

Cheshire Fire Authority

Statement of Accounts

2016/17

Cheshire Fire Authority meeting as at 20-09-2017

STATEMENT OF ACCOUNTS

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NARRATIVE REPORT

1. Introduction

- 1.1 Welcome to the 2016/17 Cheshire Fire Authority Statement of Accounts. Cheshire Fire Authority (the Authority) is the public body which manages the Fire and Rescue Service on behalf of local communities. The Authority is responsible for providing an efficient and effective fire and rescue service which protects the communities and infrastructure of Cheshire. It is made up of 23 elected Members, with eight appointed by Cheshire East Borough Council, seven by Cheshire West and Chester Borough Council, three by Halton Borough Council and five by Warrington Borough Council.
- 1.2 Cheshire Fire and Rescue Service's mission is a Cheshire where there are no deaths, injuries or damage from fires and other emergencies. The service is led by the Chief Fire Officer and Chief Executive (CFO) and operates out of 27 fire stations and its current headquarters in Winsford.

2. Financial Statements

- 2.1 For 2016/17 these accounts include a new statement called 'The Expenditure and Funding Analysis' which is included on page 10. This statement shows how annual expenditure is used and funded from Government grants and council tax by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's services and departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on page 12.
- 2.2 The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can currently be used to fund expenditure or reduce local taxation) and other 'unusable' reserves. It shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. This Statement has a strong link to the Expenditure and Funding Analysis and Comprehensive Income and Expenditure Statement.
- 2.3 The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. It essentially captures the inflow and outflow of resources for the financial year up to 31 March, which have been received or incurred as part of the ordinary activities of the Authority. A key figure is the (Surplus)/ Deficit on Provision of Services for 2016/17 which shows a deficit of £14.3m compared to £6.2m in 2015/16. This has increased by £8.1m compared to 2015/16 due mainly to higher IAS 19 pension costs, higher depreciation costs and lower grant income.

- 2.4 The Balance Sheet is a statement showing the Authority's assets and liabilities i.e. what is owned and what is owed as at 31 March. The net impact of this is funded by Reserves, which is the residual interest in the assets of the Authority after deducting all of the liabilities. The 'net worth' shows the net position for the Authority and is calculated by deducting total liabilities from total assets. This was £451.3m in 2016/17 compared to £397.1m in 2015/16. This is mainly due to changes in the pension liability.
- 2.5 The final Primary Statement is the Cashflow Statement. This shows the changes in cash and cash equivalents of the Authority during the financial year. The statement shows how the Authority generates and uses cash by classifying cash flows as operating, investing and financing activities. The amount of net 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 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.

3. Financial Performance 2016/17

3.1 Where does the Fire Authority get its revenue funding from?

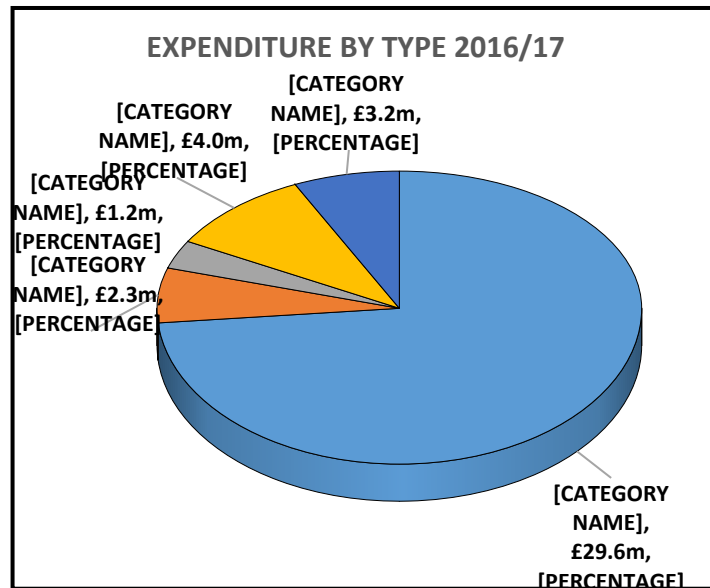
- 3.1.1. The Authority receives over half of its revenue funding from its share of the council tax (called the precept) which is collected by the four local authorities (Cheshire East; Cheshire West and Chester; Halton; and Warrington). The precept approved by the Authority for 2016/17 was increased by 1.99% (£71.86 compared to £70.46 in 2015/16 based on a Band D property). In addition to the precept, the Authority receives its share of any surplus or deficits on the council tax collection funds. For 2016/17 this amounted to a surplus allocation of £0.46m (£0.33m 2015/16).
- 3.1.2. The majority of the balance of revenue funding was received from Central Government and the four local authorities in the form of the Settlement Funding Assessment. This can be broken down into two elements – Revenue Support Grant and Baseline Funding Level. Revenue Support Grant is determined by Central Government and allocated based on a formula. Baseline Funding Level is the amount which Central Government determines should be receivable by the Authority for its share of business rates as collected by the four local authorities. However, the amount of business rates due is not sufficient to meet the Baseline Funding Level so Central Government also pays the Authority a 'top-up' grant to meet the shortfall.

3.1.3. The funding amounts for 2016/17 are:

Funding	£000	£000	%
Council Tax		(25,540)	60.8
Council Tax - surplus / deficit		(457)	1.1
Revenue Support Grant	(7,370)		17.5
Business Rates	(4,643)		11.1
Top-up' Grant	(4,173)	(16,186)	9.9
Business Rates - surplus / deficit		152	(0.4)
Total		(42,031)	

3.2 What does the Fire Authority spend its money on?

3.2.1. As a service, the majority of its expenditure relates to employee costs. The following chart shows a breakdown of what was actually spent in 2016/17 by expenditure type.



3.2.2. On 10 February 2016 the Authority approved the 2016/17 revenue budget of £42.03m together with a capital programme of £2.62m. Budget monitoring reports have been presented to the Performance and Overview Committee on a quarterly basis focussing on the forecast outturn position and revisions to the overall budget in response to changes in year.

3.2.3. At the end of the financial year the Authority reported an outturn underspend of £1.5m which will be transferred to reserves. Details are shown in the table below:

Service Area	Budget £000	Actual £000	Variance £000
Firefighting & Rescue Operations	23,946	23,243	(703)
Protection	1,571	1,547	(24)
Prevention	1,936	1,874	(62)
Support Services	10,048	9,803	(245)
Capital & Other Costs	4,530	4,045	(485)
	42,031	40,512	(1,519)
Council Tax	(25,997)	(25,997)	0
Settlement Funding Assessment	(16,034)	(16,034)	0
Net Total	0	(1,519)	(1,519)

3.2.4. The main reason for this underspend as reported to the Authority at its meeting on 21 June 2017, is due to lower than anticipated pay costs; contingencies set aside at the start of the year which were not required in year; and business rate income received.

3.2.5. The Authority holds a number of reserves in support of its transformational programmes and to support the delivery of the Integrated Risk Management Plans (IRMPs). These are explained in details within these accounts in Note 19, on page 44.

3.3 Capital

3.3.1. During 2016/17 the Authority invested £13m as follows:

Capital Expenditure	2016/17 £000
New Station Builds	9,905
Fire Appliances	1,209
Hydraulic Platforms	982
Other Vehicles	167
Operational Equipment	784
Total	13,047

3.3.2. During 2016/17 two new fire stations were opened:

Powey Lane, Mollington is a new whole-time Fire Station near to the M56 and forms part of a comprehensive plan to improve response times across Cheshire. Not only does it house traditional fire engines but also a number of specialist vehicles intended to deal with risks specific to the local area in Chester and Ellesmere Port, such as heritage buildings and industrial complexes. The location near to the motorway network provides these vehicles with ready access to respond to other incidents across the whole of Cheshire.



Penketh Fire Station was officially opened by the Lord Lieutenant of Cheshire, David Briggs MBE in February 2017 in front of an audience of local councillors, Cheshire Fire Authority members, invited guests and children from St Vincent's Primary School. The Station will help to fulfil the Service's mission to make Cheshire safer and continue to reduce rates of death and injury from fire and other emergencies. The building is also unique in that it is Cheshire's first station to have a sedum rooftop which complements the existing greenery of the location and enhance the building's sustainable credentials.



4. Non-financial Performance 2016/17

4.1 In 2015 the Fire Authority approved a five year strategy “Planning for a Safer Cheshire” which outlined the challenges facing almost every aspect of the organisation and set out the overarching principles and direction of travel it would adopt in responding to them. Annual action plans set out in more detail the projects and work scheduled for the forthcoming financial year – an approach which fulfils the Authority’s statutory requirement to produce an Integrated Risk Management Plan (IRMP) reflecting up-to-date risk information and outlining how resources will be used. The IRMP also includes a summary of performance for 2016/17 with the headline performance indicators shown below.

Headline performance indicators	Target	Performance for 2016–17
• Emergency response to life risk incidents within 10 minutes	80%	87%
• Reduce the number of accidental house fires by 10% compared to the previous five year average	370	401
• Reduce the number of injuries in accidental house fires by 20% compared to the previous five year average	26	29
• Deliver a minimum of 40,000 Safe and Well Assessments to high risk households	40,000	36,962
• Reduce the numbers of false alarms from automatic systems in non domestic premises by 30% compared to 2016-17	1,036	1,122
• Reduce the numbers of deliberate fires by 16% compared to the previous five year average	1,253	1,127
• Reduce the numbers of fires within business premises by 20% compared to the previous five year average	151	176
• Limit staff sickness to no more than 5.5 days lost per person per year	5.5	2.64

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

5. Pension Liability

5.1 The Authority as a responsible employer encourages its employees to participate in one of the pension schemes it operates. Firefighters have access to four schemes dependent upon when they joined. These are the 1992 Firefighter Pension Scheme; the 2006 Firefighter Pension Scheme; a modified version of the 2006 scheme; and the Firefighter Pension Scheme 2015. For non-firefighters, the Local Government Pension Scheme (LGPS) is available.

5.2 Under the International Accountings Standards (IAS19), the way in which pensions are reported within these accounts must reflect the full liability incurred for future pension costs in the year it is earned. Therefore, each year the value of the liability is calculated by the Authority’s actuaries and is shown on the balance sheet as a long-term liability. The large pension liability shows what the Authority would owe if it had to pay all the pensions for all the existing and retired firefighters and staff in the pension schemes on 31 March. This would not happen as the actual payment of such pensions is made over many years and is funded by future contributions from firefighters and staff, together with Government funding.

6. Future Developments & Plans

- 6.1 As part of the Emergency Response Programme, during 2017/18 the Authority will open the new Lymm Fire Station and Safety Centre. Safety Central is part of a £4 million investment by Cheshire Fire Authority in community safety. The striking circular building, which is located opposite Lymm Services on the A50, features four interactive hi-tech learning zones, designed to simulate the most common avoidable harms in the community. The centre's free education programmes have been designed to help those most at risk recognise dangers and gain the skills and knowledge to stay safe, well and independent. It will open its doors September 2017 and more than 3,600 young people from across Cheshire, Halton and Warrington are already booked to visit.
- 6.2 The Authority has agreed to collaborate with Cheshire Constabulary. It will create a joint headquarters at Clemonds Hey and joint support services will deliver to Fire and Police. The programme to deliver this has progressed significantly during 2016/17 with IT services now being jointly delivered. The remaining services will be transferring to a joint provision during 2017/18 with the joint headquarters being created in the summer of 2017.

STATEMENT OF RESPONSIBILITIES

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; and
- 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 2017.

Councillor Bob Rudd
Cheshire Fire Authority
20 September 2017

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; and
- The Code of Practice was complied with.

The Treasurer has also:

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

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 2017 and that events after this date and prior to the formal approval of the Accounts have been properly considered.

Wendy Bebbington
Treasurer, Cheshire Fire Authority
20 September 2017

EXPENDITURE AND FUNDING ANALYSIS NOTE 2016/17

	As reported for Resource Management £000	Adjust for Earmarked Reserve Movements £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure Comprehensive Income and Expenditure Statement £000
Firefighting and Rescue operations	23,243	66	23,309	2,068	25,377
Protection	1,547	(29)	1,518	115	1,633
Prevention	1,876	198	2,073	204	2,277
Support Services	9,798	(294)	9,504	276	9,780
UPGs	100	(13)	87	-	87
Corporate / Finance resources	3,715	7,752	11,468	(10,420)	1,048
Net Cost of Services	40,279	7,680	47,959	(7,757)	40,202
Other Income & Expenditure	(41,798)	(63)	(41,861)	16,008	(25,853)
Surplus or Deficit	(1,519)	7,617	6,098	8,251	14,349
Opening General Fund			(33,826)		
Less/Plus (Surplus) Deficit on General Fund in Year			6,098		
Closing General Fund at 31 March 2017			(27,728)		

See Note 6, for further details on the adjustments between funding and accounting basis

EXPENDITURE AND FUNDING ANALYSIS NOTE 2015/16

	As reported for Resource Management £000	Adjust for Earmarked Reserve Movements £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure Comprehensive Income and Expenditure Statement £000
Firefighting and Rescue operations	23,390	(49)	23,341	(2,534)	20,807
Protection	1,565	(66)	1,499	(160)	1,339
Prevention	2,025	46	2,071	(236)	1,834
Support Services	9,232	(78)	9,154	(378)	8,776
UPGs	100	(1)	99	-	99
Corporate / Finance resources	4,922	(789)	4,133	(3,077)	1,056
Net Cost of Services	41,234	(937)	40,297	(6,385)	33,911
Other Income & Expenditure	(42,175)	-	(42,175)	14,450	(27,725)
Surplus or Deficit	(941)	(937)	(1,878)	8,065	6,186
Opening General Fund			(31,948)		
Less/Plus (Surplus) Deficit on General Fund in Year			(1,878)		
Closing General Fund at 31 March 2016			(33,826)		

See Note 6, for further details on the adjustments between funding and accounting basis

MOVEMENT IN RESERVES STATEMENT 2016/17

	General Fund	Resource Centre Migs	Community Risk Reduction	UPGs	Capital Reserve	Total General Fund	Capital Grant Unapplied	(Usable) Capital Receipts	Total Usable Reserves	Pensions Reserve	Revaluation Reserve	Collection Fund Adjustment	Accumulated Absences	Capital Adjustment Account	Total Unusable Reserves	Total All Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2016	(7,409)	(25,020)	(506)	(358)	(533)	(33,826)	(2,576)	(312)	(36,714)	474,002	(13,316)	(549)	527	(26,878)	433,786	397,072
Surplus/Deficit on provision of services	14,349	-	-	-	-	14,349	-	-	14,349	-	-	-	-	-	-	14,349
Other Comprehensive income and expenditure	-	-	-	-	-	-	-	-	-	42,030	(2,132)	-	-	-	39,898	38,898
Total Comprehensive Income & Expenditure	14,439	-	-	-	-	14,349	-	-	14,349	42,030	(2,132)	-	-	-	39,898	54,247
Adjustments between accounting basis & funding basis under regulations:																
• Depreciation etc.	(2,469)	-	-	-	-	(2,469)	-	-	(2,469)	-	415	-	-	2,054	2,469	-
• Gain/loss on disposal	(57)	-	-	-	-	(57)	-	-	(57)	-	-	-	-	57	57	-
• Revaluation gain/loss	(329)	-	-	-	-	(329)	-	-	(329)	-	-	-	-	329	329	-
• Pension costs	(16,545)	-	-	-	-	(16,545)	-	-	(16,545)	16,545	-	-	-	-	16,545	-
• Capital expenditure charged to revenue	10,420	-	-	-	-	10,420	-	-	10,420	-	-	-	-	(10,420)	(10,420)	-
• Cash sale proceeds	80	-	-	-	-	80	-	(80)	-	-	-	-	-	-	-	-
• Use of capital receipts	-	-	-	-	-	-	-	51	51	-	-	-	-	(51)	(51)	-
• Use of capital grants	-	-	-	-	-	-	2,576	-	2,576	-	-	-	-	(2,576)	(2,576)	-
• Collection Fund	108	-	-	-	-	108	-	-	108	-	-	(108)	-	-	(108)	-
• Accumulated Absences	(8)	-	-	-	-	(8)	-	-	(8)	-	-	-	8	-	8	-
• Statutory provision for the repayment of debt (MRP)	549	-	-	-	-	549	-	-	549	-	-	-	-	(549)	(549)	-
Net increase/decrease before earmarked reserve transfers	6,098	-	-	-	-	6,098	2,576	(29)	8,645	58,575	(1,717)	(108)	8	(11,156)	45,602	54,247
Transfers to/from earmarked reserves	(6,676)	8,229	65	(14)	(1,604)	-	-	-	-	-	-	-	-	-	-	-
(Increase)/Decrease in year	(578)	8,229	65	(14)	(1,604)	6,098	2,576	(29)	8,645	58,575	(1,717)	(108)	8	(11,156)	45,602	54,247
Balances at 31 March 2017	(7,987)	(16,791)	(441)	(372)	(2,137)	(27,728)	-	(341)	(28,069)	532,577	(15,033)	(657)	535	(38,034)	479,388	451,319

MOVEMENT IN RESERVES STATEMENT 2015/16

	General Fund	Resource Centre Migs	Community Risk Reduction	UPGs	Capital Reserve	Total General Fund	Capital Grant Unapplied	(Usable) Capital Receipts	Total Usable Reserves	Pensions Reserve	Revaluation Reserve	Collection Fund Adjustment	Accumulated Absences	Capital Adjustment Account	Total Unusable Reserves	Total All Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2015	(6,962)	(21,810)	(578)	(357)	(2,241)	(31,948)	(3,548)	(261)	(35,757)	528,624	(10,865)	(570)	520	(22,281)	495,428	459,671
Surplus/Deficit on provision of services	6,186	-	-	-	-	6,186	-	-	6,186	-	-	-	-	-	-	6,186
Other Comprehensive income and expenditure	-	-	-	-	-	-	-	-	-	(65,976)	(2,809)	-	-	-	(68,785)	(68,785)
Total Comprehensive Income & Expenditure	6,186	-	-	-	-	6,186	-	-	6,186	(65,976)	(2,809)	-	-	-	(68,785)	(62,599)
Adjustments between accounting basis & funding basis under regulations:																
• Depreciation etc.	(2,137)	-	-	-	-	(2,137)	-	-	(2,137)	-	358	-	-	1,779	2,137	-
• Gain/loss on disposal	(132)	-	-	-	-	(132)	-	-	(132)	-	-	-	-	132	132	-
• Revaluation gain/loss	(137)	-	-	-	-	(137)	-	-	(137)	-	-	-	-	137	137	-
• Pension costs	(11,354)	-	-	-	-	(11,354)	-	-	(11,354)	11,354	-	-	-	-	11,354	-
• Capital expenditure charged to revenue	3,077	-	-	-	-	3,077	-	-	3,077	-	-	-	-	(3,077)	(3,077)	-
• Cash sale proceeds	112	-	-	-	-	112	-	(112)	-	-	-	-	-	-	-	-
• Use of capital receipts	-	-	-	-	-	-	-	61	61	-	-	-	-	(61)	(61)	-
• Use of capital grants	1,947	-	-	-	-	1,947	972	-	2,919	-	-	-	-	(2,919)	(2,919)	-
• Collection Fund	(21)	-	-	-	-	(21)	-	-	(21)	-	-	21	-	-	21	-
• Accumulated Absences	(7)	-	-	-	-	(7)	-	-	(7)	-	-	-	7	-	7	-
• Statutory provision for the repayment of debt (MRP)	588	-	-	-	-	588	-	-	588	-	-	-	-	(588)	(588)	-
Net increase/decrease before earmarked reserve transfers	(1,878)	-	-	-	-	(1,878)	972	(51)	(957)	(54,622)	(2,451)	21	7	(4,597)	(61,642)	(62,599)
Transfers to/from earmarked reserves	1,431	(3,210)	72	(1)	1,708	-	-	-	-	-	-	-	-	-	-	-
(Increase)/Decrease in year	(447)	(3,210)	72	(1)	1,708	(1,878)	972	(51)	(957)	(54,622)	(2,451)	21	7	(4,597)	(61,642)	(62,599)
Balances at 31 March 2016	(7,409)	(25,020)	(506)	(358)	(533)	(33,826)	(2,576)	(312)	(36,714)	474,002	(13,316)	(549)	527	(26,878)	433,786	397,072

BALANCE SHEET

1 Apr 15	31 Mar 16		Note	31 Mar 17	
£000	£000			£000	£000
35,770	39,275	Land and Buildings	11	46,122	
4,470	4,120	Vehicles and Equipment	11	5,999	
1,608	4,937	Assets under Construction	11	8,534	
44	10	Intangible Assets	12	-	
41,892	48,342	Total Long-term Assets			60,655
21,299	22,800	Short-term investments	13	18,577	
457	465	Inventories	14	440	
3,192	3,366	Short-term debtors	15	4,700	
2,127	3,343	Amount due from pension fund	Pension Fund	2,199	
6,501	6,594	Cash and Cash Equivalents	16	3,303	
33,576	36,568	Total Current Assets			29,219
75,468	84,910	Total Assets			89,874
(11)	(333)	Short-term Borrowing	13	(11)	
(3,684)	(5,113)	Short-term Creditors	17	(6,080)	
(514)	(572)	Provisions	18	(585)	
(4,209)	(6,018)	Total Current Liabilities			(6,676)
71,259	78,892	Total Assets less Current Liabilities			83,198
(2,247)	(1,914)	Long-term borrowing	13	(1,903)	
(59)	(48)	Deferred liabilities	31	(37)	
(528,624)	(474,002)	Net Pension Liability (IAS 19)	32	(532,577)	
(530,930)	(475,964)	Total Long-term Liabilities			(534,517)
(459,671)	(397,072)	Net Assets / (Liabilities)			(451,319)
(35,757)	(36,714)	Usable reserves	19	(28,069)	
495,428	433,786	Unusable reserves	20	479,388	
459,671	397,072	Total Reserves			451,319

CASH FLOW STATEMENT

2015/16 £000		Note	2016/17 £000
6,186	Net (surplus)/deficit on the provision of services		14,349
(12,341)	Adjustment to the net (surplus)/deficit on the provision of services for non-cash movements	21	(20,987)
2,048	Adjustment to for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	21	69
(4,107)	Net cash flows from Operating Activities		(6,569)
3,992	Investing Activities	21	9,516
22	Financing Activities	21	344
(93)	Net (increase)/decrease in cash and cash equivalents		3,291
6,501	Cash and Cash Equivalents at the beginning of the reporting period	16	6,594
6,594	Cash and Cash Equivalents at the end of the reporting period	16	3,303
(93)	Net (increase)/decrease in cash and cash equivalents		3,291

FIREFIGHTER PENSION FUND

2015/16			2016/17	
£000	£000		£000	£000
		Contributions receivable		
		Fire Authority contributions:		
(1,233)		1992 Firefighter Pension Scheme	(967)	
(107)		2006 Firefighter Pension Scheme ¹	(104)	
(1,249)		2015 Firefighter Pension Scheme	(1,396)	
	(2,589)			(2,467)
	(151)	Actuarial charges for early & ill health retirements		(42)
	(2,740)			(2,509)
		Firefighters' contributions:		
(846)		1992 Firefighter Pension Scheme	(659)	
(158)		2006 Firefighter Pension Scheme ¹	(145)	
(1,061)		2015 Firefighter Pension Scheme	(1,208)	
	(2,065)			(2,012)
	(188)	Transfers in from other pension funds		-
	(4,993)	Total amount receivable		(4,521)
		Benefits payable		
11,622		Pensions	12,089	
4,644		Commutation of pensions and lump sum retirement benefits	1,943	
88		Lump sum death benefits	-	
	16,354	Total benefits payable		14,032
	90	Transfers out to other schemes		15
	-	1992 Firefighters Pension Scheme – employee contribution holiday refunds		346
	292	Administrative expenses		-
	16,736	Total amount payable		14,393
	11,743	(Surplus)/Deficit for the year before 'Top-up' Government grant		9,872
	(11,743)	'Top-up' Government grant		(9,872)
	-	Net amount for the year		-

NET ASSETS STATEMENT

1 Apr 15	31 Mar 16		31 Mar 17
£000	£000		£000
		Current Assets	
2,174	3,414	'Top-up' Government grant	2,158
102	71	Employee arrears	41
		Current Liabilities	
(61)	-	Contributions received in advance	-
(88)	(142)	Benefits outstanding	-
(2,127)	(3,343)	Amount due to General Fund	(2,199)
		Net Assets	
-	-		-

Note ¹ - these rows include the Modified Firefighter Pension Scheme
For further details please see note 32 on page 56

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NOTES TO THE ACCOUNTS

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. 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 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

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.

1.2 Accruals of Income and Expenditure

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

- 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.

1.3 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.

1.4 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.

1.5 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.

1.6 Employee Benefits

1.6.1. 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.

1.6.2. 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.

1.6.3. 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 2016/17 the Authority paid an employer's contribution of 22% 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 2016. 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 2.6%. 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 2016/17 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) Re-measurements 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.

1.7 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.

1.8 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.

1.9 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.

1.10 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.

1.11 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.

1.12 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.

1.13 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 2016/17 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 28 for more details.

During 2015/16 a company limited by guarantee, Safer Cheshire Limited, was established. The only business activity in 2016/17 was the donation of £5,000 from the authority to the company in respect of initial working capital.

1.14 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.

1.15 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).

1.16 Overheads and Support Services

The cost of overheads and support services are charged to the service segments in accordance with the Authority's arrangements for accountability and financial performance.

1.17 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.

1.18 Provisions, Contingent Liabilities and Contingent Assets

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.

1.19 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.

1.20 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.

1.21 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. Accounting Standards that have been issued but have not yet been adopted

The Code of Practice for Local Authority Accounting in the UK 2016/17 (the Code) requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. 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 for the relevant financial year. The additional disclosures that will be required in the 2016/17 and 2017/18 financial statements in respect of accounting changes that are introduced in the 2017/18 Code (i.e. that are relevant to the requirements of paragraph 3.3.4.3) are:

- Amendment to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration (see paragraph 6.5.5.1 (m) of the 2017/18 Code)

3. 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 of those involving uncertainty about future events. The critical judgements made in this Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for the public sector. 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 Medium Term Financial Plan (MTFP) to assess the potential impacts of reduction in funding. The need to make efficiencies is factored into the Integrated Risk Management Plan (IRMP) process.

4. Assumptions made about the future & 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 2017 for which there is a significant risk of material adjustments in the forthcoming finance year are set out below.

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant & Equipment (see Note 11)	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 £62k for every year that useful lives had to be reduced.
Provisions (see Note 18)	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 32)	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 pension 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 32, together with the monetary value that would result if they came to fruition.

The sensitivities regarding the principal assumptions used to measure the pension scheme liabilities are shown in Note 32.

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 2017	FIREFIGHTER PENSION SCHEMES	
	Approximate increase to projected current service cost %	Approximate monetary amount £000
0.5% decrease in real discount rate	19	1,840
1 year increase in member life expectancy	3	280
0.5% increase in the salary increase rate	8	780
0.5% increase in the pensions increase rate (CPI)	10	1,000

5. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Treasurer on 20 September 2017. Events taking place after this date are not reflected within the financial statements or notes. Where events taking place prior to this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respect to reflect the impact of this information. No such events are known to have taken place.

6. Note to the Expenditure & Funding Analysis

Adjustments from General Fund (GF) to arrive at the Comprehensive Income & Expenditure Statement	Adjustments for Capital Purposes ¹	Net Change for the Pensions Adjustments	Other Differences ²	Total Adjustments 2016/17
	£000	£000	£000	£000
Firefighting & rescue operations	2,173	(111)	6	2,068
Protection	121	(6)	-	115
Prevention	214	(11)	1	204
Support Services	290	(15)	1	276
UPGs	-	-	-	-
Corporate/Finance Resources	(10,420)	-	-	(10,420)
Net cost of services	(7,622)	(143)	8	(7,757)
Other income & expenditure from the funding analysis	(572)	16,688	(108)	16,008
Difference between GF surplus/ deficit and CIES surplus/ deficit	(8,194)	16,545	(100)	8,251

Note ¹ – in general this column contains depreciation, impairment and revaluation gains and losses. It also adjusts for profit/loss on asset disposals and capital grants. There are two items, minimum revenue provision and capital expenditure which are not chargeable under generally accepted accounting practices.

Note ² – these include the timing differences relating to the cost of outstanding employee leave and variations in the amount chargeable for business rates and council tax under statute and the Code of Practice.

Adjustments from GF to arrive at the Comprehensive Income & Expenditure Statement	Adjustments for Capital Purposes ¹	Net Change for the Pensions Adjustments	Other Differences ²	Total Adjustments 2015/16
	£000	£000	£000	£000
Firefighting & rescue operations	1,742	(4,282)	6	(2,534)
Protection	110	(270)	-	(160)
Prevention	162	(399)	1	(236)
Support Services	260	(639)	1	(378)
UPGs	-	-	-	-
Corporate/Finance Resources	(3,077)	-	-	(3,077)
Net cost of services	(803)	(5,590)	8	(6,385)
Other income & expenditure from the funding analysis	(2,515)	16,944	21	14,450
Difference between GF surplus/ deficit and CIES surplus/ deficit	(3,318)	11,354	29	8,065

7. Expenditure & Income analysed by nature

2015/16 £000		2016/17 £000	£000
	Expenditure:		
28,563	Employee pay	28,564	
635	Other Employee expenses	667	
547	Pensions	404	
2,123	Premises	2,303	
1,331	Transport	1,233	
4,070	Supplies, Services & other expenses	3,966	
2,096	Agency & Contracted Services	2,392	
703	Capital Charges & Finance Resources	656	
127	Members' Allowances	130	
5	Provisions	2	
40,200	Total Expenditure		40,317
	Income:		
(2,279)	Fees & Other Service Income	(1,909)	
(10)	Sales	(23)	
(224)	Interest	(162)	
(24,513)	Council Tax Precept	(25,540)	
(18,130)	Government Grants & Contributions	(17,004)	
(45,156)	Total Income		(44,638)
494	Transfer of prior year underspend to reserves		941
4,015	Transfers to/(from) reserves		2,802
(447)	Net Expenditure		(578)

8. Adjustment between Accounting Basis and Funding Basis under regulations

Please refer to the Movement in Reserves Statement for details on the adjustments that are made to the total Comprehensive Income and Expenditure Statement. The adjustments reflect items recognised by the Authority in year in accordance with proper accounting practice and are further analysed in the Expenditure and Funding Analysis on page 10.

9. Movement in Earmarked Reserves

For details on all earmarked reserves and any in-year movement, please refer to Note 19.

10. Notes to the Comprehensive Income & Expenditure Statement

Within the Comprehensive Income and Expenditure Statements there are three summary lines which are explained in more detail within the next two tables.

Financing and Investment Income and Expenditure	2016/17	2015/16
	£000	£000
Interest and Investment Income	(162)	(224)
Interest Payable and Similar Charges	95	104
Pension Net Interest	16,688	16,944
Total	16,621	16,824

Taxation and Non-Specific Grant Income	2016/17	2015/16
	£000	£000
Council Tax Income	(25,863)	(24,966)
Non-domestic Rates/Business Rates Retention Scheme	(8,905)	(8,486)
Non-specific Government Grants	(7,683)	(9,170)
Capital Grants and Contributions	-	(1,947)
Total	(42,451)	(44,569)

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.

11. Property, Plant & Equipment

The following table shows the movement of assets classified as property, plant & equipment including work in progress (WIP).

2016/17	Land & Buildings	Vehicles	Plant & Equipment	Assets Under Construction	Total
<u>Cost or Valuation</u>	£000	£000	£000	£000	£000
At 1 April 2016	39,980	11,339	3,817	4,937	60,073
Additions	2,941	1,906	784	7,416	13,047
Revaluations: charged to reserve	1,409	-	-	-	1,409
Revaluations: charged to CIES	(671)	-	-	-	(671)
Disposals	-	(492)	-	-	(492)
Reclassifications	3,600	219	-	(3,819)	-
At 31 March 2017	47,259	12,972	4,601	8,534	73,366
<u>Depreciation</u>					
At 1 April 2016	(705)	(7,845)	(3,191)	-	(11,741)
Charge in year	(1,497)	(713)	(260)	-	(2,470)
Written out to reserve	723	-	-	-	723
Written out to CIES	342	-	-	-	342
Disposals	-	435	-	-	435
Reclassifications	-	-	-	-	-
At 31 March 2017	(1,137)	(8,123)	(3,451)	-	(12,711)
Net Book Value at 1 April 2016	39,275	3,494	626	4,937	48,332
Net Book Value at 31 March 2017	46,122	4,849	1,150	8,534	60,655

The following table shows the comparable movements in 2015/16.

2015/16	Land & Buildings	Vehicles	Plant & Equipment	Assets Under Construction	Total
<u>Cost or Valuation</u>	£000	£000	£000	£000	£000
At 1 April 2015	36,905	11,256	3,660	1,608	53,429
Additions	954	534	157	4,413	6,058
Revaluations: charged to reserve	1,486	-	-	-	1,486
Revaluations: charged to CIES	(440)	-	-	-	(440)
Disposals	-	(460)	-	-	(460)
Reclassifications	1,075	9	-	(1,084)	-
At 31 March 2016	39,980	11,339	3,817	4,937	60,073
<u>Depreciation</u>					
At 1 April 2015	(1,135)	(7,529)	(2,917)	-	(11,581)
Charge in year	(1,196)	(644)	(274)	-	(2,114)
Written out to reserve	1,323	-	-	-	1,323
Written out to CIES	303	-	-	-	303
Disposals	-	328	-	-	328
Reclassifications	-	-	-	-	-
At 31 March 2016	(705)	(7,845)	(3,191)	-	(11,741)
Net Book Value at 1 April 2015	35,770	3,727	743	1,608	41,848
Net Book Value at 31 March 2016	39,275	3,494	626	4,937	48,332

Revaluations

Assets included in the Balance Sheet are revalued at least every five years. The Authority's property portfolio was last valued on 31 March 2014 with the next full valuation due 31 March 2019. The current valuations are reviewed annually by Edward Cottrell, MRICS of Cottrell Commercial with any significant variations reported within these accounts. 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 IFRS13 – Fair Value Measurement 2015/16. The Authority holds just over two acres of land next to Hallwood Link Road, Runcorn which it has deemed as a surplus asset. It is currently valued at £0.33m (£0.33m 2016).

The 2014 valuation resulted in an overall net increase in asset values of £7.95m and subsequent annual reviews have led to further revaluation of Fire Stations and Fire Headquarters resulting in a further overall increase in asset values of £2.67m (March 2016) and £1.8m (March 2017).

Other non-current assets are valued at depreciated historical cost in line with the Authority's accounting policies.

Capital Commitments

At 31 March 2017 the Authority had capital commitments of £1.57m (£9.84m 2016).

The programme of station builds is nearing completion. New community fire stations at Alsager (2015/16); Penketh; and Powey Lane (2016/17) have been completed and the remaining station

at Lymm (including the Safety Centre) will be completed in early 2017/18. The Authority has also ordered a further seven new specialist pumping appliances in line with its on-going replacement programme, three of which were delivered in March 2017 with the remaining four under construction.

These commitments are detailed as follows:

	2016/17	2015/16
	£000	£000
New station build - Penketh	-	1,088
New station build – Powey Lane	5	1,461
New station build – Lymm	941	6,285
Appliance replacement programme	536	-
Hydraulic platform replacements	-	986
Water incident units	46	-
Support vehicles	39	22
Total	1,567	9,842

12. Intangible Assets

The Authority accounts for 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 reflect the 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 lives generally assigned to the major software suites used by the Authority is five years.

The movement on intangible assets during the year is as follows:

	2016/17	2015/16
	£000	£000
<u>Carrying Amount</u>		
Balance at start of year	492	492
Additions	-	-
Disposals	-	-
Balance at end of year	492	492
<u>Amortisation</u>		
Balance at start of year	(482)	(448)
Charge for the year	(10)	(34)
Disposals	-	-
Balance at end of year	(492)	(482)
Net Book Value at 1 April	10	44
Net Book Value at 31 March	-	10

13. Financial Instruments

The definition of a financial instrument is “any contract that gives rise to a financial asset of one entity and a financial liability, or equity instrument of another entity”.

The term ‘financial instrument’ covers both financial assets and liabilities. These range from straight forward debtors and creditors to more complex investments and borrowings. The following categories of financial instruments are carried in the Balance Sheet; current is deemed to be under one year and long-term over one year.

	Long-term		Current	
	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000
<u>Investments</u>				
Loans and receivables				
- Investments	-	-	18,577	22,800
- Imprest and cash	-	-	3,303	6,594
Total Investments	-	-	21,880	29,394
<u>Debtors</u>				
- Loans and receivables	-	-	499	450
- Plus items not classed as Financial Instruments	-	-	4,201	2,916
Total Debtors	-	-	4,700	3,366
<u>Borrowings</u>				
Financial Liabilities at amortised costs				
- PWLB	(1,892)	(1,892)	-	(322)
- Salix	(11)	(22)	(11)	(11)
Total Borrowings	(1,903)	(1,914)	(11)	(333)
<u>Creditors</u>				
- Financial liabilities at amortised costs	-	-	(3,631)	(2,879)
- Plus items not classed as Financial Instruments	-	-	(2,449)	(2,234)
Total Creditors	-	-	(6,080)	(5,113)

Income, Expense, Gains and Losses

2016/17	Financial Liabilities at amortised costs £000	Financial Assets; Loans and Receivables £000	TOTAL
Interest Expense	(95)	-	(95)
Impairment losses (bad debt provision)	-	(5)	(5)
Total expense in Surplus/Deficit on the Provision of Services	(95)	(5)	(100)
Interest Income	-	162	162
Total income in Surplus/Deficit on the Provision of Services	-	162	162
Net Gain/(Loss) for the year	(95)	157	62

2015/16	Financial Liabilities at amortised costs £000	Financial Assets; Loans and Receivables £000	TOTAL
Interest Expense	(104)	-	(104)
Impairment losses (bad debt provision)	-	(9)	(9)
Total expense in Surplus/Deficit on the Provision of Services	(104)	(9)	(113)
Interest Income	-	224	224
Total income in Surplus/Deficit on the Provision of Services	-	224	224
Net Gain/(Loss) for the year	(104)	215	111

Fair Values of Assets and Liabilities

Financial assets and liabilities 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 of the remaining term of the instrument, making the following assumptions:

- For PWLB and Salix loans, interest rates prevailing at 31 March 2017;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be an approximate to fair value; and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Liabilities	31 March 2017		31 March 2016	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB	(1,892)	(2,313)	(2,214)	(2,651)
Salix	(22)	(23)	(33)	(34)
TOTAL	(1,914)	(2,336)	(2,247)	(2,685)

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

The Authority's activities in relation to financial instruments 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 and payments.
- Re-financing Risk – the possibility that the Authority might be requiring to renew a

financial instrument on maturity at disadvantageous interest rates or terms.

- Market Risk – the possibility that financial loss might arise for the Authority as a result of changes in measures such as interest rates, foreign exchange rates or 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 exposure to the Authority's customers. This risk is minimised through the Annual Investment Strategy which requires deposits not to be made with financial institutions unless they meet the minimum rating of 'A' in the long-term and 'F1' in the short term based on ratings provided by Capita under contract with Warrington Borough Council who act as the Authority's Treasury Management advisers. The Strategy also imposes a maximum sum of £10 million to be invested at any one time with any single institution.

Customers of goods and services are assessed taking into account their financial position, past experience and other factors to produce an individual credit limit in accordance with the parameters set by the Authority.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £18.6m (2016 £22.8m) 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 institution. Recent experience has shown that it is rare for such organisations to be unable to meet their commitments. A risk of non-recovery applies to all of the Authority's deposits but no evidence exists at 31 March 2017 to indicate any likelihood of this occurring.

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

	Amount at 31/03/2017 £000 A	Historical experience of default % B	Historical experience adjusted for market conditions at 31/03/2017 % C	Estimated maximum exposure to default and uncollectability at 31/03/2017 £000 (A x C)	Estimated maximum exposure at 31/03/2016 £000
Deposits with banks & financial institutions	18,577	-	-	-	-

During 2016/17 there were no breaches of the approved credit limits set within the Annual Investment Strategy. The Authority does not expect any losses from non-performance by any of its counter-parties in relation to deposits but continues to invest in a prudent manner.

The Authority does not generally allow credit for customers. The level of debt held which is past its due date is analysed by age as follows:

	31 March 2017 £000	31 March 2016 £000
Less than three months	272	143
Three to six months	5	1
Six months to one year	12	8
More than one year	12	10
TOTAL	301	162

Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected cash demands occur 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 the necessary funding 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 set limits on the proportion of its fixed rate borrowing maturing during specified periods. The maturity analysis of the current financial liabilities is as follows:

	31 March 2017 £000	31 March 2016 £000
Less than one year	11	333
Between one and two years	11	11
Between two and five years	880	891
Between five and ten years	1,012	893
Between ten and fifteen years	-	119
TOTAL	1,914	2,247

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 as follows:

	2016/17
	£000
Daily average investment balance (average rate of Interest 0.66%)	20,927
Additional interest assuming such rates were 1% higher than actual	209
Decrease in fair value of fixed rate borrowing liabilities (no impact on CIES)	114

The Authority seeks to minimise interest rate risk by working with its Treasury Management advisers, Warrington Borough Council, to agree a strategy in relation to investment and debt portfolios which is reflected within the overall Treasury Management Strategy. The Authority's policy is to maximise the percentage of borrowings and investments at fixed rates as this provides cost certainty for budget purposes, especially in the current economic climate. In addition the Authority has relatively small portfolios of loans and investments which makes it more difficult to offset risk through a mixed portfolio.

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

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

14. Inventories

	Workshops	Uniform	Firefighters & General	TOTAL
2016/17	£000	£000	£000	£000
Balance at 1 April 2016	91	275	99	465
Purchases in year	38	227	334	599
Distributed in year (expended)	(38)	(250)	(335)	(623)
Write-off in year	-	(1)	-	(1)
Balance at 31 March 2017	91	251	98	440

	Workshops	Uniform	Firefighters & General	TOTAL
2015/16	£000	£000	£000	£000
Balance at 1 April 2015	90	279	88	457
Purchases in year	44	195	322	561
Distributed in year (expended)	(45)	(197)	(311)	(553)
Write-off in year	2	(2)	-	-
Balance at 31 March 2016	91	275	99	465

15. Debtors (Amounts due to the Authority)

	31 Mar 17	31 Mar 16	1 Apr 15
	£000	£000	£000
Central Government bodies	1,098	925	495
Other Local Authorities	956	747	677
NHS bodies	14	15	36
Other Entities & Individuals	1,608	569	839
Collection Fund – Council Tax payers	868	973	974
Collection Fund – Business Rate payers	156	137	171
TOTAL	4,700	3,366	3,192

16. Cash & Cash Equivalent

	31 Mar 17	31 Mar 16	1 Apr 15
	£000	£000	£000
Cash held by the Authority	24	15	21
Bank Current Accounts	3,279	6,579	6,480
TOTAL	3,303	6,594	6,501

17. Creditors (Amounts payable by the Authority)

	31 Mar 17	31 Mar 16	1 Apr 15
	£000	£000	£000
Central Government bodies	(2,512)	(1,034)	(707)
Other Local Authorities	(873)	(598)	(849)
NHS bodies	-	(6)	-
Other Entities & Individuals	(2,234)	(3,038)	(1,692)
Collection Fund – Council Tax payers	(391)	(358)	(364)
Collection Fund – Business Rate payers	(70)	(79)	(72)
TOTAL	(6,080)	(5,113)	(3,684)

18. Provisions

The Authority is subject to the fluctuations of the business rates collection funds of the four unitary councils in Cheshire. A provision has been created to reflect the likely costs of a deficit on the funds and the Authority's share of the cost of business rate appeals.

	Collection Fund £000
Balance as at 1 April 2016	(572)
Additions to provision in year	(448)
Amounts used in year	-
Reduction to provision in year	435
Balance as at 31 March 2017	(585)

19. Usable Reserves

Usable reserves are those reserves that can be used to fund general expenditure or reduce local taxation. Usable reserves held by the Authority are set out below.

	31 Mar 17 £000	31 Mar 16 £000	1 Apr 15 £000
General Fund	(7,987)	(7,409)	(6,962)
Capital Receipts	(341)	(312)	(261)
Capital Grant – unapplied	-	(2,576)	(3,548)
<u>Earmarked Reserves</u>			
- Resource Centre Managers	(16,791)	(25,020)	(21,810)
- Community Risk Reductions	(441)	(506)	(578)
- Unitary Performance Groups	(372)	(358)	(357)
Capital Reserve	(2,137)	(533)	(2,241)
TOTAL	(28,069)	(36,714)	(35,757)

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

Capital Receipts: Capital receipts holds the proceeds from the sale of fixed assets and can only be used to fund capital expenditure or repay debt.

Capital Grant – unapplied: This reserve holds grants and contributions received towards the Authority's capital programme for which the terms and conditions that would otherwise require repayment of the funds, have been met but has not yet been applied to fund expenditure. The use of this reserve is restricted to the terms and conditions of the funding received.

Resource Centre Managers: This earmarked reserve is set aside to meet future identified commitments within the respective Resource Managers' areas.

Community Risk Reduction: This funding has been earmarked to support the cost of the Authority's home safety assessments and other community safety activities.

Unitary Performance Groups: This earmarked reserve is set aside for facilitating partner engagement in community safety activities.

Capital Reserve: This reserve is earmarked to fund future capital expenditure.

20. Unusable Reserves

The Authority also holds unusable reserves (technical accounting adjustment accounts reflecting the difference between the outcome of applying proper accounting practices and the statutory requirements for funding expenditure within the public sector). This note shows the movements in year.

	31 Mar 17	31 Mar 16	1 Apr 15
	£000	£000	£000
Revaluation Reserve	(15,033)	(13,316)	(10,865)
Capital Adjustment Account	(38,034)	(26,878)	(22,281)
Pensions Reserve	532,577	474,002	528,624
Collection Fund Adjustment Account	(657)	(549)	(570)
Accumulated Absences Account	535	527	520
TOTAL	479,388	433,786	495,428

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:

- Re-valued 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.

	2016/17	2015/16
	£000	£000
Balance at 1 April	(13,316)	(10,865)
Upward revaluation of assets	(2,132)	(2,809)
Downward revaluation of assets & impairment losses	-	-
Difference between fair value depreciation & historical cost depreciation	415	358
Balance at 31 March	(15,033)	(13,316)

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.

	2016/17	2015/16
	£000	£000
Balance at 1 April	(26,878)	(22,281)
Charges for depreciation & impairment on non-current assets	2,459	2,103
Revaluation losses on property, plant & equipment	329	137
Amortisation of intangible assets	10	34
Impact of disposal or sale of non-current assets	57	132
Adjusting amounts written out of the revaluation reserve	(415)	(358)
	<u>(24,438)</u>	<u>(20,233)</u>
Capital financing – charged against the General Fund	(10,420)	(3,077)
Capital financing – funding from Capital Grants & Contributions	-	(410)
Capital financing – charged against Capital Receipts	(51)	(61)
Capital financing – charged against Capital Grants – unapplied	(2,576)	(2,509)
Statutory provision for financing of capital expenditure (MRP)	(549)	(588)
	<u>(38,034)</u>	<u>(26,878)</u>
Balance at 31 March		

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.

	2016/17	2015/16
	£000	£000
Balance at 1 April	474,002	528,624
Re-measurement of the net defined benefit liability/(asset)	42,030	(65,976)
Reversal of pension accounting entries in the CIES	30,366	27,170
Employer's pension contributions & payments to pensioners in year	(13,821)	(15,816)
	<u>532,577</u>	<u>474,002</u>
Balance at 31 March		

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.

	2016/17	2015/16
	£000	£000
Balance at 1 April	(549)	(570)
Amount by which the council tax & non-domestic rates income credited to the CIES is different to the income calculated under statute.	(108)	21
Balance at 31 March	(657)	(549)

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.

	2016/17	2015/16
	£000	£000
Balance at 1 April	527	520
Settlement or cancellation of accrual made at the end of the preceding year	(527)	(520)
Amounts accrued at the end of the current year	535	527
Balance at 31 March	535	527

21. Notes to the Cash Flow Statement

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

	2016/17	2015/16
	£000	£000
Depreciation	(2,459)	(2,103)
Impairment and downward revaluation	(329)	(137)
Amortisation	(10)	(34)
Movement in impairment provision for bad debts	(5)	(9)
Movement in creditors	(1,733)	88
Movement in debtors	1,334	174
Movement in amount due from pension fund	(1,144)	1,216
Movement in stock/inventories	(26)	8
Movement in pension liability	(16,545)	(11,354)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(57)	(132)
Other non-cash items charged to the net surplus or deficit on the provision of services	(13)	(58)
Total adjustment for non-cash movements	(20,987)	(12,341)

The cash flows for operating activities include the following items:	2016/17	2015/16
	£000	£000
Interest received	162	224
Interest paid	(95)	(104)

Investment Activities

	2016/17	2015/16
	£000	£000
Purchase of non-current assets	13,819	4,549
Purchase of short-term and long-term investments	41,477	42,004
Proceeds from sale of non-current assets	(80)	(112)
Proceeds from short-term and long-term investments	(45,700)	(40,502)
Other receipts from investing activities	-	(1,947)
Net cash flows from investing activities	9,516	3,992

Financing Activities

	2016/17	2015/16
	£000	£000
Cash receipts of short-term and long-term borrowing	-	-
Cash payments for the reduction of the outstanding liabilities relating to finance leases	11	11
Repayment of short-term and long-term borrowing	333	11
Net cash flows from financing activities	344	22

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

	2016/17	2015/16
	£000	£000
Reverse Other receipts from investing activities	-	1,947
Reverse Proceeds from sale of non-current assets	80	112
Reverse Cash payments for the reduction of the outstanding liabilities relating to finance leases	(11)	(11)
Total	69	2,048

22. Members' Allowances

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

	2016/17	2015/16
	£000	£000
Members' allowances	131	129
Travel and subsistence, training and conferences	21	29
Total	152	158

23. Officers' Remuneration

2016/17	Dates in Post	Gross Annual Salary (a) £	Salary and Allowances £	Benefits in kind (b) £	Compensation for loss of office £	Pension Contribution £	Total £
Chief Fire Officer - Paul Hancock	Full year	153,598	159,538	-	-	33,412	192,950
Deputy Chief Fire Officer	Full year	131,161	136,364	-	-	28,531	164,895
Assistant Chief Fire Officer	Retired 18/2/16	-	151	-	-	33	184
Head of Legal & Democratic Services	Full year	67,665	72,789	-	-	15,824	88,613
Head of Finance & Treasurer	01/04/2016 to 28/02/2017	55,422	51,337	-	-	11,177	62,514
Total			420,179	-	-	88,977	509,156

2015/16	Dates in Post	Gross Annual Salary (a) £	Salary and Allowances £	Benefits in kind (b) £	Compensation for loss of office £	Pension Contribution £	Total £
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
Total			499,908	3,232	-	106,008	609,148

- Notes:
- a) 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.
 - b) Benefits in kind consist of taxable benefits relating to car lease and mileage payments.
 - c) Members of the Leadership Team are excluded from the remuneration banding figures shown on next page.

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	No of Employees	
	2016/17	2015/16
£50,000 - £54,999	17	14
£55,000 - £59,999	5	10
£60,000 - £64,999	8	6
£65,000 - £69,999	-	2
£70,000 - £74,999	1	1
£75,000 - £79,999	2	2
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£135,000 - £139,999	1*	-

* This includes a redundancy payment.

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 £
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2016/17				
£nil - £20,000	1	1	2	13,987
£100,000 - £149,999	-	1	1	138,257
Total	1	2	3	152,244
Amounts provided for in CI&E not included in bandings			-	-
Total cost included in 2016/17 CI&E Statement				152,244

2015/16				
£nil - £20,000	1	-	1	1,307
Total	1	-	1	1,307
Amounts provided for in CI&E not included in bandings			-	-
Total cost included in 2015/16 CI&E Statement				1,307

24. Termination Benefits

The Authority terminated the contracts of three employees in 2016/17, incurring liabilities of £152k (£1k in 2015/16 relating to one employee).

For 2016/17, there were £138k termination costs payable to an officer as part of the business efficiency review of senior management responsibilities, £8k of costs relating to an officer at the end of a fixed term contract and the remaining £6k paid under mutually agreed termination.

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 delivery admin hub.

See Note 23 for the number of exit packages and total cost per band.

25. 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:

	2016/17	2015/16
	£000	£000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year.	30	30
Fees payable to Grant Thornton for the other work / services for the year.	-	5
Total	30	35

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

26. Grant Income

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

	2016/17	2015/16
	£000	£000
Credited to Taxation and Non-Specific Grant Income and Expenditure		
Non-domestic rates / Business Rates Retention Scheme	(8,905)	(8,486)
Revenue Support Grant	(7,683)	(9,170)
Government Capital Grant	-	(1,947)
	(16,588)	(19,603)
Credited to Services		
DCLG New Dimensions Fund	(48)	(89)
DCLG Fire Revenue Grant - FireLink	(151)	(144)
Other Grants (transforming community safety)	(15)	(212)
The Office for Low emission vehicles (OLEV) - ultra-low emission vehicles (ULEV) grant	(28)	(57)
Emergency Services Mobile Communications Programme (ESMCP)	(202)	-
Other Grants	(14)	(5)
Donations	(4)	(15)
Donations - smoke alarms	(10)	(45)
Other contributions	(89)	(101)
	(561)	(668)

27. 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.

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 26, Grant Income.

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

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 22 (Members' Allowances). There were no transactions during the year in which members were required to declare an interest.

Officers

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

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.

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 to register this company with the Charity Commission has been unsuccessful. The only activity in 2016/17 was the donation of £5k from the Authority to the Company in respect of initial working capital.

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:

Billing Authority	2016/17	2015/16
	£000	£000
[a] Council Tax		
Cheshire East Council	(10,237)	(9,946)
Cheshire West and Chester Council	(8,405)	(8,088)
Halton Borough Council	(2,447)	(2,354)
Warrington Borough Council	(4,774)	(4,578)
Total	(25,863)	(24,966)
[b] Business Rates		
Cheshire East Council	(1,408)	(1,319)
Cheshire West and Chester Council	(1,644)	(1,470)
Halton Borough Council	(597)	(550)
Warrington Borough Council	(1,083)	(1,009)
Total	(4,732)	(4,348)

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.

Firefighters 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.

28. 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 has the right to appoint two 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 NWFC. 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. From 8 May 2017 Greater Manchester Fire & Rescue Service transferred into the Greater Manchester Combined Authority including the lead authority status for NWFC. There have also been contributions to the project from the four fire authorities.

A detailed assessment for Group Accounting requirements has taken place during 2016/17 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 2016/17 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.
- 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:

	2016/17	2015/16
	£000	£000
Total Assets less Current Liabilities	263	239
Net Assets *	(2,831)	(822)
Profits before taxation	(99)	(240)
Profits after taxation	(105)	(246)

*Net assets include £3.09m (£1.06m 2016) for the future pension liabilities under FRS17 reported by the Cheshire Pension Fund actuaries. All figures are shown net of VAT.

2016/17 transactions between Cheshire Fire Authority and NW Fire Control Ltd include invoices raised by NW Fire Control Ltd to Cheshire Fire Authority for the control room service £771k (£740k 2016); use of facilities in the building £3k (£4k 2016); and recharges in respect of the North West Regional Emergency Services Mobile Communication Project £36k (£nil 2016).

2016/17 invoices raised by Cheshire Fire Authority to NW Fire Control Ltd include reimbursement of £12k (£12k 2016) costs relating to the network link.

The Company's 2015/16 Financial Statements can be obtained from Companies House, and the 2016/17 Financial Statements will be available by the 31 December 2017 (standard deadline for submission for the final audited 2016/17 accounts).

29. 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.

30. Capital Expenditure & 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.

	2016/17	2015/16
	£000	£000
Opening Capital Financing Requirement	8,195	8,783
Capital Investment		
Property, plant and equipment	13,047	6,057
Revenue Expenditure Funded from Capital under Statute	-	-
Sources of Finance		
Capital receipts	(51)	(61)
Government grants and other contributions	(2,576)	(2,919)
Sums set aside from revenue		
Revenue contributions	(10,420)	(3,077)
Minimum revenue provision (MRP)	(549)	(588)
Closing Capital Financing Requirement	<u>7,646</u>	<u>8,195</u>
Explanation of movements in year		
Increase/(decrease) in underlying need for borrowing	(549)	(588)
Increase/(decrease) in Capital Financing Requirement	<u>(549)</u>	<u>(588)</u>

31. 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 £37,034 (£48,263 2016).

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:

	2016/17	
	£	£
Cost or valuation		128,743
Accumulated depreciation		
As at 1 April 2015	(69,767)	
Charge for 2015/16	(10,713)	
Charge for 2016/17	(11,229)	
As at 31 March 2017	<u>(91,709)</u>	
		<u>37,034</u>

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

	31 Mar 17	31 Mar 16	1 Apr 15
	£000	£000	£000
Not later than 1 year	(11,769)	(11,229)	(10,713)
Later than 1 year and not later than 5 years	(25,265)	(37,034)	(48,263)
Later than 5 years	-	-	-
TOTAL	<u>(37,034)</u>	<u>(48,263)</u>	<u>(58,976)</u>

Operating Leases

Expenditure on operating leases in 2016/17 totalled £367,681 (2015/16 £412,034). All expenditure on leases relates to vehicles.

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

	31 Mar 17	31 Mar 16	1 Apr 15
	£000	£000	£000
Not later than 1 year	(167)	(254)	(179)
Later than 1 year and not later than 5 years	(127)	(115)	(114)
TOTAL	<u>(294)</u>	<u>(369)</u>	<u>(293)</u>

32. Employee Benefits

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 full entitlement.

The Authority participates in five 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 LGPS benefit design career average revalued earning (CARE) scheme.
- There are four pension schemes for uniformed staff.

The original scheme commenced in 1992 with the funding arrangements for uniformed Firefighter pensions changing 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 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 2016/17 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.

The 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.

All four Firefighter Pension Schemes are 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.

FIREFIGHTER PENSION SCHEMES - pension contribution rates on pensionable pay	employee	employer ^(a)
	%	%
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:

	Fair value of scheme assets	
	31 Mar 17 £000	31 Mar 16 £000
Cash and cash equivalents	1,000.4	798.6
Equity instruments: <i>by industry type</i>		
• Consumer	1,368.0	1,135.3
• Manufacturing	1,021.7	866.9
• Energy and utilities	213.0	223.9
• Financial institutions	1,174.4	1,117.7
• Health and care	322.2	301.3
• Information technology	3,722.6	3,332.0
• Other	164.5	152.3
Sub-total equity	7,986.4	7,129.4
Bonds: <i>by sector</i>		
• Corporate	-	-
• Government	-	-
• Other	-	-
Sub-total bonds	-	-
Property: <i>by type</i>		
• United Kingdom	2,815.7	2,937.3
• Overseas	74.2	64.5
Sub-total property	2,889.9	3,001.8
Private equity:		
• All	1,881.4	1,954.6
Sub-total private equity	1,881.4	1,954.6
Other investment funds:		
• Equities	6,244.1	4,710.6
• Bonds	15,472.3	12,679.3
• Hedge Fund	5,209.7	4,909.4
• Other	2,023.8	1,974.3
Sub-total other investment funds	28,949.9	24,273.6
Derivatives:		
• All	-	-
Total Assets	42,708.0	37,158.0

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		Firefighter Pension Schemes		Total for all Schemes	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Comprehensive Income & Expenditure Statement (CIES)						
Cost of Services:						
▫ Current Service Costs	1,336	1,526	7,800	8,700	9,136	10,226
▫ Past Service Costs	42	-	4,500	-	4,542	-
Financing & Investment Income & Expenditure:						
▫ Net interest expense	188	344	16,500	16,600	16,688	16,944
Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services	1,566	1,870	28,800	25,300	30,366	27,170
Other post-employment benefits charges to the CIES						
Re-measurement of the net defined pension liability comprising:						
▫ Return on plan assets (excluding the amount included in the net interest expense)	(3,569)	(711)	-	-	(3,569)	(711)
▫ Actuarial gains and losses arising on changes in demographic assumptions	(18)	-	3,300	(1,300)	3,282	(1,300)
▫ Actuarial gains and losses arising on changes in financial assumptions	9,822	(4,846)	94,000	(48,900)	103,822	(53,746)
▫ Other experience	(2,205)	(419)	(59,300)	(9,800)	(61,505)	(10,219)
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	5,596	(4,106)	66,800	(34,700)	72,396	(38,806)

	Local Government Pension Scheme		Firefighter Pension Schemes		Total for all Schemes	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000	£000	£000
Movement in Reserves Statement						
▫ Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(1,566)	(1,870)	(28,800)	(25,300)	(30,366)	(27,170)
Actual amount charged against the General Fund Balance for pensions in the year:						
▫ Employers' contributions payable to scheme (gross amount before the Authority's receipt of the Firefighter pension scheme top up grant)	1,221	1,116	12,600	14,700	13,821	15,816

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:

	Local Government Pension Scheme		Firefighter Pension Schemes		Total for all Schemes	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	52,385	42,460	522,900	468,700	575,285	511,160
Fair value of plan assets	(42,708)	(37,158)	-	-	(42,708)	(37,158)
Sub-total	9,677	5,302	522,900	468,700	532,577	474,002
Other movements in the liability (asset)	-	-	-	-	-	-
Net Liability arising from defined benefit obligation	9,677	5,302	522,900	468,700	532,577	474,002

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

	Local Government Pension Scheme		Firefighter Pension Schemes		Total for all Schemes	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000	£000	£000
Opening fair value of scheme assets	37,158	34,762	-	-	37,158	34,762
Interest income	1,311	1,121	-	-	1,311	1,121
Remeasurement gain/(loss):						
The return on plan assets, excluding the amount included in the net interest expense	3,569	711	-	-	3,569	711
Contributions from employer	1,221	1,116	12,600	14,700	13,821	15,816
Contributions from employees into the scheme	348	342	2,000	2,200	2,348	2,542
Benefits paid	(899)	(894)	(14,600)	(16,900)	(15,499)	(17,794)
Closing fair value of scheme assets	42,708	37,158	-	-	42,708	37,158

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

	Local Government Pension Scheme		Firefighter Pension Schemes		Total for all Schemes	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	42,460	45,286	468,700	518,100	511,160	563,386
Current service cost	1,336	1,526	7,800	8,700	9,136	10,226
Interest cost	1,499	1,465	16,500	16,600	17,999	18,065
Contributions by scheme participants	348	342	2,000	2,200	2,348	2,542
Remeasurement (gains) and losses:						
Actuarial gains/losses arising from changes in demographic assumptions	(18)	-	3,300	(1,300)	3,282	(1,300)
Actuarial gains/losses arising from changes in financial assumptions	9,822	(4,846)	94,000	(48,900)	103,822	(53,746)
other experience	(2,205)	(419)	(59,300)	(9,800)	(61,505)	(10,219)
Past service cost	42	-	4,500	-	4,542	-
Benefits paid	(899)	(894)	(14,600)	(16,900)	(15,499)	(17,794)
Closing balance at 31 March	52,385	42,460	522,900	468,700	575,285	511,160

The Liabilities shown on the Firefighter Pension Schemes include liabilities in respect of injury pensions. Of the £522.9m liability, £25.3m related to injury pensions (2015/16 £22.8m).

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 2016. The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Police Pension Schemes	
	2016/17 %	2015/16 %	2016/17 %	2015/16 %
Long-term expected rate of return on assets in the scheme:				
Equity investments	2.6	3.5	-	-
Bonds	2.6	3.5	-	-
Property	2.6	3.5	-	-
Cash	2.6	3.5	-	-
Mortality assumptions:				
		At age 65		At age 60
Longevity for current pensioners:	22.3 years	22.3 years	30.2 years	29.7 years
▪ Men	24.5 years	24.4 years	31.7 years	31.6 years
▪ Women				
Longevity for future pensioners:				
▪ Men	23.9 years	24.1 years	31.6 years	31.2 years
▪ Women	26.5 years	26.7 years	33.2 years	33.2 years
Rate of inflation (CPI)	2.4	2.2	2.4	2.2
Rate of increase in salaries	2.7	3.2	3.4	3.2
Rate of increase in pensions	2.4	2.2	2.4	2.2
Rate for discounting scheme liabilities	2.6	3.5	2.6	3.5
CARE - revaluation rate	2.4	2.2	3.4	3.2

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

Change in financial assumptions at year ended 31 March 2017	Local Government Pension Scheme		Firefighter Pension Schemes	
	Approximate monetary amount	Approximate increase to Employer Liability	Approximate monetary amount	Approximate increase to Employer Liability
	£000	%	£000	%
Longevity/ increase in member life expectancy (increase of 1 year)	1,572 to 2,619	3-5%	15,500	3
Rate of increase in salaries (increase by 0.5%)	892	2	7,300	1
Rate of increase in pensions (increase by 0.5%)	4,937	9	40,900	8
Rate for discounting scheme liabilities (decrease by 0.5%)	5,911	11	47,400	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 2019.

The Authority anticipated to pay £1.6m expected contributions to the Local Government Pension scheme in 2017/18. For the Firefighter Pension Scheme in the year to 31 March 2018, the projected benefit net cashflow is £12.9m.

33. 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.

As reported in the 2015/16 Statement of Accounts, a further liability existed 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 that stage it was not possible to estimate the impact on the Authority; however this exercise has now been completed. The total cost is £346k which is fully reimbursed by Central Government and is included in these accounts.

As reported in previous years' 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.

GLOSSARY OF TERMS

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 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

Tangible assets yielding benefits to the Authority & its services 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 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 5th 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.