Staffordshire Commissioner Fire and Rescue Authority

Statement of Accounts

2019/20

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Foreword by the Police Fire and Crime Commissioner (PFCC)

From 1 August 2018 I became responsible for the governance of Staffordshire Fire and Rescue Service, following approval of a business case submitted to the Home Secretary.

The Fire and Rescue governance change created opportunities for police and fire to work better together, collaborating more to ensure the services the public receive in Staffordshire and Stoke-on-Trent are efficient, effective and support public safety. This change was not about police officers doing firefighters jobs, or vice versa, but about making sure that all opportunities are considered and taken advantage of where appropriate. My first priorities were to review and develop opportunities to share both support services departments such as finance, human resources and communications and share our buildings, saving money that can be invested back into frontline services.

I think it is fair to say that I inherited a fire service that was in a good state and well regarded nationally which is a clear testament to the previous Stoke on Trent and Staffordshire Fire and Rescue Authority. Since taking over governance the challenge has been to build upon these foundations to ensure that the Service is fit for a challenging future and the most effective and efficient in the sector. I was therefore keen to make quick progress against the three pillars of the national Fire Reform agenda: Efficiency and Collaboration, Accountability and Transparency.

Staffordshire Fire and Rescue and Staffordshire Police had already been working hard to enhance the collaboration that was already in place for transport, logistics and occupational health, and develop their approach to further collaboration working under the guidance of my office. The first phase of this work went live in 2019 with joint teams now in place for delivering estates, communications, human resources, finance and commercial services. I have also agreed that part of the savings delivered through this work can be reinvested in additional specialist fire protection staff.

In December 2019, Tamworth neighbourhood policing team moved into Belgrave fire station. Taking police officers out of a dilapidated police station with excess space and into a modern fire station makes complete sense financially. The benefits of police and fire colleagues sharing information, planning, preparing and training together to keep the local community safe are invaluable. Progress is being made to share Hanley fire station and options are being actively explored to do the same at other locations across Staffordshire, where appropriate. Protocols have also been developed for Staffordshire Fire and Rescue Service to assist the police in searching for missing persons and gaining entry to premises, where appropriate. These are great examples of creative thinking to bring skills and resources together to help people within our communities.

The fire and rescue sector firefighter workforce is not always reflective of the communities it serves, and organisational culture has been identified nationally as a major challenge in achieving the required change. It has therefore been satisfying to see the service in Staffordshire judged by Her Majesty's Inspector of Constabulary and Fire & Rescue Services (HMICFRS) as outstanding in the way it promotes its values and culture, an endorsement of many years of hard work. I think this is a tremendous outcome and I would like to personally thank the Chief Fire Officer and all staff working within the Fire and Rescue Service for their hard work and dedication shown to ensure that the communities of Stoke on Stent and Staffordshire remain a safe place to live and work.

In my last term in Office I will of course remain focused upon the long term financial stability of the Service, supported by savings delivered through the collaboration agenda, and the intelligent use of resources and reserves.

Matthew Ellis
Police, Fire and Crime Commissioner for Staffordshire

Narrative Statement

Introduction

The purpose of the Narrative Statement is to provide the reader with a broad understanding of the Authority's financial performance for the year ended 31 March 2020, by clearly explaining the funding position, and how this funding is spent in order to deliver the priorities as set out within the Corporate Safety Plan (CSP). In addition, the Narrative Statement also provides further information to the reader about economy, efficiency and the effective use of resources during the financial year. It also looks to the future and considers some of the challenges faced by Staffordshire Fire and Rescue Service (SFRS) and importantly discusses the recent collaboration work that is ongoing with Staffordshire Police.

The Statement of Accounts sets out the financial activities of the Staffordshire Commissioner Fire and Rescue Authority for the year ended 31 March 2020 and includes comparative figures for the previous year. The Statement of Accounts have been prepared in accordance with the accounting principles contained within the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and International Financial Reporting Standards (IFRS). The Code of Practice and relevant guidance notes specifies the principles and practices of accounting required to give a "true and fair" view of the financial position and transactions of the Authority.

The Staffordshire Commissioner became responsible for the governance of Staffordshire Fire and Rescue service, in addition to his existing role overseeing Staffordshire Police, from August 1, 2018. The Commissioner made it clear from the outset the move would not affect frontline operations within the fire and rescue service, but it would bring the opportunity to further improve the way police and fire work together and explore wider collaboration opportunities that would be possible through the new governance arrangements.

This statement also reflects upon the impact of Covid-19 and discusses how the Service is doing even more to support the communities it serves during the very challenging time dealing with the Coronavirus epidemic.

Background

The Staffordshire Commissioner is responsible for the finances of Staffordshire Fire and Rescue Service (SFRS) with a net revenue budget of £40.936m approved for 2019/20 on 15 February 2019 by the Staffordshire Commissioner following a presentation to the Police Fire and Crime Panel. SFRS is responsible for providing its services to a population of just over 1.1 million people in the City of Stoke on Trent and the County of Staffordshire. There are varying levels of deprivation amongst the diverse communities of the county and this is reflected by the differing demand levels placed upon the Service, with Stoke-on-Trent having the most accidental dwelling fires and total number of incidents attended over the last three years. In total, the Service attended around 8,500 emergency incidents during the year ending 31 March 2020, with almost half of the incidents attended occurring in the north of the county (Stoke on Trent, Newcastle and Staffordshire Moorlands) Staffordshire has the largest total road length of any authority area of the West Midlands and has one of the largest in the country. There are 63 miles of motorway in Staffordshire and the West Coast Mainline connects the county by rail. The section of the motorway through Staffordshire and Cheshire has around 21 million vehicle movements per year.

The Service is made up of three main service delivery areas covering the county and has thirty three fire stations, a headquarters site and a separate Joint Emergency Transport and Engineering facility. A close relationship with our communities and partners is at the heart of our Service supported by our estate strategy which includes 21 community fire stations across the county built under two Private Finance Initiatives (PFI's); which complements our existing premises and enabling additional opportunities for community use, along with shared facilities for partners.

The number of deaths and injuries caused by fire have fallen in recent years and the Service continue to focus and invest in proactive activities that help prevent fires and other emergencies happening in the first place. However, demand placed on the fire and rescue service has started to rise and change both locally and nationally with new risks emerging, including terrorism, illegal waste sites and fly-tipping on an industrial scale and also incidents caused by extreme weather. With these comes increased pressure on our people and our resources. The fire safety work undertaken with building owners and other partners has increased in the aftermath of the Grenfell Tower fire and will firmly remain a key priority.

Work remains ongoing between the Service and Staffordshire Police to identify where the combined estate can be rationalised and used more effectively and efficiently to deliver future savings. This has already resulted in the Police and Fire Service sharing the community fire station in Tamworth Belgrave that now includes the local neighbourhood policing team. In addition a major project is now taking place that will see the closure of Hanley Police Station, in the City of Stoke on Trent, with the shift based operational staff moving into the repurposed Hanley Response Hub based within is the existing Fire Station. For both Tamworth and Hanley this will allow the disposal of two existing police buildings generating a substantial capital receipt, reduce running costs and also result in additional income for the Fire and Rescue Service.

The Fire and Rescue National Framework sets out the requirement that each Fire and Rescue Authority must produce an Integrated Risk Management Plan (IRMP) demonstrating how prevention, protection and response activities will best be used to mitigate the impact of risk on communities, through authorities and partners working either individually or collectively, in a cost effective way. This task is delivered by producing the Corporate Safety Plan (CSP) which sets out the strategic priorities and shapes and drives the Service's vision of 'making Staffordshire the safest place to be' covering the three year period 2017/18 to 2019/20.

The CSP has three priorities from which the Service continues to drive innovation and improved service delivery to ensure our communities are aware of and safe in terms of fire and other emergencies and that they receive the best response when they need it:

- **Priority 1 - Education & engagement**

  The Service delivers a number of preventative marketing campaigns based upon road safety, reducing small fires (Flames aren't games), supporting businesses and reducing fire death and injury in accidental dwelling fires by highlighting risks associated with smoking, alcohol, mobility and Elderly - (SAME) factors. The Service also collaborates with health partners through their social media channels to promote health and wellbeing. In addition, a partnership approach to raising awareness of 'staying well during winter' and dementia has taken place through the use of fire appliances displaying safety messages and NHS livery.

  Thousands of positive interventions are also delivered with school children and other groups in regard to fire safety, road safety, water safety, social isolation, mental health issues, cybercrime, drugs and alcohol and first aid through a multi-agency education programme called Safe and Sound. The aim is to reduce pressures and demand on all public services over the long term through engagement and education by promoting safe behaviour, social inclusion and employability with both a universal and targeted offer. Local evaluation is evidencing that attendee's safety knowledge and awareness is increased as a result of the programme. The project has accessed national transformation funding under 'Blue Light Collaboration' to provide innovative and co-produced packages for delivery along with new technology in order to be to be as effective as possible in educating people through exciting interactions. The process has been underpinned by a needs based assessment of local communities completed in partnership with Public Health teams, Staffordshire Police, the Office of the Staffordshire Commissioner and voluntary organisations. Its focus has been predominantly in delivery to Schools, however, a number of events have been delivered to groups including; over 65's, young drivers and apprentices.

  The Community Sprinkler Project has focused on the risks associated with high rise building fires and specifically the levels of safety for occupants and firefighters involved in a building of this nature which experiences fire. Sprinklers reduce the risk of large scale fires developing or spreading helping to safeguard both residents and firefighters. We have focused our funding in this area over the medium to longer term with, match funding with appropriate partners as an option. This has created a local legacy and supports the broader Fire Sector's ambition with the national sprinkler agenda. With Phase 1 of the Community Sprinkler Project completed at David Garrick Gardens in Lichfield, Phase 2 continues with work in other high buildings most notably in partnership with Stoke-on-Trent City Council and Tamworth Borough Council. Our Community Sprinkler Project aims to have sprinklers fitted in all mid to high-rise buildings in Staffordshire and Stoke-on-Trent by 2026.

- **Priority 2 - Community safety and Wellbeing**

  Evidence from fire investigations and fatal fire reviews have identified that the cohort of people that need preventative support from the Service are of a very similar profile to those who affect health and social care services. The factors that lead to an individual to requiring the services of the fire and rescue service include; Smoking, alcohol, mobility related issues and being elderly. These are the most prominent factors (often combined) in accidental dwelling fire deaths.

Fire and Rescue Services have long understood the importance of prevention work and the need to keep people safe within their own homes and this has been reflected by carrying out circa 25,000 home visits every year across Staffordshire and Stoke-on-Trent. Safe and Well visits present an opportunity to improve the levels of vulnerability of fire for those of most need within our communities. The Service has developed a process through the Community Advice Team (contact centre) to measure the outcomes from these referrals which informs the evaluation of the activity and captures the difference made to people’s lives, feeding back to staff to highlight the difference made through their interventions. The analysis of our data, referrals from partners and direct requests from and contact with our communities provides us with a method of targeting our Safe and Well visits. These visits are carried out by operational crews, Technicians and also Community Safety Officers.

As part of an effective approach to risk management, the Service uses data to identify the people, areas, and groups that are more likely to be at risk from fire and other emergencies. This allows the Service to use its resources as efficiently as possible to reduce risk in the community. In particular, data relating to deprivation, age, and lifestyles are used through Mosaic software. This helps the Service to deliver interventions, provide help and support to those who need it the most. The Service has continued to take great strides in sharing data and intelligence with partners including the NHS to deliver prevention in a more targeted and cost effective manner to where it will have the greatest impact in improving the quality of people’s lives, particularly those who are at the greatest risk from fire. The sharing of GP data has allowed Fire and Rescue Service’s to locally prioritise the risk and target their engagement with people who are over 65 who are much more likely to sustain an injury or worse as a result of fire.

- **Priority 3 - Planning, resilience and response**

  The Service develops its CSP using a variety of data sources and tools to identify foreseeable risks within the county and determine how it will allocate resources to deal with these risks. This ensures plans are robust and based on sound data with resources targeted effectively and efficiently across prevention, protection, and response activities. The Service maintains a system for gathering, validating and updating local risk information, (Provision of Risk Information System - PORIS) together with a method of providing this information to all personnel at the scene of an incident. All high and very high risks identified within 7.5km of the County boundary are shared with the appropriate neighbouring Fire and Rescue Service. This provides timely and accurate information to secure the health and safety of our staff when dealing with operational incidents. The Service has 33 Community Fire Stations across the County, their locations being based on risk evidence and intelligence, to ensure that our stations are effectively located and crewed. We have 23 retained on-call stations, 2 day duty stations and 8 twenty-four hour shift stations. This combination provides 39 frontline appliances and a variety of special appliances which support both local response and national resilience.

The Statement of Assurance is a document produced annually that sets the financial, governance and response arrangements that are in place by the Staffordshire Commissioner and also provides more detail and information about performance against the Corporate Safety Plan deliverables. This publication is a legal requirement.

The Staffordshire Commissioner manages the affairs of the Authority to ensure that proper arrangements are in place for delivering value for money through securing financial resilience and challenging how it secures economy, efficiency and effectiveness. It is imperative that the Service continues to play a leading role in the communities that it serves to ensure that Staffordshire remains one of the safest places to be.

Fire and Rescue Plan 2019/20

The Staffordshire Commissioner produced and published the Fire and Rescue Plan during 2019/20. This document sets out the high-level expectations from the Staffordshire Commissioner’s Office, identifies key priorities for fire service, and explores new opportunities, as well highlighting the growing financial challenges that exist today.

It fulfils the requirement of the Fire and Rescue National Framework for England and sits alongside the Corporate Safety Plan documents developed by the Chief Fire Officer.

COVID -19

On 23 March 2020, the Government announced restrictions aimed at reducing the spread of coronavirus, and the Service reacted quickly to ensure the ongoing protection of staff and to ensure that the provision of services to the communities of Stoke on Trent and Staffordshire would be able to continue as far as possible. Of course the daily engagement with our communities has changed and been modified based upon the instructions for social distancing etc. provided by Government. In addition the Fire and Rescue sector have been allocation additional responsibilities by the Government which include; delivering food parcels and welfare checks, driving ambulances and collecting bodies if required.

The Fire and Rescue Service have been allocated with grant funding of just over £1 million from the Ministry for Housing, Communities and Local Government in order to deal with the additional costs incurred as a result of the pandemic and regular reporting against this grant funding will be provided to the Home Office throughout the year.

Whilst funding to deal with the pandemic has been provided it is anticipated that there will significant financial implications into the medium term due to a reduction in council tax collection, a lower council tax base and also a reduction in funding from local business rates. Estimates will be incorporated into the scheduled updated of the MTFS in October which will be presented to the Police Fire and Crime Panel.

There is therefore no material impact of the coronavirus affecting the 2019/20 statutory accounts for the Staffordshire Commissioner Fire and Rescue Authority.

Accounting Statements

The Statement of Accounts is published to present fairly the financial position and transactions of the Authority in a fair and transparent manner. Its format is prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA). A glossary to explain some of the technical terms is included at the back of this report.

The main statements consist of:

- **Statement of Responsibilities for the Statement of Accounts** which sets out the responsibilities of the Authority and the Treasurer for the accounts;
- **Annual Governance Statement** which assesses the adequacy of the Authority's governance arrangements and identifies where improvements can be made;
- **Statement of Accounting Policies** which sets out the basis for recognising, measuring and disclosing transactions in the accounts;
- **Comprehensive Income and Expenditure Statement** which summarises income and expenditure on the Authority's services during 2019/20; and presents all the recognised gains and losses of the Authority during 2019/20;
- **Movement in Reserves Statement** which reconciles the Income and Expenditure Account with General Fund Balances taking into account contributions to reserves committed for future expenditure;
- **Balance Sheet** which sets out the Authority's financial position as at 31 March 2020;
- **Cash Flow Statement** which summarises the inflows and outflows of cash in the year.

Where the funding came from: Revenue Expenditure 2019/20

The Revenue Budget was approved on 15 February 2019 by the Staffordshire Commissioner, and was set at £40.936 million. Revenue expenditure consists of the day-to-day running costs, such as employee costs, pension costs, premises, transport, ICT, income and financing costs. Overall the financial performance of the Authority has been positive in year by delivering the required savings target of £0.5m as contained within the approved Efficiency Plan, and in addition identifying additional savings throughout the year that have importantly supported an element of direct financing of capital expenditure.

Pay costs account for approximately 70 percent of the total revenue budget for the year. As at 31 March 2020 the Authority employed 751 staff (Full Time Equivalent). This included 280 on-call firefighters, 144 support staff and 17 seconded/funded posts and apprentices. The remaining 310 were employed operational (wholetime) staff in management, response or prevention and protection roles. The 2019/20 outturn position is summarised below and the details of how this expenditure has been funded during the year and provides a comparison to budget:

Revenue Budget Outurn 2019/20	Original Budget	Outturn	Variance
	£m	£m	£m
Pay	28.6	27.9	0.7
Non Pay			
Premises Costs	3.2	3.2	
Transport Costs	0.8	0.8	
Supplies and Services	4.5	4.4	0.1
Other Support Costs	0.4	0.5	(0.1)
Community Fire Safety	0.4	0.4	
Total Non Pay	9.3	9.3	
Income, Grants and Interest Receivable	(1.7)	(2.5)	0.8
Capital Financing Costs	2.3	1.9	0.4
Unitary Charge Payments	2.9	2.9	
Direct Financing Capital Expenditure		1.1	(1.1)
Total before the use of Reserves	41.4	40.6	0.8
Use of Reserves	(0.5)	0.3	(0.8)
Total	**40.9**	**40.9**	

Funded By:	**£m**
Settlement Funding	
Local Business Rates (1%)	3.7
Business Rates Top-Up	6.0
Revenue Support Grant	4.6
Total	14.3
Council Tax	26.6
Total	**40.9**

Revenue Expenditure and the General Reserve

The statutory accounts are published within the framework issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), the International Financial Reporting Standards (IFRS) and the Government, the results of which are a deficit for the year of £6.285m (2018/19 was a deficit of £25.411m). However, this includes pensions and depreciation costs, which are not chargeable to tax payers (nationally and locally) and the final position for the financial year is set out in the following table (also see Note 23):

Reserves	Actual £m
General Reserves	
General Reserves balance 1 April 2019	1.9
Break Even for the Year	
General Reserves balance 31 March 2020	**1.9**
Other (useable) Reserves	
Other Reserves balance 1 April 2019	**7.1**
Net movement for the year:	
Funding for Revenue purposes	
Contribution to Reserves	0.4
Funding to support the Capital Programme	(0.4)
Other (useable) Reserves balance 31 March 2020	**7.1**

This means that the General Reserve brought forward from 2018/19 remains at £1.9 million at the end March 2020, this reserve is held to allow for any unexpected or emergency events that are assessed to be either medium or high risk. This reserves remains under 5% of the total Revenue budget and is considered to be a reasonable provision for any emergency events that may occur.

The Other (Useable) Reserve has remained at £7.1 million and forms an integral and important part of the overall financial strategy and financial resilience for the Staffordshire Commissioner as incorporated within the approved Medium Term Financial Strategy (MTFS) and Reserves Strategy. Reserves are not held without good reason and are earmarked to support funding into the medium term and are a key in reducing borrowing costs and maintaining liquidity. Ongoing austerity measures that have been imposed by Government during the last few years has seen the Revenue Support Grant funding reduced by around £9 million since 2012 (65%). Future capital commitments and vehicle replacement programme continue to be supported by this reserve. The reserves balance is forecast to reduce to around £5.0 million by 2022 in line with this reserves strategy and approved MTFS, thus demonstrating effective and efficient utilisation of reserve balances into the medium term.

Capital Expenditure

During 2019/20 £1.9 million was spent on capital projects, summarised as follows:

Capital Expenditure Outturn 2019/20	Budget £m	Actual £m	Actual %
Land and Buildings	3.40	0.40	21%
Vehicles, Plant and Equipment	2.60	1.20	63%
Information Technology	0.90	0.30	16%
Total Capital Expenditure	**6.90**	**1.90**	

The capital programme outturn for 2019/20 of £1.9 million was significantly reduced in year for the seventh consecutive year, again this reduction has been in response to funding reductions and removal of any capital maintenance grant funding by Central Government.

All capital expenditure for the five year period to March 2018 was fully funded through a combination of direct revenue contribution, capital grants received in addition to asset sales. During the year ending 31 March 2020 whilst not forecast in full, the total capital spend in year has been funded through; grants, earmarked reserves and additional savings delivered in year. No additional borrowing has been required and when taking into account the provisions made for repayment of debt the overall gross debt position (Capital Financing Requirement excluding PFI) for the Authority has reduced by £1.1m during the year, and by £7.6m in the last 7 years. This action has improved the long term financial position for the Authority and demonstrates a dedicated commitment to deliver ongoing efficiency as a result of effective financial planning and a commitment to the most effective use of available resources during times of sustained financial austerity (see Note 37).

The capital expenditure in year was financed from three sources: £1.6m from in year direct revenue contribution and Earmarked Reserves with £0.3m from government grants. The utilisation of funding from Earmarked Reserves was in line with the approved Reserves Strategy.

Pensions

Accounting standards require the full cost of pension benefits as they are earned to be reported in the accounts. The impact of this requirement on the accounts is significant with the total balance sheet liability for pensions amounting to £464 million and this is the main reason for the excess of £404 million worth of liabilities over assets. The amounts included within the balance sheet reflect an estimate of the total pension liability and incorporates a number of assumptions that change over time. This liability does not affect the Authority's ability to continue as a going concern as it refers to future liabilities that will be met by future contributions. Excluding the pension liability the balance sheet shows net assets of £60 million, up £4 million on 2018/19.

The firefighter pension schemes are unfunded defined benefit schemes and any deficit on the scheme is met by Central Government through the Home Office and a top-up payment is received annually to cover any shortfall.

The total pension liability has reduced by £32.33 million in year as incorporated into the Statement of Accounts for 2019/20 is primarily associated with the impact of fund valuation mainly through changes in financial assumptions that included a reduction in the discount rate of 0.2% (from 2.45% to 2.25%) used by the actuary within the valuation of the Firefighter Pension Schemes (FPS), and a reduction of 0.1% to 2.3% within the Local Government Pension Scheme (LGPS). In addition the rate of CPI has also been adjusted down by 0.35% (FPS) and down by 0.6% to 1.9% (LGPS), as has the long term assumption for salary increases within PFS (down 0.35%) and LGPS (down 0.6%).

Following the previous three year "triennial" review of the Local Government Pension Scheme (LGPS), the actuary, Hymans Robertson, proposed that a further deficit repair payment was required for the three year period to 2019/20 in order for the employer contribution rates to remain unchanged. The Authority agreed to make the payment of £942,000 as a lump sum and receive a favourable discount rate of 3.8% offered by the actuary.

<u>McCloud / Sargeant Judgement</u>

Two claims were brought against both the judges' pension scheme (the McCloud case), and the firefighters' pension scheme (the Sargeant case) claiming that transitional arrangements into the new Pension Schemes was discriminatory on the basis of age. The claims were heard together, and in December 2018, the Court of Appeal ruled that the transitional protection arrangements offered when transitioning to the new pension schemes constituted age discrimination and was therefore unlawful. The government applied to the Supreme Court to appeal this decision in June 2019, which was denied ending the legal challenge.

A preliminary hearing to consider the required remedy was held on 18 December 2019, and an interim Employment Tribunal Order on the required remedy has now been issued. This Order in effect provides that pending the final determination of the remedy issues, those that brought claims in England and Wales (the claimants) are entitled to be treated as if they remained in the 1992 Firefighters' Pension Scheme (1992 FPS).

The impact of this judgement results in an increase in pension scheme liabilities and is measured through the pension valuation process. This valuation by the actuary is undertaken by GAD for the Firefighters' Pension Schemes and by Hymans for the Local Government Pension Scheme.

As instructed by the Authority the Government Actuarial Department (GAD) have updated their calculations for the additional McCloud/Sargeant liability to allow for specific membership data, rather than using data for the Fire scheme as a whole. In line with CIPFAs guidance GAD have included this change in the re-measurement item. GAD have allowed for the additional accrual of "better of" benefits for affected members during the year April 2019 to March 2020. This additional liability has been included in the Current Service Cost. Also, following HM Treasury's publication of the consultation into changes to the transitional arrangements to the 2015 Scheme, the calculations allow for potential McCloud remedy costs for those who were in service on 31 March

2012 and 1 April 2015. This change is based on the eligibility criteria set out by HMT in their consultation and reduced the overall McCloud liability.

Financial Position

As part of the Local Government Finance Settlement for 2016/17 single purpose Fire and Rescue Authorities were all offered firm four-year funding allocations for the period from 2016/17 to 2019/20 in return for robust and transparent efficiency plans that would be published in order to enable local residents to scrutinise these plans.

The published Efficiency Plan included detailed assumptions around the funding strategy adopted regarding future Council Tax increases and also the expected increases in business rates and housing growth within the county during this time. In total, the four year settlement included a reduction in Revenue Support Grant of £4.8m. The Efficiency Plan included a requirement for the Authority to make savings of £4 million by 2020 (reduced to £3.5m in 2018/19).

As a 31 March 2020, the final year of the plan), all savings required within the Efficiency Plan have now been delivered in full and reported through to the Strategic Governance Board.

Looking forward into the medium term the latest Medium Term Financial Strategy Report suggests that there are still significant challenges ahead for the Staffordshire Commissioner. Not only are there upward pressures for Pay and Pensions but it is also likely that there will be ongoing reductions in Revenue Support Grant funding. Overall a gap (savings target) of £1.5 million by 2024 is forecast and a number of financial scenarios and opportunities have been developed and presented to the Commissioner.

<u>Safety Plan 2020 to 2024</u>

Over the last nine months the Service has been developing the next iteration of the Safety Plan (this fulfils the IRMP requirements) which has now been launched.

Underpinning the latest safety plan are the Service 2025 projects which have been developed into work streams based upon a number of scenario planning sessions run by the Service.

This project work is led by the Deputy Chief Fire Officer and forms an integral part of the delivery of the new Safety Plan.

The project is reviewing the following areas of service delivery:

- **Response** - Asset and skills based mobilisation, specials review, rostering of personnel, officer's rota, and service wide response model
- **The delivery of prevention and protection throughout the service** - Development of revised prevention and protection arrangements, development of multi-agency prevention hub
- **The administration requirements throughout the service**

This project work will further develop and be presented to the Staffordshire Commissioner's Office and will ensure that the Service is as efficient and effective as possible and fit for the future and is able to meet the financial and operational challenges ahead.

Community Fire Stations use, Funding and Community Interest Company

The Authority has 33 community fire stations across the County of Staffordshire and City of Stoke on Trent, all of which have some space made available, free of charge, to community groups and partners for activities which support the priorities of the Staffordshire Strategic Partnership. Twenty one of our community stations were funded by two Private Finance Initiatives (PFI), with £7m in grant funding received annually from central government, which currently supports around 70% of the unitary charge payable for both PFI projects.

Following the completion of the first PFI project in 2011 a Community Interest Company (CIC) was founded. The company is known as The Stoke on Trent & Staffordshire Safer Communities Community Interest Company. It was formed in partnership between public, private and voluntary sector with the primary purpose of providing opportunities to improve the health, safety, social and economic wellbeing of the communities of Stoke-on-Trent and Staffordshire.

The Service hosts a number of NHS teams and services operating from their Community Fire Stations, delivering a range of, support services, voluntary group activities and exercise classes. Community groups and partner agencies using the facilities include Staffordshire Police, the DVSA and the British Red Cross.

The partnership with Safer Communities Community Interest Company and The Prince's Trust is now in its sixth year of delivery and continues to grow in both reputation and size with 201 students completing 19 programmes that have been delivered in the Stafford, Cannock, Rugeley, Lichfield and Tamworth areas. The programmes offer is to provide a space to develop life skills where the students learn about themselves, other people and their local communities. It is a crucial link that helps them sustainably progress into education, employment or further training while challenging them with community projects and initiatives to develop their skills further.

The financial position of the CIC is not material in terms of the overall financial position of the Authority therefore their figures do not form part of the Authority's Statement of Accounts. However, the position of the CIC might be of interest to the user and further details about the company's trading results can be found in notes 35.

Future Outlook

The Staffordshire Commissioner is committed to continuing to delivering savings across both Staffordshire Police and Staffordshire Fire and Rescue Service in order to protect front line provision across both the Force and the Service.

During the year five enabling service departments (Commercial Services, Human Resources, Communications, Finance and Property Services) have been all been brought together as part of a shared service arrangement. Further opportunities to deliver more efficiencies through joint working will be reviewed and explored during 2020/21.

In addition, the joint Estates Strategy is being further developed and will see more properties shared across the estate in the coming year. Site sharing at Tamworth has already been implemented with Hanley being the next joint estate project to be delivered. A more efficient use of estate allows for a reduction in operating costs and importantly generates capital receipts that can be reinvested back into both the Police Force and Fire Service.

Planning for the future remains a challenge with a single year funding settlement expected for the next Comprehensive Spending Review period, which does not support and aid future planning. However the financial implications arising from the Covid-19 epidemic will inevitably have long term implications on the future funding of all public services and negatively impact upon the Medium Term Financial Strategy for this Authority.

In his last term in Office the Staffordshire Commissioner will of course remain focused upon the long term financial stability of the Service, supported by savings to be achieved through the collaboration agenda, and the intelligent use of resources and reserves.

These Accounts are due to be approved by the Staffordshire Commissioner following detailed review and recommendation by the Ethics, Transparency and Audit Panel on 28 October 2020.

David Greensmith ACMA CGMA
Director of Finance (Staffordshire Commissioner's Office) / Section 151 Officer

Audit Certificate

Independent auditor's report to the members of Staffordshire Commissioner Fire and Rescue Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Staffordshire Commissioner Fire and Rescue Authority (the 'Authority') for the year ended 31 March 2020 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and notes to the Pension Fund Accounts. The notes to the financial statements include the EFA, Notes to the Core Statements and Policies and Judgements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Director of Finance and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings
We draw attention to Note 9 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of land and buildings and pension fund property assets as at 31 March 2020.

As, disclosed in Note 9 to the financial statements, in applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards (red book) the valuer has declared a 'material valuation uncertainty' in the valuation report. This is on the basis of uncertainties in markets caused by COVID-19 which has impacted on market activity in many sectors. The valuers therefore attach less weight to previous market evidence for comparison purposes, to inform opinions of value and are faced with an unprecedented set of circumstances on which to base judgement.

As members of the Local Government Pension Scheme who have also issued a 'material uncertainty' on property valuation SCFRA have a 1% share of the fund's assets attributed to them.

Our opinion is not modified in respect of these matters.

Other information
The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice
Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice
In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with

the financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters**.**

Responsibilities of the Police Fire and Crime Commissioner and the Director of Finance for the financial statements

As explained more fully in the Statement of Responsibilities set out on pages 14 to 15, the Police Fire and Crime Commissioner 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 Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Police Fire and Crime Commissioner is Those Charged with Governance. Those charged with governance are responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement[1] for the Authority for the year ended 31 March 2020. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

M C Stocks

Mark C Stocks, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Birmingham

9 November 2020

Statement of Responsibilities

The Staffordshire Commissioner'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. For this authority, the responsibility of Chief Financial Officer is allocated to the Director of Finance (Staffordshire Commissioner's Office);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

I accept the above responsibilities and I am due to approve the 2019/20 Statement of Accounts for Staffordshire Commissioner Fire and Rescue Authority following a detailed review and recommendation made by the Ethics, Transparency and Audit Panel on 28th October 2020. .

…………………………………………….

Matthew Ellis
Staffordshire Commissioner

Date: 9 November 2020

The Director of Finance’s Responsibilities

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

The Director of Finance is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2020.

In preparing this statement of accounts, the Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the local authority Code of Practice.

The Director of Finance has also:

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

The Director of Finance Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Staffordshire Commissioner Fire and Rescue Authority as at 31 March 2020 and the income and expenditure for the year ending 31 March 2020.

…………………………………………..

David Greensmith ACMA CGMA
Director of Finance (Staffordshire Commissioner’s Office) / S151 Officer

Date: 9 November 2020

Annual Governance Statement

Introduction

The Staffordshire Commissioner became responsible for the governance of Staffordshire Fire and Rescue service, in addition to his existing role overseeing Staffordshire Police, from August 1, 2018. Whilst the Staffordshire Commissioner has responsibility for the governance of both Police and Fire, Staffordshire Police and Staffordshire Fire and Rescue Service remain separate organisations with separate budgets, staff and governance processes.

The Commissioner made it clear from the outset the move would not affect frontline operations at the fire and rescue service, but it would bring the opportunity to further improve the way police and fire work together. The ongoing collaboration between the two services is discussed in more detail within the Narrative Statement at the beginning of this Statement of Accounts.

The Commissioner is responsible for delivering the strategic vision and holding the Chief Fire Officer to account in delivering that vision. He has oversight and applies scrutiny and in turn the Police, Fire and Crime Panel reviews scrutinises publicly his decisions – an important check and balance in the system.

In order to support effective decision making and to drive continuous improvement across Staffordshire Police and Staffordshire Fire and Rescue service, the Commissioner has set up a number of boards. These boards support him and ensure that he has the right guidance, support and advice from the right people when decisions need to be made.

The Staffordshire Commissioner, as required within his statutory role, has set out the strategic vision, priorities and objectives within his published Fire and Rescue Plan which sets out the basis on which the Service is held to account.

Scope of Responsibility

The Staffordshire Commissioner is responsible for ensuring that business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

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

In discharging these overall responsibilities, the Staffordshire Commissioner is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Authority has approved and adopted the Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework “Delivering Good Governance in Local Government”. Copies of The Code can be obtained from the Monitoring Officer and Chief Executive for the Staffordshire Commissioner’s Office.

This statement explains how the Staffordshire Commissioner Fire and Rescue Authority has complied with The Code and meets the requirements of Regulation 6(1)(a) of the Accounts and Audit (England) Regulations 2015 that requires the Staffordshire Commissioner 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 with any published statement of accounts. Regulation 6(1)(b) requires that the statement is an Annual Governance Statement.

The Purpose of the Governance Framework

The Governance Framework comprises of the systems and processes, culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the potential risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Corporate Governance Framework has been in place at Staffordshire Commissioner Fire and Rescue Authority for the year ended 31st March 2020 and up to the date of approval of the 2019/20 Statement of Accounts.

The Governance Framework

The Authority's Governance Framework is made up of many systems, policies, procedures and operations. A new Corporate Governance Framework was introduced on 1 August 2018 following the change in governance arrangements. The key elements of the Governance Framework are as follows:

Corporate Safety Plan 2017-2020

The Authority has consolidated the IRMP (Integrated Risk Management Plan) and the Strategic Plan into one document called the Corporate Safety Plan that has established our corporate aims and objectives for the three years to 2019/20. This Plan was approved under the previous governance arrangements by the Strategy and Resources Committee on 2nd March 2017, and sets out the objectives and strategic priorities of the Authority based on extensive consultation with all stakeholders, and fulfils the requirements of the Fire & Rescue Service National Framework.

The Staffordshire Commissioner's Office has developed and published a Fire and Rescue Plan that sits alongside the Corporate Safety Plan and has been actively involved in the development of the updated Corporate Safety Plan that was due to come into effect from 1 April 2020. However the existing Safety Plan has now been extended into the first quarter of 2020/21 due to the cancellation of local elections in May 2020. The current Commissioner has now agreed to stay in his role as Police, Fire and Crime Commissioner for a further twelve months to May 2021 and the updated Corporate Safety Plan is now due for approval in July 2020.

Performance Management

A well-established and robust performance management system is in place internally throughout the Fire and Rescue Service with regular performance monitoring being carried out by Directors'.

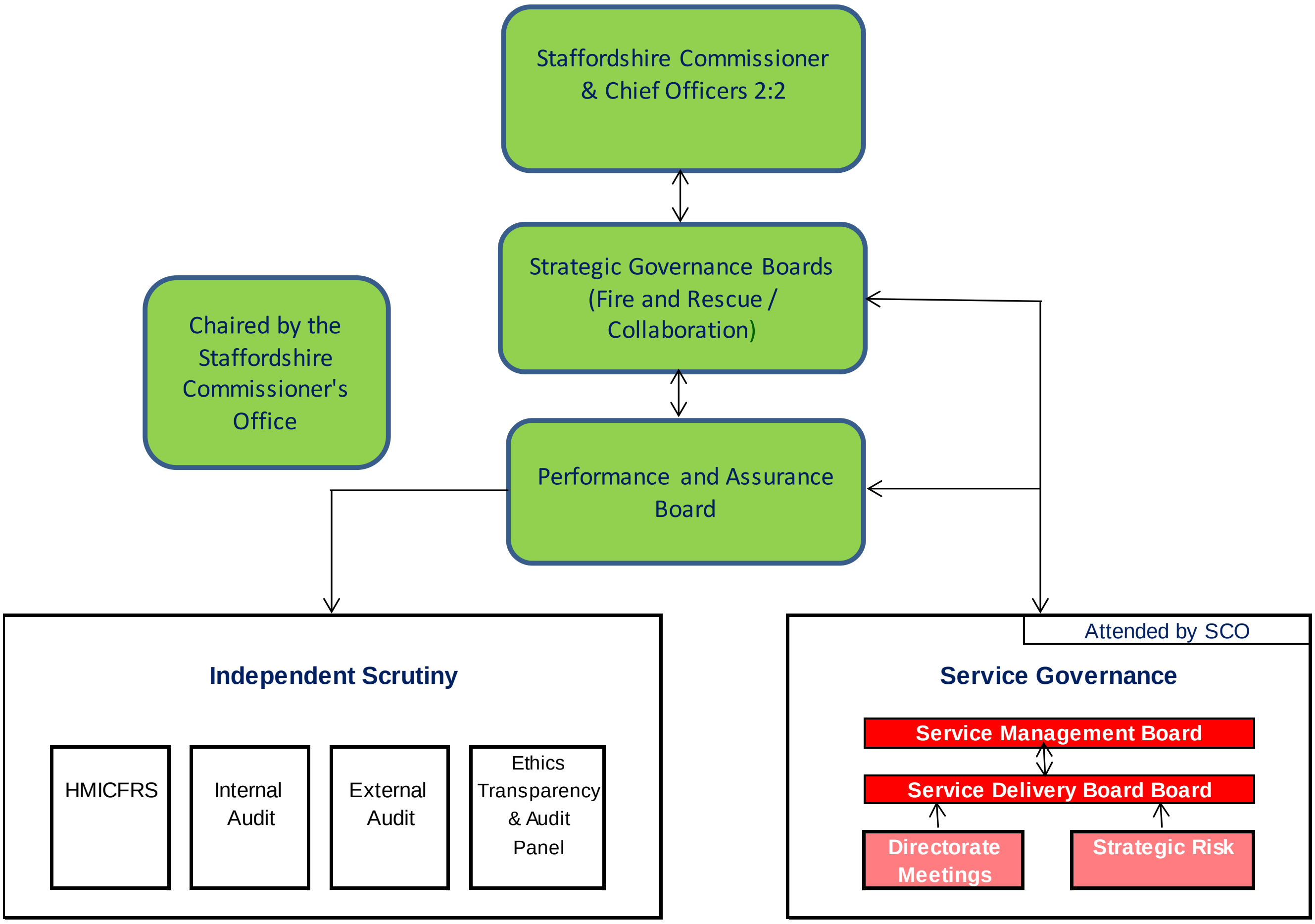
A detailed Resource Control Report is published internally on a monthly basis and incorporates all of the key information expected as part of a professional, commercially focused, set of Management Accounts; including revenue and capital spend and a cash flow management with performance comparison to budget. The Resource Control Report closely monitors the performance of the Authority and achievement of actual savings realised against the approved Efficiency Plan. A newsletter style finance update is also issued on a monthly basis and is available to all staff within the Service.

Detailed financial reports are presented to, and scrutinised by the Strategic Governance Board on a quarterly basis. The reports include full details of performance against budget for the key reporting areas namely; revenue, capital, cash and delivery of efficiencies and savings.

Under the governance arrangements the Audit Committee arrangements are undertaken by the Ethics, Transparency and Audit Panel (ETAP), which also has a separate Finance Panel that receives bi monthly finance and audit reports from both internal and external audit. The Finance Panel includes a number of qualified accountants who are able to provide detailed scrutiny to the monthly Resource Control Report, Internal and External Audit Reports and also the Annual Statement of Accounts.

As part of its corporate planning the Authority sets out the key performance indicators both quantitative and qualitative that measure the delivery of its strategic objectives. Achievements against these key performance indicators are reported regularly to the Service Delivery Board and monitoring reports are sent to the Performance and Assurance Board.

The Corporate Governance Structure in place under the Staffordshire Commissioner is detailed below:



Framework

The framework for Governance of the Fire and Rescue Authority is embodied in various statutes, standing orders, financial regulations, scheme of delegation, and there are Codes of Conduct. These are regularly reviewed and induction and training is provided where appropriate. Terms of Reference are in place for Authority meetings which are reviewed annually by the Strategic Governance Board.

There are a range of policies including anti-fraud and corruption, anti-money laundering and a confidential reporting code (whistle-blowing) which are all reviewed and updated as appropriate.

A robust process for risk management and business continuity is in place across the Service with strategic risks that are linked into corporate objectives. These processes are regularly tested and reviewed.

The Statement of Assurance for 2019/20 has also been published, a document that supports and sets out the financial, governance and response arrangements that the Staffordshire Commissioner Fire and Rescue Authority had in place for the period 1 April 2019 to 31 March 2020. It was written in accordance with the guidance published by the Ministry of Housing, Communities and Local Government on statements of assurance for fire and rescue authorities in England.

The Staffordshire Commissioner has well established methods of communication in place with various stakeholders ensuring that key messages are received by both staff and the communities that we serve.

Review of Effectiveness

The review of the effectiveness of internal control is informed by the work of Directors who have responsibility for the development and maintenance of the internal control environment, as well as the Monitoring Officer, Internal Audit and managers who have day to day responsibility for ensuring the Governance Framework is functioning properly. Additional comments are made by external audit, internal audit and the Ethics Transparency and Audit Panel and other review agencies and inspectorates.

The Service Delivery Board, the Service Management Board, and the Staffordshire Commissioner's Office have maintained their governance by setting the budget for 2019/20 and approving the Medium Term Financial Strategy and also both the Capital and Reserve Strategies. During the financial year they have received, reviewed and scrutinised reports. Performance delivery and budget management have been kept under regular review and where appropriate remedial action and resource reallocation has been instigated.

HMICFRS Inspection

Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) carries out its own independent inspections of all 45 Fire and Rescue Services in England in addition to carrying out all national policing assessments. The inspection assesses how effectively and efficiently Fire and Rescue Services' prevents, protects the public against and responds to fires and other emergencies. They also assess how well the Service looks after its people.

These inspections focus upon three key themes:

- Effectiveness (how effective we are at keeping people safe and secure from fire and other risks).
- Efficiency (how efficient we are at keeping people safe and secure from fire and other risks).
- People (how well we look after our people).

HMICFRS inspected Staffordshire Fire and Rescue during the financial year and published the inspection report in December 2019.

The reported stated that HMICFRS were very pleased with the performance of Staffordshire Fire and Rescue Service (FRS) in keeping people safe and secure, and, in particular, in how it looks after its people. It also found that Staffordshire FRS is good at providing an effective service to the public and it is good at:

- understanding the risk of fire and other emergencies;
- preventing fires and other risks;
- protecting the public through fire regulation;
- responding to fires and other emergencies; and
- responding to national risks.

HMICFRS found that the service is also good in the efficiency of its services and found it to be good at making the best use of resources and also at making its services affordable. The report stated that Staffordshire FRS is good at looking after its people and judged the service to be outstanding at promoting the right values and culture reporting that the Service is good at:

- getting the right people with the right skills;
- managing performance and developing leaders; and
- ensuring fairness and promoting diversity.

Overall, HMICFRS commended Staffordshire FRS for its performance and the inspectorate are confident it is well equipped for this to continue.

Internal Audit

Throughout the year Internal Audit has carried out a range of planned reviews of systems and internal controls across the Service. During 2019/20, nine audit reviews were undertaken and Table 1 summarises the systems coverage against the Audit Plan and associated opinions:

Table 1

Audit	Opinion			
	Substantial	Satisfactory	Limited	Consultancy
Police – Fire Collaboration				✓
Fire Fighters Pensions administration & Pensions Payroll		✓		
Health and Safety		✓		
Financial Ledger & Bank	✓			
Payroll Processing Procedures	✓			
Insurance Arrangements		✓		
Firewatch – Application Audit		✓		
Cybersecurity – Patch Management	✓			
National Fraud Initiative 2018				✓
Total Audits Delivered (8)	**3**	**4**	**0**	**2**

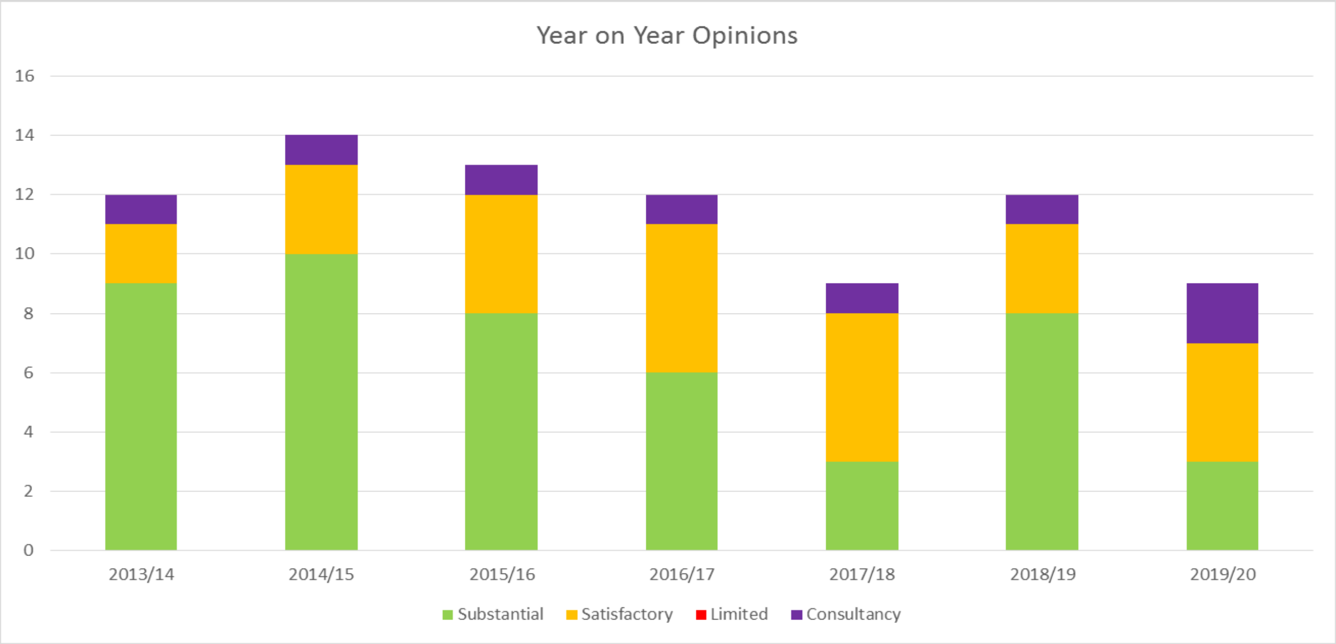
Nine audit reviews were undertaken during the year, this included the Police, Fire Collaboration review where a position statement was issued but without an overall assurance opinion and the National Fraud Initiative. The internal audit team also provided oversight to the Authority's continued participation in the National Fraud Initiative 2018 exercise.

The opinions for the reviews completed have all been positive in that substantial assurance has been given to 3 audits and satisfactory assurance for a further 4 audits. No limited assurance opinions were awarded during the year.

Two audits were cancelled from the Internal Audit Plan during 2019/20 for Budgetary Control and Data Analytics. Budgetary Control was replaced with the Health & Safety review. The full 98 days of planned audit time in 2019/20 were delivered.

In addition to the above, issue eight of the Fraudwatch newsletter was produced and communicated across the Service.

In relation to internal audit work in 2019/20, no high priority recommendations have been made during the year reflecting the robust control environment in place within the Service.



Opinion on the Control Environment

The UK PSIAS requires that the Head of Internal Audit (HIA) must deliver an annual internal audit opinion on the overall internal control environment of the Authority. The methodology for formulating this opinion is set out within the Internal Audit Strategy and Plan each year.

Each separate category of audit work is assessed against a benchmark of achieving a score of at least 90% of the total number of audits performed being awarded an opinion of "satisfactory or above" within each category. For reasons of simplicity, each category attracts equal weighting and a simple pass/fail assessment is used to differentiate the overall opinion between "Substantial, Satisfactory and Limited" as illustrated below.

Overall Opinion Level	**No. of categories achieving the 90% benchmark**
Substantial Assurance	5 out of the 5 categories
Satisfactory Assurance	3 or 4 out of the 5 categories
Limited Assurance	3 and below out of the 5 categories

Calculation of the 2019/20 Overall Assessment

Audit category	**% awarded an opinion of at least Satisfactory**	**Pass/Fail**
(1) Systems Audits	100%	Pass
(2) Counter Fraud & Corruption	100%	Pass
(3) Compliance Audits	N/A – None carried out in 2019/20	N/A
(4) Special Investigations	100% (no losses/no control environment issues)	Pass
(5) Consultancy Reviews (excluding NFI exercise)	N/A – One consultancy review was undertaken, however a position statement was issued where no opinion was awarded.	N/A
Overall Total		**3 out of 3 categories**

Based on the above, a "substantial" assurance opinion on the overall adequacy and effectiveness of Staffordshire Commissioner Fire and Rescue Authority's governance, risk and control framework (i.e. the control environment) has been given for the 2019/20 financial year by internal audit.

Audit Recommendations Monitoring

Internal Audit introduced, in 2016, a new Audit Management System and automated working papers solution which enables all audit recommendations to be held within a central monitoring database. This allows Audit to systematically follow-up all recommendations made which provides additional assurance to management and the ETAP that recommendations are being implemented as agreed.

This system adds value by demonstrating how the system of control is being strengthened through the implementation of audit recommendations and by allowing audit to efficiently follow-up the progress of all recommendations without the need for further audit.

The progress made against all recommendations has been presented to ETAP meetings throughout the year as part of the progress reporting.

During 2019/20, Internal Audit made a total of 40 recommendations. No recommendations were deemed to be a high priority, whilst 9 medium and 31 low priority recommendations were made.

New Internal Audit Arrangements for 2020/21

Staffordshire County Council have provided the internal audit service successfully for a number of years and during the year the Finance Panel (sub group of the Ethics Audit and Transparency Panel) asked for a full review of internal audit provision to be undertaken. Following this review the Staffordshire Commissioner has now appointed RSM Risk Assurance Services LLP to undertake the internal audit work for the Authority. This means that RSM will undertake internal audit work for both the Police Force and Staffordshire Fire and Rescue Service. This will provide the opportunity to undertake a number of combined audits across both Service’s ensuring a more efficient and effective service can be delivered, and does not reflect badly on the excellent work undertaken by the Internal Audit Team from Staffordshire County Council.

External Audit

External Audit discharge a statutory function because of the special accountabilities attached to public money and how public business is conducted. External Audit are appointed independently from the Authority and the scope of the auditors work is to not only give opinion of the financial statements but to also include governance arrangements that secure the economic, efficient and effective use of resources, this being termed as the value for money being achieved by the organisation.

The appointed external auditor, (Grant Thornton LLP), provide regular reports at ETAP’s formal meetings. ETAP members due to their independence have the opportunity to consider the audit findings, to challenge and ask for further clarification where necessary and also to make recommendations on their findings.

Covid-19 Pandemic

This Annual Governance Statement is a reflection of the operation of the Staffordshire Commissioner Fire and Rescue Authority during the whole of 2019/20. The impact of Covid-19, and business continuity arrangements implemented during the last two weeks of March 2020 and beyond, are not reflected in their entirety within this document given the short period of impact in 2019/20. It is planned, however, that the AGS for 2020/21 will contain more detailed information related to the changes implemented as a response to Covid-19.

The fire and rescue sector have been allocated with grant funding from the Ministry for Housing, Communities and Local Government in order to deal with the additional costs incurred as a result of the pandemic and regular reporting against this grant funding will be provided to the Home Office throughout the year.

Conclusion

The details given within this statement represents a clear approach to ensuring that appropriate and proper governance arrangements are in place for Staffordshire Commissioner Fire and Rescue Authority.

…………………………………….

M Ellis
Staffordshire Commissioner:

Date: 9 November 2020

…………………………………….

R Bryant
Chief Fire Officer / Head of Paid Service

Date: 9 November 2020

……………………………………..

D Greensmith ACMA CGMA
Director of Finance (Staffordshire Commissioner's Officer) /Section 151 Officer

Date: 9 November 2020

Statement of Main Accounting Policies

1. General Principles

The Statement of Accounts have been prepared in accordance with proper accounting principles contained within the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the International Financial Reporting Standards (IFRS).

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.

2. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accrual basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The Authority has a de-minimus of £10,000.

Measurement and Valuation

Assets are initially measured at cost, comprising of the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Donated assets are measured initially at fair value.

Plant, Property and Equipment is valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). The Authority revalues its entire land and building portfolio sufficiently regularly, as a minimum every five years.

Revaluation gains are taken to the Revaluation Reserve and revaluation losses are written off against any balance on the Revaluation Reserve for that asset or to the Comprehensive Income and Expenditure Statement if the balance on the revaluation reserve is less than the loss.

Operational properties are carried in the Balance Sheet at Depreciated Replacement Cost for specialised properties, where there is no evidence of market value, and Open Market Value for properties where there is evidence of market value.

Impairment

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

Where impairment losses are identified, they are accounted for 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

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated using a straight line method from the year following acquisition. Assets in the course of construction are not depreciated until used. The following useful lives apply:

- Buildings are depreciated in accordance with IAS 16 – Property, Plant and Equipment. According to the most recent valuation report, all buildings have an asset life of 60 years.

- Fire appliances have an asset life of between 10 and 15 years, other vehicles have an asset life of 5 years.

- Plant and equipment have an asset life between 10 and 20 years.

Where a property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

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. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Where a component of an existing asset has to be de-recognised and the component amount is not known, then an estimate using a reasonable basis has been used. The component calculation is established using the replacement cost of the component, indexed back to the original component's inception and adjusted for any subsequent depreciation and impairment.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts credited to the Capital Receipt Reserve can only be used for new capital investment. Receipts are appropriated to the Reserve from the General Funds Balance in the Movement in Reserves Statement.

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.

3. Intangible Assets

The Authority defines intangible assets as identifiable non-monetary asset without physical substance; as per IAS 38. The intangible assets (e.g. computer software) are measured at cost.

4. Revenue Provision for the Repayment of Debt

In accordance with the requirements of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 the Authority is required to calculate a 'prudent' level for the repayment of debt. This is achieved through 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. This charge is calculated as follows:

- For capital expenditure incurred before 1st April 2008 or which in the future is supported capital expenditure, the Minimum Revenue Provision (MRP) policy is to set aside a provision equal to 4% of the previous year's Capital Financing Requirement.

- From 1st April 2008 for all unsupported borrowing, excluding finance leases, the MRP policy uses the Asset Life Method i.e. MRP will be an annual charge based on the estimated life of the assets. The provision is set aside in the year following the capital expenditure.

- MRP is also charged against Private Finance Initiatives. The capital element of repayments is being used as a proxy for the PFI MRP.

5. Leasing Charges

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.

During 2019/20 the Authority held finance leases under the definition of IAS 17 Leases. Leases are accounted for in accordance with IAS 17, operating leases are not capitalised and rentals are charged directly to the CIES in the year to which they relate. Finance leases are capitalised with transactions reflected on the Balance Sheet as fixed assets and deferred liabilities and through the CIES as interest payable and similar charges.

6. Heritage Assets

The Authority holds a number of heritage assets. The assets are held in secure locations, either Fire Stations or the local City Museum.

The assets are appropriately and sensitively preserved and insured 20% above the valuation. The Authority does not seek to acquire assets of this nature, and has no intention of disposing of the assets currently held.

The assets have been valued by an independent specialist based on current open market sale value.
Due to the value of the assets held they are not recognised in the balance sheet in accordance with the code.

7. Non-current assets held for sale

Non-current assets are reclassified as an Asset Held for Sale where it is probable that the carrying amount of the asset will be recovered through a sale transaction rather than through its continual use.

The asset is revalued and carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

8. Inventories

Workshop, Fuel and Stores inventories are maintained, and where material, are shown in the Balance Sheet. The workshop inventory is valued at the lower of cost or net realisable value. The stores' inventory is valued at First In First Out (FIFO) and the fuel is valued at cost. Other immaterial inventories, e.g. stationery, are fully charged to the CIES in the year of purchase.

The Authority does not currently provide for obsolescence or loss in value since amounts written off remain fairly constant and therefore equate to an annual provision.

9. Debtors and Creditors

The Accounts have been prepared on an accruals basis and provision for sums due to or owed by the Authority is included in the accounts where the cash has not actually been received or paid during the year. Income has only been included in the accounts when it can be realised with reasonable certainty. Proper allowance is made for known losses or liabilities where these are material and can be reasonably estimated otherwise these are disclosed by way of note as contingent liabilities.

10. Pensions

The disclosure requirements are included in the main financial statements as notes to the accounts in accordance with CIPFA recommended practice and IAS 19 – Employee Benefits.

Types of pension schemes

The Authority participates in two different pension schemes, which meet the needs of employees.

a) Firefighters

   This scheme is unfunded and the charge to the accounts represents the Authority’s (as employer) contribution to the fund for the year.

b) Other Pensionable Employees

   Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The pension costs that are charged to the Authority's accounts in respect of these employees are equal to the contributions paid to the funded pension scheme for these employees.

In accordance with IAS 19 the authority recognises the cost of retirement benefits within the Net Cost of Services, when they are earned, rather than when benefits are actually paid as pensions. However the charge to be made to the Council Tax, via the precepts, is based on the amount payable in the year. The difference is reversed out in the General Fund.

11. Interest on Balances

During the year surplus money was invested and the interest earned credited to the Comprehensive Income and Expenditure Statement.

12. Government Grants and Contributions

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

13. Changes in Accounting Policies

The Authority has reviewed its accounting policies in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors which sets out the principles to be adopted and disclosures that are required within the Statement of Accounts. Any appropriate changes have been applied.

14. Financial Instruments

The Financial Instrument Policy has been amended this year to reflect the current accounting changes required.

Financial Assets

Financial assets are classified into three types which are based on the intention of use when the asset was purchased:

- Amortised Cost – held to collect contractual cash flows of principle and interest on specific dates
- Fair Value through Other Comprehensive Income (FVOCI) – held to both collect contractual cash flows and sell the financial asset on specified dates
- Fair Value through Profit or Loss (FVP&L) – Achieve objectives by any other means than collecting contractual cash flows.

The Authority does not have any FVOCI or FVP&L.

Financial assets are recognised in the Statement of Accounts when the authority becomes party to the financial instrument contract. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Loans and receivables are measured at amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. Any gains and losses arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Financial Liabilities

Financial liabilities 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 and are carried at their amortised cost. Financial liabilities are derecognised when the liability has been discharged, that is the liability has been paid or otherwise discharged.

The Authority has liabilities in relation to loans from the Public Works Loan Board (PWLB), Lender Options Borrowing Options (LOBO), creditors for goods and services and two PFI contracts.

Interest Payable Is charged to the Financing and Investment Income and Expenditure section in the Comprehensive Income and Expenditure Statement in the year which it relates.

15. Collection Fund Adjustment Account

The Council Tax and the non-domestic rates income included in the CIES will show the accrued income for the year. The difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is held in the Collection Fund Adjustment Account and included as a reconciling item in the ‘Adjustments between accounting basis and funding basis under regulations’ reconciliation.

The Authority’s Balance Sheet shows the proportion of surplus/deficit of the Billing Authorities Collection Fund in the Debtors/Creditors balance. The Authority also shows the attributable share of the impairment allowance for doubtful debts and a provision for non-domestic rates appeals.

16. Private Finance Initiative (PFI)

PFI transactions are treated in the Authority’s accounts in accordance with latest recommended practice of Control of Assets (IFRIC12 – Service concession arrangements).

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI scheme and the ownership of the fixed assets will pass to the

Authority at the end of the contract for no additional charge, the Authority carries the fixed assets used under the contract on the Balance Sheet.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year (known as Unitary Charges) are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the CIES
- Finance costs – an interest charge of an agreed % on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the CIES
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the CIES
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- Lifecycle replacement costs (regular planned refurbishments) – debited to the relevant service in the CIES

17. Employee Benefits – Accumulating Compensating Absences

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

18. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Any investments that do not satisfy this principle are classed as short term investments.

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

19. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover unexpected events and contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When the expenditure to be financed from reserves is incurred, it is charged to the appropriate service line in the Comprehensive Income and Expenditure Statement (CIES) in that year, to score against the Surplus or Deficit on the Provision of Services in the CIES. The corresponding amount is then transferred from the reserve account back into the General Fund to ensure that there is no net charge on the council tax for the expenditure.

The Authority holds the following Usable Reserves:

- **General Reserve** – a risk assessment of the pressures likely to face the Authority is undertaken, and the current balance on this reserve represents those identified high and medium risks, in proportion to the probability of their occurrence.

- **Earmarked Reserves Revenue Grants** – the balance held represents grants received which have no outstanding conditions but have not been fully utilised in the year; the grant is fully recognised in the CIES.

- **Capital Grants Unapplied** – the balance held represents grants received and fully recognised in the CIES but have not been applied to an acquisition.

- **Civil Contingency Reserve** – this reserve is made up of budgeted contributions and unspent balances from previous years. It is held as a contingency to cover unexpected occurrences.

- **Other Reserve** – this reserve is made up of budgeted contributions and planned efficiency savings from previous years and it is utilised in line with the approved Reserve Strategy.

The Authority holds the following Unusable Reserves:

- **Collection Fund Adjustment Account** – the balance held represents the accrued council tax income presented in the CIES.

- **Capital Adjustment Account** – the balance held represents 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.

- **Pension Reserve** – absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

- **Revaluation Reserve** – contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment, and Intangible Assets.

20. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA subjective analysis and the monthly management accounts production.

21. Fees and Charges Income

The Authority recognises revenue from contracts with service recipients in accordance with the provision of International Financial Reporting Standard (IFRS) 15, Revenue from Contracts with Customers.

Revenue is recognised in the financial year that services are provided in accordance with the performance obligations of the contract.

22. Accounting Standards That Have Been Issued But Not Yet Adopted

The Authority has considered the impact of accounting changes that will be required by any new accounting standards that have been issued but not yet adopted by The Code for 2020/21. These changes relate to accounting amendments to IAS28 Investments in Associates and Joint Ventures, annual improvement to IFRS standards and amendments to IAS19 Employee benefits. These changes are not expected to have a material impact on the Authority's Accounts but it will be dependent on arrangements in place at the time and further details of the potential impact will be disclosed when more information becomes available.

A revised standard with regard to leases has been issued by the International Accounting Standards Board that became effective as of the 1st January 2019. The interpretation for this has not been adopted for the 2019/20 accounts and has been deferred to the 2021/22 CIPFA Code of Practice. The Authority has undertaken a review of its current contracts to determine if any are to be treated as a finance lease from the date of implementation. Only 1 was identified but this is already treated as a finance lease. The review will be updated at the time of the implementation of The Code.

23. Events After the Reporting Period

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 as:

- **Adjusting Events**

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

- **Non-adjusting Events**
  Those events 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 either their estimated financial effect or a statement that such an estimate cannot be made reliably.

24. Accrued Revenue Income and Expenditure

The revenue accounts are maintained on an accruals basis. Expenditure is charged to the revenue accounts in the period in which goods and services are received and fall due, similarly, income is credited in the period in which it falls due, regardless of the timing of cash payments or receipts. The exception to the accruals basis is where the amounts involved are not material.

Interest due to or from third parties in relation to loans and investments, is accrued in full at the year-end.

Provision is made for the impairment of debts in the General Fund.

Where Income and Expenditure have been recognised but cash has not been received or paid, a Debtor or Creditor for the relevant amount is recognised on the Balance Sheet. Where debts may not be settled and it is likely that collection of such debt is doubtful, the balance of the debt is written down and a charge is made to revenue for the income that may not be collectable.

25. Council Tax and Non-Domestic Rates

The collection of council tax and non-domestic rates is an agency arrangement for both the billing authorities, major preceptors and, in the case of non-domestic rates, central government. The Fire Authority is a preceptor along with the Policing and Crime Commissioner, while the nine local authorities in Staffordshire are the billing authorities.

The council tax and non-domestic rates income included in each body's Comprehensive Income and Expenditure Statement for the year is their proportion of accrued income for the year. There is a debtor / creditor position between the preceptor authorities, the billing authorities and central government which is recognised on the Balance Sheet.

The Authority only recognise its share of any outstanding council tax and non-domestic rates arrears, receipts in advance, receivables impairments allowance and an allowance for appeals made by non-domestic rates payers. The calculation is based on an average of the last 3 years actual year end position.

26. Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error.

Where a change in accounting policy is made, or the correction of a material error, 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.

Changes in accounting estimates are accounted for prospectively.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'.

The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase / (Decrease) line shows the statutory General Fund Balance movements in the year following those adjustments.

2019/20	Note	General Fund (GF) Balance £'000	Earmarked GF Reserves £'000	TOTAL GENERAL FUND £'000	Capital Grants Unapplied £'000	TOTAL USABLE RESERVES £'000	TOTAL UNUSABLE RESERVES £'000	TOTAL AUTHORITY RESERVES £'000
Balance as at 31 March 2019		1,906	14,219	16,125	5	**16,130**	(456,255)	**(440,125)**
Movement in reserves during 2019/20								
Surplus or (deficit) on provision of services		(6,285)	0	(6,285)	0	**(6,285)**	**0**	**(6,285)**
Other Comprehensive Income & Expenditure				0		**0**	**42,518**	**42,518**
Total Comprehensive Income & Expenditure		(6,285)	0	(6,285)	0	**(6,285)**	**42,518**	**36,233**
Adjustments between accounting basis & funding basis under regulations	1	6,416	0	6,416	0	**6,416**	(6,416)	**(0)**
Net Increase / (Decrease) before Transfers to Earmarked Reserves		131	0	131	0	**131**	**36,102**	**36,233**
Transfers (To) / From Earmarked Reserves		(131)	135	4	(4)	**0**	**0**	**0**
Increase / (Decrease) in year		0	135	135	(4)	**131**	36,102	**36,233**
Balance as at 31 March 2020 c/f		1,906	14,354	16,260	1	**16,261**	(420,153)	**(403,892)**

2018/19	Note	General Fund (GF) Balance £'000	Earmarked GF Reserves £'000	TOTAL GENERAL FUND £'000	Capital Grants Unapplied £'000	TOTAL USABLE RESERVES £'000	TOTAL UNUSABLE RESERVES £'000	TOTAL AUTHORITY RESERVES £'000
Balance as at 31 March 2018		1,906	15,251	17,157	59	**17,216**	(418,412)	**(401,196)**
Movement in reserves during 2018/19								
Surplus or (deficit) on provision of services		(25,411)	0	(25,411)	0	**(25,411)**	**0**	**(25,411)**
Other Comprehensive Income & Expenditure						**0**	**(31,961)**	**(31,961)**
Total Comprehensive Income & Expenditure		(25,411)	0	(25,411)	0	**(25,411)**	**(31,961)**	**(57,372)**
Adjustments between accounting basis & funding basis under regulations	1	24,325	0	24,325	0	**24,325**	(5,882)	**18,443**
Net Increase / (Decrease) before Transfers to Earmarked Reserves		(1,086)	0	(1,086)	0	**(1,086)**	**(37,843)**	**(38,929)**
Transfers (To) / From Earmarked Reserves		1,086	(1,032)	54	(54)	**0**	**0**	**0**
Increase / (Decrease) in year		(0)	(1,032)	(1,032)	(54)	**(1,086)**	(37,843)	**(38,929)**
Balance as at 31 March 2019 c/f		1,906	14,219	16,125	5	**16,130**	(456,255)	**(440,125)**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing service in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

The Authority raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

	2018/19				2019/20		
Gross Expenditure £,000	Gross Income £,000	Net Expenditure £,000		Gross Expenditure £,000	Gross Income £,000	Net Expenditure £,000	Note
48,475	(5,445)	43,030	Fire Fighting Services	51,543	(7,160)	44,383	
564	(606)	(42)	Civil Contingencies Unit	629	(654)	(25)	30
18,441	0	18,441	Non-distributed costs	0	(1,147)	(1,147)	
67,480	**(6,051)**	**61,429**	**Net Cost of Services**	**52,172**	**(8,961)**	**43,211**	
		28	Other Operating Expenditure			6	10
		13,751	Financing and Investment Income and Expenditure			14,231	11
		(49,797)	Taxation and Non-Specific Grant Income			(51,163)	12
		25,411	**(Surplus) / Deficit on Provision of Services**			**6,285**	
		(2,146)	(Surplus) / Deficit on revaluation of non-current assets			(2,013)	13
		15,664	Remeasurements of the net defined benefit liability			(40,505)	45
		13,518	**Other Comprehensive Income and Expenditure**			**(42,518)**	
		38,929	**Total Comprehensive Income and Expenditure**			**(36,233)**	

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net liabilities of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets 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'.

2018/19 £,000		2019/20 £,000	Note
131,928	Property, Plant & Equipment	132,116	13
92	Intangible Assets	72	15
132,020	**Long Term Assets**	**132,188**	
4,500	Short Term Investments	1,500	21
631	Inventories	561	18
4,659	Short Term Debtors	4,444	19
9,597	Cash & Cash Equivalents	14,005	20
19,387	**Current Assets**	**20,510**	
0	Bank overdraft	0	20
(583)	Short Term Borrowing	(584)	17
(7,671)	Short Term Creditors	(7,360)	22
(3,502)	Grants Receipts in Advance	(3,940)	22 /34
(11,756)	**Current Liabilities**	**(11,884)**	
0	Long Term Creditors	0	
(17,550)	Long Term Borrowings	(17,050)	17
(66,011)	Other Long Term Liabilities	(63,773)	39
(496,215)	Pension liability	(463,883)	24
(579,776)	**Long Term Liabilities**	**(544,706)**	
(440,125)	**NET LIABILITIES**	**(403,892)**	
16,130	Usable Reserves	16,261	23
(456,255)	Unusable Reserves	(420,153)	24
(440,125)	**TOTAL RESERVES**	**(403,892)**	

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 the 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.

2018/19 £'000		2019/20 £'000	Note
25,411	**Net Deficit on the Provision of Services**	**6,285**	
(30,488)	Adjustments net deficit on the provision of services for non-cash movements	(12,243)	27
155	Adjustments for items included in the net deficit on the provision of services that are investing or financing activities	394	28
(4,922)	**Net Cash flows from operating activities**	**(5,564)**	
2,563	Net cash flows from Investing Activities	(1,072)	25
3,459	Net cash flows from Financing Activities	2,589	26
(315)	LGPS Pension deficit contributions	(361)	24
785	**Net (increase) or decrease in cash and cash equivalents**	**(4,408)**	
10,382	Cash and Cash equivalents and bank overdraft at the beginning of the reporting period	9,597	20
9,597	Cash and Cash equivalents and bank overdraft at the end of the reporting period	14,005	20

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1. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2019/20	General Fund (GF) Balance £'000	Earmarked Other GF Reserves £'000	CCU Reserves £'000	Capital Grants Unapplied £'000	TOTAL MOVEMENT IN UNUSABLE RESERVES £'000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CIES):					
Charges for depreciation and revaluation of non-current assets	(3,725)				**3,725**
Revaluation losses on Property Plant and Equipment					**0**
Amortisation of intangible assets	(32)				**32**
Capital grants & contributions applied	361				**(361)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(6)				**6**
Insertion of items not debited or credited to the CIES:					
Statutory provision for the financing of capital investment	3,197				**(3,197)**
Direct Revenue Financing of Capital	1,595				**(1,595)**
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the CIES	12				**(12)**
Application of grants to capital financing transferred to the Capital Adjustment Account					**0**
Adjustments primarily involving the Pension Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES	(22,504)				**22,504**
Government firefighter grant	8,397				**(8,397)**
Employer's pensions contributions and direct payments to pensioners payable in the year	6,296				**(6,296)**
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amounts by which council tax income and non-domestic rates credited to the CIES is different from council tax income and non-domestic rates calculated for the year in accordance with statutory requirements	(7)				**7**
TOTAL ADJUSTMENTS	**(6,416)**	**0**	**0**	**0**	**6,416**

2018/19	General Fund (GF) Balance £'000	Earmarked Other GF Reserves £'000	CCU Reserves £'000	Capital Grants Unapplied £'000	TOTAL MOVEMENT IN UNUSABLE RESERVES £'000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CIES):					
Charges for depreciation and impairment of non-current assets	(3,791)				**3,791**
Revaluation losses on Property Plant and Equipment					**0**
Amortisation of intangible assets	(91)				**91**
Capital grants & contributions applied	135				**(135)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(28)				**28**
Insertion of items not debited or credited to the CIES:					
Statutory provision for the financing of capital investment	3,219				**(3,219)**
Direct Revenue Financing of Capital	1,211				**(1,211)**
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the CIES	54				**(54)**
Application of grants to capital financing transferred to the Capital Adjustment Account					**0**
Adjustments primarily involving the Pension Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES	(38,275)				**38,275**
Government firefighter grant	8,410				**(8,410)**
Employer's pensions contributions and direct payments to pensioners payable in the year	4,734				**(4,734)**
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amounts by which council tax income and non-domestic rates credited to the CIES is different from council tax income and non-domestic rates calculated for the year in accordance with statutory requirements	97				**(97)**
TOTAL ADJUSTMENTS	**(24,325)**	**0**	**0**	**0**	**24,325**

2. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's services. The income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20	As reported to Management £,000	Adjustment to arrive at the net amount chargeable to the General Fund £,000	Net Expenditure Chargable to the General Fund £,000	Adjustments between funding and Accounting Basis £,000	Net Expenditure in the Comprehensive Income and Expenditure Statement £,000
Fire Fighting Services	39,933	625	40,558	2,678	43,236
Civil Contingencies Unit	0	(25)	(25)	0	(25)
Net Cost of Services	**39,933**	**600**	**40,533**	**2,678**	**43,211**
Other Income and Expenditure	(40,936)	272	(40,664)	3,738	(36,926)
(Surplus) / Deficit on Provision of Services	**(1,003)**	**872**	**(131)**	**6,416**	**6,285**
Opening General Fund Balance			(16,130)		
Less/Plus Surplus or (Deficit) on General Fund in Year			(131)		
Closing General Fund Balance 31 March			**(16,261)**		

2018/19	As reported to Management £,000	Adjustment to arrive at the net amount chargeable to the General Fund £,000	Net Expenditure Chargable to the General Fund £,000	Adjustments between funding and Accounting Basis £,000	Net Expenditure in the Comprehensive Income and Expenditure Statement £,000
Fire Fighting Services	40,216	29	40,245	21,231	61,476
Civil Contingencies Unit	0	(47)	(47)	0	(47)
Net Cost of Services	**40,216**	**(18)**	**40,198**	**21,231**	**61,429**
Other Income and Expenditure	(39,856)	744	(39,112)	3,094	(36,018)
(Surplus) / Deficit on Provision of Services	**360**	**726**	**1,086**	**24,325**	**25,411**
Opening General Fund Balance			(17,216)		
Less/Plus Surplus or (Deficit) on General Fund in Year			1,086		
Closing General Fund Balance 31 March			**(16,130)**		

3. NOTES TO EXPENDITURE AND FUNDING ANALYSIS

2019/20	CCU £,000	Income classification in management accounts £,000	Other accruals and adjustment £,000	Adjustment to arrive at the net amount chargeable to the General Fund £,000	Adjustments for Capital Purposes £,000	Net change for the Pension Adjustment £,000	Other Differences £,000	Adjustments between funding and Accounting Basis £,000
Fire Fighting Services		(272)	897	625	(1,047)	4,087	(362)	2,678
Civil Contingencies Unit	(25)			(25)	0	0	0	0
Net Cost of Services	**(25)**	**(272)**	**897**	**600**	**(1,047)**	**4,087**	**(362)**	**2,678**
Other Income and Expenditure		272	0	272	0	3,724	14	3,738
(Surplus) / Deficit on Provision of Services	**(25)**	**0**	**897**	**872**	**(1,047)**	**7,811**	**(348)**	**6,416**

2018/19	CCU £,000	Income classification in management accounts £,000	Other accruals and adjustment £,000	Adjustment to arrive at the net amount chargeable to the General Fund £,000	Adjustments for Capital Purposes £,000	Net change for the Pension Adjustment £,000	Other Differences £,000	Adjustments between funding and Accounting Basis £,000
Fire Fighting Services		(744)	773	29	(602)	21,968	(135)	21,231
Civil Contingencies Unit	(47)			(47)	0	0	0	0
Net Cost of Services	**(47)**	**(744)**	**773**	**(18)**	**(602)**	**21,968**	**(135)**	**21,231**
Other Income and Expenditure		744	0	744	0	3,163	(69)	3,094
(Surplus) / Deficit on Provision of Services	**(47)**	**0**	**773**	**726**	**(602)**	**25,131**	**(204)**	**24,325**

Adjustments to arrive at the net amount chargeable to the General Fund

Staffordshire Fire and Rescue Service administer the Staffordshire Civil Contingencies Unit (CCU), which is funded by contributions from all Staffordshire partners. The CCU financial position is not reported to the Authority with the Staffordshire Fire Management Accounts but is reported separately to the CCU Strategic Partners Board.

The MRP and PFI unitary charge within year is estimated to produce the management accounts. This is calculated accurately at the yearend resulting in a small adjustment.

Adjustment for capital purposes

This adjustment includes depreciation and impairment, disposal of assets and the statutory charges for capital financing (i.e. Minimum Revenue Provision).

Net Change for the Pension Adjustment

This adjustment is the net change for the removal of pension contributions made by the Authority and the replacement with the Current Service Costs as calculated by the actuarial report to comply with IAS19 Employee Benefits.

Other Differences

This adjustment represents the difference between what is chargeable under statutory regulations for Council Tax and NDR and the income recognised under Generally Accepted Accounting Practices. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the collection fund.

4. EXPENDITURE AND INCOME BY NATURE

2018/19 £000		2019/20 £000
	Expenditure	
23,993	Pay Costs	23,576
37,087	Pension Cost (IAS 19 amended)	21,544
2,098	Other Employee Costs	1,980
3,144	Premises Costs	3,290
910	Transport Costs	840
4,670	Supplies & Services	4,734
335	Other Support Costs	413
901	Unitary Charge net of grant	862
3,911	Capital Charges	3,762
859	Interest Payable	799
	Income	
(2,049)	Income General	(2,202)
(536)	Grants Released	(324)
(115)	Interest Receivable	(119)
(8,410)	Fire Fighter Top Up Grant	(8,397)
(41,387)	Government Grants and Precepts	(44,473)
25,411	**(Surplus) / Deficit on Provision of Services**	**6,285**

The above figures are in the format as presented in the monthly Management Accounts but reflect the statutory accounting adjustment.

5. PRIOR PERIOD RESTATEMENT

There are no prior period restatements needed.

6. MOVEMENT IN EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund to provide financing for future expenditure plans.

	Balance as at 1 April 2018 £'000	Transfers from £'000	Transfers to £'000	Balance as at 31 March 2019 £'000	Transfers from £'000	Transfers to £'000	Balance as at 31 March 2020 £'000
Invest to save	7,618	(1,251)	55	6,422	(509)	390	6,303
PFI1 unitary charge reserve	5,506	(6,959)	7,044	5,591	(7,020)	7,044	5,615
Civil contingencies unit	405	0	47	452	0	76	528
Earmarked reserves PFI2	44	0	0	44	0	0	44
PFI1 contingency reserve	668	(54)	66	680	0	74	754
Earmarked grants:							
- New Dimensions Grant	163	(90)	70	143	(115)	70	98
- Enhanced logistic support project	86	(83)	44	47	(83)	44	8
- ESMCP	607	(191)	246	662	(142)	6	526
- Transparency code set up	21	0	7	28		7	35
- Small business rates relief	0	(634)	634	0			0
- Business Levy Surplus	0	(145)	145	0			0
- National Resilience Vehicles	0	0	0	0			0
- New Risks	50	(17)	28	61	(4)	29	86
- Mass fatalities maintenance	0	(6)	49	43	(16)	49	76
- Brexit Local resilience	0	0	0	0	(35)	117	82
- Covid	0	0	0	0	(4)	170	166
- Partnership Income	83	(46)	9	46	(45)	32	33
	15,251	**(9,476)**	**8,444**	**14,219**	**(7,973)**	**8,108**	**14,354**

7. AUTHORISATION OF ACCOUNTS FOR ISSUE

The unaudited financial statement were certified by David Greensmith, Director of Finance (Staffordshire Commissioner's Office) / Section 151 Officer on 31st May 2020.

In line with statutory requirements the accounts and supporting documentation were made available for public inspection for a period of 1st June to 10th July.

8. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in the Accounts, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Government funding –

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be significantly impaired as a result of a need to close facilities and reduce levels of service provision.

Property Value –

In order to satisfy The Code of Practice, which explicitly states that revaluations must be 'sufficiently regular to ensure that the carrying amount is not materially different from the current value at the end of the reporting period', all land and buildings have undergone a desk top valuation assessment on 31st March 2020. All the stations are classed as a specialised building using the Depreciated Replacement Cost (DRC) method.

The Trentham Lakes Workshop is also classed as a specialised building as it is a purpose built structure to accommodate the larger appliances and the Aerial Ladder Platforms including large bays, floor channels for the larger vehicles and specialist lifting gear integral to the building for the removal of the appliance equipment and strip downs. In view of this Trentham Lakes Workshop is valued under the DRC method.

PFI scheme –

The authority is deemed to control the services provided under the outsourced agreements to rebuilt and maintain 21 fire stations under the PFI1 and PFI2 schemes across Stoke-on-Trent and Staffordshire. The authority is also deemed to control the residual value of assets used in these arrangements at the end of the agreements. The accounting policies for PFI schemes have been applied to these arrangements and the assets are recognised as Property, Plant and Equipment on the authority's balance sheet.

9. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts sometimes contain 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 31st March 2020 for which there is a risk of a material adjustment in the following financial year are:

Pension 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. The Government Actuary's Department (GAD) and Hymans Robertson provide the Authority with expert advice about the assumptions to be applied (Note 44).

The effect of the net pensions' liability of changes in individual assumptions can be measured. For instance, all other factors remaining equal, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £46 million.

Property, Plant & Equipment

The Authority's assets are depreciated over the useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation would increase and the carrying amount of the assets would fall. It is estimated that based on the current carrying value of depreciating assets of £119m at 31 March 2020 the annual depreciation charge for property plant and equipment assets would increase by c£0.5m for every year that the useful life had been reduced. However, the assets are revalued annually and the asset lives are kept under regular review.

Fair Value Measurement

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the Discounted Cash Flow model).

The authority used the Discounted Cash Flow Model to measure the fair value of the PFI Liabilities using observable data (i.e. PWLB Borrowing rates). For the financial assets the fair value is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payment in the future in today's terms. The discount rate used in the calculation is equal to the current rate in relation to the same instrument from a comparable lender.

Material Uncertainty

The property valuation exercise was performed in 2019/20 with a valuation date of 31st March 2020. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards (red book) the valuer has declared a 'material valuation uncertainty' in the valuation report. This is on the basis of uncertainties in markets caused by COVID-19 which has impacted on market activity in many sectors. The valuers therefore attach less weight to previous market evidence for comparison purposes, to inform opinions of value and are faced with an unprecedented set of circumstances on which to base judgement. The values in the report have been used to inform the measurement of property assets at valuation in these financial statements. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in proving the calculation and this remains the best information available to the Authority. We are members of the LGPS who have also issued a material uncertainty on property valuation SFRA have a 1% share of the funds' assets attributed to them.

10. OTHER OPERATING EXPENDITURE

The loss on disposal of £6,000 includes the disposal of fleet vehicles.

2018/19 £,000		2019/20 £,000
28	Loss on disposal of fixed assets	6
28		**6**

11. FINANCING AND INVESTING INCOME AND EXPENDITURE

2018/19 £,000		2019/20 £,000
844	Interest payable on debt	785
15	Interest payable on finance leases	14
2,859	Interest payable on PFI1 Unitary payments	2,786
(1,921)	Grant for interest on PFI1 payments	(1,856)
2,153	Interest payable on PFI2 Unitary payments	2,109
(1,657)	Grant for interest on PFI2 payments	(1,609)
11,573	Net interest on the net defined benefit liability	12,121
(115)	Investment Interest Income	(119)
13,751		**14,231**

12. TAXATION AND NON-SPECIFIC GRANT INCOME

2018/19 £,000		2019/20 £,000
(135)	Recognised capital grants and contributions	(361)
(162)	Recognised revenue grants and contributions	(473)
(25,548)	Council Tax	(26,458)
(9,537)	Non-domestic rates redistribution	(9,630)
(5,255)	Revenue Support Grant	(4,674)
(778)	Transitional funding	(1,004)
28	Non-domestic rates adjustment	(166)
(8,410)	Gain on pension grant	(8,397)
(49,797)		**(51,163)**

13. PROPERTY, PLANT AND EQUIPMENT

Movements in 2019/20

	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	**Total Property, Plant and Equipment** £000	PFI assets included in PP&E £000
Value at 1 April 2019	123,704	22,474	2,401	148,579	79,525
- Additions	0	939	1,011	1,950	
- Disposals	0	(968)	0	(968)	
- Revaluations	(176)	0	0	(176)	(2)
- Impairment	0	0	0	0	
- Reclassification	0	0	(11)	(11)	
- Transfers	(41)	2,010	(1,969)	0	
Gross Book Value at 31 March 2020	**123,487**	**24,455**	**1,432**	**149,374**	**79,523**
Depreciation:					
- Cumulative net to 31 March 2019	0	(16,651)	0	(16,651)	0
- Disposals	0	928	0	928	
- On revaluations	2,190	0	0	2,190	1,428
- For the Year	(2,190)	(1,535)		(3,725)	(1,428)
Depreciation at 31 March 2020	**0**	**(17,258)**	**0**	**(17,258)**	**0**
Net Book Value at 31 March 2020	**123,487**	**7,197**	**1,432**	**132,116**	**79,523**

Movements in 2018/19

	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI assets included in PP&E £000
Value at 1 April 2018	**123,663**	**23,131**	**534**	**147,328**	**79,507**
- Additions	41	539	1,999	2,579	
- Disposals	(48)	(1,279)	0	(1,327)	
- Revaluations	(1)	0	0	(1)	18
- Transfers	49	83	(132)	0	
Gross Book Value at 31 March 2019	**123,704**	**22,474**	**2,401**	**148,579**	**79,525**
Depreciation:					
- Cumulative net to 31 March 2018	0	(16,285)	0	(16,285)	0
- Disposals	0	1,279	0	1,279	
- On revaluations	2,147	0	0	2,147	(1,402)
- For the Year	(2,147)	(1,645)	0	(3,792)	1,402
Depreciation at 31 March 2019	**0**	**(16,651)**	0	**(16,651)**	**0**
Net Book Value at 31 March 2019	**123,704**	**5,823**	**2,401**	**131,928**	**79,525**

Depreciation

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

- Buildings – 60 years
- Components of buildings – 10-25 years
- Appliances and appliance equipment – 10-15 years
- Vehicles – 5 years
- Furniture, plant and equipment – 10-20 years

Capital Commitments

At 31 March 2020 there is contractually committed capital expenditure of £469,000 to be incurred in 2020/21. £368,000 of this relates to the vehicles and the remaining relates to ICT and operational equipment.

Valuation of non-current assets

In 2019/20 the Authority engaged Cameron Butler BLE (Hons) MRICS, of FHP Property Consultants to value the entire land and buildings portfolio to ensure all assets held on the Balance Sheet comply with as per IAS16 by being revalued sufficiently regularly.

The revaluation has resulted in an upward revaluation of £2,013,000.

The valuations have all been carried out in accordance with the Royal Institute of Chartered Surveyors' current Appraisal and Valuation Standards manual. The sources and assumptions made when producing the valuations are set out in the valuation certificates and reports.

14. DETAILS OF ASSETS OWNED BY THE FIRE AUTHORITY

During the year twelve vehicles were disposed of and fifteen purchased to maintain the operational fleet.

31-Mar-19		31-Mar-20
1	Fire Headquarters	1
33	Fire Stations	33
1	Workshops	1
184	Vehicles	187

15. INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licences and general software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority.

The useful lives assigned to the software are:

2018/19 £,000		2019/20 £,000
6	3 years	0
86	5 years	72
0	10 years	0
92		**72**

The carrying amount of intangible assets is amortised on a straight-line basis. The movements during the year are as follows:

2018/19 £,000		2019/20 £,000
551	Gross Book Value at 1 April	521
5	- Additions	11
(35)	- Disposals	(22)
(373)	- Cumulative amortisation to 31 March	(429)
35	- Amortisation on disposals	23
(91)	- Amortisation for the year	(32)
92	Net Book Value at 31 March	**72**

16. HERITAGE ASSETS

The Authority currently owns four heritage vehicles and a collection of memorabilia which is held around the County. The Authority also displays one heritage vehicle at Newcastle Fire Station which is owned by the Newcastle Brampton Museum;

- Leyland Ajax pump escape 1939, one of the last open topped Leyland machines to leave the production line
- Merryweather horse drawn steam pump fire engine c1894, currently being displayed at The Potteries Museum and Art Gallery, Stoke-on-Trent
- Coventry Climax with Godiva Pump 1939 which has been gifted to the Authority and restored using donations and fundraising from the local community
- Thornycroft 1954 Fire Appliance displayed at Uttoxeter Fire Station gifted during the year by Windrush Farm, Gloucestershire

The first two assets have been independently valued by an external specialist, John Holland FRICS FAAV of Thimbleby & Shorland, Reading. The value of the vehicles has been determined as £15,000 and £30,000 respectively. The values were based on current open market sale value as at 31 March 2012. However, the most recent additions are yet to be professionally valued but similar vehicles are costing in the region of £5,000.

The Authority does not seek to acquire assets of this nature, and has no intention of disposing of the assets currently held. Due to the value of the heritage assets held they have not been recognised in the Balance Sheet in accordance with the Code.

17. FINANCIAL INSTRUMENTS

Categories of financial instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

Financial Assets

	Non-Current				Current				Total	
	Investments		Debtors		Investments		Debtors			
	31-Mar-19 £,000	31-Mar-20 £,000	31-Mar-19 £,000	31-Mar-20 £,000	31-Mar-19 £,000	31-Mar-20 £,000	31-Mar-19 £,000	31-Mar-20 £,000	31-Mar-19 £,000	31-Mar-20 £,000
Amortised costs:										
Cash held					196	905			**196**	**905**
Fixed Term Deposits					9,500	9,500			**9,500**	**9,500**
Money Market Funds					4,400	5,100			**4,400**	**5,100**
Debtors							492	304	**492**	**304**
Total Financial Assets	**0**	**0**	**0**	**0**	**14,096**	**15,505**	**492**	**304**	**14,588**	**15,810**

Financial Liabilities

	Non-Current				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors			
	31-Mar-19 £,000	31-Mar-20 £,000	31-Mar-19 £,000	31-Mar-20 £,000	31-Mar-19 £,000	31-Mar-20 £,000	31-Mar-19 £,000	31-Mar-20 £,000	31-Mar-19 £,000	31-Mar-20 £,000
Amortised costs:										
Market loans - LOBO	1,000	1,000							**1,000**	**1,000**
PWLB loans	16,550	16,050			500	500			**17,050**	**16,550**
Creditors							3,990	3,934	**3,990**	**3,934**
PFI1	36,895	35,607			1,204	1,288			**38,099**	**36,895**
PFI2	28,831	27,917			850	913			**29,681**	**28,830**
Finance Lease	285	249	0	0	34	36	0	0	**319**	**285**
Total Financial Liabilities	**83,561**	**80,823**	**0**	**0**	**2,588**	**2,737**	**3,990**	**3,934**	**90,139**	**87,495**

There are no assets or liabilities classified as Fair Value through Profit and Loss, Fair Value through Other Comprehensive Income and non-financial assets.

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

For financial assets the fair value is determined by calculating the Net Present Value of future cashflows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the calculation is equal to the current rate in relation to the same instrument from a comparable lender. The Authority's investments are all at fixed rates and have therefore been calculated using the comparable fixed deposit rates as at 31 March 2020.

The fair value of the PWLB (Public Works Loan Board) and LOBO (Lenders Option Borrowers Option) borrowings have been calculated using a discounted cash flow analysis using other market data (level 2) namely swap rates, credit spreads and option prices.

The fair value of the PFI Liabilities has been calculated using a discounted cash flow analysis and are calculated using PWLB borrowing rates. The fair value is higher than the carrying amount because the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This does not affect future payments made under the PFI scheme.

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

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

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

The valuation hierarchy of financial instruments that were carried at fair value for 2019/20:

31-Mar-20	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
	£,000	£,000	£,000	£,000	£,000
Financial Assets:					
Cash held	905		905		**905**
Fixed Term Deposits	9,500		9,500		**9,500**
Money Market Funds	5,100	5,100			**5,100**
Debtors	304		304		**304**
Total Financial Assets	**15,810**	**5,100**	**10,710**	**0**	**15,810**
Financial Liabilities:					
Market loans - LOBO	1,000		1,821		**1,821**
PWLB loans	16,550		23,906		**23,906**
Creditors	3,934		3,934		**3,934**
PFI1	36,895		44,021		**44,021**
PFI2	28,830		38,425		**38,425**
Finance Lease	285		316		**316**
Total Financial Liabilities	**87,495**	**0**	**112,423**	**0**	**112,423**

The valuation hierarchy of financial instruments that were carried at fair value for 2018/19:

31-Mar-19	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
	£,000	£,000	£,000	£,000	£,000
Financial Assets:					
Cash held	196		196		**196**
Fixed Term Deposits	9,500		9,500		**9,500**
Money Market Funds	4,400	4,400			**4,400**
Debtors	492		492		**492**
Total Financial Assets	**14,589**	**4,400**	**10,188**	**0**	**14,588**
Financial Liabilities:					
Market loans - LOBO	1,000		1,638		**1,638**
PWLB loans	17,050		24,456		**24,456**
Creditors	3,990		3,990		**3,990**
PFI1	38,099		45,122		**45,122**
PFI2	29,680		39,070		**39,070**
Finance Lease	319		355		**355**
Total Financial Liabilities	**90,139**	**0**	**114,631**	**0**	**114,631**

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 the funds available to meet its commitments to make payments
- **Market risk** – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates

The risks in relation to the Fire Authority are detailed below:

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers.

The authority does not generally allow credit for customers such that £307,000 of the £4,351,000 debtors' balance is past its due date for payment.

Of the £307,000 debtors, £136,000 is due from the Staffordshire Police for the rechargeable costs of joint services, £54,000 is due from Other Local Authorities and the Home Office and £92,000 is due from CIC for costs recharged. Therefore, only a small debt is held for general customer charges.

The past due amount can be analysed by age as follows:

	£000
Aged as follows:	
Less than three months	295
Three to six months	12
Six months to one year	0
More than one year	0
	307

Liquidity risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. As the authority has ready access to borrowings, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Authority has the following debt liabilities on its balance sheet.

	31-Mar-19 £'000	31-Mar-20 £'000
Source of Loan		
Market Loans - LOBO	1,000	1,000
PWLB Maturity Loans	17,050	16,550
	18,050	**17,550**
Analysis of Maturity		
Less than one year	500	500
Between one and two years	500	0
Between two and five years	350	900
More than five years	16,700	16,150
	18,050	**17,550**

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

Market risk

The authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. However all its long term borrowing is on fixed rate contracts.

During 2019/20, if interest rates had been 1% higher with all other variables held constant, the impact on the CIES would be an increase in interest of c.£183,000.

18. INVENTORIES

The Authority holds three areas of inventories; the main stores at headquarters, transport and engineering stores held at the Trentham workshop and fuel stock which is held at various locations across the service. The inventories included in the balance sheet for 2019/20 is £561,000 (£631,000 in 2018/19) being HQ stores £432,000 Transport £36,000 and fuel £93,000 (respectively for 2018/19 £421,000, £98,000 and £112,000).

19. AMOUNTS OWED TO THE AUTHORITY BY DEBTORS

31-Mar-19 £,000		31-Mar-20 £,000
636	General Debtors	723
484	Payments in Advance	332
407	Accrued Income	573
1,381	FF Government Top-up Grant	1,426
1,751	Council Tax Billing Authority	1,390
4,659		**4,444**

The general debtors figure is net of the impairment of doubtful debts of £3,198 (£4,884 in 2018/19). This provision ensures that sufficient resources are available should unpaid debtor accounts be deemed unrecoverable. The adequacy of this provision is reviewed annually. The general debtors figure also includes VAT at £412,200 and the Cycle Scheme at £6,000.

The Fire Fighter Government Top-up Grant has a balance due from Home Office of £1,426,000 which will be settled in the grant provision of 2019/20.

In addition the Authority also accounts for a proportionate share of the risks that the council tax and non-domestic rates collected by the billing authorities have incurred, being £1,390,000 (£1,751,000 in 2018/19). This includes a provision for doubtful debts for council tax of £1,342,000 (£1,255,000 in 2018/19) and non-domestic rates of £97,000 (£101,000 in 2018/19) in addition to an appeal provision for non-domestic rates of £442,000 (£560,000 in 2018/19). These calculations are based on the policies of the billing authorities.

The Debtors can be further analysed as follows:

31-Mar-19 £,000		31-Mar-20 £,000
1,557	Central government bodies	1,851
2,179	Other local authorities	1,567
923	Other entities and individuals	1,026
4,659		**4,444**

20. CASH AND CASH EQUIVALENTS

31-Mar-19 £,000		31-Mar-20 £,000
1	Cash Account	0
196	Bank Account	905
9,400	Temporary Investments	13,100
9,597		**14,005**

The cash in hand represents a canteen float of a negligible amount (petty cash £1,000 in 2018/19 held at various locations, now removed).

The cash book balance of £905,000 (£196,000 in 2018/19) takes account of cheques yet to be presented to the Authority's bank for payment at 31 March 2020 and is held in Current Assets.

The Authority holds total temporary investments of £14,600,000 at the 31st March 2020. However, this includes one investment of £1,500,000 that does not satisfy the definition of cash and cash equivalents due to the maturity period and the early withdrawal penalty for the other. This has been presented in Note 21 within Short Term Investments.

21. SHORT TERM INVESTMENTS

31-Mar-19		31-Mar-20
£,000		£,000
4,500	Temporary Investments	1,500
4,500		**1,500**

The short term investment of £1,500,000 is for a MMF.

22. AMOUNTS OWED BY THE AUTHORITY TO CREDITORS

31-Mar-19		31-Mar-20
£,000		£,000
2,096	General Creditors	2,317
2,490	Accruals and deferred income	2,163
997	Council Tax Billing Authority	643
3,503	Receipts in advance	3,940
2,054	PFI liability	2,201
0	FF Government Top-up Grant	0
34	Finance Lease liability	36
11,174		**11,300**

The general creditors figure includes the supplier creditor accounts at £1,283,000 (£327,000 2018/19) and Payroll HMRC at £630,000 (£678,000 2018/19). A payment run was performed on 3rd April 2020 for £1.2m which clears the supplier creditors outstanding.

Receipts in Advance includes a government transformation grant received in 2015/16 for £5,138,000. During the year £361,000 has been utilised (£135,000 in 2018/19) with the balance committed in 2020/21; the grant remaining is £3,141,000. Due to the grant conditions it is held as a liability and not a reserve. In addition a Covid Business Rates Relief Grant for 2020/21 was received in March for £799,000.

The Authority also accounts for a proportionate share of the rewards that the council tax and non-domestic rates collected by the billing authorities have incurred being £643,000 (£997,000 2018/19).

The creditors can be further analysed as follows:

31-Mar-19		31-Mar-20
£,000		£,000
4,181	Central government bodies	4,570
1,055	Other local authorities	707
5,938	Other entities and individuals	6,023
11,174		**11,300**

23. USABLE RESERVES

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

31-Mar-19 £,000		31-Mar-20 £,000
1,906	**General Fund (1)**	**1,906**
5	**Capital grants unapplied**	**1**
1,030	Earmarked reserves - grants	1,109
5,591	Earmarked reserves - PFI grant	5,616
452	CCU Reserve	528
7,146	Other Reserves (2)	7,101
14,219	**Earmarked Reserves**	**14,354**
16,130	**Total Usable Reserves**	**16,261**

(1) General Reserves - held to protect against any spate or emergency conditions which may arise. The level held is based on a risk assessment.

(2) Other Reserves – held to fund transformation initiatives, invest to save and is utilised against non-recurring revenue spend. It is generated from budgeted contributions and planned efficiency savings from previous years.

24. UNUSABLE RESERVES

31-Mar-19 £,000		31-Mar-20 £,000
38,348	Revaluation Reserve	39,596
1,250	Capital Adjustment Account	3,418
(496,576)	Pensions Reserve	(463,883)
723	Collection Fund Adjustment Account	716
(456,255)		**(420,153)**

Revaluation Reserve

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

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The balance on the Revaluation Reserve is accounted for on an individual asset basis.

2018/19 £,000		2019/20 £,000	£,000
36,949	Balance as at 1 April		38,348
2,146	Upward revaluation of assets		2,013
0	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	0	
2,146	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		0
(722)	Different between fair value depreciation and historical cost depreciation	(765)	
(25)	Accumulated gains on assets sold or scrapped	0	
(747)	**Amount written off to the Capital Adjustment Account**		(765)
38,348	**Balance as at 31 March**		**39,596**

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 costs of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement.

The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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.

As the Authority did not inherit debt from the County Council the depreciation charged to the Income and Expenditure Account is greater than the revenue provision for repayment of debt.

2018/19 £,000		2019/20 £,000	£,000
(206)	Balance as at 1 April		1,250
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(3,791)	Charges for depreciation and impairments of non-current assets	(3,725)	
0	Revaluation losses on Property, Plant and Equipment	0	
(91)	Amortisation of intangible assets	(31)	
(28)	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	(6)	
(3,910)		(3,762)	(3,762)
747	Adjusting amounts written out of the Revaluation Reserve		765
(3,369)	**Net written out amount of the cost of non-current assets consumed in the year**		**(1,747)**
	Capital financing applied in the year:		
0	Use of the Capital Receipts Reserve to finance new capital expenditure	0	
135	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	361	
1,211	Direct revenue contributions	1,595	
54	Application of grants to capital financing from the Capital Grants Unapplied Account	12	
1,961	Lease payments	2,088	
1,258	Statutory provision for the financing of capital investment charged against the General Fund	1,109	5,165
1,250	**Balance at 31 March**		**3,418**

Pension Reserves

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to the pension fund 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.

31-Mar-19 £,000		31-Mar-20 £,000
(455,781)	**Balance brought forward**	**(496,576)**
(15,664)	Remeasurement of the net defined benefit liability	40,505
(38,275)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the Provision of services in the CIES	(22,504)
12,829	Employer's pensions contributions and direct payments to pensioners payable in the year	14,331
315	LGPS deficit contribution prepayment	361
(496,576)	**Total Pension Reserve**	**(463,883)**

The option to prepay the LGPS deficit contribution for 2017/18, 2018/19 and 2019/20 was exercised. The prepayment is used to offset the pension liabilities held on the balance sheet.

Collection Fund Adjustment Account

The Collection Fund Adjustment Account (CFAA) manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income & Expenditure Statement as it falls due from the council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

The following table presents the movements in the CFAA:

31-Mar-19 £,000		31-Mar-20 £,000
626	Balance as at 1 April	723
124	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(174)
(27)	Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	167
723		**716**

25. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for investing activities include the following items:

2018/19 £,000		2019/20 £,000
2,583	Purchase of property, plant and equipment and intangible assets	1,961
12,000	Purchase of short-term and long-term investments	12,000
(12,000)	Proceeds of short-term and long-term investments	(12,000)
(20)	Proceeds from the sale of property, plant and equipment and intangible assets	(33)
0	Proceeds from short-term and long-term investments	(3,000)
2,563	**Cash outflows from Investing Activities**	**(1,072)**

26. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for financing activities include the following items:

2018/19 £,000		2019/20 £,000
33	Cash Payments for the reduction of the outstanding liabilities relating to finance leases	34
1,926	Cash Payments for the reduction of the outstanding liabilities relating to PFI contracts	2,055
1,500	Repayment of short and long-term borrowing	500
3,459	**Cash outflows from Financing Activities**	**2,589**

27. CASH FLOW STATEMENT – ADJUSTMENTS FOR NON-CASH MOVEMENTS

2018/19 £,000		2019/20 £,000
(3,882)	PPE movements (depreciation, impairment, amortisation)	(3,757)
(1,427)	Movement in current assets (debtors, creditors, stock)	(625)
(25,131)	Movement in Pension Liability	(7,811)
(48)	Carrying amount of Non current assets sold	(50)
(30,488)	**Other Non-cash movements**	**(12,243)**

28. CASH FLOW STATEMENT – ADJUSTMENTS FOR ITEMS INCLUDED IN THE NET DEFICIT THAT ARE INVESTING OR FINANCING ACTIVITIES

2018/19 £,000		2019/20 £,000
135	Capital grants credited to Surplus or Deficit on provision of services	361
20	Proceeds from the sale of property, plant and equipment and intangible assets	33
155	**Adjust for items included in the net deficit on the provision of services that are investing or financing activities**	**394**

29. CASH FLOW STATEMENT – OPERATING ACTIVITIES INCLUDE THE FOLLOWING ITEMS

2018/19 £,000		2019/20 £,000
(115)	Interest Received	(119)
844	Interest Paid	785

30. AGENCY INCOME AND EXPENDITURE

The Authority acts as an agent for other Fire Authorities under Sections 13 and 16 of the Fire Services Act 1947. Where assistance provided is greater than that received charges are made. The following transactions have been made between the Authority and West Midlands FRA and Derbyshire FRA.

2018/19 £,000		2019/20 £,000
136	Payments to West Midlands	99
(50)	Income from Derbyshire	(63)
86		**36**

Staffordshire Fire and Rescue Service administer the Staffordshire Civil Contingencies Unit (CCU) on behalf of the local authorities within the county.

The CCU funds are included in the Authority's Comprehensive Income and Expenditure Statement and the Balance Sheet. The expenditure for 2019/20 amounted to £629,000 (£564,000 in 2018/19) and income totalled £654,000 (£606,000 in 2018/19) leaving a net surplus position of £25,000 (£42,000 net surplus in 2018/19) in addition to utilising £51,000 of grant funding.

The accumulated reserves balance at 31st March 2020 is £528,000 (£452,000 in 2018/19) which is held in the Authority's short term investments.

31. MEMBERS ALLOWANCES

The Authority has paid the following amounts to members during the period up to 31st July 2018, 2018/19 financial year. From 1st August 2018 the governance arrangements transferred to The Office of Police and Crime Commissioner (OPCC) therefore there is no allowances paid to members in 2019/20.

2018/19 £,000		2019/20 £,000
40	Allowances	0
1	Expenses	0
41		**0**

32. OFFICERS' REMUNERATION

The following table sets out the remuneration for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year:

For the Year of 2019/20	Salary (Including fees & allowances) £	Benefits in Kind (e.g. Car Allowance) £	Total Remuneration excluding pension contributions £	Pensions Contributions £	Total Remuneration including pension contributions £	Note
Chief Fire Officer	144,873	0	144,873	41,723	186,596	
Deputy Chief Fire Officer	122,383	0	122,383	35,246	157,629	
Director of Response	44,044	0	44,044	12,685	56,729	1
Director of Response	90,654	0	90,654	26,108	116,762	2
Director of Finance, Assets & Resources	90,654	8,202	98,856	15,139	113,995	3
Director of Prevent & Protect	57,473	0	57,473	16,552	74,025	4
Total Senior Officers between £50,000 and £150,000	**550,081**	**8,202**	**558,283**	**147,453**	**705,736**	

Note 1: Retired as Director of Response on 23/09/2019, annualised salary is £90,211
Note 2: Director of Response from 12/08/2019, previously Director of Prevent & Protect
Note 3: Director of Finance, Assets & Resources 50% of the salary is recharged to Staffordshire Commissioners Office
Note 4: Director of Prevent & Protect from 12/08/2019, annualised salary is £90,211

For the Year of 2018/19	Salary (Including fees & allowances) £	Benefits in Kind (e.g. Car Allowance) £	Total Remuneration excluding pension contributions £	Pensions Contributions £	Total Remuneration including pension contributions £	Note
Chief Fire Officer	144,873	0	144,873	20,717	165,590	
Deputy Chief Fire Officer	119,398	0	119,398	17,074	136,472	
Director of Response	88,442	0	88,442	12,647	101,089	
Director of Finance, Assets & Resources	88,443	7,323	95,766	14,770	110,536	
Director of Prevent & Protect	88,442	0	88,442	12,647	101,089	
Total Senior Officers between £50,000 and £150,000	**529,598**	**7,323**	**536,921**	**77,855**	**614,776**	

There are no Senior Officers whose salary is £150,000 or more per year.

The numbers of employees whose remuneration, excluding employer's pension contribution, was £50,000 or more in bands of £5,000, were as follows. These include both Senior Officers and Other Officers.

Remuneration Band	2018/19 No of Employees	2019/20 No of Employees
£50,000 - £54,999	13	20
£55,000 - £59,999	10	10
£60,000 - £64,999	9	7
£65,000 - £69,999	2	3
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	2	-
£90,000 - £94,999	-	1
£95,000 - £99,999	1	1
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	1	-
£120,000 - £124,999	-	1
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	1	1
£145,000 - £149,999	-	-
	39	**44**

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies 2018/19	Number of compulsory redundancies 2019/20	Number of other departures agreed 2018/19	Number of other departures agreed 2019/20	Total number of exit packages by cost band 2018/19	Total number of exit packages by cost band 2019/20	Total cost of exit packages in each band 2018/19 £	Total cost of exit packages in each band 2019/20 £
£0 - £20,000	-	1	3	3	3	4	18,972	46,405
£20,001 - £40,000	-	-	5	-	5	-	162,313	-
£40,001 - £60,000	-	-	1	-	1	-	41,275	-
£60,001 - £80,000	-	-	-	1	-	1	-	72,300
£80,001 - £100,000	-	-	-	1	-	1	-	89,422
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	-	-	-	-
Total	**0**	**1**	**9**	**5**	**9**	**6**	**222,560**	**208,126**

33. EXTERNAL AUDIT COSTS

The Authority has paid the following amounts for external audit services during the year.

2018/19 £,000		2019/20 £,000
24	Fees payable to Grant Thornton for external audit services carried out by the appointed auditor	28
0	- in respect of other services	0
24	Total Audit Fees	**28**

34. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20.

2018/19 £,000		2019/20 £,000
Credited to Net Costs of Service:		
37	various partnership income	
289	HO - Fire Link	318
0	HO - National Flood Asset	0
246	HO - Emergency Services Mobile Comms Programme	6
0	HO - Pension contribution grant	1,707
1,893	MHCLG - PFI1	1,959
1,573	MHCLG - PFI2	1,621
4,038		**5,611**
Credited to Financial and Investment income:		
1,922	MHCLG - PFI1	1,856
1,656	MHCLG - PFI2	1,608
3,578		**3,464**
Credited to Taxation and Non-specific Grant Income & Expenditure:		
44	HO - Enhanced Logistic Support Project	44
70	HO - New Dimensions	70
(37)	various partnership income	(13)
29	HO - New Risks	29
48	HO - mass fatalities maintenance	48
0	HO - Brexit local resilience	117
0	COVID	170
8	MHCLG - Transparency Code set up	8
162	**Revenue grants**	**473**
135	MHCLG - Capital fire	361
0	HO - New Risks	0
135	**Capital grants**	**361**
0	**Transitional Funding**	**1,004**
5,255	**Revenue Support Grant**	**4,674**
8,410	**Fire Fighter Pension Top Up Grant**	**8,397**
13,962		**14,909**

The Authority holds a Business Transformation Grant that have conditions attached and these are held as a liability in Grants Receipts in Advance, the income will be recognised in the year it is utilised.

2018/19 £,000		2019/20 £,000
3,638	Balance at 1 April	3,503
0	Covid Business Rates Relief 20/21	799
(135)	Released I year - Transformation Fund (capital)	(362)
3,503	**Total held in Receipts in Advance**	**3,940**

35. 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 be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government
Central Government has effective control over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Authority has with other parties.

Members
Members and Senior Officers of the Authority have direct control over its financial and operating policies and are required to disclose details of any transactions that the Authority has with any individuals with whom they may have a close relationship or any company in which they may have an interest. Members and Senior Officers are aware of the requirement of this disclosure and have declared that they have not been involved in any such related party transactions.

Outsourcing of administration services
The Authority contracts with Staffordshire County Council for the provision of various administrative support. The amount paid in 2019/20 was £70,000 (£113,000 in 2018/19); this includes the internal audit services, treasury management, property services, VAT advice and archiving services. In additional the Authority contracts with Stoke on Trent City Council for the provision of payroll services of £16,000 (a slight increase from 2018/19). A recharge from the OPCC for the governance arrangements and back office recharge of £171,000 (£87,000 in 2018/19 for the governance arrangements only).

Joint Emergency Transport Service

The Joint Emergency Transport Service (JETS) delivers all aspects of fleet services for Fire and Police vehicles in Staffordshire. JETS established in April 2016 is located at the Staffordshire Fire Workshop's at Trentham Lakes. Some overhead costs are shared at a 51/49 split Police/Fire respectively. Other costs are direct to each Service. All the stock is held separately with identifiable stock control. The cost to Staffordshire Fire for the transport service in 2019/20 was £1,474,000 (2018/19 £1,460,000) in line with budget.

Community Interest Company
The Authority hold shares in The Stoke on Trent & Staffordshire Safer Communities Community Interest Company which was established following the completion of the PFI1 project in 2011. The Stoke on Trent & Staffordshire Safer Communities Community Interest Company is a company limited by shares. Like all CICs, it has some unique and important additional features to safeguard its social mission that it was set up for. The shares have a nominal value in the accounts. The distribution of those shares is as follows:

Party	No. of Shares	No. of Directors	Vision
Staffordshire Fire & Rescue Service	55	Two	To make Staffordshire the safest place to live and work
Fire Support (Stoke on Trent & Staffordshire Holdings Ltd)	25	Two	Supporting fire rescue, education and prevention
Groundwork West Midlands	20	One	A society of sustainable communities which are vibrant, healthy and safe and where individuals and enterprise prosper

The CIC also has a "lock" on its assets. This prevents profits from being distributed to its members or shareholders other than in certain limited circumstances. It also means that all assets must be used for the community purpose or, if they are sold, open market value must be obtained for them and the proceeds used for the community purposes. In addition, if the CIC is wound up, its assets must be transferred to another, similarly asset-locked body.

During 2019/20 the value of transactions entered into between the Authority and the CIC company was income of £279,000 (2018/19 £234,000) with expenditure to match as cost recovery only is in operation. At the 31st March 2020 there is a debtors balance owed to Staffordshire Fire of £92,000 (debtors at the 31st March 2019 was £26,000).

Financial Statements have been prepared for the CIC.

36. INTEREST IN COMPANIES

The Stoke on Trent & Staffordshire Safer Communities Community Interest Company is a company limited by shares. The company was established following the completion of the PFI1 project in 2011. It was formed in partnership between public, private and voluntary sector with the primary purpose of providing opportunities to improve the health, safety, social and economic wellbeing of the communities of Stoke-on-Trent and Staffordshire. Its vision is to support active citizenship and financial sustainability through social enterprise and income generation.

The company is considered to be a related party to the Authority and details of transactions between the two entities have been disclosed in Note 35.

For the year ending December 2019 the majority of the activity has been directly funded projects for example Princes Trust Programmes and Building Brighter Opportunities. The company therefore has achieved a small surplus of £13,422 before tax, generated from the delivery of driver training and fire safety training. The company holds net assets of £148,341.

A copy of the accounts can be requested from Staffordshire Commissioner Fire & Rescue Service Headquarters.

37. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including value of assets acquired under finance leases and PFI contracts), 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 Requirements (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

The CFR is analysed as follows:

	2018/19				2019/20	
Non PFI £,000	PFI & Lease £,000	TOTAL £,000		Non PFI £,000	PFI & Lease £,000	TOTAL £,000
24,531	69,187	93,718	**Opening Capital Financing Requirement**	24,457	67,226	91,683
			Capital investment			
5	0	5	Intangible Assets	11	0	11
2,579	0	2,579	Property, Plant & Equipment	1,950	0	1,950
			Sources of finance			
0	0	0	Capital receipts	0	0	0
(135)	0	(135)	Government grants and other contributions	(361)		(361)
(1,265)	0	(1,265)	Direct Revenue Financing	(1,599)		(1,599)
(1,258)	(1,961)	(3,219)	Revenue Provision	(1,109)	(2,088)	(3,197)
24,457	**67,226**	**91,683**	**Closing Capital Financing Requirement**	**23,349**	**65,138**	**88,487**
			Explanation of movements in the year			
1,184	0	1,184	Increase in underlying need to borrow (supported by Government financial assistance)	0	0	0
(1,258)	(1,961)	(3,219)	Decrease in underlying need to borrow (unsupported by Government financial assistance)	(1,109)	(2,088)	(3,197)
		0	Assets acquired under finance lease			0
(74)	**(1,961)**	**(2,035)**	**Increase / (Decrease) in Capital Financing Requirement**	**(1,109)**	**(2,088)**	**(3,197)**

38. MINIMUM REVENUE PROVISION

There is a statutory requirement for the Authority to set aside sums from its General Fund Account in the form of a minimum revenue provision. The sum is based on a combination of either 4% of the Authority's capital financing requirement at the end of the previous financial year and a proportion of an assets value based on asset life. MRP is also charges against Private Finance Initiatives. The capital element of repayments is being used as a proxy for the PFI MRP.

The charges for this are reflected in the table below:

2018/19 £,000		2019/20 £,000
(1,258)	Other Services	(1,109)
(33)	Finance Lease	(34)
(1,125)	PFI1	(1,204)
(803)	PFI2	(850)
(3,219)	**Total MRP**	**(3,197)**

39. OTHER LONG TERM LIABILITIES

The Other Long Term Liabilities include finance leases and the PFI Liability as disclosed in notes 39 and 40. The following schedule analyses the liability:

2018/19 Total Liability £,000	2018/19 Payable less than 1 year £,000	2018/19 Payable more than 1 year £,000		2019/20 Total Liability £,000	2019/20 Payable less than 1 year £,000	2019/20 Payable more than 1 year £,000
318	34	284	Finance Lease	285	36	249
38,099	1,203	36,896	PFI 1 Liability	36,896	1,289	35,607
29,680	849	28,831	PFI 2 Liability	28,830	913	27,917
68,097	**2,086**	**66,011**		**66,011**	**2,238**	**63,773**

The liabilities payable less than one year are included in the Short Term Creditors.

40. LEASES

Finance Leases

The assets acquired under finance lease are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2018/19 £,000		2019/20 £,000
384	**Opening Net Value at 1 April**	**345**
0	Additions	0
0	Revaluations	0
(39)	Depreciation	(39)
0	Disposals	0
345	**Value at 31 March**	**306**

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while liability remains outstanding.

During 2017/18 the Service expanded the Fire Behaviour Training site by developing a Training Villa which was operational from June 2017 and officially opened by The Earl of Wessex KG GCVO 8th September 2017. The Villa was acquired under a 10 year finance lease.

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20
	£,000	£,000	£,000	£,000
Obligations payable not later than one year	48	48	34	36
Obligations payable later than one year and not later than five years	192	192	152	159
Obligations payable later than five years	144	96	132	90
	384	**336**	**318**	**285**

The rentals payable under these arrangements in 2019/20 were £48,000 charged to the Comprehensive Income and Expenditure Statement as £14,000 interest payable and £34,000 relating to the write-down of obligations to the lessor charged to the General Fund.

Operating Lease

The Authority currently has no operational vehicles or equipment financed under the terms of operating leases.

41. PRIVATE FINANCE INITIATIVES (PFI)

The PFI transactions are treated in the Authority's accounts in accordance with the latest recommended practice with the adaptation of IFRIC12 (Service Concession Arrangements).

The assets used to provide services at the fire stations are recognised on the Authority's Balance Sheet.

The Authority makes an agreed payment annually which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed.

Although the payments made to the contractor are described as unitary payment, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed.

PFI 1 scheme

The contract to build ten new community fire stations in Staffordshire as part of the first PFI project was officially signed on 15 October 2009 by representatives of the Authority and the consortium delivering the project, Fire Support. The project will benefit from £50 million of PFI credits from The Ministry of Housing, Communities and Local Government (MHCLG).

The project has seen seven fire stations rebuilt as well as the construction of an additional three new stations. All ten stations are now operational; five being built in 2010/11 and the remaining built in 2011/12.

Payments remaining to be made under the PFI contract are as follows:

Future Unitary Payments	Operating Costs £'000	Contingent Rental/ Interest £'000	Lifecycle Replacement £'000	Capital Repayment £'000	Total Unitary Charge £'000
within 1 year	1,372	2,706	284	1,288	**5,650**
2-5 years	5,885	9,882	1,272	6,061	**23,100**
6-10 years	8,432	9,525	2,233	9,901	**30,091**
11-15 years	9,506	5,771	2,198	14,132	**31,607**
16-20 years	3,247	649	785	5,514	**10,195**
	28,442	**28,533**	**6,772**	**36,896**	**100,643**

The liability outstanding to pay the contractor's liability for capital expenditure incurred is £36,896,000 over the next 18 years, as stated in the above table.

Transactions under the scheme during 2019/20 were:

2018/19 £'000		2019/20 £'000
1,422	Fair Value of Services	1,458
2,805	Finance Costs	2,725
55	Contingent Rent	61
4,282	**Revenue Unitary Payments**	**4,244**
270	Other Revenue Expenditure	277
814	Depreciation	827
5,366	**Total Expenditure**	**5,348**
(3,814)	PFI Special Grant	(3,814)
-	Other Contributions	-
1,552	**(Surplus)/Deficit Amount in Income & Expenditure Account**	**1,534**
	Statement of Movement on the General Fund Balance	
(814)	Amounts required by statue to be Excluded - depreciation	(827)
1,125	amounts required by statue to be Included - MRP	1,204
(309)	Transfer to/(from) Earmarked Reserves	(344)
2	**Net Charge to the General Fund**	**33**
-	Interest Earned on Balance	-
-	Interest Accrued from Previous Years	-

The Net Book Value of assets held under the PFI1 scheme as at 31 March 2020 was £45,220,000.

PFI 2 scheme

The contract to build eleven new community fire stations in Staffordshire as part of the second PFI project was officially signed on 10 July 2013 by representatives of the Authority and the consortium delivering the project, Blue[3]. The project will benefit from £45 million of PFI credits from The Ministry of Housing, Communities and Local Government (MHCLG).

The project has seen ten fire stations rebuilt as well as the construction of a new station as a replacement of a current station on a different site. All stations were operational by the end of 2015/16.

Payments remaining to be made under the PFI contract are as follows:

Future Unitary Payments	Operating Costs £'000	Contingent Rental/ Interest £'000	Lifecycle Replacement £'000	Capital Repayment £'000	Total Unitary Charge £'000
within 1 year	1,465	2,065	85	913	**4,528**
2-5 years	6,236	7,629	956	3,768	**18,589**
6-10 years	8,712	7,847	2,368	5,469	**24,396**
11-15 years	9,857	5,583	3,964	6,439	**25,843**
16-20 years	11,144	4,082	2,247	10,007	**27,480**
21-25 years	2,013	538	109	2,234	**4,894**
	39,427	**27,744**	**9,729**	**28,830**	**105,730**

The liability outstanding to pay the contractor's liability for capital expenditure incurred is £28,830,000 over the next 21 years, as stated in the above table.

Transactions under the scheme during 2019/20 were:

2018/19 £'000		2019/20 £'000
1,405	Fair Value of Services	1,439
1,902	Finance Costs	1,852
-	Contingent Rent	-
3,307	**Revenue Unitary Payments**	**3,291**
88	Other Revenue Expenditure	95
589	Depreciation	601
3,984	**Total Expenditure**	**3,987**
(3,230)	PFI Special Grant	(3,230)
-	Other Contributions	-
754	**(Surplus)/Deficit Amount in Income & Expenditure Account**	**757**
	Statement of Movement on the General Fund Balance	
(589)	Amounts required by statue to be Excluded - depreciation	(601)
803	amounts required by statue to be Included - MRP	850
393	Transfer to/(from) Earmarked Reserves	(368)
607	**Net Charge to the General Fund**	**(119)**
-	Interest Earned on Balance	-
-	Interest Accrued from Previous Years	-

The Net Book Value of assets held under the PFI2 scheme as at 31 March 2020 was £34,304,000.

42. CONTINGENT LIABILTIES

The Authority has contingent liabilities as presented below:

Pending Insurance claims

There are eight cases still being progressed through the legal process and final decisions are not yet known. The Authority could be liable for up to £7,500 for each claim. If all the claims were found in favour of the claimants and all settled in this current financial year there is a potential liability of £52,000.

Mid and West-Wales pension dispute

At the end of March 2019 the High Court ruled on Firefighters' pensionable pay in the case against Mid and West Wales Fire and Rescue Authority. The case considered is whether four allowances and payment are pensionable within the meaning of the Firefighter Pension Scheme rules, being training allowance, day crewing, self-rostered crewing and USAR. The High Court Judgement ruled that Day Crewing and Self-Rostered Crewing are both pensionable, that Training Allowance is pensionable as part of a permanent role and that USAR are not pensionable, although this is not applicable for Staffordshire.

The Authority has requested legal guidance from Weightmans LLP. They have been selected to undertake this work as they have been the main legal advisors to the LGA.

The remedy will be calculated applying the Limitation Act 1980, however it cannot be accurately or fully evaluated at this time.

43. TERMINATION BENEFITS

In 2019/20 the Authority incurred liabilities of £208,126 for six compensation pay disclosed in Note 32.

44. EVENTS AFTER THE REPORTING PERIOD

The impact of Covid-19 and the business continuity arrangements that were implemented during the last two weeks of March 2020 and beyond are not reflected in their entirety within this document given the short period of impact in 2019/20. However, a non-adjusting event needs to be acknowledged in relation to the potential impact of Covid-19 on the valuations of pension funds given the market volatility and uncertainty. The actuarial assumptions made in the valuation may change as a result of the covid-19, for example, the mortality rates, employee turnover and the discount rates. It is unclear what the ultimate impact of the coronavirus will be for such models.

The fire and rescue sector have been allocated with grant funding from the Ministry for Housing, Communities and Local Government in order to deal with the additional costs incurred as a result of the pandemic and regular reporting against this grant funding will be provided to the Home Office throughout the year.

In addition, a non-adjusting events needs to be acknowledged in relation to the property valuation performed on the 31st March 2020. The RICS confirms that the Material Valuation Uncertainty Leaders Forum (UK) was setup by them to consider the unique events relating to the global Covid-19 pandemic and its impact on valuation assignments, with a focus on financial reporting and measures for the accurate and consistent reporting of material uncertainty. It comprises a group of expert valuers covering a wide range of asset classes and specialisms. The latest forum output, as at 9 September 2020, recommends a general 'lifting' of material valuation uncertainty on certain type of properties/assets. Upon further review, given the nature of the operational assets it is considered that the material valuation uncertainty is deemed to not be applicable for the High Level Desktop Exercise for Year End Accounts 31 March 2020.

With regards to the McCloud Judgement (pension age discrimination case) and in response to the HM Treasury's publication of the consultation into changes to the transitional arrangements to the 2015 Scheme, the actuarial calculations have been updated to allow for potential McCloud remedy costs for those who were in service on 31 March 2012 and 1 April 2015. This results in a material amendment.

45. PENSION SCHEMES

INCOME AND EXPENDITURE COSTS

Uniformed Fire-fighters

This is an unfunded scheme which means that there are no investment assets to match with the liability. Cash has to be generated to meet actual pension payments as they fall due. The fire-fighters pension scheme is a defined benefit scheme. Any annual surplus or deficit on the scheme is paid to or met by the Home Office.

Other Pensionable Employees

In 2019/20 the Authority paid an employer's contribution of £1,120,000 into the Staffordshire County Pension Fund. The fund gives members defined benefits related to pay and service. The contribution rate is determined by the fund's actuary based on the triennial actuarial valuation.

The costs of providing pensions are charged to the service revenue accounts as they are earned over the service lives of scheme members. Any variations from regular costs are spread over the remaining working life of current members using the percentage of salary method.

The triennial valuation of the Staffordshire Local Government Pension Scheme was undertaken in 2016 by the actuary Hymans Robertson LLP, to establish the contribution rates applicable for the period 1 April 2017 to 31 March 2020. For the Staffordshire Commissioner Fire and Rescue Authority the results of the modelling exercise resulted in a proposal to keep employer contribution rates payable into the scheme unchanged, however this would require a deficit repayment to cover the three year period. The Authority made a payment in advance of £942,000 to cover the triennial period, receiving a favourable discount rate for paying the deficit upfront rather than on an annual basis. The annual split for 2017/18, 2018/19 and 2019/20 is £266,000, £315,000 and £361,000 respectively.

The Fire Authority participates in six schemes; the Fire Fighter Pension Schemes are administered by the West Yorkshire Pension Fund and the Local Government Pension Scheme is administered by Staffordshire County Council.

a) Five fire-fighters' schemes are:

    i. Pension Scheme 1992 (FF'92)
    ii. Pension Scheme 2006 (FF'06) which includes whole time and retained staff as members
    iii. Compensation Scheme 2006 (FF'CS) with non-contributory provisions covering death and injury on duty
    iv. Pension Scheme 2015
    v. Pension Modified Scheme (included in the FF'06 figures for this disclosure)

b) A Local Government Pension Scheme (LGPS) for other employees

The cost of the retirement benefits in the Cost of Services represents the cost of benefits earned during the year and past service costs, which represent the estimated liability of discretionary benefits awarded by the employer. The charge to the Council Tax is based upon employers contribution paid in the year to the Pension Fund, so the real cost of retirement benefits is reversed out of the Comprehensive Income and Expenditure Statement after Net Operating Expenditure. The following transactions were made in the income and expenditure account during the year.

	Local Government Pension Scheme		Fire Fighters 1992 Pension Scheme		Fire Fighters 2006 Pension Scheme		Fire Fighters 2015 Pension Scheme		Compensation Scheme		**Total Scheme**	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	**2018/19 £'000**	**2019/20 £'000**
Comprehensive Income and Expenditure Statement												
Net Cost of Services:												
- Current service costs	1,874	1,990	1,490	1,030	390	300	4,400	8,020	100	190	**8,254**	**11,530**
- Past Service Costs	161	(18)	15,510	1,750	2,770	(1,810)	0	0	0	0	**18,441**	**(78)**
- curtailments	7	(1,069)	0	0	0	0	0	0	0	0	**7**	**(1,069)**
Financing and Investment Income and Expenditure:												
- net interest on the net defined benefit liability	453	501	9,340	9,550	900	990	430	630	450	450	**11,573**	**12,121**
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	2,495	1,404	26,340	12,330	4,060	(520)	4,830	8,650	550	640	**38,275**	**22,504**
Remeasurement of the net defined benefit liability comprising:												
- Return on plan assets, excluding amounts included in net interest on the net defined benefit liability	2,056	(3,555)	0	0	0	0	0	0	0	0	**2,056**	**(3,555)**
- changes in demographic assumptions	0	2,201	0	11,910	0	1,340	0	1,050	0	680	**0**	**17,181**
- changes in financial assumptions	(5,066)	5,198	(9,500)	14,720	(1,600)	2,500	(1,120)	1,270	(330)	340	**(17,616)**	**24,028**
- other experience	(44)	3,541	730	1,110	600	(510)	(360)	(1,320)	(1,030)	30	**(104)**	**2,851**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(3,054)	7,385	(8,770)	27,740	(1,000)	3,330	(1,480)	1,000	(1,360)	1,050	**(15,664)**	**40,505**
- Employers contributions	(889)	(759)	(606)	(568)	(147)	(233)	(1,547)	(3,313)			**(3,189)**	**(4,873)**
- Retirement benefits paid to Pensioners	0	0							(1,160)	(1,004)	**(1,160)**	**(1,004)**
- Unfunded benefits	(70)	(59)									**(70)**	**(59)**
Actual amount charged against the General fund Balance for pensions in the year	(959)	(818)	(606)	(568)	(147)	(233)	(1,547)	(3,313)	(1,160)	(1,004)	**(4,419)**	**(5,936)**

The cumulative actuarial gain recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2020 is £40.505m (2018/19 loss £15.6m). The re-measurement includes changes arising from changes to the financial and demographic assumptions shown on the following page. The reduction in the rates of CPI, long term salary increases and rate of revaluation for CARE pensions all contribute to a reduction in the pension liability, with a slight increase in liability driven by the discount rate. The experience gains/loss is the change in the scheme liability resulting from the effects of differences between the actuarial assumptions that applied at the start of the year and what has actually occurred.

McCloud Judgement – Pension Age Discrimination Case:
Claims have been made in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Firefighters Pension Regulations 2015. In December 2018 the Court of Appeal (McCloud /Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. The Government applied for permission to appeal this decision to the Supreme Court and on 27th June 2019 the Supreme Court has denied the request.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment is included in the calculations using Authority specific membership data, rather than using data for the whole Fire-fighter scheme. The calculations also allow for potential McCloud remedy costs for those who were in service on 31 March 2012 and 1 April 2015, following HM Treasury's publication of the consultation into changes to the transitional arrangement to the 2015 Scheme.

THE AUTHORITY'S ASSETS AND LIABILITIES

The underlying assets and liabilities of the Authority are as follows:

	2018/19					2019/20				
	LGPS	FF'92	FF'06	FF'15	FF'CS	LGPS	FF'92	FF'06	FF'15	FF'CS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Scheme liabilities	60,315	394,970	40,237	21,405	18,725	49,395	366,447	36,298	29,748	17,311
Unfunded liabilities	1,988	0	0	0	0	1,400	0	0	0	0
Total Liabilities	62,303	394,970	40,237	21,405	18,725	50,795	366,447	36,298	29,748	17,311
Estimated assets	41,455	0	0	0	0	36,746	0	0	0	0
Net liabilities	**20,848**	**394,970**	**40,237**	**21,405**	**18,725**	**14,049**	**366,447**	**36,298**	**29,748**	**17,311**

The liability shows the underlying commitments the Authority has to pay as retirement benefits.

The total liability of £464m reduces the Authority's net worth significantly as shown in the Balance Sheet and results in overall negative balance of £403.9m at 31 March 2020. The Government top up grant required to balance to the Pension Fund Account of £8.4m has not been included in the net liabilities above or in the Balance Sheet.

However, a statutory arrangement for funding the deficit means the financial position of the Authority remains healthy. The LGPS deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme's actuary.

BASIS FOR ESTIMATING ASSETS

The LGPS Scheme's liabilities have been valued by Hymans Robertson, an independent and professionally qualified firm of actuaries. The Unfunded Scheme's liabilities have been re-valued using the Projected Unit Method by the Government's Actuary Department.

An estimate of the pensions that will be payable in future years is dependent on assumptions about mortality rates, salary levels and other financial assumptions, see below:

	2018/19					2019/20				
	LGPS	FF'92	FF'06	FF'15	FF'CS	LGPS	FF'92	FF'06	FF'15	FF'CS
Mortality:										
Longevity at 65 for current pensioners:										
- Men	22.1	22.0	22.0	22.0	22.0	21.2	21.3	21.3	21.3	21.3
- Woman	24.4	22.0	22.0	22.0	22.0	23.6	21.3	21.3	21.3	21.3
Longevity at 65 for future pensioners:										
- Men	24.1	23.9	23.9	23.9	23.9	22.1	23.0	23.0	23.0	23.0
- Woman	26.4	23.9	23.9	23.9	23.9	25.0	23.0	23.0	23.0	23.0
Financial assumptions:										
Price Increases (CPI)	2.5%	2.35%	2.35%	2.35%	2.35%	1.9%	2.00%	2.00%	2.00%	2.00%
Salary Increases	2.9%	4.35%	4.35%	4.35%	4.35%	2.3%	4.00%	4.00%	4.00%	4.00%
Pension Increases	2.5%	2.35%	2.35%	2.35%	2.35%	1.9%	2.00%	2.00%	2.00%	2.00%
Discount Rate	2.4%	2.45%	2.45%	2.45%	2.45%	2.3%	2.25%	2.25%	2.25%	2.25%

For the LGPS an allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Scheme Profile and funding liability split:

LGPS:	Active members	Deferred members	Pensioner members	
Liability split (£000)	15,242	13,673	20,480	49,395
Liability split (%)	30.9%	27.7%	41.5%	100%

As at 31st March 2020

Fire Fighter Pension:	Active members	Deferred members	Pensioner members
Number	653	432	688
Total Salaries in membership data (pa) (£m)	13.78		
Total deferred pension (pa) (£m)		0.49	
Total pension (pa) (£m)			10.79

Sensitivity analysis:

The estimation of the defined benefit liability is sensitive to the actuarial assumptions set out in the table previously shown. The sensitivity analyses 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 whilst all the other assumptions remain constant. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in previous period.

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

	LGPS		FF'92		FF'06		FF'15	
Change in assumptions at 31 March 2020	Approx. % increase to Employer Liability %	Approx. monetary amount £m	Approx. % increase to Employer Liability %	Approx. monetary amount £m	Approx. % increase to Employer Liability %	Approx. monetary amount £m	Approx. % increase to Employer Liability %	Approx. monetary amount £m
0.5% decrease in Real Discount Rate	10.0%	5.17	8.0%	30.0	16.0%	5.0	15.5%	5.0
Life expectancy, pensioners assumed to be one year younger	-	-	3.0%	11.0	3.0%	1.0	3.0%	1.0
0.5% increase in the Salary Increase Rate	1.0%	0.39	0.5%	2.0	5.5%	2.0	5.5%	2.0
0.5% increase in the Pension Increase Rate	9.0%	4.75	7.0%	25.0	10.5%	4.0	10.5%	3.0

SCHEME HISTORY

	2015/16	2016/17	2017/18	2018/19	2019/20
Present Value of liabilities	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
LGPS	(47,266)	(53,029)	(54,477)	(62,303)	(50,795)
FF92	(319,338)	(379,205)	(371,452)	(394,970)	(366,447)
FF06	(21,582)	(34,401)	(35,305)	(40,237)	(36,298)
FF15	(3,262)	(9,282)	(14,085)	(21,405)	(29,748)
FF Compensation	(19,805)	(21,515)	(17,975)	(18,725)	(17,311)
Fair Value of Assets	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
LGPS	31,888	36,266	38,219	41,455	36,746
Surplus/(deficit) in the scheme	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
LGPS	(15,378)	(16,763)	(16,258)	(20,848)	(14,049)
FF92	(319,338)	(379,205)	(371,452)	(394,970)	(366,447)
FF06	(21,582)	(34,401)	(35,305)	(40,237)	(36,298)
FF15	(3,262)	(9,282)	(14,085)	(21,405)	(29,748)
FF Compensation	(19,805)	(21,515)	(17,975)	(18,725)	(17,311)
Experience gains and losses on assets	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
LGPS	(682)	2,754	(110)	2,056	(3,555)
% of assets at end of year	%	%	%	%	%
LGPS	-2.1	7.6	-0.3	5.0	-9.7
Experience gains and losses on liabilities	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
LGPS	548	4,832	3	44	(3,541)
FF92	18,900	1,250	7,030	730	1,110
FF06	(3,280)	(2,140)	1,660	600	(510)
FF15	380	310	310	(360)	(1,320)
FF Compensation	(320)	(230)	2,700	(1,030)	30
% of liabilities at end of year	**%**	**%**	**%**	**%**	**%**
LGPS	-1.2	-9.1	-0.0	-0.1	7.0
FF92	5.9	0.3	1.9	0.2	0.3
FF06	-15.2	-6.2	4.7	1.5	-1.4
FF15	11.6	3.3	2.2	-1.7	-4.4
FF Compensation	-1.6	-1.1	15.0	-5.5	0.2

LOCAL GOVERNMENT PENSION SCHEME

Year Ended:	31-Mar-19	31-Mar-20
	£'000	£'000
Opening Defined Benefit Obligation	**54,477**	**62,303**
Current Service Cost	1,874	1,990
Interest Cost	1,486	1,469
Contributions by scheme participants	325	294
Remeasurement gains and losses	5,110	(10,940)
Losses / (Gains) on Curtailments	168	(18)
Effect of settlements	0	(3,094)
Estimated Unfunded Benefits Paid	(70)	(59)
Estimated Benefits Paid	(1,067)	(1,150)
Closing Defined Benefits Obligation	**62,303**	**50,795**
The Scheme Assets		
Year Ended:	**31-Mar-19**	**31-Mar-20**
	£'000	£'000
Opening Fair Value of Employer Assets	**38,219**	**41,455**
Interest income on plan assets	1,033	968
Contributions by scheme participants	325	294
Contributions by the employer	889	759
Contributions in respect of Unfunded Benefits	70	59
Effect of settlements	0	(2,025)
Remeasurement gains and losses	2,056	(3,555)
Unfunded Benefits Paid	(70)	(59)
Benefits Paid	(1,067)	(1,150)
Closing Fair Value of Employer Assets	**41,455**	**36,746**

The movement in the net pension’s deficit for the LGPS for the year can be analysed as follows:

	2018/19	2019/20
	£’000	£’000
Net surplus/(deficit) at the beginning of year	**(16,258)**	**(20,848)**
Movement in the year:		
Current service cost	(1,874)	(1,990)
Contributions by the employer	889	759
Net return on assets (after Interest on pension liabilities)	(453)	(501)
Past Service Costs	(168)	18
Impact of settlements and curtailments	0	1,069
Unfunded Benefits	70	59
Actuarial gains/(loss)	(3,054)	7,385
Change in valuation of pension fund assets		
Net surplus/(deficit) at the end of year	**(20,848)**	**(14,049)**
The actuarial gain/loss can be analysed as follows:		
- Return on plan assets, excluding amounts included in net interest on the net defined benefit liability	2,056	(3,555)
- changes in demographic assumptions	0	2,201
- changes in financial assumptions	(5,066)	5,198
- other experience	(44)	3,541
Actuarial gain/(loss)	**(3,054)**	**7,385**

Further information can be found in the Staffordshire County Council Superannuation Fund Annual Report, which is available upon request from the County's Finance Directorate, Eastgate Street, Stafford.

Fair value of employers' assets:

Asset Category	Period Ended 31 March 2019				Period Ended 31 March 2020			
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets
Equity Securities:								
Consumer	1,850.6		1,850.6	4%	1,361.6	-	1,361.6	4%
Manufacturing	1,585.7	-	1,585.7	4%	1,470.8	-	1,470.8	4%
Energy and Utilities	664.2	-	664.2	2%	490.8	-	490.8	1%
Financial Institutions	1,533.4	-	1,533.4	4%	1,298.4	-	1,298.4	4%
Health and Care	1,189.7	-	1,189.7	3%	1,148.6	-	1,148.6	3%
Information Technology	1,181.8	-	1,181.8	3%	894.8	-	894.8	2%
Other	39.2	-	39.2	0%	31.7	-	31.7	0%
Debt Securities:								
Corporate bonds (investment grade)	3,077.5	-	3,077.5	7%	2,954.8	-	2,954.8	8%
Corporate bonds (non-investment grade)	-	-	-	0%	-	-	-	0%
UK government	-	-	-	0%	-	-	-	0%
Other	-	-	-	0%	-	-	-	0%
Private Equity:								
All	-	1,484.0	1,484.0	4%	-	1,554.8	1,554.8	4%
Real Estate:								
UK Property	-	3,524.1	3,524.1	9%	-	3,619.1	3,619.1	10%
Overseas Property		-	-	0%	-	-	-	0%
Investment funds and Unit Trusts:								
Equities	18,660.2	-	18,660.2	45%	15,661.4	-	15,661.4	43%
Bonds	3,136.7	-	3,136.7	8%	3,086.2	-	3,086.2	8%
Hedge Funds	-	724.2	724.2	2%	-	653.6	653.6	2%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	-	-	0%	-	-	-	0%
Other	-	1,668.9	1,668.9	4%	-	1,898.7	1,898.7	5%
Derivatives:								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	-	-	-	0%	-	-	-	0%
Other	-	-	-	0%	-	-	-	0%
Cash and Cash Equivalents:								
All	1,134.8	-	1,134.8	3%	620.7	-	620.7	2%
Total	**34,054**	**7,401**	**41,455**	**100%**	**29,020**	**7,726**	**36,746**	**100%**

FIREFIGHTER PENSION SCHEMES

The movement in the net pension's deficit for the Unfunded Firefighters' Schemes for the year can be analysed as follows:

	2018/19 FF'92 £'000	2018/19 FF'06 £'000	2018/19 FF'15 £'000	2018/19 FF'CS £'000	2019/20 FF'92 £'000	2019/20 FF'06 £'000	2019/20 FF'15 £'000	2019/20 FF'CS £'000
Net deficit - start of year	**(371,452)**	**(35,305)**	**(14,085)**	**(17,975)**	**(394,970)**	**(40,237)**	**(21,405)**	**(18,725)**
Movement in the year:								
Current service cost	(1,490)	(390)	(4,400)	(100)	(1,030)	(300)	(8,020)	(190)
Contributions by scheme participants	(331)	(187)	(1,375)		(217)	(148)	(1,445)	0
Past service cost	(15,510)	(2,770)			(1,750)	1,810		
Pension transfers-in							(189)	
Pension/benefits paid	11,923	315	365	1,160	13,330	237	941	1,004
Interest on pension liabilities	(9,340)	(900)	(430)	(450)	(9,550)	(990)	(630)	(450)
Actuarial gains/(loss)	(8,770)	(1,000)	(1,480)	(1,360)	27,740	3,330	1,000	1,050
Net deficit - end of year	**(394,970)**	**(40,237)**	**(21,405)**	**(18,725)**	**(366,447)**	**(36,298)**	**(29,748)**	**(17,311)**

The actuarial gain/(loss) can be analysed as follows:

	2018/19 FF'92 £'000	2018/19 FF'06 £'000	2018/19 FF'15 £'000	2018/19 FF'CS £'000	2019/20 FF'92 £'000	2019/20 FF'06 £'000	2019/20 FF'15 £'000	2019/20 FF'CS £'000
Return on plan assets, excluding amounts included in net interest on the net defined benefit liability	0	0	0	0	0	0	0	0
changes in assumptions for retained settlement	0	0	0	0	0	0	0	0
changes in demographic assumptions	0	0	0	0	11,910	1,340	1,050	680
changes in financial assumptions	(9,500)	(1,600)	(1,120)	(330)	14,720	2,500	1,270	340
other experience	730	600	(360)	(1,030)	1,110	(510)	(1,320)	30
Actuarial gain/(loss)	**(8,770)**	**(1,000)**	**(1,480)**	**(1,360)**	**27,740**	**3,330**	**1,000**	**1,050**

46. PENSION LIABILITY

At 31st March 2020 61 employees of the Authority, who are members of the Firefighters' Pension Scheme, were eligible for voluntary retirement, having satisfied the Fire-fighter pension retirement criteria. An additional 16 will be eligible during the financial year of 2020/21.

If all were to exercise their right to retire in the 2020/21 financial year, the Authority would have to make payments amounting to £4.4 million. The total includes lump sum payments of £3.7 million and annual pension payment of £0.7 million assuming that everyone retired by 31st March 2021. However, the trend to date demonstrates that this event is unlikely as 41 members of the 61 have retirement dates passed from 2 years to 11 years previous but have chosen to continue their duties in the Service.

If the 16 employees due to retire in 2020/21 exercise their right to retire the Authority would have to make lump sum payments of £1.9 million and annual pension payments of £0.25 million .

Firefighters’ Pension Fund Account

2018/19 £'000		2019/20 £'000	2019/20 £'000
	Contributions receivable		
	From employer		
(2,180)	- normal	(4,029)	
(120)	- Ill health	(83)	
(2,300)			(4,112)
(1,892)	From members		(1,811)
	Transfers in		
0	- individual transfers in from other schemes	(189)	
0			(189)
	Benefits payable		
10,864	- pensions	11,462	
1,738	- commutations and lump sum retirement benefits	3,040	
0	- other benefits payable	0	
12,602			14,502
	Payments to and on account of leavers		
0	- individual transfers out to other schemes	7	
0			7
8,410	**Net amount payable for the year before top-up grant receivable to sponsoring department**		**8,397**
(8,410)	Top-up grant payable by the Government		(8,397)
0	**Fund Account Balance**		**0**

2018/19 £'000		2019/20 £'000
	Net Current Assets and Liabilities	
(7,029)	Top-up grant received	(6,971)
8,410	Pension costs for the year	8,397
(1,381)	Amount owing (to)/from General Fund	(1,426)
0		**0**

Statement of Accounting Policies for Firefighters' Pension Fund

1. The fund accounts have been prepared on an accruals basis.

2. An exception to the accruals basis is the transfer values which are on a cash basis. Note: transfer payments between English fire authorities were repealed by Regulation 36 of 1810/2006. Therefore transfer payments which arise will relate to Firefighters transferring to/from Welsh and Scottish authorities or transferring out of the Firefighters Pension Scheme entirely.

3. The fund has been valued by the Government Actuary's Department using the Projected Unit Credit method. The actuarial assumptions are shown in Note 45 to the Core Financial Statements.

4. The pension fund accounts do not take account of the obligation to pay pensions and benefits which fall due after the end of the financial year. The liabilities are shown in Note 46 IAS19 disclosure in the core financial statements.

Notes to the Pension Fund Account

1. Legal Status of the Pension Fund

The Pension Fund was established under the Firefighters Pension Fund Regulations 2006 (SI1810/2006) and from 1st July 2018 the Firefighters Pension Fund has been administered by the West Yorkshire Pension Fund, previously administered by Staffordshire County Council.

2. Management of the Fund

During the year the pension fund is managed by the Director of Finance (Staffordshire Commissioner's Office) / Section 151 Officer.

3. Pension Benefits Payable from the Fund

The pension benefits payable from the fund include:

- Fire Fighters 1992 Scheme
- Fire Fighters 2006 Scheme
- Fire Fighters 2015 Scheme
- Fire Fighters Modified Scheme

The injury benefits are payable from the main authority accounts rather than the pension fund.

4. Unfunded Scheme

The Firefighters' pension scheme is an unfunded scheme, consequently:

- the fund has no investment assets;
- benefits payable are funded by contributions from employers and employees;
- any difference between benefits payable and contributions receivable is met by top-up grant from the Home Office.

5. Statutory Restrictions

The pension fund is statutorily prevented from including interest on cashflows and administration expenses in the pension fund and that these expenses are borne by the fire authority main accounts.

6. Pension Fund Scheme Contribution Levels

Employees and employers contribution levels are set nationally by the Home Office and subject to triennial revaluation by the Government Actuary's Department.

7. Government 'Top-Up' Grant

The pension fund account receives contributions from the Authority, as the employer, and from scheme members, with any deficit being funded by a 'top-up' grant from Government or by paying over the surplus to the Government sponsoring department. The Government grant balances the fund to nil. The net assets statement shows £8.4m grant to be paid to the Authority as this is the deficit balance on the fund for 2019/20 costs.

8. IFRS

As a result of the introduction of The IFRS Code there are no material changes to the pension statements arising from the transition.

Glossary

Accrual
A sum included in the final accounts to cover income or expenditure attributable to an accounting period for goods or work done, but for which payment has not been received/made by the end of an accounting period.

Actuarial Strain
This is a charge paid, or due to be paid to the pension fund for paying pensions early.

Capital Charge
A charge to service expenditure accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure
Expenditure on the acquisition of significant fixed assets that will be of use or benefit to the authority in providing its services beyond the year of account.

Capital Adjustment Account
Provides a balancing mechanism between the different rates at which assets are depreciated under accounting rules and are financed through the capital controls system.

Capital Receipts
Proceeds from the sale of an asset e.g. Land and Buildings which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within regulations set by Central Government.

CIPFA
The Chartered Institute of Public Finance and Accountancy. This is the professional organisation for accountants working in the public service.

Contingent Liabilities
A potential liability at the balance sheet date when the accounts are submitted for approval the outcome of which is uncertain. If material the liability will be disclosed as a note to the accounts.

Deferred Charges
An item in a balance sheet where there is no tangible asset. It also represents outstanding borrowing in respect of a capital asset which has been disposed of but where the proceeds have been insufficient to clear the outstanding debt.

Deferred Liabilities
Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time.

Financial Regulations
A written code of procedures we have approved, aimed at providing a framework for sound financial management.

IAS
International Accounting Standards

IFRIC
International Financial Reporting Interpretations Committee

IFRS
International Financial Reporting Standards

Impairment
Where an asset's value has been reduced for reasons other than normal wear and tear. The asset's value in the accounts has to be reduced to reflect this impairment.

Leasing
A method of financing capital expenditure where a rental charge is paid for a specified period of time. There are two main types of leasing arrangements:

a) Finances leases which transfer the risks and rewards of ownership of a fixed asset to the lessee and such assets are included within the fixed assets in the balance sheet.

b) Operating leases where the ownership of the asset remains with the leasing company and the annual rental is charged direct to the income and expenditure account

Lender Option Borrower Option (LOBO)
A longer term loan which, at set points during its term, gives the lender the option to change the interest rate and the borrower the option to continue or end the agreement.

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

Non-Current Assets
Assets that give us value for more than one year.

Public Works Loan Board (PWLB)
A government agency which provides longer term loans to local authorities, at interest rates below market rate. It also acts as a lender of last resort (at a higher rate of interest).

'Prudent' Level
In this instance the term relates to amount charged to the Income and Expenditure Account for the provision for the repayment of debt. This is a more cautious approach thus linking borrowing to asset lives rather than just the standard 4% charge in previous years regardless of asset life.

Revaluation Reserve
Records unrealised revaluation gains arising (since 1 April 2007) from holding fixed assets.

Revenue Contribution to Capital Outlay / Direct Revenue Financing (RCCO) / (DRF)
A contribution to the financing of capital expenditure by a charge to the income and expenditure account, i.e. as a source of capital expenditure funding also can be used to avoid borrowing.

Virement
The transfer of resources between budget heads.

Work in Progress
The cost of work done on an uncompleted project at a specified date that has not been recharged to the appropriate account at that date.