

NARRATIVE REPORT

1. Introduction

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

2. Financial Statements

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

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

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

3. Financial Performance 2017/18

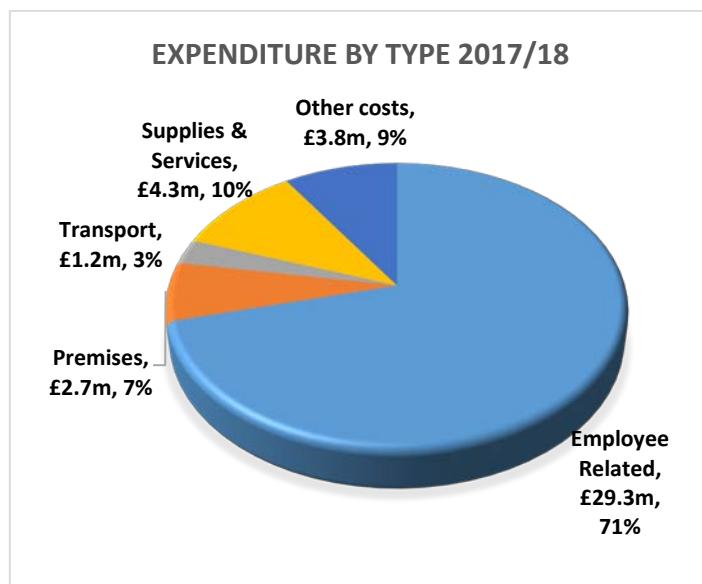
- 3.1 Where does the Fire Authority get its revenue funding from?
 - 3.1.1. The Authority receives over half of its revenue funding from its share of the council tax (called the precept) which is collected by the four local authorities (Cheshire East; Cheshire West and Chester; Halton; and Warrington).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

3.1.3. The funding amounts for 2017/18 were:

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

3.2 What does the Fire Authority spend its money on?

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



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

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

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

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

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

3.3 Capital

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

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

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

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

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



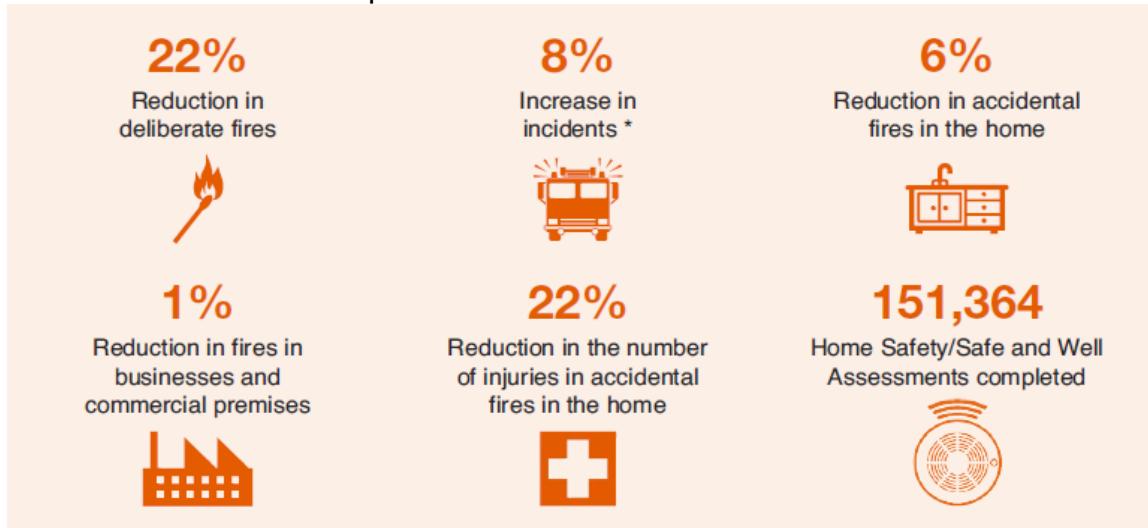
Entrance to Lymm Safety Central

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



4. Non-financial Performance 2017/18

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



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

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

5. Pension Liability

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

6. Future Developments and Plans

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