



**Wednesday,
30 May 2018
10.00 am**

**Meeting of
Closure of Accounts
Committee**

Contact Officer:
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Democratic Services

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Cheshire Fire Authority

Notes for Members of the Public

Attendance at Meetings

The Cheshire Fire Authority welcomes and encourages members of the public to be at its meetings and Committees. You are requested to remain quiet whilst the meeting is taking place and to enter and leave the meeting room as quickly and quietly as possible.

All meetings of the Authority are held at Fire Service Headquarters in Winsford. If you plan to attend please report first to the Reception Desk where you will be asked to sign in and will be given a visitors pass. You should return your pass to the Reception Desk when you leave the building. There are some car parking spaces available on site for visitors at the front of the Headquarters Building. Please do not park in spaces reserved for Fire Service personnel.

If you feel there might be particular problems with access to the building or car parking please contact the Reception Desk at Fire Service Headquarters on Winsford (01606) 868700.

Questions by Electors

An elector in the Fire Service area can ask the Chair of the Authority a question if it is sent to the Monitoring Officer at Fire Service HQ to arrive at least five clear working days before the meeting. The contact officer named on the front of the Agenda will be happy to advise you on this procedure.

Access to Information

Copies of the Agenda will be available at the meeting. A copy can also be obtained from the contact officer named on the front of the Agenda. Alternatively, individual reports are available on the Authority's website (www.cheshirefire.gov.uk)

The Agenda is usually divided into two parts. Members of the public are allowed to stay for the first part. When the Authority is ready to deal with the second part you will be asked to leave the meeting room, because the business to be discussed will be of a confidential nature, for example, dealing with individual people and contracts.

This agenda is available in large print, Braille, audio CD or in community languages upon request by contacting; Telephone: 01606868414 or email: equalities@cheshirefire.gov.uk

Recording of Meetings

Anyone attending the meeting should be aware the Authority audio-records its meetings. There is a protocol on reporting at meetings which provides further information. Copies are available on the Service's website www.cheshirefire.gov.uk or alternatively contact Democratic Services for details

Fire Evacuation

If the Fire Alarm sounds you should make your way to the nearest exit as quickly as possible and leave the building. Please follow any instructions from staff about evacuation routes.



**MEETING OF THE CLOSURE OF ACCOUNTS COMMITTEE
WEDNESDAY, 30 MAY 2018**

Time : 10.00 am

Lecture Theatre - Sadler Road, Winsford, Cheshire

AGENDA

Part 1 - Business to be discussed in public

1 Procedural Matters

1A Recording of Meeting

Members are reminded that this meeting will be audio-recorded.

1B Membership of Committee

The members of Performance and Overview Committee fulfill the role of Closure of Accounts Committee.

1C Apologies for Absence

1D Declaration of Members' Interests

Members are reminded that the Members' Code of Conduct requires the disclosure of Statutory Disclosable Pecuniary Interests, Non-Statutory Disclosable Pecuniary Interests and Disclosable Non-Pecuniary Interests.

Items Requiring Discussion/Decision

2 2017-18 Draft Final Accounts

(Pages 1 - 12)

Report of the Treasurer attached.

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CHESHIRE FIRE AUTHORITY

MEETING OF: CLOSURE OF ACCOUNTS COMMITTEE
DATE: 30TH MAY 2018
REPORT OF: HEAD OF FINANCE
AUTHOR: WENDY BEBBINGTON

SUBJECT: 2017/18 DRAFT FINAL ACCOUNTS

Purpose of Report

1. To allow Members to have sight of the draft final accounts prior to their approval by the Treasurer.

Recommended: That Members

- [1] Note the draft accounts and enclosed going concern document prior to them being approved by the Treasurer.

Background

2. The Treasurer is required to approve the Authority's draft annual accounts by the end of May and in support of this, a draft set of accounts is presented to the Closure of Accounts Committee for scrutiny and comment. Once approved by the Treasurer the draft accounts are subject to External Audit. Members wishing to raise any issue in respect of the accounts may therefore do so during the period of the audit. When the audit is complete, the accounts are formally considered for approval by the Fire Authority in July. This is a shorter timescale than previous years due to a change in regulations which state draft accounts must be released by the end of May and final accounts audited and published by the end of July.
3. The Auditors have already commenced their work, although the Treasurer will not formally approve the accounts until after the Closure of Accounts Committee has taken place.

Information

4. A copy of the Narrative Report included in the draft accounts is attached as Appendix 1 to this report. This provides an introduction to the accounts. The draft accounts themselves form a substantial document - to avoid excessive printing, hard copies have not been enclosed with this report. A copy of the draft accounts will be placed on the internet in the week before the Closure of

Accounts Committee and hard copies will be made available at the meeting. Should any Member wish to receive a hard copy in advance of the meeting, please contact Democratic Services. The Finance Team will provide Members with a detailed presentation of the accounts at the meeting.

5. Appendix 2 to this report explains the Treasurer's view as to why the Authority should be considered as a going concern. This is an important consideration in the context of preparation and audit of the annual accounts, and Members are asked to note the Treasurer's conclusion.
6. The Authority started 2017/18 with £28.1m of usable reserves and by the end of the financial year these had slightly increased to £28.2m. Although reserves were expected to be used during 2017/18, the level of expenditure has been managed within existing budgets.

Financial Implications

7. The accounts report the financial performance and position of the Authority, and as such are a key part of ensuring that the finances of the Authority are properly managed.

Legal Implications

8. Under the Accounts and Audit Regulations 2015, the Treasurer is required to formally approve the accounts before 31 May, and Members are required to approve the audited accounts by 31 July.

Equality and Diversity Implications

9. There are no Equality and Diversity implications arising from the report.

Environmental Implications

10. Copies of the accounts will be made available in electronic format, but the number of hard copies published will be kept to a minimum in recognition of the environmental impact.

**CONTACT: JOANNE SMITH, FIRE SERVICE HQ, WINSFORD
TEL [01606] 868804**

BACKGROUND PAPERS: NONE

NARRATIVE REPORT

1. Introduction

- 1.1 Welcome to the 2017/18 Cheshire Fire Authority Statement of Accounts. Cheshire Fire Authority (the Authority) is the public body which manages the Fire and Rescue Service on behalf of local communities. The Authority is responsible for providing an efficient and effective fire and rescue service which protects the communities and infrastructure of Cheshire. It is made up of 23 elected Members appointed by Cheshire East Borough Council; Cheshire West and Chester Borough Council; Halton Borough Council; and Warrington Borough Council.
- 1.2 Cheshire Fire and Rescue Service's mission is a Cheshire where there are no deaths, injuries or damage from fires and other emergencies. The service is led by the Chief Fire Officer and Chief Executive (CFO) and operates out of 28 fire stations, the Safety Centre at Lymm, training facilities and fleet workshop and its headquarters in Winsford.

2. Financial Statements

- 2.1 Since 2016/17 the accounts include a new note called 'The Expenditure and Funding Analysis' which is shown on page 11 before the main financial statements. This note shows how annual expenditure is used and funded from Government grants and council tax 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 and departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on page 13.
- 2.2 The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Authority. This is analysed into 'usable reserves' (i.e. those that can currently be used to fund expenditure or reduce local taxation) and other 'unusable' reserves (technical accounting adjustment accounts reflecting the difference between the outcome of applying proper accounting practices and the statutory requirements for funding expenditure within the public sector). It 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. This Statement has a strong link to the Expenditure and Funding Analysis and Comprehensive Income and Expenditure Statement.
- 2.3 The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. It essentially captures the inflow and outflow of resources for the financial year up to 31 March, which have been received or incurred as part of the ordinary activities of the Authority. A key figure is the (Surplus)/ Deficit on Provision of Services for

2017/18 which shows a deficit of £9.8m compared to £14.3m in 2016/17. This has decreased by £4.5m compared to 2016/17 due mainly to the reduction in the IAS 19 pension costs, less investment income, partly offset by higher depreciation costs and lower grant income.

- 2.4 The Balance Sheet is a statement showing the Authority's assets and liabilities i.e. what is owned and what is owed as at 31 March. The net impact of this is funded by Reserves, which is the residual interest in the assets of the Authority after deducting all of the liabilities. The 'net worth' shows the net position for the Authority and is calculated by deducting total liabilities from total assets. This was £478m in 2017/18 compared to £451m in 2016/17. This is mainly due to changes in the pension liability.
- 2.5 The final primary statement is the Cashflow Statement. This shows the changes in cash and cash equivalents of the Authority during the financial year. The statement shows how the Authority generates and uses cash by classifying cash flows as operating, investing and financing activities. The amount of net cashflows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to service delivery. Cashflows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

3. Financial Performance 2017/18

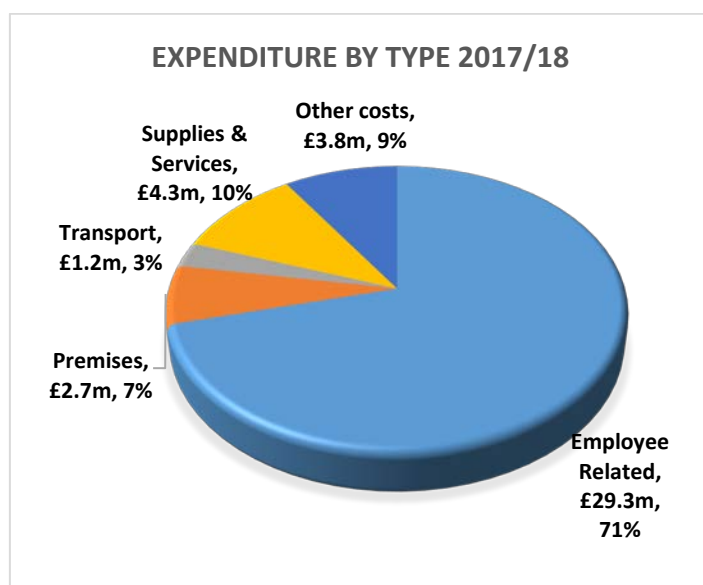
- 3.1 Where does the Fire Authority get its revenue funding from?
- 3.1.1. The Authority receives over half of its revenue funding from its share of the council tax (called the precept) which is collected by the four local authorities (Cheshire East; Cheshire West and Chester; Halton; and Warrington). The precept approved by the Authority for 2017/18 was increased by 1.99% (£73.29 compared to £71.86 in 2016/17 for a Band D property). In addition to the precept, the Authority receives its share of any surplus or deficits on the council tax collection funds. For 2017/18 this amounted to a surplus allocation (council tax only) of £0.41m (£0.32m 2016/17).
- 3.1.2. The majority of the balance of revenue funding was received from Central Government and the four local authorities in the form of the Settlement Funding Assessment. This can be broken down into two elements – Revenue Support Grant and Baseline Funding Level. Revenue Support Grant is determined by Central Government and allocated based on a formula. Baseline Funding Level is the amount which Central Government determines should be receivable by the Authority for its share of business rates as collected by the four local authorities. However, the amount of business rates due is not sufficient to meet the Baseline Funding Level so Central Government also pays the Authority a 'top-up' grant to meet the shortfall.

3.1.3. The funding amounts for 2017/18 were:

Funding	£000	£000	%
Council Tax		(26,449)	63.58
Council Tax - surplus / deficit		(414)	1.00
Revenue Support Grant	(5,496)		13.21
Business Rates	(4,221)		10.15
'Top-up' Grant	(4,819)	(14,536)	11.59
Business Rates - surplus / deficit		197	(0.47)
Business rates – Section 31 Grant		(393)	0.94
Total		(41,595)	

3.2 What does the Fire Authority spend its money on?

3.2.1. The majority of its expenditure relates to employee costs. The following chart shows a breakdown of what was actually spent in 2017/18 by expenditure type.



3.2.2. On 14 February 2017 the Authority approved the 2017/18 revenue budget of £41.3m together with a capital programme of £1.77m. Budget monitoring reports have been presented to the Performance and Overview Committee on a quarterly basis focussing on the forecast outturn position and revisions to the overall budget in response to changes in-year.

3.2.3. At the end of the financial year the Authority reported an outturn underspend of £90k which will be transferred to reserves. Details are shown in the next table.

Service Area	Original Budget £000	Actual £000	Variance £000	Reserve Funding £000	Revised Variance £000
Firefighting & Rescue Operations	23,531	23,478	(53)	(937)	(990)
Protection	1,740	1,405	(335)	71	(264)
Prevention	2,448	2,186	(262)	83	(179)
Support Services	9,686	9,695	9	(737)	(728)
Unitary Performance Groups	100	105	5	(5)	-
Finance resources	2,513	4,746	2,233	(2,748)	(515)
S31 grants & Provisions	(112)	(483)	(372)	-	(372)
Contribution to reserves	1,315	-	(1,315)	2,620	1,305
Total	41,221	41,132	(90)	(1,654)	1,744

3.2.4. The main reasons for this underspend which will be reported to the Authority at its meeting on 20 June 2018, is due to lower than anticipated pay costs; contingencies set aside at the start of the year which were not required in year; and business rates income received.

3.2.5. The Authority holds a number of reserves in support of its transformational programmes and to support the delivery of the Integrated Risk Management Plans (IRMPs). These are explained in detail within these accounts in Note 19, on page 47.

3.3 Capital

3.3.1. During 2017/18 the Authority invested £3m as follows:

Capital Expenditure	2017/18 £000
New Fire Station Builds	1,210
Training Centre	245
Fire Appliances	1,329
Other Vehicles	210
Total	2,994

3.3.2. During 2017/18 a new wholetime fire station and the Safety Centre at Lymm were opened as part of the Authority's plans to improve response times across Cheshire. Lymm fire station is a new 'Operational Response Hub' housing a number of specialist vehicles due to its close location to the motorway network.

3.3.3. Lymm Safety Centre is a purpose-built facility dedicated to public safety. Visitors will learn how to stay safe, well and independent by experiencing a range of hazards in four realistic learning zones that simulate the environments in which injury and harm are most likely to occur. The Safety Centre shares a single, integrated building with the new fire station for the area, therefore offering a

glimpse inside a working fire and rescue service and an exciting opportunity to learn about the role of a modern firefighter.



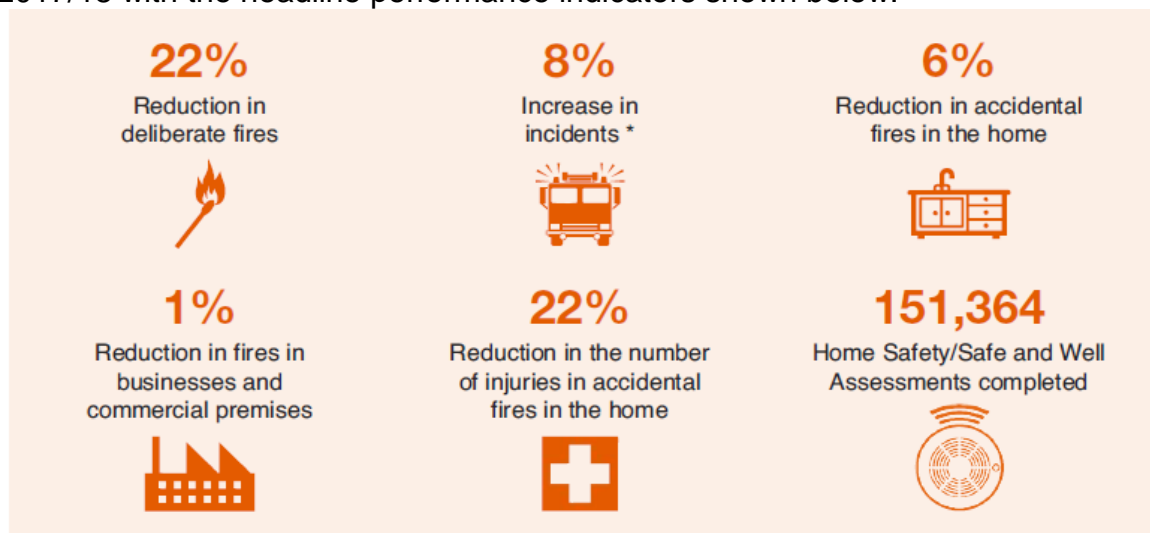
Entrance to Lymm Safety Central

3.3.4. New fire engines and aerial ladder platforms have been purchased to replace some of our appliances that have given us excellent service over the years. The investment represents an injection of £2.4m for ten fully kitted fire engines and £1.3m for the aerials. The ten new fire engines have been delivered and are on active duty throughout Cheshire. They are fitted with an E controller that gives full functionality around the vehicle so the driver can tell if lockers are open, seatbelts are worn and 999 functions are fully visible. Fitted with front and rear parking sensors, there is a lane departure sensor and radar controlled braking and electronic brake distribution. They are all fitted with the latest VUE CCTV. Storage for everything needed by a modern fire and rescue crew has been improved and is much more efficient.



4. Non-financial Performance 2017/18

- 4.1 In 2015 the Fire Authority approved a five year strategy “Planning for a Safer Cheshire” which outlined the challenges facing almost every aspect of the organisation and set out the overarching principles and direction of travel it would adopt in responding to them. Annual action plans set out in more detail the projects and work scheduled for the forthcoming financial year – an approach which fulfils the Authority’s statutory requirement to produce an Integrated Risk Management Plan (IRMP) reflecting up-to-date risk information and outlining how resources will be used. The IRMP also includes a summary of performance for 2017/18 with the headline performance indicators shown below.



* This increase in incidents has been driven by attending more incidents to assist other agencies, such as cardiac arrests or being called to gain entry to a property in order to assist people.

- 4.2 For further details please follow the link <http://www.cheshirefire.gov.uk/about-us/key-documents/irmp>.

5. Pension Liability

- 5.1 The Authority as a responsible employer encourages its employees to participate in a pension scheme. Firefighters have access to four schemes dependent upon when they joined. These are the 1992 Firefighter Pension Scheme; the 2006 Firefighter Pension Scheme; a modified version of the 2006 scheme; and the Firefighter Pension Scheme 2015. For non-firefighters, the Local Government Pension Scheme (LGPS) is available.
- 5.2 Under the International Accountings Standards (IAS19), the way in which pensions are reported within these accounts must reflect the full liability incurred for future pension costs in the year it is earned. Therefore, each year the value of the liability is calculated by the Authority’s actuaries and is shown on the balance sheet as a long-term liability. The large pension liability shows what the Authority would owe if it had to pay all the pensions for all the existing and retired firefighters and staff in the pension schemes on 31 March. This would not happen as the actual payment of such pensions is made over many years and is funded by future contributions from firefighters and staff, together with Government funding.

6. Future Developments and Plans

- 6.1 Over the past five years the Fire Authority has overseen a significant transformation in how its fire and rescue services are provided across Cheshire. This has seen changes in how emergency cover is provided, including the introduction of a ten-minute response standard for life risk incidents; changes to the way fire engines are crewed, the building of four new fire stations and the construction of an innovative and interactive safety and life skills centre, Safety Central.
- 6.2 This period has also fostered new initiatives in conjunction with health partners and the North West Ambulance Service (NWAS) to deliver 'Safe and Well' assessments – staff delivering health and wellbeing information alongside fire safety advice – and assisting paramedics in responding to cardiac arrests or requests to force entry into premises to assist those in need. The Fire Authority has also embarked upon a significant collaboration programme with Cheshire Constabulary and the Police and Crime Commissioner (PCC) to develop a shared headquarters and joint corporate services to serve both organisations.
- 6.3 Despite the changes over the previous five years, there remain a number of challenges ahead. The recently agreed four-year financial settlement with the Government will require the Fire Authority to save a further £2.4m by 2020/21.
- 6.4 In addition, the Government's fire reform agenda sets out a direction of travel and challenges for the fire sector to meet to ensure services are effective, accountable, transparent and reflective of the diverse communities it serves. The recent tragedy at Grenfell Tower poses some particular challenges to the sector and while the outcomes of the Public Inquiry into the fire will not be known for some time, it is likely that the incident will lead to a number of changes that fire and rescue services will need to consider and implement.
- 6.5 The plan for 2018-19, therefore, sets out some short, medium and longer-term proposals aimed at ensuring the Fire Authority is best placed to provide the communities it serves with a first-class fire and rescue service up to 2020 and beyond. Achieving this will require the support, involvement and awareness of staff, partners and communities.

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Cheshire Fire Authority as a Going Concern

An underlying assumption to the accounts is that the Authority is a going concern for the foreseeable future.

The Authority delivers services which are essential to the communities it serves. Should the Authority find itself in financial difficulty, those essential services would continue to be delivered by Central Government or another agency.

The Authority has an annually approved Medium Term Financial Plan (MTFP) which models the Authority's estimated financial position in the current year and the next three years, informed by a set of assumptions about factors such as cuts in government support, pay and price inflation, council tax increases etc. This is the key tool by which the Authority measures its future financial viability. The latest version approved by Members shows that the Authority needs to save an estimated £2.4m to £6.5m through to 2022 dependent on Government funding and the level of council tax increase. The MTFP is regularly reviewed by Members and officers, and the latest version will be considered by Members during the summer. Future savings will be addressed by the further changes to the delivery of services (both operational and support).

The Authority has recognised that the savings which it needs to make may lead to a need to temporarily bolster its budget from reserves, as there may be a time lag between the recognition of savings in the budget and their actual delivery. Underspends achieved in recent years have therefore been earmarked to an IRMP reserve in part to enable this, and also to help fund capital costs. This allows the Authority to undertake reviews and deliver savings in a more measured way than might otherwise be possible.

Members approved a Reserves Strategy at its February meeting alongside the 2018/19 budget. This reviews the levels of reserves held; their forecast usage and the risks and rewards of holding such reserves.

The Authority's high level cash flow forecast shows that the Authority maintains a cash surplus for the life of the MTFP, given the assumptions underlying the MTFP.

The Authority maintains a corporate risk register, which is used to report on risk, including that which relates to finance. This is regularly reviewed and the potential impact of finance risks coming to fruition is included in this process.

The Treasurer considers that taking all these matters into account, it is reasonable to conclude that the Authority should be viewed as a going concern and the Authority is able to adopt that basis in preparing its accounts.

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