



# **Cheshire Fire Authority**

## **Statement of Accounts**

**2015-16**

**Cheshire Fire Authority meeting as at 21-09-2016**

**CHESHIRE FIRE AUTHORITY**  
**Statement of Accounts 2015-16**

**CONTENTS**

	<b>Page</b>
<b>NARRATIVE REPORT</b>	2 - 12
<b>STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS</b>	13
<b>FINANCIAL STATEMENTS</b>	
<b>Movement in Reserves Statement</b>	14 - 15
<b>Comprehensive Income and Expenditure Statement</b>	16
<b>Balance Sheet</b>	17
<b>Cash Flow Statement</b>	18
<b>Firefighter Pension Fund - Statement</b>	19
<b>Notes to the Financial Statements (including accounting policies)</b>	
Listing of the notes	20
Note 1 Accounting Policies	21 - 36
Note 2 onwards	37 - 76
<b>GLOSSARY OF TERMS</b>	77 - 84

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# CHESHIRE FIRE AUTHORITY – NARRATIVE REPORT

## 1. INTRODUCTION

The documents referred to below comprise Cheshire Fire Authority's (the Authority) Statement of Accounts for the year 2015-16. This Narrative Report explains the structure of the Accounts, briefly describes the activity and structure of the Authority, and considers the overall financial position of the Authority in the context of the economic environment within which the Authority operates.

The production and presentation of the Accounts is determined by the Code of Practice on Local Authority Accounting (the Code), which is published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Authority makes every effort to avoid technical language, but the way in which the Accounts are presented means sometimes it has to be included. A glossary is included in the accounts, which explains what the technical terms mean.

The Accounts are presented as a series of statements, followed by supporting information to provide context and other detail. This is explained below.

## 2. THE STATEMENT OF ACCOUNTS

### 2.1 THE FINANCIAL STATEMENTS

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

This statement shows the movement in the year on the different reserves held by the Authority, split into usable reserves and other reserves (see the section on the Balance Sheet below for an explanation of usable and other reserves).

#### **The Comprehensive Income and Expenditure Statement (CI&E)**

The Comprehensive Income and Expenditure Statement includes all the financial transactions for which the Authority is responsible. Not all of these transactions impact on the Authority's General Fund and the MiRS shows how the differences are appropriated to other reserves.

#### **Balance Sheet**

The Balance Sheet sets out the Authority's overall financial position at the 31 March 2016, showing its balances and reserves, its long term liabilities, the non current and current assets employed in its operations and its short term liabilities. The net assets of the Authority (assets less liabilities) are matched by the reserves of the Authority, divided into usable reserves and other reserves. Usable reserves may be used by the Authority to provide services, subject to the need to maintain a prudent level and any statutory limitations on their use. Other reserves include those which hold unrealised gains and losses, those where amounts would only become available to provide services if the assets are sold and those which hold timing differences and

## **CHESHIRE FIRE AUTHORITY – NARRATIVE REPORT**

which are shown in the MiRS in “Adjustments between accounting basis and funding under regulations”.

### **Cash Flow Statement**

The Authority’s Accounts are prepared on an accruals basis (see Note 1 of supporting notes to the Statement [Accounting Policies] for more detail on what this means). The Cash Flow Statement summarises the inflows and outflows of cash during the year and reconciles this back to the net position on the CI&E.

### **The Pension Fund Account**

The Pension Fund Account provides information about the income and expenditure for the year on the Firefighter Pension Fund. The Account consolidates the 1992, 2006, 2015 and the 2006 Modified Firefighter Pension Schemes.

## **2.2 SUPPORTING INFORMATION**

### **Note to the Accounts**

The Financial Statements are supplemented by the inclusion of a comprehensive set of notes which explain the figures shown in the Financial Statements in more detail.

### **Statement of Responsibilities for the Statement of the Accounts**

This makes clear the respective responsibilities of the Authority and the Treasurer to the Authority in the preparation of the Accounts.

### **Statement of Accounting Policies**

This shows how the Authority determines the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. It makes clear, for each type of transaction, the criteria used to decide whether to include it in the accounts and, if included, how to present it.

## **3. CHESHIRE FIRE AUTHORITY**

Cheshire Fire Authority is responsible for providing an efficient and effective fire and rescue service which protects the communities and infrastructure of Cheshire. The Authority covers the local authority areas of Cheshire East, Cheshire West and Chester, Halton and Warrington. The Authority comprises 23 elected Members drawn from these local authorities.

## **CHESHIRE FIRE AUTHORITY – NARRATIVE REPORT**

Cheshire Fire and Rescue Service is led by the Chief Fire Officer and Chief Executive (CFO) and the Service Management Team, which comprises the CFO, the Deputy Chief Fire Officer, and the Heads of departments within the Authority.

The Service operates out of 25 fire stations and has a headquarters in Winsford. 3 new fire stations are under development.

The Service responds to emergency incidents to protect life and property. It provides community safety advice, particularly to vulnerable people, which helps reduce risk and improve safety in the community. It works with the business community to help reduce risk from business activity and help improve safety at work. It also works with young people, developing awareness of safety issues at an early age.

### **4. FINANCIAL PERFORMANCE IN 2015-16**

#### **Where did the Authority get its revenue funding from?**

The Authority received over half of its revenue funding from local taxpayers, by way of precepts (amounts of funding) levied on the four local authorities (Cheshire East, Cheshire West and Chester, Halton and Warrington) who collect Council Tax. The precept levied in 2015-16 was increased by 1.99% from 2014-15 and equated to £70.46 on a Band D property. In addition the Authority received its share of surpluses and deficits on the Council Tax collection funds of the local authorities.

The majority of the balance of the revenue funding was received from Central Government and the four local authorities in the form of Settlement Funding Assessment. This can be broken down into two elements, Revenue Support Grant and Baseline Funding Level. Revenue Support Grant is determined centrally by Government and is based on a formula. Baseline Funding Level is the amount which the Government determines should be available to the Fire Authority as its share of the Business Rates raised in the four local authorities. However, the amount of Business Rates which is available to the Fire Authority from the local authorities is not sufficient to meet this Baseline Funding Level, so the Government also pays the Authority a Top Up Grant to make up the difference.

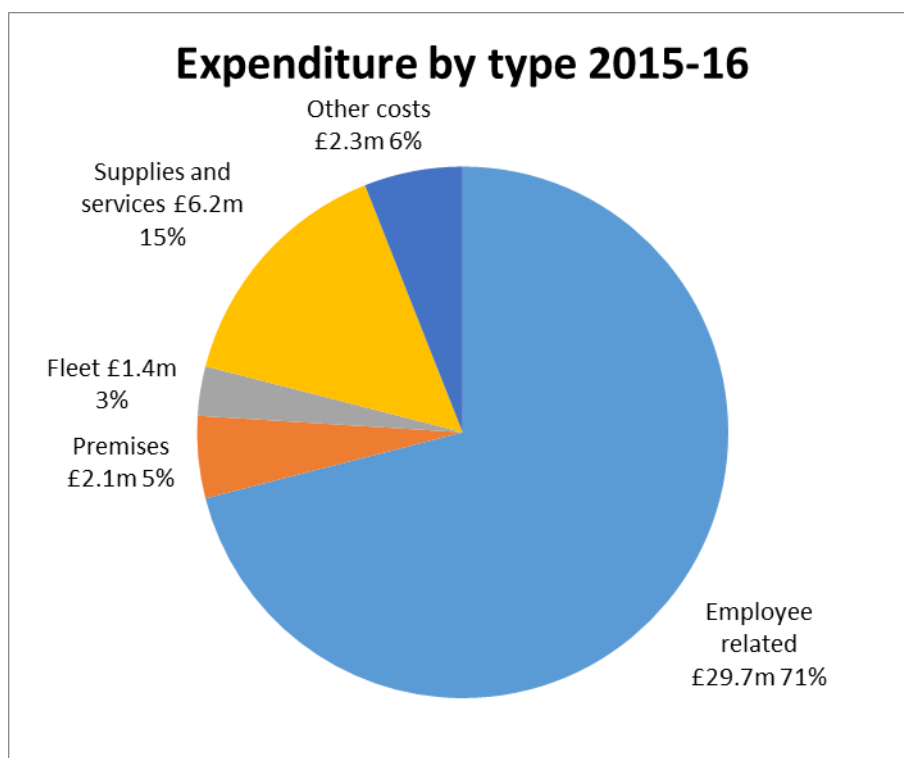
## CHESHIRE FIRE AUTHORITY – NARRATIVE REPORT

The actual amounts for 2015-16 for these elements are shown below:

	£000	£000
Council Tax		(24,513)
Council Tax (surplus)/deficit		(328)
Settlement Funding Assessment		
- Baseline Funding Level		
• Business Rates Baseline	(4,563)	
• Top Up Grant	(4,138)	
- Revenue Support Grant	(8,843)	
Total Settlement Funding Assessment		(17,544)
Business Rates (surplus)/deficit - distributed		69
Section 31 Grants re Business Rates		(293)
Provision for non collection of Business Rates and Council Taxes		5
<b>Total 2015-16 Funding</b>		<b>(42,604)</b>

### What did the Authority spend its money on?

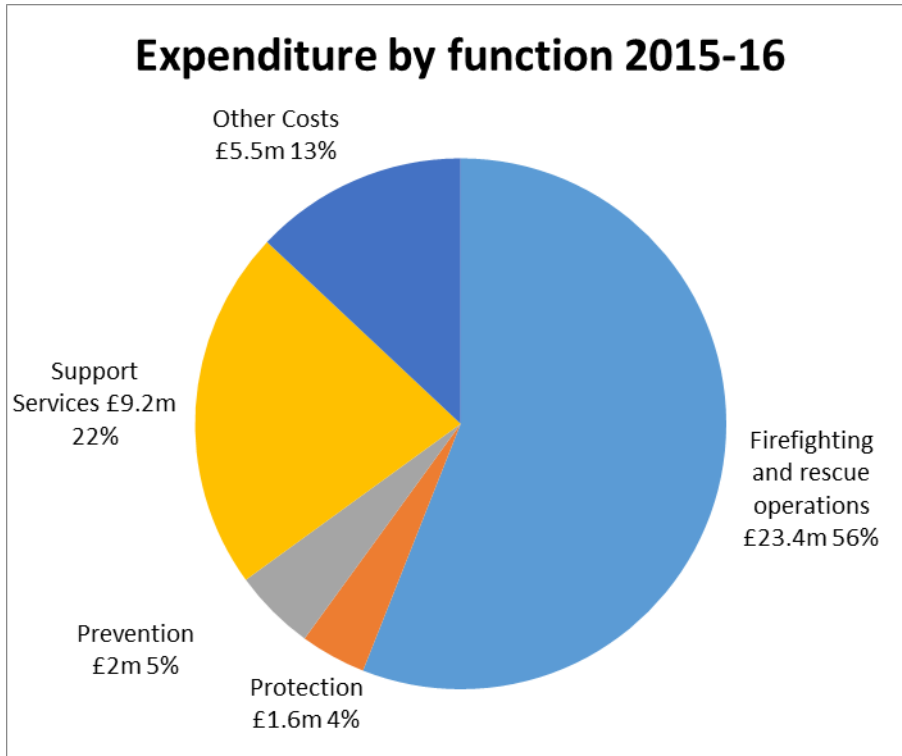
Actual expenditure broken down by type of expenditure is shown below. The bulk of the Authority's revenue is spent on employee related costs.



## CHESHIRE FIRE AUTHORITY – NARRATIVE REPORT

### Performance against budget

Financial and non financial performance is reported on a quarterly basis to the Authority's Performance and Overview Committee. Actual expenditure broken down by function is shown below.



The Authority budgeted to break even, so that expenditure and income were equal. However, the Authority has underspent its revenue budget in 2015-16. The estimated outturn against the budget is reported quarterly to the Authority's Performance and Overview Committee and revisions made to reflect the position. The intention is to reserve the underspend to help to fund the delivery of Integrated Risk Management Plans (IRMPs) and help to fund the Authority's capital programme.

The underspends reported during the year to the Committee and now treated in the accounts as reserve movements together amount to around £1.1m. They are mainly due to lower than budgeted levels of inflation, vacant posts in Protection and Prevention, and lower than anticipated ICT costs.

## CHESHIRE FIRE AUTHORITY – NARRATIVE REPORT

The table below shows overall how the Authority performed against its revised revenue budget. More detail of the Authority's performance against its service area revenue budget is provided in Note 2, Amounts Reported for Resource Allocation Decisions.

Service Area	Revised Budget £000	Actual £000	Variance £000
Fire fighting and rescue operations	23,688	23,390	(298)
Protection	1,578	1,565	(13)
Prevention	2,051	2,025	(26)
Support Services	9,389	9,209	(180)
Other costs	5,750	5,474	(276)
Funding	(42,456)	(42,604)	(148)
<b>Total</b>	-	<b>(941)</b>	<b>(941)</b>

The underspend against the revised revenue budget is £941k. Some of the main reasons for this are explained below.

The underspend on Fire fighting and rescue operations reflects lower than budgeted costs of on call activity.

Protection and Prevention have both spent close to their revised budget level. Underspends on Support services are as a result of savings on ICT software and hardware, savings on vehicle fuel costs and savings on some utilities costs. The heading "Other costs" in the table refers to those costs which are budgeted for centrally. The underspend against the revised budget for other costs is mainly as a result of the service contingency not being called upon in 2015-16.

The underspending during the year reflects the trend of recent years, as the Authority anticipates savings to be made to support the delivery of IRMPs. It is intended that underspends will be transferred to the IRMP and capital reserves and will be used to ensure that funding is available to smooth timing differences between actual expenditure and the full realisation of planned savings, and to support the capital cost of delivering the Emergency Response Programme (ERP), and other capital projects.

### Capital Expenditure

The Authority invested £6.1m in non current assets during the year. Some of this expenditure was against schemes included in the capital programme for 2015-16, whilst some was carried forward from previous years. It is the nature of capital expenditure that some schemes do span financial years. In particular, the amounts approved for spend on the ERP will not be fully spent until 2017-18, in line with the Authority's plan.



## CHESHIRE FIRE AUTHORITY – NARRATIVE REPORT

The bulk of the capital expenditure in 2015-16 has been on the build costs of the 3 remaining fire stations being built as part of the ERP, and “Safety Central”, a dedicated safety centre to educate those most at risk.

The remainder of the capital expenditure has in the main been on the vehicle replacement programme. Two new fire appliances have been purchased and delivered, whilst two hydraulic platforms were substantially completed in 2015-16 and delivered to the Authority in early 2016-17. The Authority has also upgraded the Mobile Data Terminals in its appliances in the year. The table below gives a breakdown of capital expenditure in 2015-16.

Capital scheme	£000
3 new station builds and “Safety Central”	5,119
Fire appliances	441
Hydraulic platforms	219
Other vehicles	93
Technology / business systems	157
HQ boiler replacement	29
<b>Total capital expenditure 2015-16</b>	<b>6,058</b>

### 5. NON FINANCIAL PERFORMANCE IN 2015-16

Members of the Authority’s Performance and Overview Committee, receive comprehensive performance reports quarterly, including a Corporate Performance scorecard. The final scorecard for 2015-16 shows that overall the Authority is performing well against target.

There were 6 fire related fatalities in 2015-16, 3 as a result of the incident in Bosley (see below for more details on this), 2 in accidental dwelling fires and 1 in an outdoor fire. Injuries are over target, however year on year decreases have been recorded.

Accidental dwelling fires ended the year over target by just 3 incidents, however this equated to the second lowest number of these incidents ever recorded. The number of deliberate fires increased compared to 2014-15, where unusually low numbers of incidents were recorded. 2015-16 recorded figures for deliberate fires were lower than any year prior to 2014-15. Prevention teams continue to work with local authorities and business owners to reduce the occurrence of these incidents.

Indicators relating to fires and Automatic Fire Alarms (AFAs) in non domestic premises performed well in 2015-16, with the lowest figures ever recorded for both indicators. 47% fewer attendances were made to AFAs in non domestic premises in 2015-16 compared to 5 years ago.

## **CHESHIRE FIRE AUTHORITY – NARRATIVE REPORT**

Year on year improvements have also been made in the number of Home Safety Assessments (HSAs) delivered to vulnerable residents.

The Authority reviews its performance against the projects which support delivery of the Authority's IRMP. A key success has been the delivery of the first part of the organisational reviews which has identified around £800k of savings that have been recognised in the 2016-17 budget. The Authority has also substantially developed a new Firefighter Apprentice Scheme for launch in 2016-17.

The Authority continues to work in partnership and on collaborative projects. In particular, the Authority is working with partners on a pan Cheshire Complex Dependency Programme and this includes a Fire Authority employee being based in the Cheshire East, Halton and Warrington Council front door teams, building on the success of work already done in partnership with Cheshire West and Chester Council. The Authority is also working closely with Cheshire Police on a collaboration project which will include co-location and shared support services.

The new station at Alsager is now fully operational. The building of the remaining new stations and the safety centre continues, with the stations at Penketh and Powey Lane programmed to be open in 2016-17 and the station and safety centre at Lymm programmed to be open in 2017-18.

In July 2015 the Authority experienced a major incident at a wood mill at Bosley, near Macclesfield, resulting in tragic loss of life. The incident continued for some weeks, with specialist support obtained from across the country. The Authority has fully participated in the investigation into the circumstances. During the year the Authority also supported other authorities in dealing with significant floods.

The Authority has a robust performance management framework. This helps it improve in areas where targets are not achieved and to focus on outcomes which will help realise the vision of "A Cheshire where there are no deaths, injuries or damage from fires or other emergencies."

### **6. PENSIONS LIABILITY**

The Authority is a responsible employer and encourages its employees to participate in pension schemes. Firefighters may be members of four schemes. These are the 1992 Firefighter Pension Scheme; the 2006 New Firefighter Pension Scheme; a modified version of the 2006 scheme; and the Firefighter Pension Scheme 2015. The Authority administers these schemes in partnership with a specialist external partner. Support staff may be members of the Local Government Pension Scheme (LGPS), which is administered on the Authority's behalf by Cheshire West and Chester Council.

The Firefighter Pension Schemes are unfunded, which means that there are no underlying assets to fund them and liabilities are funded as they fall due out of the annual income to the scheme. The requirements of International Accounting

## **CHESHIRE FIRE AUTHORITY – NARRATIVE REPORT**

Standard 19 - employee benefits (IAS 19) means that the Authority must account in the current year for the liability which it incurs as an employer for future pension costs. This leads to a liability on the Authority's Balance Sheet for all pension costs, for both the Firefighter Pension Schemes and the LGPS, of £474m, which is based on a calculation of the future costs by the Authority's actuaries. This is offset in the Balance Sheet by a notional reserve of an equal and opposite amount. At present, all current deficits on the Firefighter Pension Schemes are funded by Government through payment of a specific grant.

### **7. CHANGES IN ACCOUNTING POLICY**

There have only been minor changes to Accounting Policies during the year, and the impact of these changes on the accounts is minimal.

### **8. CURRENT BORROWING FACILITIES**

In accordance with its Treasury Management Strategy, the Authority has recently been using cash balances to fund capital expenditure, as the poor investment returns available make this the most cost effective use of these balances. At the beginning of the year the Authority had outstanding loans with the Public Works Loans Board (PWLB) of £2,214k and an interest free loan of £44k from Salix, a not for profit company which lends money to public bodies for invest to save environmental schemes. In keeping with the repayment schedule, £11k of Salix funding was paid back during 2015-16, leaving a balance of £33k on this loan on 31 March 2016. The policy on premature repayment of loans continues to be reviewed, but there have been no premature or maturity repayments of PWLB loans during 2015-16. A loan from PWLB of £322k is due to be repaid on 30 September 2016.

### **9. SOURCES OF FUNDS FOR CAPITAL**

The Authority funded its capital expenditure in 2015-16 by using capital grants, capital receipts and contributions from reserves (see Note 33). The key issue in respect of funding remains the Authority's ability to contain the potential impact from any capital funding decisions within its revenue budget, and this is regularly considered as part of reviews of the Medium Term Financial Plan (MTFP).

### **10. CONTINGENCIES AND MATERIAL WRITE OFFS**

The Authority has a Risk Management Framework which identifies significant risks and where those risks are clearly financial in nature they are designated as such and are considered regularly at the Authority's Risk Management Board, which is chaired by the Chief Fire Officer and Chief Executive.

## **CHESHIRE FIRE AUTHORITY – NARRATIVE REPORT**

In its accounts for 2014-15 the Authority identified four contingent liabilities. Of these, one, a potential liability in respect of meeting back dated employer pension contributions after a successful legal challenge by a firefighter against the Government Actuary's Department (known as GAD vs Milne) is no longer applicable, as the Government has agreed to fund the additional contributions.

The remaining 3, relating to potential liabilities arising from the insolvency of a historic insurer, increased future cost relating to on call firefighters gaining access to pension rights going back to 2001, and additional holiday pay becoming payable to employees, remain as contingent liabilities in these accounts. More detail can be found in Note 35.

In addition, the Authority has recognised a risk relating to the possibility that some firefighters may be due to have contributions refunded as a result of their age on commencing as firefighters and when they joined the pension scheme, and the length of service that they have subsequently achieved. It is not possible to quantify the impact of this so it has been treated as a contingent liability.

The Authority has not incurred any significant write offs during the year, and does not anticipate any such write offs in the future.

### **11. MATERIAL EVENTS AFTER THE BALANCE SHEET DATE**

There have been no known material events after the Balance Sheet date.

### **12. IMPACT OF THE CURRENT ECONOMIC CLIMATE**

With effect from January 2016, the responsibility for Fire and Rescue Services was passed from the Department for Communities and Local Government (DCLG) to the Home Office. It is unclear whether this will have any material impact on the financial position of the Authority.

A new Comprehensive Spending Review was released by the Chancellor in November 2015. Shortly afterwards the draft local government settlement was announced, and this was finalised in February 2016. This contained a draft four year settlement which the Authority has been invited to consider agreeing to. An agreement to participate in the four year settlement will require an efficiency statement to be agreed by the Authority and submitted to the Home Office in 2016-17.

The settlement contained a higher level of government funding than the Authority had been modelling in its MTFP. This has resulted in a reduced target for efficiencies over the life of the plan. The Authority's MTFP, which is regularly reviewed, indicates a level of efficiencies which the Authority needs to deliver over the life of the plan.

## CHESHIRE FIRE AUTHORITY – NARRATIVE REPORT

The Authority has in place an IRMP reserve which will be used to fund capital and one off revenue expenditure to support the delivery of the IRMP and support other capital projects. The use of reserves helps the Authority mitigate against some of the risks attached to volatility in funding, a risk that has been exacerbated by the inclusion of business rates in the Fire Authority's funding stream.

The Government has indicated that there will be a review of local authority funding during the current Comprehensive Spending review period. There is no clear picture yet as to how this will affect the Authority, but it clearly represents some risk.

The Authority continues to benefit from the current low level of inflation which reduces strain on the revenue budget. However, the Authority is currently maintaining high cash balances and the low levels of interest rates reduces the potential for generating significant return on investments.

### **13. FUTURE PLANS**

The Authority has commenced a second Emergency Response Programme (ERP2) which is examining the potential for future changes to Service Delivery. The results will be considered by the Authority during 2016-17.

The Authority has agreed to collaborate with the Police in co-locating its headquarters and jointly delivering support services to both the Police and the Authority. It is hoped that this will foster closer working relationships and lead to efficiencies. The programme has commenced and will be completed by April 2018.

During 2015-16 the Authority created a company limited by guarantee, Safer Cheshire Limited, which will be registered as a charity in 2016-17 and act as a focus for delivering prevention activity. The objects of the company are to reduce accidental death, injury and harm by educating those most at risk about staying safe at home, on the road and in the community.

The Authority has a number of new initiatives planned for introduction during 2016-17. These include rolling out a scheme to act as first responder for cardiac arrests; working in partnership with the North West Ambulance Service to force entry to allow ambulance staff access to patients; and introducing safe and well visits to help keep vulnerable residents safe and well in their homes.

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

### **Responsibilities of Cheshire Fire Authority**

Cheshire Fire Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In Cheshire Fire Authority, that officer is the Treasurer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### **Statement from Cheshire Fire Authority**

I hereby approve the Statement of Accounts for Cheshire Fire Authority for the year ended 31 March 2016.

.....

Councillor Bob Rudd  
Cheshire Fire Authority

Date: 21 September 2016

### **Responsibilities of the Treasurer to the Cheshire Fire Authority**

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

In preparing this Statement of Accounts, the Treasurer has ensured that:

- Suitable accounting policies have been selected and applied consistently.
- Judgements and estimates made were reasonable and prudent.
- The Code of Practice has been complied with.

The Treasurer has also:

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

### **The Treasurer's Certificate**

I certify that the Statement of Accounts present a true and fair view of the financial position of Cheshire Fire Authority at the reporting date and its income and expenditure for the year ended 31 March 2016 and that events after this date and prior to the formal approval of the Accounts have been properly considered.

.....

Paul Vaughan  
Treasurer to Cheshire Fire Authority

Date: 21 September 2016

## CHESHIRE FIRE AUTHORITY - 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 reserves. The Surplus or (Deficit) on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net increase/decrease, before transfers to earmarked reserves, line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	General Fund Balance	(Usable) Capital Receipts	Resource Centre Managers Reserves	Community Risk Reduction Reserve	UPGs Reserve	Capital Grant Unapplied Account	Capital Reserve	Total Usable Reserves	Pensions Reserve	Revaluation Reserve	Collection Fund Adjustment Account	Accumulated Absences Account	Capital Adjustment Account	Total Other Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2014</b>	(7,276)	(289)	(16,230)	(594)	(361)	(2,383)	(1,921)	(29,054)	445,745	(11,223)	(162)	563	(21,569)	413,354	384,300
<b>Movement in reserves during 2014-15</b>															
Surplus or deficit on the provision of services	9,277	-	-	-	-	-	-	9,277	-	-	-	-	-	-	9,277
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	66,094	-	-	-	-	66,094	66,094
<b>Total Comprehensive Income and Expenditure</b>	<b>9,277</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,277</b>	<b>66,094</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66,094</b>	<b>75,371</b>
Adjustments between accounting basis and funding basis under regulations															
-depreciation & impairment of fixed assets and other capital charges	(2,471)	-	-	-	-	-	-	(2,471)	-	358	-	-	2,113	2,471	-
-amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E	(70)	-	-	-	-	-	-	(70)	-	-	-	-	70	70	-
-pension costs - statutory adjustment	(16,785)	-	-	-	-	-	-	(16,785)	16,785	-	-	-	-	16,785	-
-capital expenditure charged to revenue	-	-	-	-	-	-	30	30	-	-	-	-	(30)	(30)	-
-transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E	67	(67)	-	-	-	-	-	-	-	-	-	-	-	-	-
-use of capital receipts reserve to finance new capital expenditure	-	95	-	-	-	-	-	95	-	-	-	-	(95)	(95)	-
-capital grants - statutory adjustment	3,304	-	-	-	-	(1,165)	-	2,139	-	-	-	-	(2,139)	(2,139)	-
-Collection fund - statutory adjustment	408	-	-	-	-	-	-	408	-	(408)	-	-	-	(408)	-
-Accumulated Absences - statutory adjustment	43	-	-	-	-	-	-	43	-	-	(43)	-	-	(43)	-
-Statutory provision for debt repayment (MRP)	631	-	-	-	-	-	-	631	-	-	-	-	(631)	(631)	-
<b>Net increase/decrease before transfers to earmarked reserves</b>	<b>(5,596)</b>	<b>28</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,165)</b>	<b>30</b>	<b>(6,703)</b>	<b>82,879</b>	<b>358</b>	<b>(408)</b>	<b>(43)</b>	<b>(712)</b>	<b>82,074</b>	<b>75,371</b>
Transfers to/from earmarked reserves	5,910	-	(5,580)	16	4	-	(350)	-	-	-	-	-	-	-	-
<b>(Increase)/Decrease in 2014-15</b>	<b>314</b>	<b>28</b>	<b>(5,580)</b>	<b>16</b>	<b>4</b>	<b>(1,165)</b>	<b>(320)</b>	<b>(6,703)</b>	<b>82,879</b>	<b>358</b>	<b>(408)</b>	<b>(43)</b>	<b>(712)</b>	<b>82,074</b>	<b>75,371</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>(6,962)</b>	<b>(261)</b>	<b>(21,810)</b>	<b>(578)</b>	<b>(357)</b>	<b>(3,548)</b>	<b>(2,241)</b>	<b>(35,757)</b>	<b>528,624</b>	<b>(10,865)</b>	<b>(570)</b>	<b>520</b>	<b>(22,281)</b>	<b>495,428</b>	<b>459,671</b>

## CHESHIRE FIRE AUTHORITY - 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 reserves. The Surplus or (Deficit) on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net increase/decrease, before transfers to earmarked reserves, line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	General Fund Balance	(Usable) Capital Receipts	Resource Centre Managers Reserves	Community Risk Reduction Reserve	UPGs Reserve	Capital Grant Unapplied Account	Capital Reserve	Total Usable Reserves	Pensions Reserve	Revaluation Reserve	Collection Fund Adjustment Account	Accumulated Absences Account	Capital Adjustment Account	Total Other Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2015 brought forward</b>	(6,962)	(261)	(21,810)	(578)	(357)	(3,548)	(2,241)	(35,757)	528,624	(10,865)	(570)	520	(22,281)	495,428	459,671
<b>Movement in reserves during 2015-16</b>															
Surplus or deficit on the provision of services	6,186	-	-	-	-	-	-	6,186	-	-	-	-	-	-	6,186
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(65,976)	(2,809)	-	-	-	(68,785)	(68,785)
<b>Total Comprehensive Income and Expenditure</b>	<b>6,186</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,186</b>	<b>(65,976)</b>	<b>(2,809)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(68,785)</b>	<b>(62,599)</b>
Adjustments between accounting basis and funding basis under regulations															
-depreciation & impairment of fixed assets and other capital charges	(2,137)	-	-	-	-	-	-	(2,137)	-	358	-	-	1,779	2,137	-
-amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E	(132)	-	-	-	-	-	-	(132)	-	-	-	-	132	132	-
-revaluation gain/loss on property plant and equipment	(137)	-	-	-	-	-	-	(137)	-	-	-	-	137	137	-
-pension costs - statutory adjustment	(11,354)	-	-	-	-	-	-	(11,354)	11,354	-	-	-	-	11,354	-
-capital expenditure charged to revenue	-	-	-	-	-	-	3,077	3,077	-	-	-	-	(3,077)	(3,077)	-
-transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E	112	(112)	-	-	-	-	-	-	-	-	-	-	-	-	-
-use of capital receipts reserve to finance new capital expenditure	-	61	-	-	-	-	-	61	-	-	-	-	(61)	(61)	-
-capital grants - statutory adjustment	1,947	-	-	-	-	972	-	2,919	-	-	-	-	(2,919)	(2,919)	-
-Collection fund - statutory adjustment	(21)	-	-	-	-	-	-	(21)	-	-	21	-	-	21	-
-Accumulated Absences - statutory adjustment	(7)	-	-	-	-	-	-	(7)	-	-	-	7	-	7	-
-Statutory provision for debt repayment (MRP)	588	-	-	-	-	-	-	588	-	-	-	-	(588)	(588)	-
<b>Net increase/decrease before transfers to earmarked reserves</b>	<b>(4,955)</b>	<b>(51)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>972</b>	<b>3,077</b>	<b>(957)</b>	<b>(54,622)</b>	<b>(2,451)</b>	<b>21</b>	<b>7</b>	<b>(4,597)</b>	<b>(61,642)</b>	<b>(62,599)</b>
Transfers to/from earmarked reserves	4,508	-	(3,210)	72	(1)	-	(1,369)	-	-	-	-	-	-	-	-
<b>(Increase)/Decrease in 2015-16</b>	<b>(447)</b>	<b>(51)</b>	<b>(3,210)</b>	<b>72</b>	<b>(1)</b>	<b>972</b>	<b>1,708</b>	<b>(957)</b>	<b>(54,622)</b>	<b>(2,451)</b>	<b>21</b>	<b>7</b>	<b>(4,597)</b>	<b>(61,642)</b>	<b>(62,599)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>(7,409)</b>	<b>(312)</b>	<b>(25,020)</b>	<b>(506)</b>	<b>(358)</b>	<b>(2,576)</b>	<b>(533)</b>	<b>(36,714)</b>	<b>474,002</b>	<b>(13,316)</b>	<b>(549)</b>	<b>527</b>	<b>(26,878)</b>	<b>433,786</b>	<b>397,072</b>

For further details on Usable and Other Reserves, see Notes 20 and 21.





## CHESHIRE FIRE AUTHORITY - 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 assets 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 (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Authority is not able to use to provide services. This category of 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 were sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

01/04/2014	31/03/2015		31/03/2016
£000	£000	Note	£000
36,266	35,770	Land and buildings	12 39,275
5,468	4,470	Vehicles and equipment	12 4,120
216	1,608	Assets under construction	12 4,937
229	44	Intangible assets	13 10
<b>42,179</b>	<b>41,892</b>	<b>Total long-term assets</b>	<b>48,342</b>
18,343	21,299	Short-term investments	14 22,800
459	457	Inventories	15 465
4,049	3,192	Short-term debtors	16 3,366
1,845	2,127	Amount due from pension fund	Pension fund 3,343
2,230	6,501	Cash and cash equivalents	17 6,594
<b>26,926</b>	<b>33,576</b>	<b>Total current assets</b>	<b>36,568</b>
<b>69,105</b>	<b>75,468</b>	<b>Total assets</b>	<b>84,910</b>
-	(11)	Short-term borrowing	14 (333)
(4,265)	(3,684)	Short-term creditors	18 (5,113)
(1,112)	(514)	Provisions	19 (572)
<b>(5,377)</b>	<b>(4,209)</b>	<b>Total current liabilities</b>	<b>(6,018)</b>
<b>63,728</b>	<b>71,259</b>	<b>Total assets less current liabilities</b>	<b>78,892</b>
(2,214)	(2,247)	Long-term borrowing	14 (1,914)
(69)	(59)	Deferred liabilities	34 (48)
(445,745)	(528,624)	Net pension liability (IAS19)	37 (474,002)
<b>(448,028)</b>	<b>(530,930)</b>	<b>Total long-term liabilities</b>	<b>(475,964)</b>
<b>(384,300)</b>	<b>(459,671)</b>	<b>Net assets</b>	<b>(397,072)</b>
(29,054)	(35,757)	Usable reserves	20, MiRS (36,714)
413,354	495,428	Unusable reserves	21, MiRS 433,786
<b>384,300</b>	<b>459,671</b>	<b>Total reserves</b>	<b>397,072</b>

## CHESHIRE FIRE AUTHORITY - CASH FLOW STATEMENT

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

2014-15 £000		Note	2015-16 £000
9,277	<b>Net (surplus)/deficit on the provision of services</b>	CI&E	6,186
(18,676)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	22	(12,341)
3,361	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	2,048
<b>(6,038)</b>	<b>Net cash flows from Operating Activities</b>		<b>(4,107)</b>
1,801	Investing activities	23	3,992
(34)	Financing activities	24	22
<b>(4,271)</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>(93)</b>
2,230	Cash and cash equivalents at the beginning of the reporting period	17	6,501
6,501	Cash and cash equivalents at the end of the reporting period	17	6,594
<b>(4,271)</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>(93)</b>

**CHESHIRE FIRE AUTHORITY - FIREFIGHTER PENSION FUND**

2014-15			2015-16	
£000	£000		£000	£000
		<b>Contributions Receivable</b>		
		Fire Authority contributions		
(2,391)		1992 Firefighter Pension Scheme	(1,233)	
(568)		(a) 2006 Firefighter Pension Scheme	(107)	
-		2015 Firefighter Pension Scheme	(1,249)	
	(2,959)			(2,589)
	(19)	Actuarial charges re: Early retirements		(151)
	(2,978)	Re: Ill health retirements		(2,740)
		Firefighters' Contributions		
(1,658)		1992 Firefighter Pension Scheme	(846)	
(550)		(a) 2006 Firefighter Pension Scheme	(158)	
-		2015 Firefighter Pension Scheme	(1,061)	
	(2,208)			(2,065)
	(65)	<b>Transfers in</b>		
	(5,251)	Transfers in from other pension funds		(188)
		<b>Total Amount Receivable</b>		<b>(4,993)</b>
		<b>Benefits payable</b>		
11,178		Pensions	11,622	
2,162		Commutation of pensions and lump sum retirement benefits	4,644	
-		Lump sum death benefits	88	
	13,340	<b>Total Benefits payable</b>		16,354
	16	<b>Payments to and on account of leavers</b>		
	2	Individual transfers out to other schemes		90
		<b>Administrative expenses</b>		292
	13,358	<b>Total Amount payable</b>		<b>16,736</b>
	8,107	<b>(Surplus)/deficit for the year before top-up grant from Government</b>		<b>11,743</b>
	(8,107)	Top-up grant receivable from Government		(11,743)
	-	<b>Net amount payable/receivable for the year</b>		<b>-</b>
<b>Net Assets Statement</b>				
01/04/2014	31/03/2015			31/03/2016
£000	£000	<b>Current Assets</b>		£000
1,856	2,174	Top-up grant receivable from the Government		3,414
66	102	Employee arrears		71
(77)	(61)	<b>Current Liabilities</b>		
-	(88)	Contributions received in advance		-
(1,845)	(2,127)	Benefits outstanding		(142)
-	-	Amount due to General Fund		(3,343)
		<b>Net Assets</b>		<b>-</b>

(a) These lines include the Modified 2006 Firefighter Pension Scheme.  
For further details, please see notes to the financial statements, notes 30 & 37.

Notes to Cheshire Fire Authority Financial Statements 2015-16

The following pages show the notes to Cheshire Fire Authority Financial Statements 2015-16, a listing of the notes is shown below.

<b>No</b>	<b>Note Description</b>	<b>Page</b>
1	Accounting Policies	21
2	Amounts Reported for Resource Allocation Decisions	37
3	Accounting Standards that have been issued but have not yet been adopted	39
4	Critical judgements in applying Accounting Policies	40
5	Assumptions made about the future and other major sources of estimation uncertainty	41
6	Events after the Balance Sheet date	42
7	Adjustments between Accounting Basis and Funding Basis under regulations	42
8	Prior period adjustments	42
9	Transfers to/from Earmarked Reserves	43
10	Financing and Investment Income and Expenditure	43
11	Taxation and non-specific grant income	43
12	Property, Plant and Equipment	44
13	Intangible Assets	46
14	Financial Instruments	47
15	Inventories	49
16	Debtors (Amounts Receivable)	49
17	Cash and Cash Equivalents	49
18	Creditors (Amounts Payable) - Short-term creditors	50
19	Provisions	50
20	Usable Reserves	50
21	Unusable Reserves	51
22	Cash Flow Statement - Operating Activities	55
23	Cash Flow Statement - Investing Activities	56
24	Cash Flow Statement - Financing Activities	56
25	Members' Allowances	56
26	Officers' Remuneration	57
27	Termination Benefits	59
28	External Audit Costs	59
29	Grant Income	60
30	Related Parties	60
31	NW Fire Control Limited (NWFC)	62
32	Fire and Rescue Indemnity Company Limited (FRIC)	63
33	Capital Expenditure and Capital Financing	64
34	Leases	65
35	Contingent Assets and Liabilities	66
36	Nature and Extent of Risks Arising from Financial Instruments	66
37	Defined Benefit Pension Schemes	69

## **1 Accounting Policies**

### **I. General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2015-16 financial year and its position at the year end of 31 March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations (England) 2015, in which Regulations require accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 and the Service Reporting Code of Practice 2015-16, supported by 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.

### **II. Accruals of Income and Expenditure**

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Exceptions to this principle are immaterial items of income and expenditure such as cash income and some small elements of employee pay, which are recorded on a receipts and payments basis rather than being apportioned between financial years.

### **III. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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

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

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

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

### **V. Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- Amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement

equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance [Minimum Revenue Provision (MRP)], by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **VI. Employee Benefits**

### **Benefits Payable During Employment**

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

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement, at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

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

### **Post-Employment Benefits**

Employees of the Authority are entitled to be members of the following pension schemes:



- The Local Government Pension Scheme, administered by Cheshire West and Chester Council
- The Firefighter Pension Scheme (1992)
- The New Firefighter Pension Scheme (2006)
- The New Firefighter Pension Scheme (2006) (Modified)
- The Firefighter Pension Scheme (2015)

These schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees work for the Authority.

#### The Local Government Pension Scheme for non-uniformed staff

All non-uniformed staff, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme, through the medium of the Cheshire Pension Fund. The scheme, which is a funded, defined benefit statutory scheme, is administered by Cheshire West and Chester Council in accordance with the Public Service Pensions Act 2013 and applicable Local Government Pension Scheme Regulations.

In 2015-16 the Authority paid an employer's contribution of 21.5% of employees' pensionable pay into the Cheshire Pension Fund. All pension payments to eligible staff are met from this fund. The attributable assets of the scheme are measured at fair value. Assets are valued at bid value.

Employer contribution rates are reviewed every three years. The last triennial review took place in 2013. Contributions are set at a level intended to balance pension liabilities with the Authority's share of the Fund's investment assets.

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

Liabilities are discounted to their value at current prices, using a discount rate of 3.5%. This is based on a "Hymans Robertson" corporate bond yield curve based on the constituents of the iBoxx AA corporate bond index.

#### The Firefighter Pension Schemes for uniformed staff

These are unfunded schemes, meaning that there are no investment assets built up to meet their liabilities. These liabilities now reside in a local pensions fund into which pension contributions are made and from which pensions are paid. An original scheme commenced in 1992. An additional scheme commenced in 2006 and a further Modified version of this scheme commenced in 2014. A further scheme commenced in 2015; the new Regulations (The Firefighter Pension Scheme (England) Regulations 2014) states that all current active members will move into the new scheme from 1 April 2015 unless they qualify for protections that allow them to remain in their current scheme. All four schemes are administered through one fund. In 2015-16 the Authority paid an

employer's contribution of 21.7% of employees' pensionable pay into the fund in respect of the 1992 and 2006 Modified Schemes, 11.9% in respect of the 2006 scheme and 14.3% in respect of the 2015 scheme. The balance on the local pensions account is funded by Government grant.

#### Firefighter Injury Scheme

Under the Firefighter Compensation Scheme (England) Order 2006, a firefighter receives an injury award where they have retired and are permanently disabled because of an injury received in the execution of their duty. Under IAS19 the Authority is required to account for contingent future injury benefits. The liability is based on an estimate of future benefits earned by members, and movements in this liability are treated in the same way as for the Firefighter Pension Schemes.

The impact of these four pension schemes and the Firefighter Injury Scheme is identified in the revenue account and balance sheet.

The change in net pension's liability is analysed into the following components:

a) Service cost comprising:

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

b) Remeasurements comprising:

- The return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- c) Contributions paid to the pension funds - cash paid as employer's contributions to the pension funds in settlement of liabilities; not accounted for as an expense.

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

### **Discretionary Benefits**

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

## **VII. 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 event can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period; the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period; the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## **VIII. Financial Instruments**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing

and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The Authority's borrowings presented in the Balance Sheet is the outstanding principal repayable (plus any accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement.

## **Financial Assets**

### **Loans and Receivables**

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

## **IX. Foreign Currency Translation**

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## **X. Government Grants and Contributions**

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

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

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

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

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

## **XI. Heritage Assets**

Heritage assets are defined as tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

The Authority does not consider that any of its assets fall into the definition of a Heritage Asset.

## **XII. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement with charges commencing in the year of acquisition. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or

loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore posted out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **XIII. Interests in Companies and Other Entities (Group Accounts)**

The Authority has an interest in NW Fire Control Ltd. A detailed assessment for Group Accounting requirements has taken place during 2015-16 in respect of NW Fire Control Ltd. This is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom Based on International Financial Reporting Standards (IFRS 10, 11 & 12). See note 31 for more details.

During 2015-16 a company limited by guarantee, Safer Cheshire Limited, was established. No business activity was undertaken by this company in 2015-16.

### **XIV. Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the First In First Out (FIFO) costing formula.

The Authority has no long term contracts.

### **XV. Leases**

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

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

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

## **The Authority as Lessee**

### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset.

Lease payments are apportioned between:

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

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

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

### **Operating Leases**

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

## **XVI. 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 Service Reporting Code of Practice 2015-16 (SeRCOP). The total absorption costing principle is used. With this the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Authority's status as a democratic organisation.

- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and the changes in the net pensions liability relating to past service costs.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

## **XVII. 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 (PPE).

### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals 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 as it is incurred. The Authority does not treat any expenditure under £10,000 as capital expenditure.

### **Measurement**

Assets are initially measured at cost, comprising:

- The purchase price.
- 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.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it was located.

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income



and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction - depreciated historical cost.
- Surplus assets – fair value.
- All other assets - current value, determined as the amount that would be paid for the asset in its existing use.

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives and/or low values, depreciated historical cost basis is used as a proxy for current value.

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- 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(s) in the Comprehensive Income and Expenditure Statement.

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

### **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 (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for the depreciation that would have been charged had the loss 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 commencing in the year of acquisition. An exception is made for assets without a determinable useful life (e.g. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer. Useful lives for all firefighter dwellings and other buildings are 25 years.
- Vehicles, plant and equipment - straight-line allocation over the asset's useful life: appliances 13 to 20 years, and other vehicles and equipment 5 to 15 years, as advised in each case by a suitably qualified officer.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item and material to the Authority, the components are depreciated separately.

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

### **Disposals and Non-Current Assets Held for Sale**

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and credited to the Capital Receipts Reserve to be used only for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

### **Componentisation**

The Authority is required under International Financial Reporting Standards to recognise the individual components of its non-current assets and depreciate them separately where necessary. The Authority can also apply a de minimis level below which assets are not considered to be material, and has set this level at £2m or approximately 5% of the total carrying value of assets in the Balance Sheet.

The Authority will take components to be significant if they represent at least 20% of the total cost of the asset. However, components only need to be recognised when they have different useful lives and/or depreciation methods.

## **XVIII. Provisions, Contingent Liabilities and Contingent Asset**

### **Provisions**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

Provisions for business efficiency exit packages are charged to the appropriate service line in the Comprehensive Income and Expenditure, in the year that the Authority is committed to the new structure.

### **Contingent Liabilities**

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

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

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **XIX. Reserves**

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

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

**XX. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

**XXI. VAT**

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

**2 Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Authority on the basis of budget reports analysed across service areas.

Outturn against revised budget for each service area and the Authority is shown in the following table; for further details of the variances please refer to the performance against budget section of the narrative report.

<b><u>Service Area</u></b>	<b>2015-16 £000</b> Revised budget	<b>2015-16 £000</b> Outturn	<b>2015-16 £000</b> Variance (under)/over spend
<b>Firefighting and rescue operations</b>			
Service Delivery	19,855	19,560	(295)
Operational Policy and Assurance	3,833	3,830	(3)
<b>Protection</b>	1,578	1,565	(13)
<b>Prevention</b>			
Community Safety	1,813	1,787	(26)
Public Services Transformation	139	139	-
Safety Centre	99	99	-
<b>Support Services</b>			
Executive Management	717	715	(2)
Planning, Performance & Communications	1,259	1,240	(19)
People and Development	1,349	1,341	(8)
Legal & Democratic services	500	497	(3)
Property Management	1,584	1,564	(20)
ICT	1,581	1,506	(75)
Finance	407	394	(13)
Procurement	576	581	5
Fleet services	1,416	1,371	(45)
<b>Other Costs</b>			
Unitary Performance Groups	100	100	-
General insurance	352	185	(167)
Contingency	250	-	(250)
Minimum Revenue Provision	589	588	(1)
Audit fees	62	58	(4)
Non distributed employee costs	541	754	213
Pay Inflation	15	-	(15)
Allocation of second homes Council Tax	45	44	(1)
Interest payable	102	102	-
Interest receivable	(200)	(224)	(24)
Bad debts	6	9	3
Other costs and income	65	1	(64)
Grants	-	(8)	(8)
Contribution to IRMP / capital reserve	3,967	4,136	169
Other reserve movements	(144)	(271)	(127)
<b>Total net expenditure reported for resource allocation decisions</b>	<b>42,456</b>	<b>41,663</b>	<b>(793)</b>

Notes to Cheshire Fire Authority Financial Statements 2015-16

	2015-16 £000 Revised budget	2015-16 £000 Outturn	2015-16 £000 Variance (under)/over spend
<b>Funding</b>			
Council Tax	(24,513)	(24,513)	-
Council Tax - surplus / deficit	(328)	(453)	(125)
RSG	(8,843)	(8,843)	-
Business Rates	(8,701)	(8,701)	-
Business Rates - surplus / deficit	200	215	15
Section 31 grants	(271)	(293)	(22)
Appropriation to Collection Fund Adjustment account.	-	(21)	(21)
Transfer to provisions	-	5	5
<b>Total funding</b>	<b>(42,456)</b>	<b>(42,604)</b>	<b>(148)</b>
2015-16 underspend	-	(941)	(941)
Transfer of 2014-15 underspend to reserves			<b>494</b>
Increase in 2015-16 General Fund Balance			<b>(447)</b>

**Reconciliation to Comprehensive Income and Expenditure Statement (CI&E)**

	2015-16 £000
Total expenditure reported for resource allocation decisions	41,663
Pension costs calculated in accordance with IAS 19	-
Appropriation to capital financing	347
Minimum revenue provision	(588)
Capital grants received in year	1,947
Interest payable	(104)
Interest receivable	224
Appropriation to accumulated absences account	7
Other operating expenditure (profit or loss on disposal)	(20)
Transparency code set up grant	8
Emergency Services Mobile Communication Programme grant	26
Net cost of IAS 19 pensions charged to CI&E	(5,590)
Funding transfer to provision	5
Transfer to reserves	(4,014)
<b>CI&amp;E Net Cost of Services</b>	<b>33,911</b>

No comparatives are available because of changes to the reporting structure.

**Subjective Analysis**

<b>2014-15</b>		<b>2015-16</b>	
<b>£000</b>		<b>£000</b>	<b>£000</b>
Expenditure			
29,621	Employee pay	28,563	
612	Other employee expenses	635	
619	Pensions	547	
2,076	Premises	2,123	
1,220	Transport	1,331	
3,813	Supplies, services & other expenses	4,070	
1,503	Agency and contracted services	2,096	
746	Capital charges and finance resources	703	
129	Members' allowances	127	
<b>(764)</b>	Provisions	<b>5</b>	
<b>39,575</b>	<b>Total expenditure</b>	<b>40,200</b>	
Income			
<b>(1,898)</b>	Fees and other service income	<b>(2,279)</b>	
<b>(8)</b>	Sales	<b>(10)</b>	
<b>(186)</b>	Interest	<b>(224)</b>	
<b>(23,655)</b>	Council tax precept	<b>(24,513)</b>	
<b>(19,423)</b>	Government grants and contributions	<b>(18,130)</b>	
<b>(45,170)</b>	<b>Total income</b>	<b>(45,156)</b>	
5,101	Transfers to reserves		4,015
<b>(494)</b>	<b>Net expenditure</b>		<b>(941)</b>

**3 Accounting Standards that have been issued but have not yet been adopted**

The Code of Practice on Local Council Accounting in the United Kingdom 2016-17 (the Code) requires an Authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the code for the relevant year.

The Code 2016-17 has introduced a number of changes in accounting policies which will be required from 1 April 2016. If these had been adopted for the financial year 2015-16 there would be no material impact on the information provided in the financial statements.

- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative). This standard provides guidance on the form of the financial statements and will result in changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and will introduce a new Expenditure and Funding analysis.
- Changes to the format of the Pension Fund Account and the Net Assets Statement.
- Minor changes due to Annual Improvements to IFRS's 2010 – 2012 Cycle and IFRS's 2012 – 2014 Cycle.



- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions), IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations) and IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation). Changes are minor and are not expected to have a material effect on the Authority's Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015-16 Statement of Accounts.

#### **4 Critical judgements in applying Accounting Policies**

In applying the Accounting Policies set out in Note 1, 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:

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 impaired as a result of a need to reduce levels of service provision. The Authority reviews its MTFP to assess potential impacts of reduction in funding. The need to make efficiencies is factored into the IRMP process.

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

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

The items in the Authority's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (see note 12)	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, although the Authority does not feel that this poses any immediate quantifiable risk.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £50k for every year that useful lives had to be reduced.
Provisions (see note 19)	Provision, an amount set aside to provide for a liability, which is likely to be incurred, but the exact amount and date on which the liability is due is uncertain.	The Comprehensive Income and Expenditure Statement has been charged with the amount of the provision. Any change would result in a credit/debit to the Comprehensive Income and Expenditure Statement.
Pension Liability (see note 37)	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 age, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. Sensitivity analyses in respect of the Firefighter and Local Government Pension schemes are shown on next page and note 37, together with the monetary value that would result if they came to fruition.

## Notes to Cheshire Fire Authority Financial Statements 2015-16

The sensitivities regarding the principal assumptions used to measure the pension scheme liabilities are shown in note 37.

The sensitivities regarding the principal assumptions used to measure the projected current service cost are set out below:

Change in financial assumptions at year ended 31 March 2016	FIREFIGHTER PENSION SCHEMES	
	Approximate increase to projected current service cost	Approximate monetary amount
	%	£000
0.5% decrease in real discount rate	8%	570
1 year increase in member life expectancy	2%	130
0.5% increase in the salary increase rate	1%	40
0.5% increase in the pensions increase rate (CPI)	7%	520

### 6 Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Treasurer on 21 September 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. No such events are known to have taken place.

### 7 Adjustments between Accounting Basis and Funding Basis under regulations

Please refer to the Movement in Reserves Statement (MiRS), for details on the adjustments that are made to the total Comprehensive Income and Expenditure Statement (items recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure).

### 8 Prior period adjustments

There are no prior period adjustments in the Authority's 2015-16 accounts.

**9 Transfers to/from Earmarked Reserves**

Please refer to the Movement in Reserves Statement and note 20.

**10 Financing and Investment Income and Expenditure**

<b>2014-15 Net Expenditure £000</b>		<b>Gross Expenditure £000</b>	<b>2015-16 Gross Income £000</b>	<b>Net Expenditure £000</b>
102	Interest payable on debt and similar charges	101	-	101
3	Interest payable on finance leases	3	-	3
<b>(187)</b>	Interest receivable and similar income	-	<b>(224)</b>	<b>(224)</b>
19,100	Net Interest on the net defined benefit liability (asset)	16,944	-	16,944
<b>19,018</b>	<b>Total</b>	<b>17,048</b>	<b>(224)</b>	<b>16,824</b>

**11 Taxation and non-specific grant income**

<b>2014-15 Income £000</b>		<b>2015-16 Income £000</b>
<b>(24,014)</b>	Council tax income	<b>(24,966)</b>
<b>(8,513)</b>	Non-domestic rates / Business Rates Retention Scheme	<b>(8,486)</b>
<b>(10,959)</b>	Non-ring fenced government grants	<b>(9,170)</b>
<b>(3,304)</b>	Capital grants and contributions	<b>(1,947)</b>
<b>(46,790)</b>	<b>Total</b>	<b>(44,569)</b>

Note that council tax and non-domestic rates income has been adjusted to reflect the surpluses and deficits on Collection Fund accounts, as reflected in the Movement in Reserves Statement.

The Narrative Report (section Financial Performance - Where did the Authority get its revenue funding from?) explains the changes in funding for the Authority.

**12 Property, Plant and Equipment****12.1 Movements in 2015-16**

<b>2015-16</b>	<b>Land and Buildings £000</b>	<b>Vehicles £000</b>	<b>Plant &amp; Equipment £000</b>	<b>Assets under Construction £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>					
<b>At 1 April 2015</b>	<b>36,905</b>	<b>11,256</b>	<b>3,660</b>	<b>1,608</b>	<b>53,429</b>
Additions	954	534	157	4,413	<b>6,058</b>
Revaluations recognised in the Revaluation Reserve	1,486	-	-	-	<b>1,486</b>
Revaluations recognised in the Surplus/ Deficit on the Provision of Services	(440)	-	-	-	<b>(440)</b>
Derecognitions	-	(460)	-	-	<b>(460)</b>
Reclassifications	1,075	9	-	(1,084)	-
<b>As at 31 March 2016</b>	<b>39,980</b>	<b>11,339</b>	<b>3,817</b>	<b>4,937</b>	<b>60,073</b>
<b>Accumulated depreciation and impairment</b>					
<b>At 1 April 2015</b>	<b>(1,135)</b>	<b>(7,529)</b>	<b>(2,917)</b>	-	<b>(11,581)</b>
Depreciation charge	(1,196)	(644)	(274)	-	<b>(2,114)</b>
Depreciation written out to the Revaluation Reserve	1,323	-	-	-	<b>1,323</b>
Depreciation written out to the Surplus/ Deficit on the Provision of Services	303	-	-	-	<b>303</b>
Derecognitions	-	328	-	-	<b>328</b>
<b>As at 31 March 2016</b>	<b>(705)</b>	<b>(7,845)</b>	<b>(3,191)</b>	-	<b>(11,741)</b>
<b>Net book value:</b>					
<b>At 31 March 2016</b>	<b>39,275</b>	<b>3,494</b>	<b>626</b>	<b>4,937</b>	<b>48,332</b>
<b>At 1 April 2015</b>	<b>35,770</b>	<b>3,727</b>	<b>743</b>	<b>1,608</b>	<b>41,848</b>

**12.2 Comparative Movements in 2014-15**

2014-15	Land and Buildings £000	Vehicles £000	Plant & Equipment £000	Assets under Construction £000	Total £000
<b>Cost or valuation</b>					
<b>At 1 April 2014</b>	<b>36,266</b>	<b>11,406</b>	<b>3,830</b>	<b>216</b>	<b>51,718</b>
Additions	639	126	107	1,392	<b>2,264</b>
Derecognitions	-	(276)	(277)	-	<b>(553)</b>
Reclassifications	-	-	-	-	-
<b>As at 31 March 2015</b>	<b>36,905</b>	<b>11,256</b>	<b>3,660</b>	<b>1,608</b>	<b>53,429</b>
<b>Accumulated depreciation and impairment</b>					
<b>At 1 April 2014</b>	-	<b>(7,092)</b>	<b>(2,676)</b>	-	<b>(9,768)</b>
Depreciation charge	(1,135)	(678)	(501)	-	<b>(2,314)</b>
Derecognitions	-	241	260	-	<b>501</b>
<b>As at 31 March 2015</b>	<b>(1,135)</b>	<b>(7,529)</b>	<b>(2,917)</b>	-	<b>(11,581)</b>
<b>Net book value:</b>					
<b>At 31 March 2015</b>	<b>35,770</b>	<b>3,727</b>	<b>743</b>	<b>1,608</b>	<b>41,848</b>
<b>At 1 April 2014</b>	<b>36,266</b>	<b>4,314</b>	<b>1,154</b>	<b>216</b>	<b>41,950</b>

**12.3 Revaluations**

Assets included in the Balance Sheet are revalued at least every five years. The Authority's property portfolio was revalued as at 31 March 2014 and the resulting valuations have since been reviewed annually by Edward Cottrell, MRICS of Cottrell Commercial. The basis of the valuations is as follows:

- Day Crewed Housing - Existing Use Value
- Fire Service Headquarters - Existing Use Value
- Fire Stations - Depreciated Replacement Cost
- Surplus Assets - Fair Value

Surplus assets are measured for their economic benefits at fair value under IFRS 13 - Fair Value Measurement from 2015-16. The surplus asset that the Authority holds is just over 2 acres of property vacant land next to Hallwood Link Road, Runcorn; valued at £330k at 31 March 2016.

The 2014 valuation led to an overall net increase in asset values of £7.95m and the annual review in March 2016 led to a further revaluation of Fire Stations and Fire Service Headquarters, resulting in an overall increase in asset values of £2.67m.

Other non current assets are valued at depreciated historic cost.

**12.4 Capital Commitments**

At 31 March 2016, the Authority has capital commitments of £9,842k (31 March 2015 £882k).

The programme of station builds noted in the Narrative Report is underway. A new community fire station at Alsager was completed during 2015-16 and the remaining 3 new stations at Lymm (including the Safety Centre), Penketh and Powey Lane are currently under construction. At 31 March 2016 the overall capital budget for the four station builds is £17.4m, with remaining funding of £10.3m (Lymm £7.5m / Penketh £1.2m / Powey Lane £1.6m). The Authority has also ordered 2 new specialist Hydraulic Platform appliances in line with its ongoing vehicle replacement programme, both of which were in the build phase at 31 March 2016, one delivered in May and the other in June 2016.

<b>31 March 2015</b>		<b>31 March 2016</b>
<b>£000</b>		<b>£000</b>
263	New station build - Alsager	-
18	New station site - Penketh	-
-	New station build - Penketh	1,088
-	New station build - Powey Lane	1,461
-	New station build - Lymm	6,285
27	HQ Boiler	-
428	Appliance replacement programme	-
146	Mobile data terminals upgrade	-
-	Hydraulic platform replacements * 2	986
-	Support vehicles * 2	22
<b>882</b>	<b>Total</b>	<b>9,842</b>

**Effects of changes in estimates**

There have been no material changes in accounting estimates in 2015-16.

**13 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 in Plant and Equipment. The intangible assets consist of purchased software and licences.

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 life assigned to the major software suites used by the Authority is five years.

	<b>Intangible (Purchased)</b>	
	<b>Assets</b>	
	<b>2014-15</b>	<b>2015-16</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at start of year :</b>		
Gross carrying amounts	1,229	492
Accumulated amortisation	(1,000)	(448)
<b>Net carrying amount at start of year</b>	<b>229</b>	<b>44</b>
Other disposals - gross cost	(737)	-
Other disposals - amortisation	719	-
Amortisation for the period	(167)	(34)
<b>Net carrying amount at end of year</b>	<b>44</b>	<b>10</b>
Comprising:		
• Gross carrying amount	492	492
• Accumulated amortisation	(448)	(482)
<b>Net carrying amount at end of year</b>	<b>44</b>	<b>10</b>

**14 Financial Instruments**

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

	Long Term			Current		
	01/04/14 £000	31/03/15 £000	31/03/16 £000	01/04/14 £000	31/03/15 £000	31/03/16 £000
<b>Investments</b>						
Loans and receivables						
- Investments	-	-	-	18,343	21,299	22,800
- Imprest and cash	-	-	-	2,230	6,501	6,594
<b>Total Investments</b>	-	-	-	20,573	27,800	29,394
<b>Debtors</b>						
- Loans and receivables	-	-	-	1,614	365	450
- Plus Items not classed as Financial Instruments	-	-	-	2,435	2,827	2,916
<b>Total Debtors</b>	-	-	-	4,049	3,192	3,366
<b>Borrowings</b>						
Financial liabilities at amortised cost						
- PWLB	(2,214)	(2,214)	(1,892)	-	-	(322)
- Salix	-	(33)	(22)	-	(11)	(11)
<b>Total Borrowings</b>	(2,214)	(2,247)	(1,914)	-	(11)	(333)
<b>Creditors</b>						
- Financial liabilities at amortised cost	-	-	-	(1,401)	(1,286)	(2,879)
- Plus Items not classed as Financial Instruments	-	-	-	(2,864)	(2,398)	(2,234)
<b>Total Creditors</b>	-	-	-	(4,265)	(3,684)	(5,113)



**Income, Expense, Gains and Losses**

	2014-15			2015-16		
	Financial liabilities at amortised cost £000	Financial Assets: Loans and Receivables £000	Total £000	Financial liabilities at amortised cost £000	Financial Assets: Loans and Receivables £000	Total £000
Interest expense	(105)	-	(105)	(104)	-	(104)
Impairment losses (bad debt provision)	-	2	2	-	(9)	(9)
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(105)</b>	<b>2</b>	<b>(103)</b>	<b>(104)</b>	<b>(9)</b>	<b>(113)</b>
Interest income	-	187	187	-	224	224
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>187</b>	<b>187</b>	<b>-</b>	<b>224</b>	<b>224</b>
<b>Net gain/(loss) for the year</b>	<b>(105)</b>	<b>189</b>	<b>84</b>	<b>(104)</b>	<b>215</b>	<b>111</b>

**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 values of the cash flows that will take place over the remaining term of the instruments, making the following assumptions:

- for the PWLB and Salix loans, interest rates prevailing at 31 March 2016;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate to fair value;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

	31 March 2015		31 March 2016	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
<b>Financial liabilities</b>				
PWLB	(2,214)	(2,680)	(2,214)	(2,651)
Salix Loan	(44)	(47)	(33)	(34)

- Short term debtors and creditors are carried at cost as this is a fair approximation of their value.
- Bank deposits and short term investments are carried at cost as this is a fair approximation of their value.

**15 Inventories**

	Workshops £000	Uniform £000	Firefighting & General £000	Total £000
Balance outstanding 1 April 2014	101	282	76	459
Purchases 2014-15	29	157	286	472
Recognised as an expense in the year	(50)	(154)	(274)	(478)
Written off balances 2014-15	10	(6)	-	4
<b>Balance outstanding at 31 March 2015</b>	<b>90</b>	<b>279</b>	<b>88</b>	<b>457</b>
Balance outstanding 1 April 2015	90	279	88	457
Purchases 2015-16	44	195	322	561
Recognised as an expense in the year	(45)	(197)	(311)	(553)
Written off balances 2015-16	2	(2)	-	-
<b>Balance outstanding at 31 March 2016</b>	<b>91</b>	<b>275</b>	<b>99</b>	<b>465</b>

**16 Debtors (Amounts Receivable)**

1 April 14 £000	31 March 15 £000		31 March 16 £000
387	495	Central Government bodies	925
996	677	Other local authorities	747
51	36	NHS bodies	15
5	-	Public corporations and trading funds	-
1,499	839	Other entities and individuals	569
970	974	Collection fund - council tax payers	973
141	171	Collection fund - business rates payers	137
<b>4,049</b>	<b>3,192</b>	<b>Total</b>	<b>3,366</b>

**17 Cash and Cash Equivalents**

1 April 14 £000	31 March 15 £000		31 March 16 £000
26	21	Cash held by the Authority	15
2,204	6,480	Bank current accounts	6,579
<b>2,230</b>	<b>6,501</b>	<b>Total</b>	<b>6,594</b>

**18 Creditors (Amounts Payable) - Short-term creditors**

1 April 14 £000	31 March 15 £000		31 March 16 £000
(1,115)	(707)	Central Government bodies	(1,034)
(1,219)	(849)	Other local authorities	(598)
-	-	NHS bodies	(6)
(1,526)	(1,692)	Other entities and individuals	(3,038)
(324)	(364)	Collection fund - council tax payers	(358)
(81)	(72)	Collection fund - business rates payers	(79)
<b>(4,265)</b>	<b>(3,684)</b>	<b>Total</b>	<b>(5,113)</b>

**19 Provisions**

In 2014-15 and 2015-16 the Authority has identified likely costs in business rates collection fund deficits, as well as reflecting the Fire Authority's share of the provision for business rates appeals.

	Collection fund £000	Total £000
Balance as at 1 April 2015	(514)	(514)
Additional provisions made in 2015-16	(440)	(440)
Amounts used in 2015-16	-	-
Amounts reversed in 2015-16	382	382
Balance at 31 March 2016	<b>(572)</b>	<b>(572)</b>

**20 Usable Reserves**

1 April 14 £000	31 March 15 £000	Usable Reserves	31 March 16 £000
(7,276)	(6,962)	General Fund Balance	(7,409)
(289)	(261)	(Usable) Capital Receipts	(312)
(2,383)	(3,548)	Capital grant unapplied account	(2,576)
		Earmarked revenue reserves:	
(16,230)	(21,810)	- Resource Centre Managers	(25,020)
(594)	(578)	- Community Risk Reduction	(506)
(361)	(357)	- Unitary Performance Groups	(358)
(1,921)	(2,241)	Capital Reserve	(533)
<b>(29,054)</b>	<b>(35,757)</b>	<b>Total Usable Reserves</b>	<b>(36,714)</b>

Usable Reserves are those that can be used to fund general expenditure or reduce local taxation. Usable Reserves held by the Authority are described below and movements detailed in the Movement in Reserves Statement.

**General Fund Balance**

The General Fund represents resources available to meet the potential financial consequences of the Authority's risk profile and other unforeseen circumstances.

**(Usable) Capital Receipts**

This reserve shows the proceeds of fixed asset sales available to meet future capital expenditure.

**Capital Grant Unapplied Account**

This reserve holds the grants and contributions received towards capital projects for which the Authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

**Resource Centre Managers Reserves**

These reserves are available to meet future identified commitments in resource centre managers' areas.

**Community Risk Reduction Reserve**

This reserve is to meet the cost of the Authority's programme of home safety assessments and other community safety initiatives.

**Unitary Performance Groups (UPGs) Reserve**

This reserve is earmarked for facilitating partner engagement in community safety activities.

**Capital Reserve**

This reserve is earmarked to fund future capital expenditure.

**21 Unusable Reserves**

1 April 14 £000	31 March 15 £000	Unusable Reserves	31 March 16 £000
(11,223)	(10,865)	Revaluation Reserve	(13,316)
(21,569)	(22,281)	Capital Adjustment Account	(26,878)
445,745	528,624	Pensions Reserve	474,002
(162)	(570)	Collection Fund Adjustment Account	(549)
563	520	Accumulated Absences Account	527
<b>413,354</b>	<b>495,428</b>	<b>Total Unusable Reserves</b>	<b>433,786</b>

**Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its non-current 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 Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2014-15 £000	Revaluation Reserve	2015-16 £000
<b>(11,223)</b>	<b>Balance at 1 April</b>	<b>(10,865)</b>
-	Upward revaluation of assets	(2,809)
-	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	-
-	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(2,809)
<b>358</b>	Difference between fair value depreciation and historical cost depreciation	<b>358</b>
<b>(10,865)</b>	<b>Balance at 31 March</b>	<b>(13,316)</b>

**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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and subsequent costs.

The Capital Adjustment Account 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. The Movement in Reserves Statement provides details of the source of all the transactions posted to the Account.

Notes to Cheshire Fire Authority Financial Statements 2015-16

2014-15 £000	Capital Adjustment Account	2015-16 £000	£000
	<b>(21,569) Balance at 1 April</b>		<b>(22,281)</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
2,304	• Charges for depreciation and impairment of non-current assets	2,103	
-	• Revaluation losses on Property, Plant and Equipment	137	
167	• Amortisation of intangible assets	34	
70	• 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	132	
<u>2,541</u>		<u>2,406</u>	
<b>(358)</b>	Adjusting amounts written out of the Revaluation Reserve		<b>(358)</b>
<b>(19,386)</b>	Net written out amount of the cost of non-current assets consumed in the year		<b>(20,233)</b>
	Capital financing applied in the year		
<b>(30)</b>	• Capital expenditure charged against the General Fund	<b>(3,077)</b>	
<b>(1,040)</b>	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	<b>(410)</b>	
<b>(95)</b>	• Use of the Capital Receipts Reserve to finance new capital expenditure	<b>(61)</b>	
<b>(1,099)</b>	• Application of grants to capital financing from the Capital Grants Unapplied Account	<b>(2,509)</b>	
<b>(631)</b>	• Statutory provision for the financing of capital investment charged against the General Fund (MRP)	<b>(588)</b>	
<u><b>(2,895)</b></u>		<u><b>(6,645)</b></u>	
<b>(22,281)</b>	<b>Balance at 31 March</b>	<b>(26,878)</b>	

**Pensions Reserve**

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

However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2014-15 £000	Pension Reserve	2015-16 £000
445,745	<b>Balance at 1 April</b>	528,624
66,094	Remeasurements of the net defined benefit liability/(asset)	(65,976)
29,514	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account	27,170
(12,729)	Employer's pensions contributions and direct payments to pensioners payable in the year	(15,816)
<b>528,624</b>	<b>Balance at 31 March</b>	<b>474,002</b>

**Collection Fund Adjustment Account**

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

2014-15 £000	Collection Fund Adjustment Account	2015-16 £000
(162)	<b>Balance at 1 April</b>	(570)
(408)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated in accordance with statutory requirements	21
<b>(570)</b>	<b>Balance at 31 March</b>	<b>(549)</b>

**Accumulated Absences Account**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

2014-15 £000	<b>Accumulated Absences Account</b>	2015-16 £000	£000
	<b>563 Balance at 1 April</b>		<b>520</b>
(563)	Settlement or cancellation of accrual made at the end of the preceding year	(520)	
520	Amounts accrued at the end of the current year	527	
	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		7
	<b>520 Balance at 31 March</b>		<b>527</b>

**22 Cash Flow Statement - Operating Activities**

Adjustment for non-cash movements charged to the net (surplus)/deficit on the provision of services:

2014-15 £000		2015-16 £000
(2,304)	Depreciation	(2,103)
	- Impairment and downward revaluation	(137)
(167)	Amortisation	(34)
2	Movement in impairment provision for bad debts	(9)
623	Movement in creditors	88
(857)	Movement in debtors	174
282	Movement in amount due from pension fund	1,216
2	Movement in stock/inventories	8
(16,785)	Movement in pension liability	(11,354)
(70)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(132)
598	Other non-cash items charged to the net surplus or deficit on the provision of services	(58)
<b>(18,676)</b>	<b>Total adjustment for non-cash movements</b>	<b>(12,341)</b>
	The cash flows for operating activities include the following items:	
187	Interest received	224
(105)	Interest paid	(104)



**23 Cash Flow Statement - Investing Activities**

2014-15 £000		2015-16 £000
2,235	Purchase of non-current assets	4,549
55,637	Purchase of short-term and long-term investments	42,004
(67)	Proceeds from sale of non-current assets	(112)
(52,700)	Proceeds from short-term and long-term investments	(40,502)
(3,304)	Other receipts from investing activities	(1,947)
<b>1,801</b>	<b>Net cash flows from investing activities</b>	<b>3,992</b>

**24 Cash Flow Statement - Financing Activities**

2014-15 £000		2015-16 £000
(44)	Cash receipts of short-term and long-term borrowing	-
10	Cash payments for the reduction of the outstanding liabilities relating to finance leases	11
-	Repayment of short-term and long-term borrowing	11
<b>(34)</b>	<b>Net cash flows from financing activities</b>	<b>22</b>

Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:

2014-15 £000		2015-16 £000
3,304	Reverse part of Note 23 - Other receipts from investing activities	1,947
67	Reverse part of Note 23 - Proceeds from sale of non-current assets	112
(10)	Reverse part of Note 24 - Cash payments for the reduction of the outstanding liabilities relating to finance leases	(11)
<b>3,361</b>	<b>Total</b>	<b>2,048</b>

**25 Members' Allowances**

The Authority paid the following amounts to Members of the council during the year:

2014-15 £000		2015-16 £000
131	Members' allowances	129
33	Travel and subsistence, training and conferences	29
<b>164</b>	<b>Total</b>	<b>158</b>

**26 Officers' Remuneration**

The tables below shows payments to the Authority's Leadership Team during the financial year 2015-16, and comparative figures for 2014-15.

	Dates in Post	Gross Annual Salary (a)	Salary and Allowances	Benefits in kind (b)	Compensation for loss of office	Pension Contribution	Total
		£	£	£	£	£	£
<b>2015-16</b>							
Chief Fire Officer - Paul Hancock	Full year	151,320	152,720	-	-	32,297	185,017
Deputy Chief Fire Officer	Full year	129,216	130,541	-	-	27,579	158,120
Assistant Chief Fire Officer	01/04/2015 to 18/02/2016	111,520	102,017	3,232	-	21,481	126,730
Head of Legal & Democratic Services	Full year	66,073	59,756	-	-	12,852	72,608
Head of Finance & Treasurer	Full year	54,874	54,874	-	-	11,799	66,673
<b>2015-16 Total</b>			<b>499,908</b>	<b>3,232</b>	-	<b>106,008</b>	<b>609,148</b>

	Dates in Post	Gross Annual Salary (a)	Salary and Allowances	Benefits in kind (b)	Compensation for loss of office	Pension Contribution	Total
		£	£	£	£	£	£
<b>2014-15</b>							
Chief Fire Officer	Full year	146,884	149,907	-	-	31,105	181,012
Deputy Chief Fire Officer	Full year	125,429	128,612	-	-	26,569	155,181
Assistant Chief Fire Officer	Full year	110,416	118,086	3,751	-	24,327	146,164
Head of Legal & Democratic Services	Full year	58,021	60,922	-	-	12,794	73,716
Head of Finance & Treasurer	Full year	53,798	53,798	-	-	11,298	65,096
<b>2014-15 Total</b>			<b>511,325</b>	<b>3,751</b>	-	<b>106,093</b>	<b>621,169</b>

Notes to Cheshire Fire Authority Financial Statements 2015-16

Of the Authority's remaining employees, the following numbers received more than £50,000 remuneration for the year (excluding employer's pension contributions):

Remuneration band	Number of employees	
	2015-16	2014-15
£50,000 - £54,999	14	9
£55,000 - £59,999	10	7
£60,000 - £64,999	6	12
£65,000 - £69,999	2	5
£70,000 - £74,999	1	6
£75,000 - £79,999	2	-
£80,000 - £84,999	-	1
£85,000 - £89,999	-	2

Notes

- Gross annualised salary represents the gross full time equivalent salary applicable to the post at 31 March, or when the person left post if earlier.
- Benefits in kind consist of taxable benefits relating to car lease and mileage payments.
- Members of the Leadership Team are excluded from the remuneration banding figures.

The number of exit packages with total cost per band and the 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	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £
<b>2015-16</b>				
£0 - £20,000	1	-	1	1,307
<b>Total</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>1,307</b>
Amounts provided for in CI&E not included in bandings			-	-
Total cost included in 2015-16 CI&E				<b>1,307</b>
<b>2014-15</b>				
£0 - £20,000	1	6	7	80,643
£20,001 - £40,000	2	10	12	311,514
£40,001 - £60,000	-	1	1	55,599
£60,001 - £80,000	-	2	2	141,289
£80,001 - £100,000	-	3	3	258,147
<b>Total</b>	<b>3</b>	<b>22</b>	<b>25</b>	<b>847,192</b>
Amounts provided for in CI&E not included in bandings			-	-
Total cost included in 2014-15 CI&E				<b>847,192</b>

**27 Termination Benefits**

The Authority terminated the contract of one employee in 2015-16, incurring liabilities of £1k (£847k in 2014-15 relating to 25 employees).

During 2015-16, there was £1k of costs relating to a redundancy payment to an officer at the end of a fixed term contract within service delivery admin hub.

During 2014-15, there were £66k termination costs payable to 4 officers as part of the HR review, £124k termination costs payable to 4 officers as part of the ICT review, 3 posts with £46k costs following the initial part of the CS/CFP realignment/review and 13 posts with £607k costs following the transfer of the control service to NWFC. The remaining £4k was paid to 1 operational officer as the result of termination of their employment.

The termination costs arising from the move to NWFC were fully funded from North West Fire Control Ltd restructuring reserves held specifically for this purpose.

See Note 26 for the number of exit packages and total cost per band.

**28 External Audit Costs**

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

<b>2014-15</b>		<b>2015-16</b>
<b>£000</b>		<b>£000</b>
40	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year.	30
-	Fees payable to Grant Thornton for the other work / services for the year.	5
<b>40</b>	<b>Total</b>	<b>35</b>

The fee for other services payable to Grant Thornton in 2015-16 relates to the preparation, delivery and write-up of a 2020 workshop.

**29 Grant Income**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement during the year:

2014-15 £000		2015-16 £000
	<b>Credited to Taxation and Non-Specific Grant Income and Expenditure</b>	
(8,513)	Non-domestic rates / Business Rates Retention Scheme	(8,486)
(10,959)	Revenue Support Grant	(9,170)
(3,304)	Government Capital Grant	(1,947)
<u>(22,776)</u>		<u>(19,603)</u>
	<b>Credited to Services</b>	
(89)	DCLG New Dimensions Fund	(89)
(145)	DCLG Fire Revenue Grant - FireLink	(144)
(172)	Other Grants (transforming community safety)	(212)
	The Office for Low emission vehicles (OLEV) - ultra-low	
	- emission vehicles (ULEV) grant	(57)
	- Other Grants	(5)
(7)	Donations	(15)
	- Donations - smoke alarms	(45)
(92)	Other contributions	(101)
<u>(505)</u>		<u>(668)</u>

**30 Related Parties**

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

**a Central Government**

Central Government has significant influence over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides a substantial part of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties.

Grants received from Government Departments are set out in note (29), Grant Income.

The Authority has utilised the borrowing facilities operated by the Debt Management Office (PWLB loans).

**b Members**

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in the year is shown in Note 25 (Members' Allowances).

There were no transactions during the year in which members were required to declare an interest (see also item 'e' in this note).

**c Officers**

There were no transactions during the year in which officers were required to declare an interest.

**d Entities Controlled or Significantly Influenced by the Authority**

The Authority was one of four Fire and Rescue Authorities that together set up NW Fire Control LTD (NWFC). NWFC is a company limited by guarantee which was incorporated in July 2007 and was established to operate a Regional Control Centre with the responsibility for Fire and Rescue Service mobilisation for the North West region. It has been determined that the company is governed by Joint Control due to the fact that unanimous consent exists for key decisions and that each Authority has equal voting rights. This joint arrangement has been deemed to be a Joint Operation as the parties have rights to the assets, and obligations for the liabilities relating to the arrangement. This will be reviewed in forthcoming financial years based on the future of the Company and if any Fire and Rescue Authority influence positions or Company governance arrangements have changed.

More details on NWFC can be found in the next note (note 31).

Safer Cheshire Limited, a company limited by guarantee, was established by the Authority on 15 December 2015, with the object of reducing accidental death, injury and harm by educating those most at risk about staying safe at home, on the road and in the community. An application has been made to register this company with the Charity Commission. No business of any kind was transacted by the company in 2015-16.

**e Other Public Bodies (subject to common control by central government)**

The Fire Authority consists of 26 members, 23 of whom are nominated by the constituent local authorities (the unitary councils of Cheshire West and Chester, Cheshire East, Halton and Warrington). All transactions between the Authority and these authorities are included in the accounts. The principal transactions between the Authority and the constituent authorities are in respect of precept of council tax and the baseline funding (the Fire Authority's share of Business Rates raised in its four constituent authorities). These are as follows:

2014-15 £000	Billing Authority	2015-16 £000
	<b>Council Tax</b>	
(9,538)	Cheshire East Council	(9,946)
(7,790)	Cheshire West and Chester Council	(8,088)
(2,271)	Halton Borough Council	(2,354)
(4,415)	Warrington Borough Council	(4,578)
<b>(24,014)</b>	<b>Council Tax Total</b>	<b>(24,966)</b>
	<b>Business Rates</b>	
(1,322)	Cheshire East Council	(1,319)
(1,618)	Cheshire West and Chester Council	(1,470)
(471)	Halton Borough Council	(550)
(1,041)	Warrington Borough Council	(1,009)
<b>(4,452)</b>	<b>Business Rates Total</b>	<b>(4,348)</b>

Note that council tax / business rates income has been adjusted to reflect the surpluses and deficits on Collection Fund accounts, as reflected in the Movement in Reserves Statement.

**f Firefighter Pension Fund**

The Fire Authority administers the Firefighter Pensions Schemes. The account for the schemes is included in the Statement of Accounts. See note 37 for more details.

**31 NW Fire Control Limited (NWFC)**

NW Fire Control Limited is a company limited by guarantee which was incorporated in July 2007 and was established to operate a Regional Control Centre with the responsibility for Fire and Rescue Service mobilisation for the North West region.

During 2011-12 renegotiations were made for the future of the project following the closure of the National Project announced in December 2011 by the Fire Minister. The Company now has four members which are Cheshire, Cumbria, Greater Manchester and Lancashire Fire & Rescue Authorities (FRAs). The liability of each member in the event of the company being wound up is limited and shall not exceed £1. Each member of the company has the right to appoint 2 directors, who are Councillors appointed to their respective FRAs. All directors have equal voting rights.

During May 2014 all four services transferred their Control Room functions into the regionalised service provided by NW Fire Control Ltd. The cost of the service is charged out to the four FRAs on a pro rata basis agreed by a Service Level Agreement. The implementation phase continued to be funded by a section 31 grant from the Department for Communities and Local Government plus an ongoing grant to fund 66% of the lease costs for the building. The grant is paid to Greater Manchester Fire & Rescue Authority as lead Authority for the North West region and released to the company as required. There have also been contributions to the project from the four fire authorities.

A detailed assessment for Group Accounting requirements has taken place during 2015-16 in respect of NW Fire Control Ltd. This is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards (IFRS 10, 11 & 12).

It has been determined that the company is governed by Joint Control due to the fact that unanimous consent exists for key decisions and that each Authority has equal voting rights. This joint arrangement has been deemed to be a Joint Operation as the parties have rights to the assets, and obligations for the liabilities relating to the arrangement. This will be reviewed in forthcoming financial years based on the future of the Company and if any Fire and Rescue Authority influence positions or Company governance arrangements have changed.

However on the basis of materiality it has been determined that Group Accounts are not required for the financial year 2015-16 having considered both qualitative and quantitative factors, including the following:

- The 25% share of assets, liabilities, income and expenditure are not material against the balances of Cheshire Fire Authority.
- Exclusion of the values would not affect the true and fair concept of the financial statements.
- The joint control centre was set up to generate savings for the FRAs not because they could not provide the service. There is a Standby Control Room at Stretford Fire Station as Business Continuity for NW Fire Control Ltd.
- There are no concerns regarding commercial risk.
- No assets have been transferred from the FRAs to NW Fire Control Ltd.

## Notes to Cheshire Fire Authority Financial Statements 2015-16

- The inclusion of Company figures into Group Accounting would not add value to the reader of the Statement of Accounts.
- The liability of the Authority is limited to a maximum of £1.

Below shows the key information from the draft financial statements of NW Fire Control Ltd:

	Year ended 2015-16 £000	Year ended 2014-15 £000
<b>Accounts Information</b>		
Total Assets less current liabilities	239	217
Net assets *	(822)	(2,202)
Profits before taxation	(240)	2
Profits after taxation	(246)	(5)

\*Net assets includes the future pension liabilities under FRS17 reported by the Cheshire Pension Fund actuaries.

All figures are shown net of VAT.

2015-16 transactions between Cheshire Fire Authority and NW Fire Control Ltd include invoices raised by NW Fire Control to Cheshire Fire Authority for the control room service (£740k) and use of facilities in the building (£4k).

2015-16 invoices raised by Cheshire Fire Authority to NW Fire Control Ltd include reimbursement of £12k costs relating to the network link.

The Company's 2014-15 Financial Statements can be obtained from Companies House, and the 2015-16 financial Statements will be available by the 31/12/2016 (deadline for submission for the final audited 2015-16 accounts).

### **32 Fire and Rescue Indemnity Company Limited (FRIC)**

The Fire Authority became a member of a mutual, the Fire and Rescue Indemnity Company Limited (FRIC), on 1 November 2015. Eight other Fire Authorities are also members. The mutual provides discretionary protection against claims against the Authority and procures insurance cover on its behalf. Consideration has been given to the nature of the relationship which the Authority has with the mutual. The Authority has no power to appoint directors to the board of the mutual, and the relationship is not therefore one of joint control. This means that under the Code of Practice on Local Authority Accounting in England and International Financial Reporting Standards 10, 11 and 12 no liability to complete group accounts in relation to the Authority and the mutual exists.



**33 Capital Expenditure and Capital Financing**

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

<b>2014-15</b>		<b>2015-16</b>
<b>£000</b>		<b>£000</b>
<b>9,414</b>	<b>Opening Capital Financing Requirement</b>	<b>8,783</b>
	<b>Capital Investment</b>	
2,264	Property, plant and equipment	6,057
-	- Revenue Expenditure Funded from Capital under Statute	-
	<b>Sources of Finance</b>	
(95)	Capital receipts	(61)
(2,139)	Government grants and other contributions	(2,919)
	<b>Sums set aside from revenue</b>	
(30)	Revenue contributions	(3,077)
(631)	Minimum revenue provision (MRP)	(588)
<b>8,783</b>	<b>Closing Capital Financing Requirement</b>	<b>8,195</b>
	<b>Explanation of movements in year</b>	
(631)	Increase/(decrease) in underlying need for borrowing	(588)
<b>(631)</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(588)</b>

**34 Leases****Authority as Lessee****Finance Leases**

The Authority has a training vehicle held under a finance lease. The vehicle is carried in the Balance Sheet at the value of £48,263 (2014-15 £58,976).

The Authority is committed to making minimum payments under this lease comprising settlement of the long-term liability for the interest in the asset acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payment is made up of the following amounts:

	2015-16	
	£	£
<b>Cost or Valuation</b>		128,743
<b>Accumulated depreciation</b>		
As at 1 April 2014	(59,546)	
Charge for 2014-15	(10,221)	
Charge for 2015-16	(10,713)	
As at 31 March 2016	<u>(80,480)</u>	<u>(80,480)</u>
		<u>48,263</u>

Outstanding obligations to make payments under this lease (excluding finance costs) at 31 March are as follows:

1 April 2014	31 March 2015		31 March 2016
£	£		£
(10,221)	(10,713)	Not later than 1 year	(11,229)
(46,047)	(48,263)	Later than 1 year and not later than 5 years	(37,034)
(12,929)		- Later than 5 years	-
<u>(69,197)</u>	<u>(58,976)</u>	<b>Total</b>	<u>(48,263)</u>

**Operating Leases**

Expenditure on operating leases in 2015-16 totalled £412,034 (2014-15 £351,966). All expenditure on leases relates to vehicles.

The future minimum lease payments due in future years are as follows:

1 April 2014	31 March 2015		31 March 2016
£000	£000		£000
(262)	(179)	Not later than 1 year	(254)
(140)	(114)	Later than 1 year and not later than 5 years	(115)
<u>(402)</u>	<u>(293)</u>	<b>Total</b>	<u>(369)</u>

### **35 Contingent Assets and Liabilities**

As a result of the insolvency of a historic insurer, the Authority is aware of the possibility of future insurance claims which may lead to the Authority incurring liabilities which it is not possible to quantify.

With regard to pension costs, a potential liability relates to on call firefighters being allowed to retrospectively join the Firefighter pension scheme. DCLG has determined that the costs of the employer contributions will be met through future scheme valuations, which will calculate levels of employer and employee contribution. This will impact on the Authority's IAS 19 position in relation to its outstanding liabilities in future years, and may impact on its Comprehensive Income and Expenditure Account.

A further liability exist in relation to firefighters employed before the age of 20 who have served for over 30 years before reaching the minimum retirement age of 50. It has been confirmed that affected pension scheme members will receive a refund of contributions. At this stage it is not possible to estimate the impact on the Authority.

As reported in last year's accounts, in November 2014 the Employment Appeal Tribunal ruled that holiday pay should include non-guaranteed overtime (i.e. overtime, which is not guaranteed by the employer, but which the worker is obliged to work, if it is offered). This stems from a discrepancy between EU and UK Law. In the UK, employers have generally used basic pay to calculate how much employees are paid while they are on holiday whilst the European Working Time Directive does not specify how holiday pay should be calculated, suggesting that overall remuneration should be taken into account. At this stage it is not possible to estimate the impact on the Authority.

### **36 Nature and Extent of Risks Arising from Financial Instruments**

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

- Credit risk - the possibility that other parties might fail to pay amounts due to the Authority.
- Liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Treasury Management Strategy is approved annually by the Authority when it approves the budget. It includes a section on risks associated with Treasury Management and identifies the Treasurer as being responsible for managing them. The overarching principle is to seek to maximise financial benefit from Treasury Management activities within a control framework which mitigate against the high risk attached to these activities.

**Credit risk**

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet the minimum rating of A in the long term and F1 in the short term in independent ratings from Sector. The Strategy also imposes a maximum sum of £10 million to be invested with any single institution.

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £22,800k cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits but there was no evidence at the 31 March 2016 that this was likely to crystallise.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions:

	Amount at 31/03/2016 £000 <b>A</b>	Historical experience of default % <b>B</b>	Historical experience adjusted for market conditions at 31/03/2016 % <b>C</b>	Estimated maximum exposure to default and uncollectability at 31/03/2016 £000 <b>(A x C)</b>	Estimated maximum exposure at 31/03/2015 £000
Deposits with banks & financial institutions	22,800	-	-	-	-

During 2015-16 there were no breaches of the credit limits agreed as part of the Annual Investment Strategy. The Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits but continues to invest in a prudent manner.

The Authority does not generally allow credit for customers.

The past due date amount of £162k can be analysed by age as follows:

	31 March 2016		31 March 2015	
	£000		£000	
Less than three months	143		129	
Three to six months	1		74	
Six months to one year	8		-	
More than one year	10		12	
<b>Total</b>	<b>162</b>		<b>215</b>	

**Liquidity Risk**

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing maturing during specified periods.

The maturity analysis of financial liabilities is as follows:

**31 March 2016 31 March 2015**

	<b>£000</b>	<b>£000</b>
Less than one year	333	11
Between one and two years	11	333
Between two and five years	891	902
Between five and ten years	893	893
Between ten and fifteen years	119	119
<b>Total</b>	<b>2,247</b>	<b>2,258</b>

The analysis above includes PWLB and Salix borrowing. All trade and other payables are due to be paid in less than one year.

If interest rates had been 1% higher (with all other variables held constant) the financial effect would have been:

	<b>2015-16</b>
	<b>£000</b>
Daily average investment balance (average rate of interest 0.77%)	24,235
Additional interest assuming interest rates 1% higher	242
Decrease in fair value of fixed rate borrowing liabilities (no impact on Comprehensive Income & Expenditure Statement)	132

The Authority seeks to minimise interest rate risk by working with Warrington Borough Council, its Treasury Management partner, to agree a strategy in relation to investment and debt portfolios, which is reflected in its Treasury Management Strategy document.

The Authority's policy is to maximise the percentage of borrowings and investments at fixed rates because it wishes to have cost certainty, particularly in the current volatile economic climate. In addition the Authority has relatively small portfolios of loans and investments, which makes it more difficult to offset risk by having a mixed portfolio.

### **Price Risk**

The Authority does not have any investment in equity shares and so is not exposed to price risk.

### **Foreign Exchange Risk**

The Authority has very low levels of transactions in foreign currencies and therefore has minimal exposure to exchange rate risk.

## **37 Defined Benefit Pension Schemes**

### **Participation in Pension Schemes**

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

The Authority participates in 5 post-employment schemes:

- The Local Government Pension Scheme (LGPS) for non uniformed staff, administered locally by Cheshire West and Chester Council. This is a funded defined benefit scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Up until 31 March 2014 this was a final salary scheme, since 1 April 2014 this has changed to a new LGPS benefit design career average revalued earning (CARE) scheme.
- The 4 Firefighter Pension Schemes for uniformed staff.

An original scheme commenced in 1992. The funding arrangements for uniformed Firefighter pensions changed with effect from 1 April 2006. Until that time, the net cost of pensions (principally on-going payments to pensioners and lump sum commutations) was met by the employer. The main source of income to offset the expenditure was the contribution made by employees.

With effect from 1 April 2006, a new Firefighter Pension Fund for each English Fire Authority was introduced. Firefighter and employer contributions are paid into a pension fund, from which pension payments are made. The fund is balanced to nil each year by receipt of pension top-up grant from central government if there is a deficit, or by paying over the surplus to central government. Details of the pension fund for 2015-16 are shown in the Pension Fund statement. At this point members of the 1992 Scheme were given the choice of staying with their existing Scheme or transferring to the 2006 Scheme.

The new arrangements remove the annual volatility for Fire Authorities that resulted from fluctuations in firefighter retirements. However, there are still no investment assets nor do the Fund's financial statements take account of liabilities to pay pensions and other benefits due after the end of the financial year.

A third scheme was introduced in April 2014 which is a modified version of the 2006 scheme and is available for on call firefighters now entitled to participate in a pension scheme from 2000 as a result of the decision to backdate part time workers rights.

1 April 2015 saw the introduction of a new 2015 scheme. The new Regulations (The Firefighter Pension Scheme (England) Regulations 2014) states that all current active members will move into the new scheme from 1 April 2015 unless they qualify for protections that allow them to remain in their current scheme.

With all 4 scheme being administered through one fund. These are unfunded schemes, meaning that there are no investment assets built up to meet the liabilities so that cash has to be generated to meet actual pension payments as they become due.

<b>FIREFIGHTER PENSION SCHEMES</b>	employee	employer (a)
<b>- pension contribution rates on pensionable pay</b>	%	%
1992 Firefighter Pension Scheme	11% - 17%	21.7%
2006 Firefighter Pension Scheme (modified)	11% - 17%	21.7%
2006 Firefighter Pension Scheme	8.5% - 12.5%	11.9%
2015 Firefighter Pension Scheme	10% - 14.5%	14.3%

(a) The employers' contribution consists of amounts shown in table above, together with formula-based charges for the cost of ill-health and other early retirements.

**Local Government Pension Scheme assets comprised:**

<b>Asset category</b>	<b>Fair Value of scheme assets</b>	
	<b>31 March 2016 £000</b>	<b>31 March 2015 £000</b>
Equity Securities:		
Consumer	1,135.3	3,376.6
Manufacturing	866.9	970.5
Energy and Utilities	223.9	152.4
Financial Institutions	1,117.7	1,025.4
Health and Care	301.3	325.1
Information Technology	3,332.0	1,011.1
Other	152.3	328.6
Debt Securities:		
Corporate Bonds (investment grade)	-	-
Corporate Bonds (non-investment grade)	-	-
UK Government	-	-
Other	-	-
Private Equity:		
All	1,954.6	1,652.5
Real Estate:		
UK Property	2,937.3	2,724.8
Overseas Property	64.5	81.6
Investment Funds and Unit Trusts:		
Equities	4,710.6	3,388.6
Bonds	12,679.3	12,156.7
Hedge Funds	4,909.4	4,780.7
Commodities	-	-
Infrastructure	-	-
Other	1,974.3	1,957.0
Derivatives:		
Inflation	-	-
Interest Rate	-	-
Foreign Exchange	-	-
Other	-	-
Cash and Cash Equivalents:		
All	798.6	830.4
<b>Total Assets</b>	<b>37,158.0</b>	<b>34,762.0</b>



**37 Defined Benefit Pension Schemes (cont)****Transactions Relating to Post-employment benefits**

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

	Local Government Pension Scheme £000		Firefighter Pension Schemes £000		Total for all schemes £000	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
<b>Comprehensive Income and Expenditure Statement</b>						
Cost of Services						
• Current service cost	1,526	1,174	8,700	9,000	10,226	10,174
• Past service costs	-	240	-	-	-	240
Financing and Investment Income and Expenditure						
• Net interest expense	344	300	16,600	18,800	16,944	19,100
<b>Total Post-employment benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,870</b>	<b>1,714</b>	<b>25,300</b>	<b>27,800</b>	<b>27,170</b>	<b>29,514</b>
<b>Other Post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>						
Remeasurement of the net defined benefit liability comprising:						
• Return on plan assets (excluding the amount included in the net interest expense)	(711)	(3,456)	-	-	(711)	(3,456)
• Actuarial gains and losses arising on changes in demographic assumptions	-	-	(1,300)	-	(1,300)	-
• Actuarial gains and losses arising on changes in financial assumptions	(4,846)	6,901	(48,900)	63,100	(53,746)	70,001
• Other experience	(419)	(251)	(9,800)	(200)	(10,219)	(451)
<b>Total Post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(4,106)</b>	<b>4,908</b>	<b>(34,700)</b>	<b>90,700</b>	<b>(38,806)</b>	<b>95,608</b>

Notes to Cheshire Fire Authority Financial Statements 2015-16

	Local Government Pension Scheme £000		Firefighter Pension Schemes £000		Total for all schemes £000	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
<b>Movement in Reserves Statement</b>						
Reversal of net charges made to the Surplus or Deficit on the						
• Provision of Services for post-employment benefits in accordance with the Code	(1,870)	(1,714)	(25,300)	(27,800)	(27,170)	(29,514)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>						
Employers' contributions payable to scheme (gross amount						
• before the Authority's receipt of the Firefighter pension scheme top up grant)	1,116	1,329	14,700	11,400	15,816	12,729

**Pensions Assets and Liabilities Recognised in the Balance Sheet:**

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

	Funded liabilities: Local Government Pension Scheme £000		Unfunded liabilities: Firefighter Pension Schemes £000		Total for all schemes £000	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Present value of the defined benefit obligation	42,460	45,286	468,700	518,100	511,160	563,386
Fair value of plan assets	(37,158)	(34,762)	-	-	(37,158)	(34,762)
Sub-total	5,302	10,524	468,700	518,100	474,002	528,624
Other movements in the liability (asset)	-	-	-	-	-	-
<b>Net Liability arising from defined benefit obligation</b>	<b>5,302</b>	<b>10,524</b>	<b>468,700</b>	<b>518,100</b>	<b>474,002</b>	<b>528,624</b>

**Reconciliation of the Movements in the Fair Value of Scheme  
(Plan) Assets:**

	<b>Funded liabilities: Local Government Pension Scheme £000</b>		<b>Unfunded liabilities: Firefighter Pension Schemes £000</b>		<b>Total for all schemes £000</b>	
	<b>2015-16</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2014-15</b>
	<b>Opening fair value of scheme assets</b>	34,762	29,047	-	-	34,762
Interest income	1,121	1,269	-	-	1,121	1,269
Remeasurement gain/(loss):						
• The return on plan assets, excluding the amount included in the net interest expense	711	3,456	-	-	711	3,456
Contributions from employer	1,116	1,329	14,700	11,400	15,816	12,729
Contributions from employees into the scheme	342	331	2,200	2,300	2,542	2,631
Benefits paid	(894)	(670)	(16,900)	(13,700)	(17,794)	(14,370)
<b>Closing fair value of scheme assets</b>	<b>37,158</b>	<b>34,762</b>	<b>-</b>	<b>-</b>	<b>37,158</b>	<b>34,762</b>

**Reconciliation of Present Value of the Scheme Liabilities  
(Defined Benefit Obligation):**

	<b>Funded liabilities: Local Government Pension Scheme £000</b>		<b>Unfunded liabilities: Firefighter Pension Schemes £000</b>		<b>Total for all schemes £000</b>	
	<b>2015-16</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2014-15</b>
	<b>Opening balance at 1 April</b>	45,286	35,992	518,100	438,800	563,386
Current service cost	1,526	1,174	8,700	9,000	10,226	10,174
Interest cost	1,465	1,569	16,600	18,800	18,065	20,369
Contributions by scheme participants	342	331	2,200	2,300	2,542	2,631
Remeasurement (gains) and losses:						
• Actuarial gains/losses arising from changes in demographic assumptions	-	-	(1,300)	-	(1,300)	-
• Actuarial gains/losses arising from changes in financial assumptions	(4,846)	6,901	(48,900)	63,100	(53,746)	70,001
• other experience	(419)	(251)	(9,800)	(200)	(10,219)	(451)
Past service cost	-	240	-	-	-	240
Benefits paid	(894)	(670)	(16,900)	(13,700)	(17,794)	(14,370)
<b>Closing balance at 31 March</b>	<b>42,460</b>	<b>45,286</b>	<b>468,700</b>	<b>518,100</b>	<b>511,160</b>	<b>563,386</b>

The Liabilities shown on the Firefighter Pension Schemes include liabilities in respect of injury pensions. Of the £468.7m liability, £22.8m related to injury pensions (2014-15 £30.2m).

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and the Firefighter Pension Schemes have been assessed by Hymans Robertson LLP, an independent firm of actuaries. Estimates for the Local Government Pension Scheme are based on the latest full valuation of the scheme as at 31 March 2013. The significant assumptions used by the actuary have been:

	Local Government Pension Scheme £000		Firefighter Pension Schemes £000	
	2015-16	2014-15	2015-16	2014-15
<b>Long-term expected rate of return on assets in the scheme:</b>				
Equity investments	3.5%	3.3%	-	-
Bonds	3.5%	3.3%	-	-
Property	3.5%	3.3%	-	-
Cash	3.5%	3.3%	-	-
<b>Mortality assumptions:</b>				
	At age 65		At age 60	
Longevity for current pensioners:				
• Men	22.3 years	22.3 years	29.7 years	29.5 years
• Women	24.4 years	24.4 years	31.6 years	31.7 years
Longevity for future pensioners:				
• Men	24.1 years	24.1 years	31.2 years	31.1 years
• Women	26.7 years	26.7 years	33.2 years	33.2 years
Rate of inflation (CPI)	2.2%	2.4%	2.2%	2.4%
Rate of increase in salaries	3.2%	3.3%	3.2%	3.4%
Rate of increase in pensions	2.2%	2.4%	2.2%	2.4%
Rate for discounting scheme liabilities	3.5%	3.2%	3.5%	3.2%
CARE - revaluation rate	2.2%	2.4%	3.2%	3.4%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that the life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme			
	Local Government Pension Scheme		Firefighter Pension Schemes	
	Approximate monetary amount	Approximate increase to Employer Liability	Approximate monetary amount	Approximate increase to Employer Liability
Change in financial assumptions at year ended 31 March 2016				
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
Longevity/ increase in member life expectancy (increase of 1 year)	1,274	3	14,000	3
Rate of increase in salaries (increase by 0.5%)	1,788	4	5,400	1
Rate of increase in pensions (increase by 0.5%)	3,332	8	36,600	8
Rate for discounting scheme liabilities (decrease by 0.5%)	5,201	12	42,500	9

### Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Cheshire West and Chester Council, the administering body, has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the forthcoming years. Funding levels are monitored on an annual basis. The next triennial valuation is in 2016.

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

The Authority anticipated to pay £1.093m expected contributions to the Local Government Pension scheme in 2016-17. For the Firefighter Pension Scheme in the year to 31 March 2017, the projected benefit net cashflow is £11.793m.

**ACCOUNTING POLICIES**

The specific principles, bases, conventions, rules and practices applied by the Authority in preparing and presenting financial statements.

**ACCRUALS**

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

**APPROPRIATIONS**

Amounts transferred to or from revenue or capital reserves.

**BALANCE SHEET**

The Balance Sheet is fundamental to the understanding of the Authority's financial position at the year-end. It shows the Authority's balances and reserves, its long term indebtedness, and the non-current and current assets employed in the Authority's operations, together with summarised information on the non-current assets held.

**BUDGET**

A statement defining in financial terms the Authority's plans over a specified period. The budget is prepared as part of the process of setting the precept.

**CAPITAL ADJUSTMENT ACCOUNT**

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

**CAPITAL EXPENDITURE**

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

**CAPITAL FINANCING COSTS**

Each service is charged with an annual capital charge to reflect the cost of non-current assets used in the provision of services.

**CAPITAL FINANCING REQUIREMENT**

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

**CAPITAL RECEIPTS**

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

**COLLECTION FUND ADJUSTMENT ACCOUNT**

The collection fund adjustment account provides a mechanism for recognising the Authority's share of the Collection Fund surplus/deficits at year end.

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CI&E)**

The Comprehensive Income and Expenditure Statement reports the net cost of all of the activities of the Authority for the year and demonstrates how the cost has been funded by income from local taxpayers and grants from central government.

**COMMUTATION**

This is where a member of the pension scheme gives up part of their pension in exchange for an immediate lump sum payment.

**CORPORATE AND DEMOCRATIC CORE**

The corporate and democratic core is concerned with the costs of corporate policy making and member based activities. Other costs relate to the general running of the Authority including corporate management, public accountability and treasury management.

**CORPORATE GOVERNANCE**

This is concerned with the Authority's accountability for the stewardship of resources, risk management, and relationship with the community. It also encompasses policies on whistle blowing, fraud and corruption.

**COUNCIL TAX**

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

**CREDITORS**

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

**CURRENT ASSETS**

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

**CURRENT LIABILITIES**

The sum of money owed by the Authority and due for payment during the next accounting period, e.g. short term borrowing and creditors.

**DEBTORS**

Sums of money due to the Authority for work done, goods sold or services rendered but not received at the balance sheet date.

**DEFERRED LIABILITY**

Amounts owed by the Authority for work done, goods received or services rendered, to be paid in predetermined instalments over more than one accounting period.

### **DEFINED BENEFIT SCHEME**

A pension or other retirement benefit scheme where the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

### **DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT (DCLG)**

The Department for Communities and Local Government is the Government department responsible for the national policy on local government. This responsibility transferred to the Home Office from 5<sup>th</sup> January 2016.

### **DEPRECIATION**

The measure of the wearing out, consumption, or other reduction in the useful economic life of a non-current asset, whether arising from use, passage of time, technological obsolescence or changes in demand for the goods and services produced by the asset.

### **ESTIMATION TECHNIQUES**

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

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

Estimation techniques include, for example:

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

### **FAIR VALUE**

This is the amount that an asset could be bought or sold for between parties. The current market value of an asset can be evidence that the assets have been valued fairly.

### **FINANCIAL INSTRUMENTS**

This is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another. The term covers both financial assets (e.g. loans receivable) and financial liabilities (e.g. borrowings).

### **FINANCIAL REPORTING STANDARDS**

Documents issued by the Accounting Standards Board, setting out approved accounting treatment.



### **FINANCE LEASE**

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment amounts to substantially all of the fair value of the leased asset.

### **FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT**

Provides a balancing mechanism between the different rates at which discounts on the early repayment of debt are recognised under the SORP and are required by statute to be met from the general fund. It should be noted this reserve is matched by borrowings and investments within the Balance Sheet. They are not resources available to the Authority.

### **FUNDED PENSION SCHEME**

A funded pension scheme is one in which the future liabilities for pension benefits are provided for by the accumulation of assets held externally to the employer's business.

### **GOING CONCERN**

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

### **GOVERNMENT GRANTS**

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

### **GROUP ACCOUNTS**

Accounts prepared on a group basis where Local Authorities have interests in other bodies which are material in aggregate.

### **HERITAGE ASSETS**

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

### **IMPAIRMENT**

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

**INTANGIBLE ASSETS**

These are assets that have no physical substance, for example, the purchase of computer software licences.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

These are the new accounting standards that were adopted for 2010-11 onwards. IFRS are designed as a common global language for financial reporting so that organisation's accounts are understandable and comparable across international boundaries.

**INTEGRATED RISK MANAGEMENT PLAN (IRMP)**

This is the Authority's annual plan which is based on the current year of a four year strategy. The Plan is premised on ensuring that the Authority recognises risk and manages its resources to reduce potential impact on the communities which it serves.

**INVENTORIES (formerly stocks)**

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

**LONG TERM BORROWING**

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

**MEDIUM TERM FINANCIAL PLAN (MTFP)**

Budget plan for the Authority for the next five years.

**MINIMUM REVENUE PROVISION (MRP)**

This is the amount which should be set aside from revenue as provision for debt repayment.

**NET BOOK VALUE (NBV)**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current cost, less the cumulative amounts provided for depreciation and/or impairment.

**NET CURRENT REPLACEMENT COST**

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

**NEW DIMENSION ASSETS**

Vehicles and equipment for use in major incidents, originally operated by Fire and Rescue Authorities but owned by CLG. Ownership for those assets located in the Authority's area transferred to the Authority during 2011-12.

**NON CURRENT ASSETS (Previously known as FIXED ASSETS)**

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

**NON DISTRIBUTED COSTS**

Costs incurred by the Authority which are excluded from service costs. These include past service costs relating to changes in pension regulations, the costs associated with unused shares of ICT facilities, and impairment losses relating to assets under construction.

**NON-OPERATIONAL ASSETS**

Non-current assets held by the Authority but not directly occupied, used or consumed in the delivery of services.

**OPERATIONAL ASSETS**

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

**OPERATING LEASES**

A lease other than a finance lease.

**PENSION FUND ACCOUNT**

The Fire and Rescue Authority is required to set up a separate fund from the rest of its operation for transactions relating to firefighter pension arrangements. The Authority has a formal responsibility for paying firefighter pensions. The fund is balanced to nil each year by the receipt of a pensions top-up grant from the Department for Communities and Local Government.

**PRECEPT**

An amount of money levied by one Authority (the precepting authority) which is collected by another Authority (the billing authority) as part of the council tax. The Fire Authority is the precepting Authority and the East Cheshire Borough Council, Cheshire West & Chester Council, Warrington Borough Council & Halton Borough Council are the billing authorities.

**PRIOR PERIOD ADJUSTMENTS**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**PROVISIONS**

An amount set aside to provide for a liability, which is likely to be incurred, but the exact amount and date on which the liability is due is uncertain.

**PUBLIC WORKS LOAN BOARD (PWLB)**

The Public Works Loan Board is an independent and unpaid statutory body. PWLB consider loan applications from local authorities and other prescribed bodies and, where loans are made collect the repayments.

**REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CIES.

**REMUNERATION**

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

**RESERVES**

Amounts set aside to meet future obligations.

**RETIREMENT BENEFITS**

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

- (a) The Authority's decision to terminate an employee's employment before the normal retirement date.
- (b) An employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

**REVALUATION RESERVE**

This reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation, from holding non-current assets.

**REVENUE EXPENDITURE**

This is the day to day running costs the Authority incurs in providing the service. It is usually of a constantly recurring nature and produces no permanent asset.

**REVENUE SUPPORT GRANT**

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

**SERVICE REPORTING CODE OF PRACTICE (SeRCOP)**

SeRCOP is a code of practice for all UK local authority services to ensure consistent financial reporting for local authority budgets, performance indicators and statements of accounts.

**THE HOME OFFICE**

The Home Office is a ministerial department of the Her Majesty's Government of the United Kingdom, which, from 5<sup>th</sup> January 2016 is responsible for Fire & Rescue Policy. This was a role previously undertaken by the Department for Communities & Local Government (DCLG).

**UNFUNDED PENSION SCHEME**

A pension scheme in which liabilities for pension benefits are charged to the employer's revenue account in the year in which they arise and are not financed from investments held. The Authority operates such a scheme for its firefighters.