing requirement	(21)
(504)	Minimum Revenue Provision (MRP)	(494)
<u>(243)</u>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<u><b>799</b></u>

## SECTION 4: Statement of Accounts

### Note 29: Financial Instruments

#### Categories of Financial Instruments

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

2022/23			2023/24	
Long Term £000s	Current £000s		Long Term £000s	Current £000s
<b>Investments at Amortised Cost</b>				
-	1,106	Liquidity Accounts included in Cash Equivalents	-	4
36	12,359	Loans and receivables at Amortised Cost	-	12,326
36	13,465	<b>Total Investments at Amortised Cost</b>	-	<b>12,330</b>
<b>Debtors</b>				
-	223	Financial Assets (including Trade Debtors and General and Other Debtors and Long Term Debtors)	-	248
-	223	<b>Total debtors</b>	-	<b>248</b>
<b>Borrowings at Amortised Cost</b>				
8,796	3,153	Financial liabilities at amortised cost	8,694	967
8,796	3,153	<b>Total borrowings at Amortised Cost</b>	<b>8,694</b>	<b>967</b>
<b>Creditors</b>				
-	653	Financial liabilities carried at contract amount	-	678
-	653	<b>Total creditors</b>	-	<b>678</b>

## SECTION 4: Statement of Accounts

### Note 29: Financial Instruments

#### Income, Expense, Gains and Losses

2022/23				2023/24		
Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables at amortised cost	Total		Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables at amortised cost	Total
£000s	£000s	£000s		£000s	£000s	£000s
267	-	267	Interest expense	337	-	337
-	(305)	(305)	Interest income	-	(778)	(778)
267	(305)	(38)	<b>Net (gain)/loss for the year</b>	<b>337</b>	<b>(778)</b>	<b>(441)</b>

#### The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Except for financial assets carried at fair value, all other financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. However disclosure of their value is required and is set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Input to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the "fair value hierarchy," as follows:

- Level 1 - Unadjusted quoted market prices for identical assets or liabilities;
- Level 2 - Inputs other than quoted market prices that are either directly or indirectly observable;
- Level 3 - Unobservable inputs.

The fair value of the assets and liabilities below has been assessed by calculating the present value of the cash flows that will take place over the remaining life of the instruments (Level 2 in the fair value hierarchy), using the following assumptions:

- For loans from the PWLB payable, premature repayment rates from the PWLB have been applied to provide the fair value under the PWLB debt redemption procedures;
- For non-PWLB loans payable, premature market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31 March 2023			31 March 2024	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000s	£000s		£000s	£000s
36	36	<b>Financial Assets</b>	-	-
12,359	12,359	Investments maturing after one year	12,326	12,326
1,106	1,106	Investments maturing within one year	4	4
223	223	Liquidity Accounts included in Cash Equivalents	248	248
13,724	13,724	Short Term Debtors	<b>12,578</b>	<b>12,578</b>
		<b>Financial liabilities</b>		
5,006	5,303	Market Loans	2,818	3,029
6,943	6,135	Public Works Loan Board	6,843	5,660
653	653	Trade Creditors and General and Other Creditors	678	678
12,602	12,091		<b>10,339</b>	<b>9,367</b>

### Note 29: Financial Instruments

The fair value of Public Works Loan Board (PWLB) loans of £5.660m 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.

However, 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 £6.843m would be valued at £5.015m. 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 £6.843m less a discount for the reduced interest income of £1.183m totalling £5.660m.

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 2024) 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 30: 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 24 March, 2023 and is available on the Fire Authority website. The key issues within the strategy were:

- the Authorised Limit for 2023/24 was set at £14.0m (£13.0m in 2022/23). This is the maximum limit of external borrowings or other long term liabilities;
- the Operational Boundary was set at £12.0m (£11.0m in 2022/23). 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 2023/24 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 2024 that this was likely to crystallise.

## SECTION 4: Statement of Accounts

### Note 30: 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 £0.137m of the £0.248m 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 2023 £000s	31 March 2024 £000s
Less than three months	56	101
Three to six months	21	19
Six months to one year	3	17
More than one year	-	-
	<u>80</u>	<u>137</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 2023 £000s	31 March 2024 £000s
Less than one year	99	102
Between one and five years	427	439
Between five and ten years	608	626
Between ten and fifteen years	702	723
Between fifteen and twenty years	812	836
Between twenty and twenty-five years	939	967
Between twenty-five years and thirty years	1,086	1,118
Between thirty and thirty-five years	2,223	1,986
Between thirty-five and forty years	-	-
Between forty and forty-five years	-	-
More than forty-five years	2,000	2,000
	<u>8,896</u>	<u>8,797</u>

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

## SECTION 4: Statement of Accounts

### Note 30: 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 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 2024, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£000s</b>
Increase in interest payable on borrowings	87
Increase in interest receivable on variable rate investments	(123)
Impact on Surplus or Deficit on the Provision of Services	<b>(36)</b>
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Comprehensive Income and Expenditure Statement)	<b>(1,127)</b>

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 31: Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2022/23 £000s		2023/24 £000s
305	Interest received	779
(267)	Interest paid	(337)

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

2022/23 £000s		2023/24 £000s
1,361	Depreciation and Amortisation	1,515
105	Impairment and downward valuations	91
171	Increase / (decrease) in creditors	(295)
(1,308)	(Increase) / decrease in debtors	303
(54)	(Increase) / decrease in inventories	(87)
16,352	Pension Liability	16,347
(115)	Other non-cash items	70
2	Carrying amount of non-current assets sold	2
<u>16,514</u>		<u>17,946</u>

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

2022/23 £000s		2023/24 £000s
42	Proceeds from short-term and long-term investments	-
(35)	Proceeds from sale of property, plant and equipment, investment property and intangible assets	(22)
<u>7</u>		<u>(22)</u>

### Note 32: Cash Flow Statement - Investing Activities

2022/23 £000s		2023/24 £000s
(1,316)	Purchase of property, plant and equipment and investment property	(1,744)
(8,836)	Purchase of short-term and long-term investments	-
56	Other receipts from investing activities	43
-	Proceeds from short-term and long-term investments	69
<u>(10,096)</u>	<b>Net cash flows from investing activities</b>	<u>(1,632)</u>

### Note 33: Cash Flow Statement - Financing Activities

2022/23 £000s		2023/24 £000s
2,908	Repayments of short and long-term borrowing	(2,288)
<u>2,908</u>	<b>Net cash flows from financing activities</b>	<u>(2,288)</u>

## SECTION 4: Statement of Accounts

### Note 34: 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
<b>2023/24</b>							
<b>Comprehensive Income and Expenditure Statement</b>							
Cost of Services:							
Current Service cost	883	-	-	41	-	2,128	3,052
Past Service cost (including curtailments)	-	-	15,000	-	6,753	(20,742)	1,011
Past Service Cost	-	-	-	-	-	-	-
Financing and Investment Income and Expenditure:							
Net Interest Expense	(198)	2	14,782	186	625	1,331	16,728
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>685</b>	<b>2</b>	<b>29,782</b>	<b>227</b>	<b>7,378</b>	<b>(17,283)</b>	<b>20,791</b>
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)	(2,112)	-	-	-	-	-	(2,112)
Actuarial (gains) and losses - financial assumptions	(2,031)	(2)	(8,348)	(80)	(1,068)	(820)	(12,349)
Actuarial (gains) and losses - demographic assumptions	(196)	(1)	(5,588)	(102)	(1,078)	(1,076)	(8,041)
Actuarial (gains) and losses - liability experience	984	68	15,478	(119)	(1,304)	3,492	18,599
Other	-	-	(16,589)	-	(69)	5,095	(11,563)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(2,670)</b>	<b>67</b>	<b>14,735</b>	<b>(74)</b>	<b>3,859</b>	<b>(10,592)</b>	<b>5,325</b>
<b>Movement in Reserves Statement</b>							
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(685)	(2)	(29,782)	(227)	(7,378)	17,283	(20,791)
Actual amount charged against the General Fund Balance for pensions in the year:							
Employers' contributions payable to the scheme	616	-	-	-	-	3,573	4,189
Retirement benefits payable to pensioners	-	11	-	244	-	-	255
<b>Transfer from Pension Reserve</b>	<b>(69)</b>	<b>9</b>	<b>(29,782)</b>	<b>17</b>	<b>(7,378)</b>	<b>20,856</b>	<b>(16,347)</b>

## SECTION 4: Statement of Accounts

### Note 34: 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
<b>2022/23</b>							
Comprehensive Income and Expenditure Statement							
Cost of Services:							
Current Service cost	1,693	-	-	76	-	5,404	7,173
Past Service cost (including curtailments)	-	-	-	-	-	-	-
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)

#### 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
<b>2023/24</b>							
Present Value of the defined benefit obligation	33,564	98	337,781	3,760	17,195	13,409	405,807
Fair Value of Assets	(41,150)	-	-	-	-	-	(41,150)
Funded Status	(7,586)	98	337,781	3,760	17,195	13,409	364,657
Impact of minimum funding requirement/asset ceiling	-	-	-	-	-	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>(7,586)</b>	<b>98</b>	<b>337,781</b>	<b>3,760</b>	<b>17,195</b>	<b>13,409</b>	<b>364,657</b>
<b>2022/23</b>							
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

## SECTION 4: Statement of Accounts

### Note 34: Defined Benefit Pension Schemes

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

	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
<b>2023/24</b>							
Opening balance at 1 April	37,528	-	-	-	-	-	37,528
Interest income on assets	1,776	-	-	-	-	-	1,776
Remeasurement gains/(losses) - return on plan assets	2,112	-	-	-	-	-	2,112
Remeasurement - other	-	-	16,589	-	69	(5,095)	11,563
Employer contributions	616	11	-	244	-	3,573	4,444
Contributions by scheme participants	280	-	6	-	12	1,584	1,882
Benefits paid	(1,162)	(11)	(16,595)	(244)	(81)	(62)	(18,155)
<b>Closing balance at 31 March</b>	<b>41,150</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,150</b>

#### 2022/23

	£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

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

	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
<b>2023/24</b>							
Opening balance at 1 April	33,228	41	323,046	4,078	13,336	27,574	401,303
Current Service Cost	883	-	-	41	-	2,128	3,052
Interest Cost	1,578	2	14,782	186	625	1,331	18,504
Contributions by scheme participants	280	-	6	-	12	1,584	1,882
Actuarial gains and (losses) on liabilities - financial assumptions	(2,031)	(2)	(8,348)	(80)	(1,068)	(820)	(12,349)
Actuarial gains and (losses) on liabilities - demographic assumptions	(196)	-	(5,588)	(102)	(1,078)	(1,076)	(8,040)
Actuarial gains and (losses) on liabilities - experience	984	68	15,478	(119)	(1,304)	3,492	18,599
Benefits paid	(1,162)	(11)	(16,595)	(244)	(81)	(62)	(18,155)
Past Service cost (incl curtailments)	-	-	15,000	-	6,753	(20,742)	1,011
Past Service Costs	-	-	-	-	-	-	-
Settlements	-	-	-	-	-	-	-
<b>Closing balance at 31 March</b>	<b>33,564</b>	<b>98</b>	<b>337,781</b>	<b>3,760</b>	<b>17,195</b>	<b>13,409</b>	<b>405,807</b>

#### 2022/23

	£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)	-	-	-	-	-	-	-
Settlements	-	-	-	-	-	-	-
Closing balance at 31 March	33,228	41	323,046	4,078	13,336	27,574	401,303

## SECTION 4: Statement of Accounts

### Note 34: Defined Benefit Pension Schemes

#### The Local Government Pension Scheme Assets

The Local Government Pension Scheme assets comprised:

	2022/23	2023/24
	<u>£000s</u>	<u>£000s</u>
Equity investments	26,543	29,265
Property	3,295	4,075
Cash	2,498	1,495
Other	5,192	6,315
	<u>37,528</u>	<u>41,150</u>

#### Basis for Estimating Assets and Liabilities

Assets/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 2022 for LGPS funded and unfunded schemes respectively. All four Firefighters' Pension Schemes were valued on 31 March 2023.

The principal assumptions used by the actuary have been:

<u>2023/24</u>	<b>LGPS (funded benefits)</b>	<b>LGPS (unfunded benefits)</b>	<b>FFPS 1992 (Old Scheme)</b>	<b>FFPS (Comp'n Scheme)</b>	<b>FFPS 2006 (New Scheme)</b>	<b>FFPS 2015 (New Scheme)</b>
Long-term expected rate of return on assets in the scheme:						
<i>Equity investments</i>	4.9%	n/a	n/a	n/a	n/a	n/a
<i>Government Bonds</i>	4.9%	n/a	n/a	n/a	n/a	n/a
<i>Bonds</i>	4.9%	n/a	n/a	n/a	n/a	n/a
<i>Property</i>	4.9%	n/a	n/a	n/a	n/a	n/a
<i>Cash</i>	4.9%	n/a	n/a	n/a	n/a	n/a
<i>Other</i>	4.9%	n/a	n/a	n/a	n/a	n/a
Mortality assumptions:						
<i>Longevity at 65 for current pensioners:</i>						
Men	20.5	20.5	21.2	21.2	21.2	21.2
Women	23.5	23.5	23.8	23.8	23.8	23.8
<i>Longevity at 65 for future pensioners:</i>						
Men	21.3	n/a	22.8	22.8	22.8	22.8
Women	25.0	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)	2.8%	2.8%	2.6%	2.6%	2.6%	2.6%
Rate of increase in salaries	3.8%	3.8%	3.6%	3.6%	3.6%	3.6%
Rate of increase in pensions	2.8%	2.8%	2.6%	2.6%	2.6%	2.6%
Rate for discounting scheme liabilities	4.9%	4.9%	4.8%	4.8%	4.8%	4.8%
Take-up of option to convert annual pension into retirement lump sum	80%	n/a	90%	n/a	80%	80%

## SECTION 4: Statement of Accounts

### Note 34: Defined Benefit Pension Schemes

<u>2022/23</u>	LGPS (funded benefits)	LGPS (unfunded benefits)	FFPS 1992 (Old Scheme)	FFPS (Comp'n Scheme)	FFPS 2006 (New Scheme)	FFPS 2015 (New Scheme)
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	80%	n/a	90%	n/a	75%	75%

## SECTION 4: Statement of Accounts

### Note 34: 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

	<b>LGPS (funded benefits)</b>	<b>LGPS (unfunded benefits)</b>	<b>FFPS 1992 (Old Scheme)</b>	<b>FFPS (Comp'n Scheme)</b>	<b>FFPS 2006 (New Scheme)</b>	<b>FFPS 2015 (New Scheme)</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Increase In Assumptions</b>						
Adjustment to Discount rate (+ 0.1%)	651	n/a	4,387	38	464	389
Adjustment to Salary increase rate (+ 0.1%)	41	n/a	-	4	206	174
Adjustment to Pension increase rate (+ 0.1%)	622	n/a	4,387	34	275	215
Adjustment to Longevity (decrease 1 year)	1,346	n/a	8,436	94	430	335
<b>Decrease in Assumptions</b>						
Adjustment to Discount rate (- 0.1%)	651	n/a	4,387	38	481	389
Adjustment to Salary increase rate (- 0.1%)	41	n/a	-	4	206	174
Adjustment to Pension increase rate (- 0.1%)	622	n/a	4,387	34	258	215
Adjustment to Longevity (increase 1 year)	1,346	n/a	8,436	94	430	335

#### 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 2025 is £0.612m and the total contributions expected to be made to the Fire Fighters' Pension Scheme by the Authority in the same year is £16.404m including the Government Pensions Top Up Grant.

The weighted average duration of the defined benefit obligation for scheme members is 14.2 years in 2023/24 (15.5 years in 2022/23).

### **Note 35: Contingent Liabilities**

#### **Employment Tribunals**

Two claimants brought certain complaints during 2022/23 against CFA with proceedings instituted. These claims remain outstanding and 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.

### **Note 36: Contingent Asset**

#### **Competition Appeal Tribunal**

Pending the outcome of an appeal by Motorola, against a Competition Appeal Tribunal decision in December 2023, to impose a charge control mechanism, the value of credit notes received for this national project are being held by Buckinghamshire Fire Authority. If the appeal upholds the original decision of the Competition Appeal Tribunal, Cleveland Fire Authority's estimated share of the credit is £0.089m as at 31 March 2024.

### **Note 37: Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Treasurer on 31 May 2024. 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 2024, 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 Statement

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

2022/23 Expenditure / (Income) £000s		2023/24 Expenditure / (Income) £000s
	<b>Contributions receivable</b>	
(3,254)	From employer	(3,573)
(1,455)	From members	(1,602)
<u>(4,709)</u>		<u>(5,175)</u>
	<b>Firefighters Pension Schemes - Contributions Refund</b>	
	<b>Transfers in</b>	
(161)	Individual transfers in from other schemes	(4)
<u>(161)</u>		<u>(4)</u>
	<b>Benefits payable</b>	
15,484	Pensions	15,744
2,272	Commutation and lump sum retirement benefits	998
<u>17,756</u>		<u>16,742</u>
	<b>Payment to and account of leavers</b>	
41	Individual transfers out to other schemes	-
<u>41</u>		<u>-</u>
<u>12,927</u>	<b>Net amount payable for the year</b>	<u>11,563</u>
<u>(12,927)</u>	<b>Top-up grant payable by the Government</b>	<u>(11,563)</u>
<u>-</u>		<u>-</u>

#### Net Assets Statement

2022/23 £000s		2023/24 £000s
	<b>Net current assets and liabilities</b>	
(4,057)	Debtor: Pension top-up grant receivable from the Government	(2,627)
4,057	Amount owing to the General Fund	2,627
<u>-</u>	<b>Net assets</b>	<u>-</u>

The above statement does not include liabilities to pay pensions and other benefits after the Balance Sheet date. Accordingly, although in accordance with the Code the statements refer to benefits payable, the fund is maintained on a cash basis and reflects all benefits paid in the year.

Further information about IAS 19 liability is contained in Note 34.

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 2024

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
<b>Balance at 31 March 2022 carried forward</b>	1,552	2,920	8,083	-	12,555	(469,009)	(456,454)	212	(456,242)
<b><u>Movement in reserves during 2022/23</u></b>									
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
<b>Total Comprehensive Income and Expenditure</b>	(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)	-	-	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	980	-	(791)	-	189	141,413	141,602	(46)	141,556
Transfers to/(from) Earmarked Reserves	(895)	287	608	-	-	-	-	-	-
<b>Increase/(Decrease) in Year</b>	85	287	(183)	-	189	141,413	141,602	(46)	141,556
<b>Balance at 31 March 2023 carried forward</b>	1,637	3,207	7,900	-	12,744	(327,596)	(314,852)	166	(314,686)
<b><u>Movement in reserves during 2023/24</u></b>									
Surplus or (deficit) on provision of services	(15,219)	-	-	-	(15,219)	-	(15,219)	(541)	(15,760)
Other Comprehensive Income and Expenditure	-	-	-	-	-	16,198	16,198	-	16,198
<b>Total Comprehensive Income and Expenditure</b>	(15,219)	-	-	-	(15,219)	16,198	979	(541)	438
Adjustments between accounting basis & funding basis under regulations (note 4)	16,443	-	-	-	16,443	(16,443)	-	-	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	1,224	-	-	-	1,224	(245)	979	(541)	438
Transfers to/(from) Earmarked Reserves	(964)	151	813	-	-	-	-	2	2
<b>Increase/(Decrease) in Year</b>	260	151	813	-	1,224	(245)	979	(539)	440
<b>Balance at 31 March 2024 carried forward</b>	1,897	3,358	8,713	-	13,968	(327,841)	(313,873)	(373)	(314,246)

## SECTION 5: Group Statement of Accounts

### Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2024

This Statement summarises the resources that have been generated and consumed in providing services and managing the Group during the last year. It includes all day to day expenses and related income on an accruals basis.

2022/23			2023/24		
Gross Expenditure	Gross Income	Net	Gross Expenditure	Gross Income	Net
£000s	£000s	£000s	£000s	£000s	£000s
28,321	-	28,321	27,614	-	27,614
7,848	-	7,848	8,464	-	8,464
-	-	-	-	-	-
-	(3,657)	(3,657)	-	(4,130)	(4,130)
36,169	(3,657)	32,512	36,078	(4,130)	31,948
-	(33)	(33)	-	(20)	(20)
14,448	(1,275)	13,173	18,782	(2,488)	16,294
-	(29,973)	(29,973)	-	(32,462)	(32,462)
50,617	(34,938)	15,679	54,860	(39,100)	15,760
		(4) Tax Expenses (Subsidiaries)			-
		15,675			15,760
		(6,400)			(733)
		(150,833)			(15,465)
		(157,233)			(16,198)
		(141,558)			(438)

## SECTION 5: Group Statement of Accounts

### Group Balance Sheet for the year ended 31 March 2024

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 2023		31 March 2024
<u>£000s</u>		<u>£000s</u>
44,980	Property, Plant and Equipment	45,931
255	Investments	255
68	Intangible Assets	59
4,259	Pension Asset	7,488
150	Long Term Investments	150
<u>49,712</u>	<b>Long Term Assets</b>	<b><u>53,883</u></b>
12,287	Short term investments	12,290
625	Inventories	712
6,908	Short Term Debtors	7,057
1,296	Cash and Cash Equivalents	8
<u>21,116</u>	<b>Current Assets</b>	<b><u>20,067</u></b>
(118)	Bank Overdraft	(231)
(4,013)	Short Term Creditors	(5,111)
(644)	Provisions	(714)
(3,163)	Short Term Borrowing	(977)
(723)	Revenue Grants Receipts in Advance	(307)
<u>(8,661)</u>	<b>Current Liabilities</b>	<b><u>(7,340)</u></b>
(21)	Long Term Creditors	(17)
(8,796)	Long Term Borrowing	(8,694)
(368,034)	Other Long Term Liabilities	(372,145)
<u>(376,851)</u>	<b>Long Term Liabilities</b>	<b><u>(380,856)</u></b>
<u><u>(314,684)</u></u>	<b>Net Assets:</b>	<b><u><u>(314,246)</u></u></b>
12,744	Usable Reserves	13,968
(327,596)	Unusable Reserves	(327,841)
168	Subsidiary Reserve	(373)
<u><u>(314,684)</u></u>	<b>Total Reserves:</b>	<b><u><u>(314,246)</u></u></b>

## SECTION 5: Group Statement of Accounts

### Group Statement Of Cash Flows for the year ended 31 March 2024

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.

2022/23 £000s		2023/24 £000s
(15,677)	Net surplus or (deficit) on the provision of services	(15,760)
16,619	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements	18,330
7	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	(22)
949	<b>Net cash (outflow)/inflow from operating activities</b>	<b>2,548</b>
(10,096)	<b>Investing activities</b>	<b>(1,661)</b>
2,908	<b>Financing activities</b>	<b>(2,288)</b>
(6,239)	Net increase or (decrease) in cash and cash equivalents	(1,401)
7,417	Cash and cash equivalents at the beginning of the reporting period	1,178
1,178	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>(223)</b>

### 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 2023/24 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 25.

#### Group Adjustments

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

During 2023/24 goods and services with a value of £0.047m were supplied by Cleveland Fire Authority to Cleveland Fire Brigade Risk Management Services Community Interest Company (CIC). The CIC provided £0.012m 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 Fire Authority had provided a loan to the CIC of £0.150m. The remaining loan value as at 31 March 2024 is £0.084m. The transactions relating to remaining lease repayment liabilities and assets have been eliminated from Group Accounts.

## SECTION 6: Annual Governance Statement 2023/2024

### **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 has a duty under the Local Government Act 1999 to plan to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency, and effectiveness.

In discharging these 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 Authority's Governance Framework comprises of systems, processes, culture, and values by which the Authority directs and controls its activities for which it is accountable 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 community safety 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 economically, efficiently and effectively.

The Governance Framework was in place at CFA for the year ended 31st March 2024.

### **THE INTERNAL CONTROL GOVERNANCE FRAMEWORK**

The key elements of the Authority's Governance Framework including policies and decision making and internal control arrangements are outlined in the CFA Constitution which also 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.

The Authority has appointed a 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 always acts within its legal powers 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 are 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 a complimentary Resource Plan 2022-26 and a Culture and People Plan 2022-26.
- An Annual Service Plan which details our performance against the previous year's priorities and explains the priorities for the forthcoming year.
- An Annual Efficiency and Productivity Plan this assists the NFCC, LGA and Home office to collate evidence to assess progress at national level against the agreed Spending Review Goals.
- A Performance and Efficiency Report which provides information on the Authority's performance, risk, finance, and efficiency over the previous 12 months.

## SECTION 6: Annual Governance Statement 2023/2024

- An Annual Statement of Assurance that provides the government and the public with assurance on our operational, financial and governance arrangements.

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 assist 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, Forvis Mazars LLP 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 2023/24.

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 2023.

Other review bodies external to the Authority makes 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 2022 and achieved a rating of 'GOOD' for each of the three pillars of Effectiveness, Efficiency and People. A further inspection is anticipated to take place during the Autumn of 2024.

### **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 Finance 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 2023/2024

- 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 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 2024/25

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

No.	Area	Action
<b>AGS1</b>	Reduce the overall cost base of the revenue budget in line with the medium-term financial strategy.	<ul style="list-style-type: none"> <li>ESR 33.3: Review Medium Term Financial Strategy including efficiencies and reserves.</li> <li>ESR 83.3: Implement 2024/25 Capital Programme.</li> <li>ESR 106: Develop a plan to address the Medium-Term Financial Strategy deficit £1.7m.</li> </ul>
<b>AGS2</b>	Develop Corporate Governance Arrangements.	<ul style="list-style-type: none"> <li>SP 9.2: Address identified improvements required from the gap analysis of the Home Office's White Paper 'Reforming our Fire and Rescue Service.'</li> <li>SP 12: Review the Authority's 'Changing Landscape Document'.</li> <li>SP 22: Undertake a gap analysis against HMICFRS 'State of Fire' Report.</li> <li>ESR 1.2: Implement our new 'Better Together' Collaboration and Partnership Framework, develop a rolling programme of collaboration and partnership.</li> <li>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.</li> </ul>

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<b>AGS3</b>	Promote greater partnership and collaborative working.	<ul style="list-style-type: none"> <li>· ESR 15: Evaluate the effectiveness and efficiency of Cleveland Police co-locating at Thornaby Fire Station.</li> <li>· ESR 34.2: Demonstrate collaboration throughout our local and regional supply chain.</li> <li>· ESR 37: Evaluate the effectiveness and efficiency of Cleveland Police leasing the former Training Centre at Grangetown.</li> <li>· ESR 75.3: Encourage suppliers to gain certification to relevant accreditation schemes.</li> <li>· ESR 93.2: Evaluate our vehicle maintenance collaboration partnership with Cleveland Police.</li> <li>· SSC 6.3: Continue to work with partners to gather better insight relating to our diverse and 'hard to reach' communities (NFCC Access to Services).</li> <li>· SSC 22.3: Use good practice (NFCC Access to Services) to improve engagement with our business community.</li> <li>· SSC 28.3: Work with partners to deliver 20,000 Safer Homes Visits per year targeting the most vulnerable.</li>   <li>· SSC 29.2: Evaluate our Arson Reduction Strategy.</li> <li>· SSC 31.2: Establish a Community Volunteer Scheme.</li> <li>· SSC 33.3: Implement the learning from local, regional and national critical events such as Grenfell Tower fire and The Cube (Manchester) fire to ensure that our emergency response capabilities remain effective.</li> <li>· SSC 37.3: Implement the collaborative project with CDDFRS, H&amp;WFRS and Shropshire FRS for the future provision of fire call handling and mobilising services</li> <li>· SSC 42.3: Strengthen our Joint Emergency Services inter-operability Programme (JESIP) with local and regional partners.</li> <li>· SSC 101.2: 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.</li> </ul>
<b>AGS4</b>	Further Develop the Authority's Performance Framework.	<ul style="list-style-type: none"> <li>· SP 4.3: Prepare for His Majesty's Inspectorate Constabulary and Fire and Rescue Services (HMICFRS) inspection in October 2024.</li> <li>· ESR 16.3: Enhance the visualisation and presentation of our data through the expanded use of business intelligence dashboards using Microsoft Power BI.</li> <li>· SSC 6.2: Develop and design new digital Performance Management Framework.</li> <li>· SSC 14.3: Progress our programme of quality assurance compliance audits aligned to each of the prevention activities.</li> <li>· SSC 14.2: Progress our programme of quality assurance compliance audits aligned to each of the prevention activities;</li> <li>· SSC 38.3: Use independent Resource Review to develop options for Emergency Response Cover.</li> <li>· SSC 39.3: Use On-Call Review to increase availability of On-Call fire engines.</li> </ul>

## SECTION 6: Annual Governance Statement 2023/2024

<b>AGS5</b>	Further develop the Authority's Risk Framework.	<ul style="list-style-type: none"> <li>· SSC 9.3: Develop a more detailed understanding of the impact of vulnerability factors on the causes of dwelling fires to support the assessment of risk.</li> <li>· SSC 21.2: Embed and evaluate the Risk Based Inspection Programme.</li> <li>· SSC 27.3: 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.</li> <li>· SSC 36.3: Continue to develop and train our staff in line with the National Competency for Fire Safety Regulators.</li> <li>· SSC 37.3: Implement the collaborative project with CCDFRS, HWFRS and Shropshire FRS for the future provision of fire call handling and mobilising services.</li> <li>· SSC 113: Review risk management policy, framework, and diagram in line with key document framework.</li> <li>· SSC 114: Produce Community Risk profile in preparation for production of Community Risk Management Plan 2026-30.</li> <li>· ESR 98.1: Assess the implications of the procurement Act 2023, scheduled to be published in October 2024.</li> <li>· ESR 913.2: Align our geospatial and location data with the national UK Addressing Database.</li> </ul>
<b>AGS6</b>	Delivering against the Equality and Diversity statutory framework.	<ul style="list-style-type: none"> <li>· PPP 6.2: Develop our diversity performance indicators to identify and address disproportionality across recruitment, retention, and progression.</li> <li>· PPP 3.3: Provide accessibility and connectivity for our people to work anytime, anywhere on any device.</li> <li>· PPP 8.3: Voluntarily compile an Ethnicity Pay Report.</li> <li>· PPP 9: Gain re-accreditation of our Disability Confident Leader.</li> <li>· PPP 12.2: Achieve Level 4 of NFCC EDI Maturity Model.</li> <li>· PPP 14.2: Improve our local community intelligence to identify any potential barriers busting any myths and showcasing our work.</li> <li>· PPP 114.1: Continue to identify the barriers to the recruitment and retention of staff from underrepresented groups.</li> <li>· PPP 114.1: Continue to identify the barriers to the recruitment and retention of staff from underrepresented groups;</li> <li>· EDI 3.2: Publish Public Sector Equality Duty Report.</li> <li>· EDI 4.2: Publish Gender Pay Gap Report.</li> </ul>

## SECTION 6: Annual Governance Statement 2023/2024

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<b>AGS7</b>	Improvement / Value for Money	<ul style="list-style-type: none"><li>· SSC 29.2: Evaluate our Arson Reduction Strategy with Partners.</li><li>· SSC 32.3: Further explore innovative and digital solutions to delivering prevention services.</li><li>· SSC 34.3: Further explore innovative and digital solutions to delivering protection services.</li><li>· SSC 39.3: Use on-call review to increase availability of on-call fire engines.</li><li>· SSC 41.3: Continue to develop our digital monitoring system to gain a better understanding of our operational capacity and productivity.</li><li>· ESR 25.2: Evaluate greener vehicles in support of our Climate Change aims.</li><li>· ESR 72.3: Incorporate opportunities for creating social value into all relevant contracts.</li><li>· ESR 74.3: Identify opportunities to maximise value from products and services.</li><li>· ESR 76.3: Undertake an Independent Peer Review of our procurement services.</li><li>· ESR 105.1: Evaluate the whole-time duty system for station based Grey Book personnel (June-July 2024)</li><li>· ESR 105.2: Evaluate the whole-time duty system for station based Grey Book personnel (Nov-Jan 2025)</li></ul>
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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 of 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**

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