

Cheshire Fire Authority

Statement of Accounts

2019/20

Version: Fire Authority meeting 7 October 2020

STATEMENT OF ACCOUNTS

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NARRATIVE REPORT

1. Introduction

- 1.1 Welcome to the 2019/20 Cheshire Fire Authority Statement of Accounts. Cheshire Fire Authority (“the Authority”) is the publicly accountable 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 The Authority is dedicated to providing the communities of Cheshire with a fire and rescue service that is committed to saving lives, changing lives and protecting lives to achieve its vision of a Cheshire where there are no deaths, injuries or damage from fires and other emergencies.
- 1.3 Cheshire Fire and Rescue Service is led by the Chief Fire Officer and Chief Executive (CFO) and the Service Management Team. The services operates from 28 fire stations across Cheshire, staffed in a number of different ways to reflect local risks and demands. The Service also operates three community safety centres; three fire protection offices; a joint headquarters with Cheshire Constabulary; an operational training centre; Safety Central - the safety and life skills centre in Lymm; and fleet workshops at the Sadler Road site in Winsford.
- 1.4 Core Values inspire and guide how teams behave. They set out a platform to guide our current and future activities and help achieve our organisational priorities. The previous Core Values were introduced ten years ago and a review has been undertaken to assess whether these values are still relevant and would stand the test of time for future aspirations of the Service.
- 1.5 Staff have been at the heart of the development of the new Core Values through conferences, staff engagement forum and the last staff survey. This was a vital part of the review as one of the main aims was to ensure the going forward the Core Values were relevant and we could identify with them both as a Service and individually.
- 1.6 As a result of the review, the new set of Core Values have been developed and approved by the Authority. They are:
- **Be inclusive** – by acting fairly, with integrity, respect and without prejudice
 - **Do the right thing** – by holding each other to account for ensuring high standards of professionalism in everything we do
 - **Act with compassion** – by being understanding and offering help to each other and to our communities with warmth, patience and kindness
 - **Make a difference** – by making an impact in our organisation and in our communities in whatever ways we can, for as many people as we can

2. Financial Statements

- 2.1 Since 2016/17 the accounts include a note called 'The Expenditure and Funding Analysis' which is shown on page 17 before the main financial statements. This note shows how annual expenditure is used and funded from Government grants, council tax and business rates by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's services 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 19.
- 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 2019/20 which shows a £10.2m deficit compared to a £30.8m deficit in 2018/19.
- 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 £424m in 2019/20 compared to £495m in 2018/19.
- 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 cashflows by providers of capital (i.e. borrowing) to the Authority.

2.6 During 2019/20, the Authority maintained an average cash balance of around £25m each month with fluctuations dependent on payroll and paying creditors versus when grants, precept, business rates and income is received. The main impact on these balances going forward is the funding of capital expenditure such as vehicles, equipment and IT as agreed by the Authority.

3. Financial Performance 2019/20

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 2019/20 was increased by 2.99% (£77.74 compared to £75.48 in 2018/19 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 2019/20 this amounted to a surplus allocation (council tax only) of £0.2m (surplus allocation £0.3m in 2018/19).

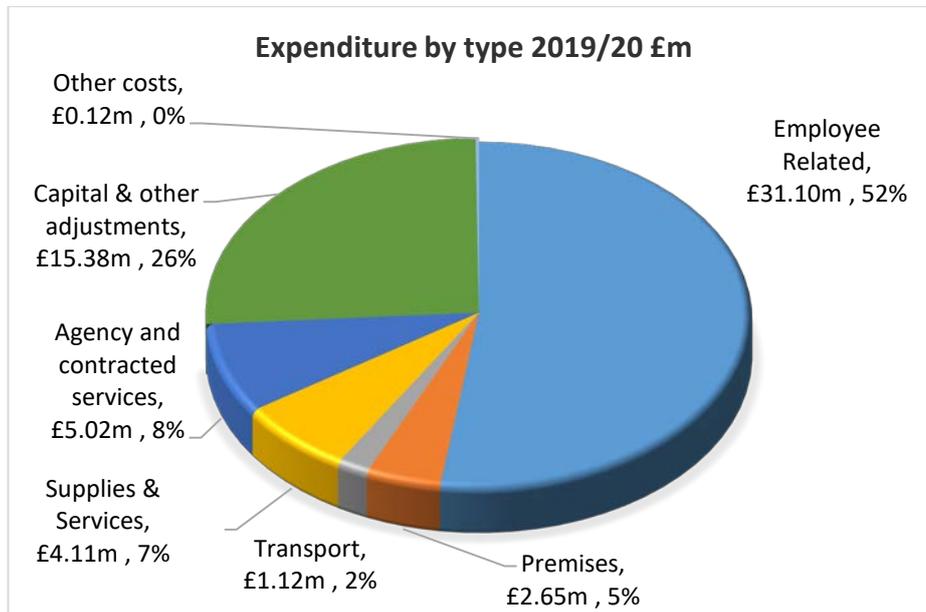
3.1.2. The majority of the balance of revenue funding was received from Central Government and the four local authorities in the form of the Settlement Funding Assessment. This can be broken down into two elements – Revenue Support Grant and Baseline Funding Level. Revenue Support Grant is determined 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 Cheshire Fire for 2019/20 were:

Fire Authority's Funding 2019/20	£000	£000	%
Council Tax		(29,084)	66.65
Council Tax – collection fund surplus		(218)	0.50
Revenue Support Grant	(3,927)		9.00
Business Rates	(4,395)		10.07
'Top-up' Grant	(5,138)		11.78
		(13,460)	
Business Rates – collection fund deficit		6	(0.01)
Business Rates – Section 31 Grant		(679)	1.56
Appropriation to Collection Fund Adjustment Account		(64)	0.15
Transfer to provision		(129)	0.30
Total		(43,628)	100.00

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 by Cheshire Fire in 2019/20 by expenditure type.



3.2.2. On 13th February 2019 the Authority approved the 2019/20 revenue budget of £43.5m together with a capital programme of £17.5m. 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's outturn was an underspend of £640k which has been transferred to the capital reserve. Details are shown in the table below.

Fire Authority's Service Area	2019/20 Budget £000	Actual £000	Reserve Funding £000	Revised Variance £000
Firefighting & Rescue Operations	27,364	28,052	317	1,005
Protection	1,942	1,897	22	(23)
Prevention	2,463	2,041	90	(332)
Support Services	9,672	9,181	385	(106)
Unitary Performance Groups	100	97	3	-
Finance resources	1,348	(998)	-	(2,346)
Contributions to/(from) provisions	-	120	-	120
Contributions to/(from) reserves	572	572	1,209	1,209
Funding	(43,461)	(43,628)	-	(167)
Surplus transferred to capital reserve at year end			640	640
Cheshire Fire Total	-	(2,666)	2,666	-

3.2.4. The main reasons for this underspend was reported during the year to performance and Overview committee and final report to the Authority at its meeting in July 2020. Reasons include higher pay costs, offset by additional pension grant; slippage in some one-off projects where funds have been transferred to reserves; business rates S31 grant being slightly higher than budget; as well as £32k from the National Non Domestic Rates (NNDR) levy account surplus distribution in March 2020.

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 58.

3.3 Capital

3.3.1. During 2019/20 the Fire Authority invested £12.8m on capital as follows:

Fire Authority's Capital Expenditure	2019/20 £000
Training Centre	7,357
Fire Station Builds & Modernisation Programme	3,876
Fire Houses	209
Fire Appliances	1,194
Other Vehicles	109
Equipment	99
Total	12,844

3.3.2. As well as the standard capital spending on fire appliances and equipment there are particular programmes underway, including the new immersive operational training centre under construction at Sadler Road in Winsford.

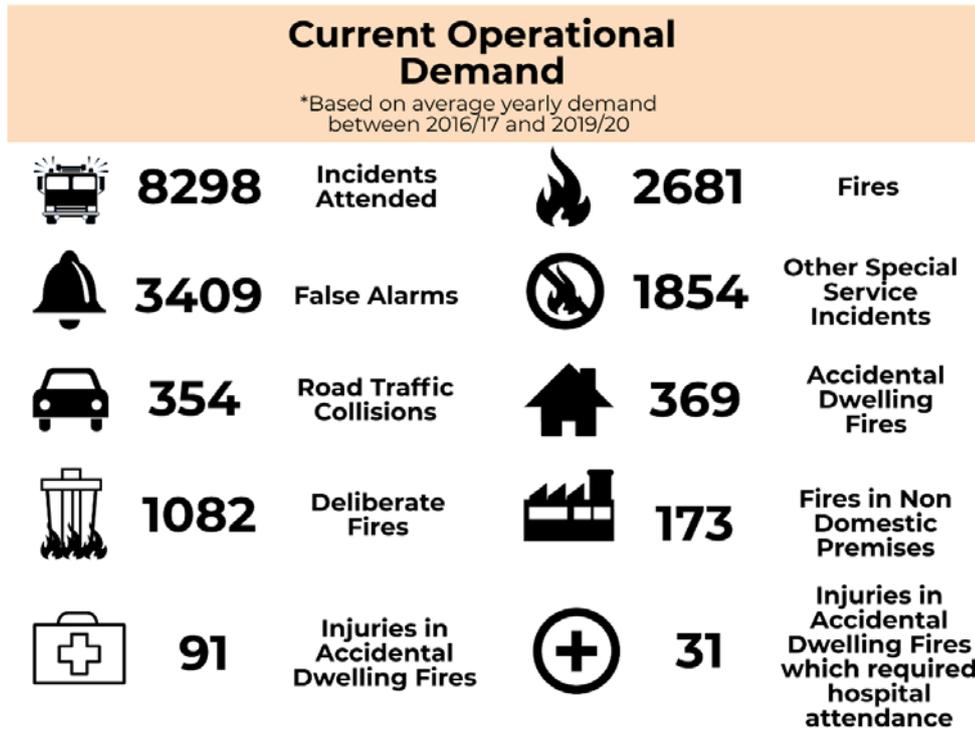
3.3.3. The multi-year programme of modernisation across the Service's property portfolio is also underway and work has commenced to replace the existing fire station at Chester, on the site on St Anne Street. Following a process of soft stripping the building over the festive period, the old Chester fire station was demolished in January 2020.

3.3.4. Following an extensive feasibility study, a decision was taken September 2019 to no longer pursue plans to build a joint fire and police station in Crewe. The Service, Fire Authority, Police & Crime Commissioner, and Cheshire Constabulary had explored opportunities for a joint police and fire base in Crewe – potentially at the existing site of the fire station off Macon Way. The feasibility work was successful in delivering an option that, in different circumstances, might have been capable of being pursued. Unfortunately, the extent, shape and layout of the site, coupled with the need to fit significant operational requirements on it, produced a solution that was complex and expensive. The Fire Authority and Commissioner concluded that this option was not value for money. The Service then moved to developing its plans for a new fire-only station on its existing site in Crewe.

3.3.5. During 2019/20 the modernisation works at Bollington and Tarporley fire stations were progressed as part of the extensive programme of modernisation to Cheshire's fire stations. These projects will ensure our fire stations and other buildings meet the needs and requirements of a modern fire and rescue service.

4. Non-financial Performance

4.1 The risks facing Cheshire Fire and Rescue Service are diverse. A summary of the recent operational demand is shown below.



4.2 Collaborative working

4.2.1. During 2019/20 the Service continues to strengthen its collaborative working with other emergency services and organisations and undertook a number of initiatives to the benefit of the community.

4.2.2. Cheshire Fire and Cheshire Police launched Fatal 5; a new campaign designed to increase awareness in the public that road users who commit one of the Fatal 5 offences are far more likely to be involved in a fatal collision than those who do not. Stopping any more deaths from occurring as a result of something unnecessary and totally avoidable is a top priority.



- 4.2.3. A joint blue light open day with Cheshire Constabulary was held in July 2019 where more than 6,000 people got an insight into the work of the emergency services and a chance for both emergency services to showcase the skilled and varied work they do.
- 4.2.4. Cheshire Fire, Police and local rugby league stars teamed up to learn about the work that both services do for the Warrington community. The players' visits were part of the club's 36-hour Christmas community challenge where the players competed against the clock to help numerous charity projects across Warrington in order to raise money for charity.
- 4.2.5. Cheshire Fire and Rescue Service tackled an ambitious project to recruit more women firefighters by partnering up with Warrington Wolves and Widnes Vikings Rugby league Clubs. The Authority is demonstrating through these partnerships their commitment to improving diversity in the Fire Authority's workforce.
- 4.2.6. The Co-op has installed a new realistic mock convenience store at Safety Central in Lymm. It will be used to teach thousands of schoolchildren, young people and community groups about a range of important safety and lifestyle issues, including healthy eating, food labelling, age restrictions on certain products and the impact and implications of shoplifting and anti-social behaviour. Older visitors also receive tips on how to keep their money, bank and credit cards and PIN numbers safe.



- 4.2.7. In partnership with Cheshire West and Chester Council, Cheshire Fire and Rescue Service have contributed £36,000 towards ensuring every flat in its tower blocks in Ellesmere Port are safer from fire with the installation of sprinklers.

4.3 Other achievements

- 4.3.1. In April 2019 Gus O'Rourke and Alex Waller were announced as the new Assistant Fire Chiefs for Cheshire Fire and Rescue Service.



4.3.2. Fifty firefighters from across the United Kingdom took part in the first ever Cheshire Firefighter Challenge. The competition involved a course of eight challenges focused on firefighting activities and tested competitors' strengths and abilities, both physically and mentally, and provided a day of entertainment for spectators.



4.3.3. Cheshire Fire and Rescue Service attended a total of 42 flooding related incidents in and around Poynton, Bollington and Wilmslow at the end of July 2019. During a period of extreme weather conditions, heavy rainfall caused localised flooding affecting parts of Cheshire.



4.3.4. In August 2019, crews attended a major fire at Beechmere Supported living complex in Crewe, evacuating around 150 people.



- 4.3.5. In January 2020, firefighters from across Cheshire spent several days tackling the fire at a 19th Century timber framed mansion house, near Tarporley.



- 4.3.6. Cheshire Fire Choir performed at the Last Post Ceremony under the Menin Gate at Ypres and in March, Wilmslow Fire station crew demonstrated safe ways of keeping fit and social distancing during the start of the Coronavirus pandemic.

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.
- 5.3 The 2018/19 accounts recognised the potential past service cost impact of the national McCloud/Sargeant judgement in respect of unlawful age discrimination arising from the transitional pension provisions in the Fire Pension and LGPS. This is explained further in note 32 to these accounts. The judgement requires steps to be taken to compensate employees who were transferred to the new schemes potentially including Firefighter Pension Scheme members leading to an increase in Firefighter Pension Scheme liabilities.
- 5.4 The impact of an increase in scheme liabilities arising from McCloud/Sargeant judgment will be measured through the pension valuation process which determines employer and employee contribution rates.
- 5.5 The next Firefighters Pension valuation is due to take place in 2020 with implementation of the results planned for 2023/24. The Authority will need to plan for the impact of this on employer contribution rates alongside other changes identified through the valuation process. The impact of an increase in annual pension payments arising from McCloud/Sargeant is determined through The Firefighters Pension Fund Regulations. These require

a fire authority to maintain a pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the Firefighter pension fund does not have enough funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the Authority in the form of a central government top-up grant.

6. North West Fire Control (NWFC)

- 6.1 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.
- 6.2 During 2018/19 a further detailed assessment for Group Accounting requirements took place in respect of NWFC. 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 was determined that the company is governed by Joint Control due to the fact that unanimous consent exists for key decisions and that each Authority (including Cheshire) has equal voting rights. Based on materiality – i.e. would it significantly change any individual balance within the accounts, the requirement for Cheshire Fire Authority to show their share of the joint operation in their accounts became necessary. Further details can be found in the NWFC note on page 68.
- 6.3 These accounts include the Authority's 25% share of the results of North West Fire Control Limited, 2019/20 based on their unaudited accounts.

7. Future Developments and Plans

- 7.1 Fire and rescue services across the country are undergoing a significant period of change. The Government's fire reform agenda sets out a clear direction of travel and challenges for the sector to ensure services are effective, accountable, transparent and reflective of the diverse communities it serves. This is underpinned by a statutory inspection regime and a refreshed national framework that sets out the overall strategic direction for fire and rescue authorities, alongside certain expectations and requirements.
- 7.2 Cheshire Fire Authority's draft Integrated Risk Management Plan 2020-2024 (IRMP) was out for consultation between December 2019 and March 2020, the period was then extended slightly due to the coronavirus epidemic. This is due to be presented to the Fire Authority in July 2020. The IRMP sets out the risks facing the communities of Cheshire, how we will prevent and protect our communities from fire and other emergencies and our plans for providing emergency response.
- 7.3 Cheshire Fire Authority is required to have regard to the Fire and Rescue National Framework for England when carrying out its functions. The Framework sets out the Government's priorities and objectives for fire and rescue authorities in England. One such requirement of the Framework is to produce an IRMP. This four year plan will outline how the Authority will make Cheshire Fire and Rescue Service better able to meet the challenges and needs of modern societies, embracing new technology and recognising the changing risks within our communities. This has been developed through a comprehensive review of the whole service, using feedback from staff, representative bodies and previous consultations.

7.4 The draft IRMP outlines plans for the future, which include:

Prevention	<ul style="list-style-type: none"> • Extend Safe and Well home visits to focus interventions for a broader range of vulnerable people. • Work with public sector partners to create a strategic road safety plan that will have a real impact on reducing the number of people killed or seriously injured on our roads. • Develop targeted campaigns to raise awareness and protect our communities from the key causes of fire.
Protection	<ul style="list-style-type: none"> • Review our risk-based inspection programme. • Change our approach to how we manage heritage risks. • Launch a Service-wide campaign aimed at owners and occupiers of houses in multiple occupation. • Expand our 'Sprinklers Save Lives' campaign, promoting the use of sprinklers in business premises and high rise residential properties.
Response	<ul style="list-style-type: none"> • Replace Macclesfield aerial appliance with a Stinger or Scorpion vehicle. • Change the crewing system at Wilmslow Fire Station from nucleus to day crewing. • Move the second fire engine from Ellesmere Port to Powey Lane and move the current fire engine at Powey Lane back to Chester. • Provide Rapid Response Rescue Units on all primary on-call fire stations. • Review our water response provision, including potentially investing in a large water carrier which could be based at Ellesmere Port Fire Station. • Develop our wildfire capacity. • Review our specialist resources. • Review the need for new equipment to improve the effectiveness of our response.

8. Coronavirus (Covid-19) pandemic

8.1 The coronavirus pandemic has brought about an unprecedented public health emergency and the Authority's top priorities are to maintain the best service to the public, protect firefighters and staff and support the national response. During this major incident, the Authority are continuing to provide all the essential services you expect from them.

8.2 We have undertaken a huge amount of work in supporting our partner agencies to help our communities stay safe. This has included a wide range of activities to support both residents and our front-line colleagues, such as:

- Delivering prescription medicines to vulnerable residents.
- Using our FireBikes to help transport vital blood and tissue samples.
- Transporting food parcels to help those in need.
- Supporting the mass distribution of personal protection equipment to health and care colleagues.
- Helping our local authority partners identify extremely vulnerable people so that necessary support can be put in place.

- 8.3 The pandemic has also meant a significant change to how we operate as a service. We have introduced changes to many aspects of our day-to-day working practices to comply with social distancing and minimise the risk of infection to our staff, their families and the wider community. We have developed new ways to deliver some of our services, such as providing more telephone and online support for businesses through our Protection Department.
- 8.4 While the Authority has continued to serve the public throughout the pandemic, the financial impact has been limited at year end. Additional costs and reduction of income has fallen into 2020/21, following the Prime Minister's Pandemic related shutdown speech on 24th March 2020 and the introduction of lockdown rules. In terms of funding, the Government announced emergency local government funding for Covid-19 additional costs. Tranche 1 was announced on 20th March 2020 with Cheshire Fire and Rescue Service receiving £166,768 in 2019/20. Tranche 2 was announced on 18th April 2020 with Cheshire Fire and Rescue Service receiving £793,795 in 2020/21. The associated costs for PPE; equipment; additional staff cost; cleaning materials; and staff welfare have been incurred during 2020/21.
- 8.5 The Government paid the S31 grants up-front for 2020/21 to support cashflow. At the time of producing these accounts there were no indications that the council tax funding would not be received in full for 2020/21. However, it must be recognised that the collection funds for council tax and the Authority's share of these, are included in these accounts with both debtors and creditors based on data from the start of the pandemic (position as at 31st March 2020).
- 8.6 The collection funds for business rates and the Authority's 1% share of these, are also included in these accounts, again with both debtors and creditors based on data from the start of the pandemic. In the Budget delivered to Parliament on 11th March 2020, the Chancellor announced all businesses eligible for Small Business Rates Relief and Rural Rates Relief would receive a grant of £3,000 to help with the impact of Covid-19. Subsequently the scheme was expanded to include businesses in the retail, hospitality and leisure sectors and the amount of grant increased to £10,000 for businesses with a rateable value under £15,000 and to £25,000 for businesses with a rateable value between £15,000 and £51,000. As well as expanding the Business Rates Retail Discount to 100% for 2020/21, these measures will see less NDR income for the Fire Authority that will be offset by reimbursement from Central Government under S.31 grant.
- 8.7 For all of the collection funds, as 2020/21 progresses, these may materially change as the impact on the economy and its ability to recover is felt and any changes will be included in the 2021/22 budget report reflected as prior year deficit; or in extreme circumstances will be reported in year at the quarterly budget monitoring meetings if any of the collection authorities decide to change the amounts distributed during the year.
- 8.8 Due to the Covid-19 epidemic causing the delay in the closedown deadline for 2019/20 actual investment return figures were able to be used for the Hymans report for asset values of funded LGPS pension schemes, unlike previous years where some estimates were used for accounting purposes at the year end. So the IAS19 balance sheet for the LGPS is based on financial market values and future market expectation indicators as at 31 March 2020 to comply with the accounting standard. The financial markets at the accounting date will have taken into account Covid-19 risks (and opportunities) as one of many national and worldwide economic considerations. There has been no explicit additional allowance or adjustment made for Covid-19 by Hymans.

8.9 Further advice has been provided by the Actuary, looking at the period since 31st March 2020:

- There has been some recovery in investment markets (after significant falls in February and March due to Covid-19 uncertainties), however it is too early to tell whether these changes will be sustained or whether further setbacks may occur.
- The key non-financial assumption made within the accounts is for life expectancy. However at this stage it is not possible to extrapolate the longer term impact of the higher death rate due to Covid-19 in 2020/21 on either future mortality or morbidity rates.

8.10 The Firefighters Pension Schemes are unfunded, which means there are no asset values to explicitly report. As such, no such approximations are made and there is no impact of the Covid-19 situation.

8.11 Covid-19 has slowed down progress on some of the capital projects due to impact on supplies and contractor's workforce as well as the need to socially distance on project sites, but as yet not actually put a stop to any.

8.12 A further area where the pandemic could impact is the valuation of assets. In terms of assets, the financial instruments held are highly liquid and cash based and therefore unlikely to be directly impacted. For land and buildings the valuer has taken into account the impact of the pandemic as stated in Note 10.

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 2020.

Councillor _____
Cheshire Fire Authority
_____ October 2020

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 2020 and that events after this date and prior to the formal approval of the Accounts have been properly considered.

Allan Rainford
Treasurer, Cheshire Fire Authority _____ October 2020

EXPENDITURE AND FUNDING ANALYSIS NOTE 2019/20

	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 (a) £000	Net Expenditure Comprehensive Income and Expenditure Statement £000
Firefighting and Rescue operations	28,369	(317)	28,052	(1,283)	26,769
Protection	1,919	(22)	1,897	(78)	1,819
Prevention	2,131	(91)	2,040	(141)	1,899
Support Services	9,564	(283)	9,281	(26)	9,255
UPGs	100	(3)	97	-	97
Corporate / Finance resources	3,241	10,469	13,710	(12,724)	986
Actuarial pension cost - McCloud Judgement	-	-	-	(1,800)	(1,800)
Net Cost of Services	45,324	9,753	55,077	(16,052)	39,025
Net cost of service - 25% share of NWFC	-	(2)	(2)	122	120
Other Income & Expenditure	(45,324)	(166)	(45,490)	16,483	(29,007)
Other Income & Expenditure -25% share of NWFC	-	-	-	28	28
(Surplus) or Deficit	-	9,585	9,585	581	10,166
Opening General Fund at 31 March 2019			(31,127)		
Less/Plus (Surplus) Deficit on General Fund in Year	Fire	9,587			
	NWFC (25%)	<u>(2)</u>			
			9,585		
Closing General Fund at 31 March 2020			(21,542)		

(a) See Note 5, for further details on the adjustments between funding and accounting basis.
This analysis is not a Primary Financial Statement and forms part of the Notes to the Accounts.

EXPENDITURE AND FUNDING ANALYSIS NOTE 2018/19

	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 (a) £000	Net Expenditure Comprehensive Income and Expenditure Statement £000
Firefighting and Rescue operations	23,639	906	24,545	(2,874)	21,671
Protection	1,655	6	1,661	(169)	1,492
Prevention	2,244	(24)	2,220	(261)	1,959
Support Services	8,671	190	8,861	(50)	8,811
UPGs	130	-	130	-	130
Corporate / Finance resources	6,026	(4,313)	1,713	(465)	1,248
Actuarial pension cost - McCloud Judgement	-	-	-	22,610	22,610
Net Cost of Services	42,365	(3,235)	39,130	18,791	57,921
Net cost of service - 25% share of NWFC			(198)	279	81
Other Income & Expenditure	(42,365)	-	(42,365)	15,170	(27,195)
Other Income & Expenditure -25% share of NWFC			194	(170)	24
(Surplus) or Deficit	-	(3,235)	(3,239)	34,070	30,831
Opening General Fund at 31 March 2018			(27,888)		
Less/Plus (Surplus) Deficit on General Fund in Year	Fire	(3,235)			
	NWFC (25%)	(4)			
			(3,239)		
Closing General Fund at 31 March 2019			(31,127)		

(a) See Note 5, for further details on the adjustments between funding and accounting basis.
This analysis is not a Primary Financial Statement and forms part of the Notes to the Accounts.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2018/19				2019/20		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000	Note	£000	£000	£000
21,826	(156)	21,670		26,926	(157)	26,769
1,519	(27)	1,492		1,848	(29)	1,819
2,559	(600)	1,959		2,585	(686)	1,899
9,689	(878)	8,811		10,109	(854)	9,255
130	-	130		98	(1)	97
1,248	-	1,248		986	-	986
22,610	-	22,610		(1,800)	-	(1,800)
59,581	(1,661)	57,920		40,752	(1,727)	39,025
729	(648)	81		831	(711)	120
46	(70)	(24)		2,719	-	2,719
15,558	(216)	15,342		14,260	(244)	14,016
-	(42,489)	(42,489)		-	(45,714)	(45,714)
1	-	1		-	-	-
75,915	(45,084)	30,831		58,562	(48,396)	10,166
		(8,258)				(3,820)
		(4,669)				(77,283)
		(12,927)				(81,103)
		17,904				(70,937)

MOVEMENT IN RESERVES STATEMENT 2019/20

	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 2019	(2,286)	(13,538)	(330)	(117)	(14,856)	(31,127)	-	(100)	(31,227)	591,752	(26,944)	(414)	547	(38,968)	525,973	494,746
Surplus/Deficit on provision of services	10,166	-	-	-	-	10,166	-	-	10,166	-	-	-	-	-	-	10,166
Other Comprehensive income and expenditure	-	-	-	-	-	-	-	-	-	(77,283)	(3,820)	-	-	-	(81,103)	(81,103)
Total Comprehensive Income & Expenditure	10,166	-	-	-	-	10,166	-	-	10,166	(77,283)	(3,820)	-	-	-	(81,103)	(70,937)
Adjustments between accounting basis & funding basis under regulations:																
• Depreciation etc.	(3,127)	-	-	-	-	(3,127)	-	-	(3,127)	-	2,751	-	-	376	3,127	-
• Gain/loss on disposal	(2,738)	-	-	-	-	(2,738)	-	-	(2,738)	-	-	-	-	2,738	2,738	-
• Revaluation gain/loss	329	-	-	-	-	329	-	-	329	-	-	-	-	(329)	(329)	-
• Pension costs	(8,118)	-	-	-	-	(8,118)	-	-	(8,118)	8,118	-	-	-	-	8,118	-
• Capital expenditure charged to revenue	12,724	-	-	-	-	12,724	-	-	12,724	-	-	-	-	(12,724)	(12,724)	-
• Cash sale proceeds	19	-	-	-	-	19	-	(19)	-	-	-	-	-	-	-	-
• Use of capital receipts	-	-	-	-	-	-	-	119	119	-	-	-	-	(119)	(119)	-
• Use of capital grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
• Collection Fund	(64)	-	-	-	-	(64)	-	-	(64)	-	-	64	-	-	64	-
• Accumulated Absences	(52)	-	-	-	-	(52)	-	-	(52)	-	-	-	52	-	52	-
• Statutory provision for the repayment of debt (MRP)	446	-	-	-	-	446	-	-	446	-	-	-	-	(446)	(446)	-
Net increase/decrease before earmarked reserve transfers	9,585	-	-	-	-	9,585	-	100	9,685	(69,165)	(1,069)	64	52	(10,504)	(80,622)	(70,937)
Transfers to/from earmarked reserves	(9,587)	(985)	(15)	(3)	10,590	-	-	-	-	-	-	-	-	-	-	-
(Increase)/Decrease in year	(2)	(985)	(15)	(3)	10,590	9,585	-	100	9,685	(69,165)	(1,069)	64	52	(10,504)	(80,622)	(70,937)
Balances at 31 March 2020	(2,288)	(14,523)	(345)	(120)	(4,266)	(21,542)	-	-	(21,542)	522,587	(28,013)	(350)	599	(49,472)	445,351	423,809

MOVEMENT IN RESERVES STATEMENT 2018/19

	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 2018	(8,281)	(15,849)	(475)	(367)	(2,916)	(27,888)	-	(403)	(28,291)	563,828	(19,208)	(637)	512	(39,362)	505,133	476,842
Surplus/Deficit on provision of services	30,831	-	-	-	-	30,831	-	-	30,831	-	-	-	-	-	-	30,831
Other Comprehensive income and expenditure	-	-	-	-	-	-	-	-	-	(4,669)	(8,258)	-	-	-	(12,927)	(12,927)
Total Comprehensive Income & Expenditure	30,831	-	-	-	-	30,831	-	-	30,831	(4,669)	(8,258)	-	-	-	(12,927)	17,904
Adjustments between accounting basis & funding basis under regulations:																
• Depreciation etc.	(2,912)	-	-	-	-	(2,912)	-	-	(2,912)	-	522	-	-	2,390	2,912	-
• Gain/loss on disposal	(150)	-	-	-	-	(150)	-	-	(150)	-	-	-	-	150	150	-
• Revaluation gain/loss	725	-	-	-	-	725	-	-	725	-	-	-	-	(725)	(725)	-
• Pension costs	(32,593)	-	-	-	-	(32,593)	-	-	(32,593)	32,593	-	-	-	-	32,593	-
• Capital expenditure charged to revenue	466	-	-	-	-	466	-	-	466	-	-	-	-	(466)	(466)	-
• Cash sale proceeds	174	-	-	-	-	174	-	(174)	-	-	-	-	-	-	-	-
• Use of capital receipts	-	-	-	-	-	-	-	477	477	-	-	-	-	(477)	(477)	-
• Use of capital grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
• Collection Fund	(223)	-	-	-	-	(223)	-	-	(223)	-	-	223	-	-	223	-
• Accumulated Absences	(35)	-	-	-	-	(35)	-	-	(35)	-	-	-	35	-	35	-
• Statutory provision for the repayment of debt (MRP)	478	-	-	-	-	478	-	-	478	-	-	-	-	(478)	(478)	-
Net increase/decrease before earmarked reserve transfers	(3,239)	-	-	-	-	(3,239)	-	303	(2,936)	27,924	(7,736)	223	35	394	20,840	17,904
Transfers to/from earmarked reserves	9,234	2,311	145	250	(11,940)	-	-	-	-	-	-	-	-	-	-	-
(Increase)/Decrease in year	5,995	2,311	145	250	(11,940)	(3,239)	-	303	(2,936)	27,924	(7,736)	223	35	394	20,840	17,904
Balances at 31 March 2019	(2,286)	(13,538)	(330)	(117)	(14,856)	(31,127)	-	(100)	(31,227)	591,752	(26,944)	(414)	547	(38,968)	525,973	494,746

BALANCE SHEET

31 Mar 2019				31 Mar 2020	
£000	£000		Note	£000	£000
65,590		Land and Buildings	10	66,211	
6,199		Vehicles and Equipment	10	6,932	
1,309		Assets under Construction	10	10,190	
305		Intangible Assets	11	417	
	73,403	Total Long-term Assets			83,750
20,051		Short-term investments	12	13,013	
521		Inventories	14	723	
3,944		Short-term debtors	15	4,820	
3,337		Amount due from pension fund	Pension Fund	1,904	
-		Assets held for sale	13	875	
5,414		Cash and Cash Equivalents	16	6,322	
	33,267	Total Current Assets			27,657
	106,670	Total Assets			111,407
(880)		Short-term Borrowing	12	-	
(6,988)		Short-term Creditors	17	(10,765)	
(772)		Provisions	18	(853)	
	(8,640)	Total Current Liabilities			(11,618)
	98,030	Total Assets less Current Liabilities			99,789
(1,012)		Long-term borrowing	12	(1,012)	
(13)		Deferred liabilities	31	-	
(591,751)		Net Pension Liability (IAS 19)	32	(522,586)	
	(592,776)	Total Long-term Liabilities			(523,598)
	(494,746)	Net Assets / (Liabilities)			(423,809)
	(31,227)	Usable reserves	19		(21,542)
	525,973	Unusable reserves	20		445,351
	494,746	Total Reserves			423,809

CASH FLOW STATEMENT

2018/19 £000		Note	2019/20 £000
30,831	Net (surplus)/deficit on the provision of services	CI&E	10,166
(33,602)	Adjustment to the net (surplus)/deficit on the provision of services for non-cash movements	21	(15,285)
162	Adjustment to for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	21	6
(2,609)	Net cash flows from Operating Activities		(5,113)
4,575	Investing Activities	21	3,312
23	Financing Activities	21	893
1,989	Net (increase)/decrease in cash and cash equivalents		(908)
7,403	Cash and Cash Equivalents at the beginning of the reporting period	16	5,414
5,414	Cash and Cash Equivalents at the end of the reporting period	16	6,322
1,989	Net (increase)/decrease in cash and cash equivalents		(908)

FIREFIGHTER PENSION FUND

2018/19			2019/20	
£000	£000		£000	£000
		Contributions receivable		
		Fire Authority contributions:		
(498)		1992 Firefighter Pension Scheme	(468)	
(88)		2006 Firefighter Pension Scheme ¹	(136)	
<u>(1,769)</u>		2015 Firefighter Pension Scheme	<u>(4,177)</u>	
	(2,355)			(4,781)
	-	Pension abatement costs		(25)
	(83)	Actuarial charges for early and ill health retirements		(61)
	<u>(2,438)</u>			<u>(4,867)</u>
		Firefighters' contributions:		
(321)		1992 Firefighter Pension Scheme	(192)	
(100)		2006 Firefighter Pension Scheme ¹	(87)	
<u>(1,580)</u>		2015 Firefighter Pension Scheme	<u>(1,851)</u>	
	(2,001)			(2,130)
	(95)	Transfers in from other pension funds		(123)
	<u>(4,534)</u>	Total amount receivable		<u>(7,120)</u>
		Benefits payable		
13,190		Pensions	13,678	
3,425		Commutation of pensions and lump sum retirement benefits	2,107	
<u>22</u>		Lump sum death benefits	-	
	16,637	Total benefits payable		15,785
	-	Transfers out to other schemes		164
	1	Administrative expenses		-
	<u>16,638</u>	Total amount payable		<u>15,949</u>
	12,104	(Surplus)/Deficit for the year before 'Top-up' Government grant		8,829
	<u>(12,104)</u>	'Top-up' Government grant		<u>(8,829)</u>
	-	Net amount for the year		<u>-</u>
		NET ASSETS STATEMENT		
31 Mar 19			31 Mar 20	
£000		Current Assets	£000	
3,361		'Top-up' Government grant	1,920	
3		Employee arrears	-	
		Current Liabilities		
	-	Contributions received in advance		-
	(27)	Benefits outstanding		(16)
	<u>(3,337)</u>	Amount due to General Fund		<u>(1,904)</u>
	-	Net Assets		<u>-</u>

Note ¹ - these rows include the Modified Firefighter Pension Scheme
For further details please see note 32 on page 71

NOTES TO THE ACCOUNTS

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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 2019/20 financial year and its position at the year end of 31 March 2020. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations (England) 2015 which state that accounts need 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 2019/20, supported by International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

These financial statements have been prepared under the historical cost convention, modified by the revaluation of certain categories of non-current assets and where material, financial instruments as determined by the relevant accounting standard.

In addition, this Statement of Accounts assumes the Fire Authority will continue in operational existence for the foreseeable future under the 'Going Concern' concept as a statutory body under legislation.

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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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 Exceptional Items

When items of income and expenditure are material and exceptional, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the Notes to the Accounts, depending on how significant the items are to the understanding of the Authority's financial performance.

1.5 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.

Items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature and/or size of the omission or misstatement judged in the surrounding circumstances.

1.6 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.

1.7 Council Tax and Non-domestic Rates

The four local authorities within Cheshire act as agents, collecting council tax and non-domestic rates on behalf of the major preceptors – including the Fire Authority. The authorities are required by statute to maintain a separate fund (called the Collection Fund) for the collection and distribution of amounts due in respect of council tax and non-domestic rates. Under the legislative framework for the Collection Fund, the local authorities, preceptors (including the Fire Authority) and central Government share proportionately the risks and rewards should the amount collected be more or less than predicted.

The council tax income included in the Comprehensive Income and Expenditure Statement (CIES) is the Authority's share of the accrued income for the year. However, regulations determine the amount of council tax that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account (an unusable reserve) and included as a reconciling item in the Movement of Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances held by the four local authorities in respect of council tax and non-domestic rates. It takes into account arrears, impairment allowances for doubtful debts, overpayments and prepayments together with appeals.

Where debtor balances for the above are identified as impaired because of likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.8 Employee Benefits

1.8.1 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.

1.8.2. 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.

1.8.3. 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, which is administered by 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 2019/20 the Authority paid an employer's primary rate contribution of 18.3% 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. With the latest review undertaken in March 2019, which will impact from 2020/21. 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, 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 2019/20 the Authority paid an employer's contribution of 37.3% of employees' pensionable pay into the fund in respect of the 1992 and 2006 Modified Schemes, 27.4% in respect of the 2006 scheme and 28.8% 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.

1.9 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.

1.10 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.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of charging the full effect of premiums and discounts to the Comprehensive Income and Expenditure Statement in the year in which they are incurred.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. These three main classes of financial assets are measured at:

- Amortised cost;
- Fair value through profit or loss (FVPL); and
- Fair value through other comprehensive income (FVCOI).

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified at amortised cost.

Financial assets measured at amortised cost

Financial assets measured at amortised cost 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.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected credit loss model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

Fair value through Profit or Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes a party to a contractual provision of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

For measuring assets and liabilities at fair value, the authority categorises the inputs to valuation techniques into 3 values as follows

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

1.11 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.

1.12 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.

1.13 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.

1.14 Interests in Companies and Other Entities (Group Accounts)

The Authority has an interest in NW Fire Control Ltd. Cheshire Fire Authority's 25% share is shown in the accounts. 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. There was no business activity in 2019/20. The company accounts consists of the donation of £5,000 from the Authority to the company in 2016/17 in respect of initial working capital.

1.15 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.

1.16 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).

1.17 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.

1.18 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, 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 it becomes probable that an asset will be sold it is reclassified as an Asset held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets held for Sale.

If assets no longer meet the criteria to be classified as Assets held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as 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.

All assets with a net present value of £nil (i.e. fully depreciated) will be reviewed annually and any unsubstantiated assets will be recorded as 'disposed of or scrapped'.

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.

1.19 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.

1.20 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.

1.21 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 (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 2019/20 and 2020/21 financial statements in respect of accounting changes that are introduced in the 2020/21 Code are:

- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

The above changes have no impact on these accounts but will be reviewed during 2020/21 and any amendments required will be clearly shown in the 2020/21 Statement of Accounts.

IFRS 16 - Accounting treatment of Leases - The aim of the standard is to provide increased visibility of lease commitments and to ensure more consistent financial reporting of leased assets. The current distinction between assets held under finance leases which go on the balance sheet and assets held under operating leases which are expensed in the CIES will largely be removed with most leases now being classified as finance leases and put on the balance sheet. The standard was originally due to be implemented on 1 April 2020 i.e. for the 2020/21 Accounts but this has now been postponed for one year so will come into effect for the 2021/22 Accounts. Under the new standard a right-of-use asset and lease liability will be recognised on the balance sheet. The depreciation of leased assets and interest on lease liabilities will go through the CIES. The process of collating information on leased assets is well underway. These are accounting changes and have no impact on the cost of leasing to the organisation.

3. Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Authority's Balance Sheet at 31 March 2020 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 and Equipment (see Note 10)	Following RICS advice, due to global economic uncertainty caused by the Covid 19 pandemic, the Valuer has provided 2019/20 valuations on the basis of 'material valuation uncertainty'.	Each 5% change in the value of Land & Buildings assets would have an impact of £3.3m on their Net Book Value at 31st March 2020.

Item	Uncertainties	Effect if actual results differ from assumptions
Pension Liability (see Note 32)	<p>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.</p> <p>A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied for firefighter pensions and Cheshire West & Chester Council provide information on the Local Government Pension Scheme.</p>	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.

4. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Treasurer on the 7th October 2020. 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 2020, 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.

5. Supporting information for the Expenditure and Funding Analysis note

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 2019/20
2019/20	£000	£000	£000	£000
Firefighting & rescue operations	2,351	(3,678)	44	(1,283)
Protection	143	(225)	3	(79)
Prevention	259	(405)	5	(141)
Support Services	44	(70)	-	(26)
UPGs	-	-	-	-
Corporate/Finance Resources	(12,724)	-	-	(12,724)
Actuarial pension cost - McCloud Judgement	-	(1,800)	-	(1,800)
Net cost of services	(9,927)	(6,178)	52	(16,053)
NWFC 25%	-	122	-	122
Other income & expenditure from the funding analysis	2,273	14,146	64	16,483
NWFC 25%	-	28	-	28
Difference between GF surplus/ deficit and CIES surplus/ deficit	(7,654)	8,118	116	580

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 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 2018/19
2018/19	£000	£000	£000	£000
Firefighting & rescue operations	1,873	(4,777)	30	(2,874)
Protection	111	(282)	2	(169)
Prevention	170	(434)	3	(261)
Support Services	32	(83)	1	(50)
UPGs	-	-	-	-
Corporate/Finance Resources	(465)	-	-	(465)
Actuarial pension cost - McCloud Judgement	-	22,610	-	22,610
Net cost of services	1,721	17,034	36	18,791
NWFC 25%	-	279	-	279
Other income & expenditure from the funding analysis	(502)	15,449	223	15,170
NWFC 25%	-	(170)	-	(170)
Difference between GF surplus/ deficit and CIES surplus/ deficit	1,219	32,592	259	34,070

6. Expenditure and Income analysed by nature

2018/19 £000		2019/20 £000	£000
	Expenditure:		
26,578	Employee pay	30,104	
577	Other Employee expenses	612	
386	Pensions	386	
2,423	Premises	2,651	
1,088	Transport	1,117	
4,261	Supplies, Services & other expenses	4,110	
4,902	Agency & Contracted Services	5,019	
32,483	Net change for the Pension adjustments	7,968	
2,331	Capital Charges & Finance Resources	5,616	
132	Members' Allowances	128	
2	Provisions	(9)	
75,163	Total Expenditure	57,702	
752	25% NWFC expenditure	859	
75,915	Total Financial reporting entity Expenditure		58,561
	Income:		
(1,594)	Fees & Other Service Income	(1,531)	
(21)	Sales	(31)	
(216)	Interest	(244)	
(42,605)	Government Grants & local taxation	(45,878)	
(44,436)	Total Income	(47,684)	
(648)	25% NWFC income	(711)	
(45,084)	Total Financial reporting entity Income		(48,395)
30,831	Net (surplus)/deficit provisions of services		10,166

7. 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 17.

8. Movement in Earmarked Reserves

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

9. Notes to the Comprehensive Income and 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	2019/20	2018/19
	£000	£000
Interest and Investment Income	(244)	(216)
Interest Payable and Similar Charges	86	86
Pension Net Interest	14,174	15,471
Total	14,016	15,342

Taxation and Non-Specific Grant Income	2019/20	2018/19
	£000	£000
Council Tax Income	(29,302)	(28,037)
Non-domestic Rates/Business Rates Retention Scheme	(9,527)	(9,424)
Non-specific Government Grants	(6,885)	(5,028)
Capital Grants and Contributions	-	-
	(45,714)	(42,489)
NWFC – taxation (25%)	-	1
Total	(45,714)	(42,488)

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.

10. Property, Plant and Equipment

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

2019/20	Cheshire Fire Authority				CFA Total	NWFC (25%)		NWFC Total	Financial reporting entity
	Land & Buildings	Vehicles	Plant & Equipment	Assets Under construction		Fixtures & Fittings	Computer equipment		TOTAL
<u>Cost or Valuation</u>	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2019	65,590	13,487	3,942	1,309	84,328	62	157	219	84,547
Additions	2,258	1,302	100	9,184	12,844	-	-	-	12,844
Revaluations: charged to reserve	1,737	-	-	-	1,737	-	-	-	1,737
Revaluations: charged to CIES	219	-	-	-	219	-	-	-	219
Disposals	(2,718)	(524)	(245)	-	(3,487)	-	-	-	(3,487)
Reclassifications (a)	(875)	303	-	(303)	(875)	-	-	-	(875)
At 31 March 2020	66,211	14,568	3,797	10,190	94,766	62	157	219	94,985
<u>Depreciation</u>									
At 1 April 2019	-	(8,149)	(3,133)	-	(11,282)	(43)	(124)	(167)	(11,449)
Charge in year	(2,193)	(797)	(141)	-	(3,131)	(7)	(7)	(14)	(3,145)
Written out to reserve	2,083	-	-	-	2,083	-	-	-	2,083
Written out to CIES	110	-	-	-	110	-	-	-	110
Disposals	-	504	245	-	749	-	-	-	749
Reclassifications	-	-	-	-	-	-	-	-	-
At 31 March 2020	-	(8,442)	(3,029)	-	(11,471)	(50)	(131)	(181)	(11,652)
Net Book Value at 1 April 2019	65,590	5,338	809	1,309	73,046	19	33	52	73,098
Net Book Value at 31 March 2020	66,211	6,126	768	10,190	83,295	12	26	38	83,333

Note (a) see Asset held for sale note for more detail on page 56

10. Property, Plant and Equipment

The following table shows the comparable movements in 2018/19.

2018/19	Cheshire Fire Authority				CFA Total £000	NWFC (25%)		NWFC Total £000	Financial reporting entity
	Land & Buildings £000	Vehicles £000	Plant & Equipment £000	Assets Under construction £000		Fixtures & Fittings £000	Computer equipment £000		TOTAL £000
<u>Cost or Valuation</u>	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2018	58,842	14,010	3,983	302	77,137	62	124	186	77,323
Additions	(7)	186	26	1,044	1,249	-	33	33	1,282
Revaluations: charged to reserve	6,534	-	-	-	6,534	-	-	-	6,534
Revaluations: charged to CIES	356	-	-	-	356	-	-	-	356
Disposals	(135)	(746)	(67)	-	(948)	-	-	-	(948)
Reclassifications	-	37	-	(37)	-	-	-	-	-
At 31 March 2019	65,590	13,487	3,942	1,309	84,328	62	157	219	84,547
<u>Depreciation</u>									
At 1 April 2018	(166)	(8,056)	(3,036)	-	(11,258)	(34)	(122)	(156)	(11,414)
Charge in year	(1,945)	(806)	(164)	-	(2,915)	(9)	(2)	(11)	(2,926)
Written out to reserve	1,724	-	-	-	1,724	-	-	-	1,724
Written out to CIES	369	-	-	-	369	-	-	-	369
Disposals	18	713	67	-	798	-	-	-	798
Reclassifications	-	-	-	-	-	-	-	-	-
At 31 March 2019	-	(8,149)	(3,133)	-	(11,282)	(43)	(124)	(167)	(11,449)
Net Book Value at 1 April 2018	58,676	5,954	947	302	65,879	28	2	30	65,909
Net Book Value at 31 March 2019	65,590	5,338	809	1,309	73,046	19	33	52	73,098

Revaluations

Assets included in the Balance Sheet are revalued at least every five years. The Fire Authority's property portfolio had a full valuation on 31 March 2019, with the next full valuation due 31 March 2024. 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 and Safety Centre – Depreciated Replacement Cost
- Surplus Assets – Fair Value

Surplus assets are measured for their economic benefits at fair value under IFRS13 – Fair Value Measurement. 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 £0.35m (£0.35m March 2019).

The 2019 valuation resulted in an overall net increase in asset values of £7m and subsequent annual review has led to further revaluation of Fire Stations, Fire Headquarters and Residential Properties resulting in a further overall increase in asset values of £2m (March 2020).

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

Due to global economic uncertainty caused by the Covid 19 pandemic the 2019/20 valuations have been provided on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution is attached to the valuation than would normally be the case.

Capital Commitments

At 31 March 2020 the Authority had capital commitments of £9.006m (31 March 2019 £0.507m).

The Authority has approved the building of a newly refurbished and expanded Operational Training Centre along with a replacement Fire Station in Chester. Both of these major projects were in their build phases at 31 March 2020. A replacement Fire Station in Crewe has also been approved but is currently in its design stage so is not a contractual commitment at this point. In addition, works to refurbish Birchwood, Runcorn, Sandbach and Middlewich Fire stations were in progress at 31 March 2020 following the completed modernisation of Bollington and Tarpurley Fire Stations during the year. Contracts are also in place to refurbish a number of Fire Service residential properties. In addition, a replacement support vehicle had been ordered but not delivered at 31 March 2020.

These commitments are detailed as follows:	31 March 20	31 March 19
	£000	£000
New station build – Chester	3,438	-
New Operational Training Centre	3,922	6
Fire Station modernisation programme	1,402	-
Residential Properties modernisation programme	230	-
Appliance replacement programme	-	440
Specialist and Support vehicles	14	61
Total capital commitments	9,006	507

11. 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:

	2019/20			2018/19		
	CFA	NWFC (25%)	Total	CFA	NWFC (25%)	Total
	£000	£000	£000	£000	£000	£000
<u>Carrying Amount</u>						
Balance at start of year	334	692	1,026	289	687	976
Reclassification	-	197	197	-	-	-
Additions	-	26	26	45	5	50
Disposals	(142)	-	(142)	-	-	-
Balance at end of year	192	915	1,107	334	692	1,026
<u>Amortisation</u>						
Balance at start of year	(298)	(423)	(721)	(289)	(321)	(610)
Charge for the year	(9)	(102)	(111)	(9)	(102)	(111)
Disposals	142	-	142	-	-	-
Balance at end of year	(165)	(525)	(690)	(298)	(423)	(721)
Net Book Value at 1 April	36	269	305	-	366	366
Net Book Value at 31 March	27	390	417	36	269	305

12. 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 2020	31 March 2019	31 March 2020	31 March 2019
	£000	£000	£000	£000
<u>Investments</u>				
Loans and receivables				
- Investments	-	-	13,013	20,051
- Imprest and cash	-	-	6,322	5,414
Total Investments	-	-	19,335	25,465
<u>Debtors</u>				
- Loans and receivables	-	-	559	1,111
- Plus items not classed as Financial Instruments	-	-	4,261	2,833
Total Debtors	-	-	4,820	3,944

	Long-term		Current	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Borrowings				
Financial Liabilities at amortised costs				
- PWLB	(1,012)	(1,012)	-	(880)
Total Borrowings	(1,012)	(1,012)	-	(880)
Creditors				
- Financial liabilities at amortised costs	-	-	(7,716)	(4,484)
- Plus items not classed as Financial Instruments	-	-	(3,049)	(2,504)
Total Creditors	-	-	(10,765)	(6,988)

Income, Expense, Gains and Losses

	Financial Liabilities at amortised costs £000	Financial Assets; Loans and Receivables £000	TOTAL £000
2019/20			
Interest Expense	(86)	-	(86)
Impairment losses (bad debt provision)	-	(6)	(6)
Total expense in Surplus/Deficit on the Provision of Services	(86)	(6)	(92)
Interest Income	-	244	244
Total income in Surplus/Deficit on the Provision of Services	-	244	244
Net Gain/(Loss) for the year	(86)	238	152
2018/19			
Interest Expense	(86)	-	(86)
Impairment losses (bad debt provision)	-	(4)	(4)
Total expense in Surplus/Deficit on the Provision of Services	(86)	(4)	(90)
Interest Income	-	216	216
Total income in Surplus/Deficit on the Provision of Services	-	216	216
Net Gain/(Loss) for the year	(86)	212	126

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, interest rates prevailing at 31 March 2020;
- 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 2020		31 March 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
PWLB	(1,012)	(1,238)	(1,892)	(2,163)
TOTAL	(1,012)	(1,238)	(1,892)	(2,163)

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 Fire Authority when it approves the budget. It includes a section on risks associated with Treasury Management and identifies the Head of Finance (Fire and Police) 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. The Authority's principal objectives for investments are security first, liquidity next and finally yield.

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 that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time

limits with a financial institution located in each category. It imposes a maximum sum of £10 million to be invested at any one time with any single institution or group.

The Fire Authority uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard & Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- credit Default Swaps to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit watches and credit overlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative standing of counterparties. These colour codes are used by the Authority to determine the suggested duration of investments.

As this methodology uses a wide range of information beyond basic credit ratings, it ensures that no one source of information is given undue credence. All ratings and colour codes are monitored weekly via Link's credit listings and in-between via business press.

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 £13.0m (2017/18 £16.8m) 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 2020 to indicate any material likelihood of this occurring.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets based on historic experience of default and non-collection and demonstrates that the risk is clearly not material at 31 March 2020:

	Amount at 31/03/2020 £000 A	Historical Risk of Default at 31/03/2020 % B	Estimated maximum exposure to default and uncollectability at 31/03/2020 £000 (A x B)
Deposits with banks and financial institutions	13,013	0.007	0.9

During 2019/20 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:

Analysis of the Fire Authority's system debtors	31 March 2020 £000	31 March 2019 £000
Less than three months	269	271
Three to six months	-	23
Six months to one year	3	-
More than one year	16	10
TOTAL	288	304

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 2020 £000	31 March 2019 £000
Less than one year	-	880
Between one and two years	-	-
Between two and five years	893	426
Between five and ten years	119	586
Between ten and fifteen years	-	-
TOTAL	1,012	1,892

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

Market Risk

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

	2019/20 £000
Daily average investment balance (average rate of interest 0.84%)	18,168
Additional interest assuming such rates were 1% higher than actual	182
Decrease in fair value of fixed rate borrowing liabilities (no impact on CIES)	53

The Authority aimed to minimise interest rate risk by working with its Treasury Management advisers during 2019/20, Link Asset Services 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.

13. Assets held for sale (AHFS)

<u>Cost or Valuation</u>	Asset held for Sale	
	£000	£000
At 1 April 2019		-
Newly classified as AHFS:		
• Property, Plant and Equipment	875	
• Other Assets	-	
		<u>875</u>
Revaluations gains/(losses)		-
Impairment losses		-
Assets sold		-
At 31 March 2020		<u>875</u>

14. Inventories

2019/20	Workshops	Uniform	Firefighters & General	TOTAL
	£000	£000	£000	£000
Balance at 1 April 2019	80	387	54	521
Purchases in year	29	609	265	903
Distributed in year (expended)	(31)	(416)	(247)	(694)
Write-off in year	(7)	-	-	(7)
Balance at 31 March 2020	71	580	72	723

2018/19	Workshops	Uniform	Firefighters & General	TOTAL
	£000	£000	£000	£000
Balance at 1 April 2018	89	264	98	451
Purchases in year	23	593	265	881
Distributed in year (expended)	(32)	(470)	(309)	(811)
Write-off in year	-	-	-	-
Balance at 31 March 2019	80	387	54	521

15. Debtors (Amounts due to the Authority)

	31 Mar 20	31 Mar 19
	£000	£000
Central Government bodies	1,790	813
Other Local Authorities	924	867
NHS bodies	18	23
Other Entities and Individuals	497	462
Princes Trust related debtors	296	327
Collection Fund – Council Tax payers	1,100	982
Collection Fund – Business Rate payers	128	121
Total for Cheshire Fire	4,753	3,595
Cheshire Fire share of NWFC debtors (25%)	67	349
Financial reporting entity Total	4,820	3,944

16. Cash and Cash Equivalent

	31 Mar 20	31 Mar 19
	£000	£000
Cash held by the Authority	36	31
Bank Current Accounts	5,824	5,242
Total for Cheshire Fire	5,860	5,273
Cheshire Fire share of NWFC cash (25%)	462	141
Financial reporting entity Total	6,322	5,414

17. Creditors (Amounts payable by the Authority)

	31 Mar 20	31 Mar 19
	£000	£000
Central Government bodies	(2,321)	(2,855)
Other Local Authorities	(2,162)	(1,029)
Public Corporations	-	(3)
Other Entities and Individuals	(4,874)	(1,837)
Collection Fund – Council Tax payers	(475)	(447)
Collection Fund – Business Rate payers	(54)	(81)
Total for Cheshire Fire	(9,886)	(6,252)
Cheshire Fire share of NWFC creditors (25%)	(879)	(736)
Financial reporting entity Total	(10,765)	(6,988)

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. In 2019/20, the Authority also identified likely costs in respect of termination payments.

	Collection Fund £000	Termination costs £000	Total costs £000
Balance as at 1 April 2019	(772)	-	(772)
Additions to provision in year	(733)	(120)	(853)
Amounts used in year	-	-	-
Reduction to provision in year	772	-	772
Balance as at 31 March 2020	(733)	(120)	(853)

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 20 £000	31 Mar 19 £000	31 Mar 18 £000
General Fund	(2,210)	(2,210)	(8,210)
Capital Receipts	-	(100)	(403)
Capital Grant – unapplied	-	-	-
Earmarked Reserves			
- Resource Centre Managers	(14,523)	(13,538)	(15,849)
- Community Risk Reductions	(345)	(330)	(475)
- Unitary Performance Groups	(120)	(117)	(367)
Capital Reserve	(4,266)	(14,856)	(2,916)
TOTAL	(21,464)	(31,151)	(28,220)
NWFC (25%) general fund balance	(78)	(76)	(71)
Financial reporting entity Total	(21,542)	(31,227)	(28,291)

General Fund: The general fund represents resources available to meet the potential financial consequences of the Authority's risk profile and other unforeseen circumstances. On a separate line, 25% of North West Fire Control Ltd is also shown.

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 20	31 Mar 19	31 Mar 18
	£000	£000	£000
Revaluation Reserve	(28,013)	(26,944)	(19,208)
Capital Adjustment Account	(49,472)	(38,968)	(39,362)
Pensions Reserve	522,587	591,751	563,828
Collection Fund Adjustment Account	(350)	(414)	(637)
Accumulated Absences Account	599	547	512
TOTAL	445,351	525,972	505,133

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.

	2019/20	2018/19
	£000	£000
Revaluation Reserve		
Balance at 1 April	(26,944)	(19,208)
Upward revaluation of assets	(4,948)	(8,272)
Downward revaluation of assets and impairment losses	1,128	14
Difference between fair value depreciation & historical cost depreciation	2,751	522
Balance at 31 March	(28,013)	(26,944)

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.

	2019/20	2018/19
	£000	£000
Capital Adjustment Account		
Balance at 1 April	(38,968)	(39,362)
Charges for depreciation and impairment on non-current assets	3,118	2,904
Revaluation losses on property, plant and equipment	(329)	(725)
Amortisation of intangible assets	9	9
Impact of disposal or sale of non-current assets	2,738	150
Adjusting amounts written out of the revaluation reserve	(2,751)	(522)
	<u>(36,183)</u>	<u>(37,546)</u>
Capital financing – charged against the General Fund	(12,724)	(466)
Capital financing – funding from Capital Grants and Contributions	-	-
Capital financing – charged against Capital Receipts	(119)	(477)
Capital financing – charged against Capital Grants – unapplied	-	-
Statutory provision for financing of capital expenditure (MRP)	(446)	(478)
Balance at 31 March	<u>(49,472)</u>	<u>(38,968)</u>

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.

	2019/20	2018/19
	£000	£000
Pensions Reserve		
Balance at 1 April	591,751	563,828
Re-measurement of the net defined benefit liability/(asset)	(77,283)	(4,669)
Reversal of pension accounting entries in the CIES	22,568	47,869
Employer's pension contributions and payments to pensioners in year	(14,450)	(15,277)
Balance at 31 March	<u>522,587</u>	<u>591,751</u>

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.

	2019/20	2018/19
	£000	£000
Collection Fund Adjustment Account		
Balance at 1 April	(414)	(637)
Amount by which the council tax and non-domestic rates income credited to the CIES is different to the income calculated under statute.	64	223
Balance at 31 March	(350)	(414)

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.

	2019/20	2018/19
	£000	£000
Accumulated Absences Account		
Balance at 1 April	547	512
Settlement or cancellation of accrual made at the end of the preceding year	(547)	(512)
Amounts accrued at the end of the current year	599	547
Balance at 31 March	599	547

21. Notes to the Cash Flow Statement

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

	2019/20	2018/19
	£000	£000
Depreciation	(3,132)	(2,914)
Impairment and downward revaluation	329	725
Amortisation	(111)	(111)
Movement in impairment provision for bad debts	(6)	(4)
Movement in creditors	(1,066)	1,117
Movement in debtors	876	(965)
Movement in amount due from pension fund	(1,433)	1,287
Movement in stock/inventories	195	70
Movement in pension liability	(8,118)	(32,953)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(2,738)	(150)
Other non-cash items charged to the net surplus or deficit on the provision of services	(81)	(64)
Total adjustment for non-cash movements	(15,285)	(33,602)

The cash flows for operating activities include the following items:

	2019/20	2018/19
	£000	£000
Interest received	244	216
Interest paid	(86)	(86)

Cash Flow Statement - Investment Activities

	2019/20	2018/19
	£000	£000
Purchase of non-current assets	10,369	1,525
Purchase of short-term and long-term investments	52,962	44,824
Proceeds from sale of non-current assets	(19)	(174)
Proceeds from short-term and long-term investments	(60,000)	(41,600)
Other receipts from investing activities	-	-
Net cash flows from investing activities	3,312	4,575

Cash Flow Statement - Financing Activities

	2019/20	2018/19
	£000	£000
Cash receipts of short-term and long-term borrowing	-	-
Cash payments for the reduction of the outstanding liabilities relating to finance leases	13	12
Repayment of short-term and long-term borrowing	880	11
Net cash flows from financing activities	893	23

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

	2019/20	2018/19
	£000	£000
Reverse - Other receipts from investing activities	-	-
Reverse - Proceeds from sale of non-current assets	19	174
Reverse - Cash payments for the reduction of the outstanding liabilities relating to finance leases	(13)	(12)
Total	6	162

22. Members' Allowances

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

	2019/20	2018/19
	£000	£000
Members' allowances	130	134
Travel and subsistence, training and conferences	19	20
Total	149	154

23. Officers' Remuneration

	Dates in Post	Gross Annual Salary (a)	Salary and Allowances	Benefits in kind (b)	Compensation for loss of office	Pension Contribution	Total
2019/20		£	£	£	£	£	£
Chief Fire Officer and Chief Executive - Mark Cashin	Full year	153,860	152,158	-	-	43,555	195,713
Assistant Chief Fire Officer (d) – Gus O'Rourke	Full year	115,395	114,350	1,854	-	42,307	158,511
Assistant Chief Fire Officer (d) – Alex Waller	Full year	115,395	114,350	2,226	-	32,652	149,228
Director of Governance and Commissioning	Full year	92,852	97,494	-	-	17,841	115,335
Director of Transformation	Full year	73,912	73,912	-	-	13,526	87,438
Treasurer (Section 151 Officer)	Full year	58,238	23,610	-	-	4,321	27,931
Total 2019/20			575,874	4,080	-	154,202	734,156
2018/19		£	£	£	£	£	£
Chief Fire Officer and Chief Executive - Paul Hancock	01/04/2018 to 30/06/2018	159,023	41,057	-	-	8,712	49,769
Chief Fire Officer and Chief Executive - Mark Cashin	01/07/2018 to 31/03/2019	146,450	110,510	-	-	20,127	130,637
Deputy Chief Fire Officer	01/04/2018 to 30/06/2018	33,949	34,520	-	-	7,294	41,814
Assistant Chief Fire Officer (d)	21/06/2018 to 31/03/2019	109,838	85,429	1,399	-	18,534	105,362
Assistant Chief Fire Officer (d)	21/06/2018 to 31/03/2019	109,838	85,429	694	-	8,373	94,496
Director of Governance and Commissioning	Full year	88,915	93,361	-	-	17,085	110,446
Director of Transformation	Full year	70,741	70,741	-	-	12,946	83,687
Treasurer (Section 151 Officer)	Full year	57,096	23,147	-	-	4,236	27,383
Total 2018/19			544,194	2,093	-	97,307	643,594

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) All members of the Leadership Team above are excluded from the remuneration banding figures shown on next page.

d) Officers are in different pension schemes.

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	
	2019/20	2018/19
£50,000 - £54,999	18	13
£55,000 - £59,999	15	9
£60,000 - £64,999	4	7
£65,000 - £69,999	5	2
£70,000 - £74,999	1	2
£75,000 - £79,999	1	1
£80,000 - £84,999	1	-

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 £
---	-----------------------------------	-----------------------------------	--	--

2019/20				
Total	-	-	-	-
Amounts provided for in CI&E not included in bandings			1	120,000
Total cost included in 2019/20 CI&E Statement				120,000

2018/19				
£nil - £20,000	1	3	4	16,518
Total	1	3	4	16,518
Amounts provided for in CI&E not included in bandings			-	-
Total cost included in 2018/19 CI&E Statement				16,518

24. Termination Benefits

During 2019/20 notice was given to one member of staff regarding the end of fixed term contract incurring a liability of £120k (there were £16.5k liabilities in 2019/20 relating to four employees).

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:

	2019/20 £000	2018/19 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year. (£4.5k in 2019-20 relates to the variation fee for 2018-19 accounts)	32	23

26. Grant Income

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

	2019/20	2018/19
	£000	Restated £000
Credited to Taxation and Non-Specific Grant Income and Expenditure		
Revenue Support Grant	(3,927)	(4,513)
Business rates - central government top up grant	(5,106)	(5,019)
Business rates - levy account surplus	(32)	(143)
S31 grant - Business rates / NDR	(679)	(508)
Transparency grant	(8)	(8)
Fire Pension Grant	(2,104)	-
Covid-19 emergency funding for local government	(167)	-
	(12,023)	(10,191)
Credited to Services		
Fire Revenue Grant - New Dimensions Fund	(6)	(6)
Fire Revenue Grant - FireLink	(163)	(158)
Emergency Services Mobile Communications Programme (ESMCP)	(164)	(115)
Apprenticeship Levy	(80)	(33)
Other Grants	(3)	(9)
Donations	(21)	(4)
Other contributions	(49)	(70)
	(486)	(395)

The 2018/19 column is restated following the layout of the note been reviewed for the 2019/20 accounts, giving a more detailed breakdown of just the grants, contributions and donations received that should be included in this note.

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 Limited (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. 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. There was no activity in 2019/20, which leaves Safer Cheshire Limited with the donation of £5k from the Authority to the Company in respect of initial working capital.

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 32 for more details.

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

The Fire Authority consists of 23 members, who 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	2019/20	2018/19
	£000	£000
[a] Council Tax		
Cheshire East Council	(11,666)	(11,128)
Cheshire West and Chester Council	(9,577)	(9,187)
Halton Borough Council	(2,734)	(2,660)
Warrington Borough Council	(5,325)	(5,062)
Total	(29,302)	(28,037)

Billing Authority	2019/20	2018/19
	£000	£000
[b] Business Rates		
Cheshire West and Chester Council	(1,481)	(1,365)
Halton Borough Council	(516)	(524)
Warrington Borough Council	(1,035)	(1,003)
Total	(4,389)	(4,261)

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.

As at 31 March 2020 the other local authorities net position due to Cheshire Fire was:

	2019/20
	£000
Cheshire East Council	202
Cheshire West and Chester Council	474
Halton Borough Council	149
Warrington Borough Council	167
Total	992

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 decisions were made about the future of the project following the closure of the National Project announced in December 2011 by the Fire Minister. The Company has four members which are Cheshire Fire Authority, Cumbria County Council, Greater Manchester Combined Authority and Lancashire Fire and Rescue Authority (FRAs). The liability of each member in the event of the company being wound up is limited and shall not exceed £1. Each member of the company has the right to appoint two directors. 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 and provided in accordance with 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 Combined Authority as lead Authority for the North West region and

released to the company as required. From 8 May 2017 Greater Manchester Fire and Rescue Service became the responsibility of the Greater Manchester Combined Authority. There have also been contributions to the project from the FRAs.

It was determined during 2018/19 that the company (NWFC) 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 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).

On the basis of materiality of the 25% share against the balances of Cheshire Fire Authority it has been determined that Cheshire Fire Authority's share of this joint operation are required to be reported, and are therefore included in these accounts.

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

	2019/20	2018/19
	£000	£000
Total Assets less Current Liabilities	311	304
Net Assets *	(2,349)	(3,953)
Profits/(deficit) before taxation	(594)	(412)
Profits/(deficit) after taxation	(594)	(417)

*Net assets include £2.66m (£4.26m 2018/19) for the future pension liabilities under FRS17 reported by the Cheshire Pension Fund actuaries. All figures are shown net of VAT.

2019/20 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 £841k (£829k 2018/19); and use of facilities in the building £3k (£2k 2018/19).

2019/20 invoices raised by Cheshire Fire Authority to NW Fire Control Ltd include reimbursement of nil (£7k 2018/19) costs relating to the network link.

The 2019/20 statements of accounts for NWFC include a restatement of the opening balance relating to a technical accounting adjustment on the 2018/19 balance sheet increasing fixed assets by £787k (Cheshire Fire Authorities 25% share of £197k) and reducing current assets by the same amount. This adjustment relates to the Control Room system upgrade which is now included in the accounts as a work in progress fixed assets as opposed to a prepayment under current assets.

The Company's 2018/19 Financial Statements can be obtained from Companies House, and the 2019/20 Financial Statements will be available by the 31 December 2020 (standard deadline for submission for the final audited 2019/20 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. Eleven 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 right 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 and 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.

	2019/20	2018/19
	£000	£000
Opening Capital Financing Requirement	7,252	7,379
Capital Investment		
Property, plant and equipment	12,844	1,282
Intangible assets	26	50
Revenue Expenditure Funded from Capital under Statute	-	-
Sources of Finance		
Capital receipts	(119)	(477)
Government grants and other contributions	-	-
Sums set aside from revenue		
Revenue contributions (Cheshire Fire)	(12,725)	(466)
Minimum revenue provision (MRP)	(446)	(478)
Revenue contributions (NWFC 25%)	(26)	(38)
Closing Capital Financing Requirement	<u>6,806</u>	<u>7,252</u>
Explanation of movements in year		
Increase/(decrease) in underlying need for borrowing (Supported)	(446)	(478)
Increase/(decrease) in underlying need for borrowing (Unsupported)	-	351
Increase/(decrease) in Capital Financing Requirement	<u>(446)</u>	<u>(127)</u>

31. Leases

Authority as Lessee

Finance Leases

The Fire Authority has a training vehicle held under a finance lease. The vehicle is carried in the Balance Sheet at zero value at 31 March 2020 (£12,929 at 31 March 2019).

As at 31 March 2020, the Authority is no longer committed to making any minimum payments under this lease. The previous year the statements reflected the payment comprising settlement of the long-term liability for the interest in the asset acquired by the Authority and finance costs that was payable by the Authority while the liability remains outstanding.

The minimum finance lease payment is made up of the following amounts:

	2019/20	
	£	£
Cost or valuation		128,743
Accumulated depreciation		
As at 1 April 2017	(103,478)	
Charge for 2018/19	(12,336)	
Charge for 2019/20	(12,929)	
As at 31 March 2020	<u>(128,743)</u>	
		<u>-</u>

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

	31 Mar 20	31 Mar 19
	£	£
Not later than 1 year	-	(12,929)
Later than 1 year and not later than 5 years	-	-
TOTAL	<u>-</u>	<u>(12,929)</u>

Operating Leases

Expenditure on operating leases in 2019/20 totalled £277,856 (2018/19 £238,365). All expenditure on leases relates to vehicles.

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

	31 Mar 20	31 Mar 19
	£000	£000
Not later than 1 year	(157)	(141)
Later than 1 year and not later than 5 years	(157)	(75)
TOTAL	<u>(314)</u>	<u>(216)</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 Fire 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 Fire 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 2019/20 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%	37.3%
2006 Firefighter Pension Scheme (modified)	11% - 17%	37.3%
2006 Firefighter Pension Scheme	8.5% - 12.5%	27.4%
2015 Firefighter Pension Scheme	11% - 14.5%	28.8%

- ^(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:

Local Government Pension Scheme	Cheshire Fire Fair value of scheme assets		NWFC (25%) Fair value of scheme assets	
	31 Mar 20 £000	31 Mar 19 £000	31 Mar 20 £000	31 Mar 19 £000
Cash and cash equivalents:				
• All	1,255.9	931.6	209.8	48.7
Equity instruments: <i>by industry type</i>				
• Consumer	543.0	579.8		
• Manufacturing	435.8	358.9		
• Energy and utilities	63.3	76.1		
• Financial institutions	603.7	674.3		
• Health and care	262.9	211.9		
• Information technology	2,155.6	2,245.3		
• Other	155.5	149.1		
Sub-total equity	4,219.8	4,295.4	996.6	1,094.9
Bonds: <i>by sector</i>				
• Corporate	-	-		
• Government	-	-		
• Other	-	-		
Sub-total bonds	-	-	1,206.3	1,094.9
Property: <i>by type</i>				
• United Kingdom	3,438.4	3,914.3		
• Overseas	59.9	69.5		
Sub-total property	3,498.3	3,983.8	209.8	194.5
Private equity:				
• All	1,616.0	1,657.0		
Sub-total private equity	1,616.0	1,657.0	-	-
Other investment funds:				
• Equities	6,582.6	6,867.8		
• Bonds	19,079.1	21,624.2		
• Hedge Fund	4,901.9	6,423.2		
• Other	1,772.4	1,971.0		
Sub-total other investment funds	32,336.0	36,886.2	-	-
Derivatives:				
• All	-	-	-	-
Total Assets	42,926.0	47,754.0	2,622.5	2,433.0

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 (NWFC-25%)		Local Government Pension Scheme (CFA)		Firefighter Pension Schemes (CFA)		Total for all Schemes	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Comprehensive Income & Expenditure Statement (CIES)								
Cost of Services:								
▫ Current Service Costs	236	191	1,758	1,460	8,200	8,100	10,194	9,751
▫ Past Service Costs	-	-	-	247	(1,800)	22,400	(1,800)	22,647
Financing & Investment Income & Expenditure:								
▫ Net interest expense	28	22	346	249	13,800	15,200	14,174	15,471
Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services	264	213	2,104	1,956	20,200	45,700	22,568	47,869
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)	5	(115)	5,846	(1,232)	-	-	5,851	(1,346)
▫ Actuarial gains and losses arising on changes in demographic assumptions	(301)	-	(1,990)	-	(17,800)	(40,600)	(20,091)	(40,600)
▫ Actuarial gains and losses arising on changes in financial assumptions	(162)	284	(4,532)	5,193	(50,000)	39,800	(54,694)	45,277
▫ Other experience	(91)	-	(12,258)	-	4,000	(8,000)	(8,349)	(8,000)
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	(285)	382	(10,830)	5,917	(43,600)	36,900	(54,715)	43,200

	Local Government Pension Scheme (NWFC-25%)		Local Government Pension Scheme (CFA)		Firefighter Pension Schemes (CFA)		Total for all Schemes	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	£000	£000	£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	(264)	(213)	(2,104)	(1,956)	(20,200)	(45,700)	(22,568)	(47,869)
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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)	114	104	736	773	13,600	14,400	14,450	15,277
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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 (NWFC-25%)		Local Government Pension Scheme (CFA)		Firefighter Pension Schemes (CFA)		Total for all Schemes	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	3,287	3,495	45,248	61,642	519,600	576,800	568,135	641,937
Fair value of plan assets	(2,624)	(2,433)	(42,926)	(47,754)	-	-	(45,550)	(50,186)
Sub-total	663	1,062	2,322	13,888	519,600	576,800	522,585	591,751
Other movements in the liability (asset)	-	-	-	-	-	-	-	-
Net Liability arising from defined benefit obligation	663	1,062	2,322	13,888	519,600	576,800	522,585	591,751

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

	Local Government Pension Scheme (NWFC-25%)		Local Government Pension Scheme (CFA)		Firefighter Pension Schemes (CFA)		Total for all Schemes	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000	£000	£000	£000	£000
Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:								
Opening fair value of scheme assets	2,433	2,124	47,754	45,219	-	-	50,187	47,343
Interest income	62	59	1,147	1,221	-	-	1,209	1,280
Remeasurement gain/(loss):								
The return on plan assets, excluding the amount included in the net interest expense	(5)	115	(5,846)	1,232	-	-	(5,851)	1,346
Contributions from employer	114	104	736	773	13,600	14,400	14,450	15,277
Contributions from employees into the scheme	37	35	262	250	2,000	2,100	2,299	2,385
Benefits paid	(17)	(4)	(1,127)	(941)	(15,600)	(16,500)	(16,744)	(17,445)
Closing fair value of scheme assets	2,624	2,433	42,926	47,754	-	-	45,550	50,186

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

Opening balance at 1 April	3,495	2,909	61,642	53,963	576,800	554,300	641,937	611,172
Current service cost	236	191	1,758	1,460	8,200	8,100	10,194	9,751
Interest cost	90	81	1,493	1,470	13,800	15,200	15,383	16,751
Contributions by scheme participants	37	34	262	250	2,000	2,100	2,299	2,384
Remeasurement (gains) and losses:								
Actuarial gains/losses arising from changes in demographic assumptions	(301)	-	(1,990)	-	(17,800)	(40,600)	(20,091)	(40,600)
Actuarial gains/losses arising from changes in financial assumptions	(162)	284	(4,532)	5,193	(50,000)	39,800	(54,694)	45,277
other experience	(91)	-	(12,258)	-	4,000	(8,000)	(8,349)	(8,000)
Past service cost	-	-	-	247	(1,800)	22,400	(1,800)	22,647
Benefits paid	(17)	(4)	(1,127)	(941)	(15,600)	(16,500)	(16,744)	(17,445)
Closing balance at 31 March	3,287	3,495	45,248	61,642	519,600	576,800	568,135	641,937

The Liabilities shown on the Firefighter Pension Schemes include liabilities in respect of injury pensions. Of the £519.6m liability, £23.8m related to injury pensions (2018/19 £576.8m liability, £26.4m related to injury pensions).

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 2019. The significant assumptions used by the actuary have been:

	Local Government Pension Scheme (NWFC)		Local Government Pension Scheme (CFA)		Firefighter Pension Schemes	
	2019/20 %	2018/19 %	2019/20 %	2018/19 %	2019/20 %	2018/19 %
Long-term expected rate of return on assets in the scheme:						
Equity investments	2.3	2.5	2.3	2.4	-	-
Bonds	2.3	2.5	2.3	2.4	-	-
Property	2.3	2.5	2.3	2.4	-	-
Cash	2.3	2.5	2.3	2.4	-	-
Mortality assumptions:						
	At age 65		At age 65		At age 60	
Longevity for current pensioners:						
▪ Men	21.2 years	22.3 years	21.2 years	22.3 years	26.4 years	27.3 years
▪ Women	23.6 years	24.5 years	23.6 years	24.5 years	28.5 years	29.4 years
Longevity for future pensioners:						
▪ Men	21.9 years	23.9 years	21.9 years	23.9 years	27.5 years	28.4 years
▪ Women	25.0 years	26.5 years	25.0 years	26.5 years	29.7 years	30.6 years
Rate of inflation (CPI)	1.8	2.4	1.9	2.5	1.9	2.5
Rate of increase in salaries	2.5	2.7	2.6	2.8	2.8	3.5
Rate of increase in pensions	1.8	2.4	1.9	2.5	1.9	2.5
Rate for discounting scheme liabilities	2.3	2.5	2.3	2.4	2.3	2.4

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

Impact on the Defined Benefit Obligation in the Scheme

Change in financial assumptions at year ended 31 March 2020	Local Government Pension Scheme (NWFC)*		Local Government Pension Scheme (CFA)		Firefighter Pension Schemes	
	Approximate monetary amount (NWFC 25%) £000	Approximate increase to Employer Liability %	Approximate monetary amount £000	Approximate increase to Employer Liability %	Approximate monetary amount £000	Approximate increase to Employer Liability %
Longevity/ increase in member life expectancy (increase of 1 year)	99 to 164	3-5%	1,357 to 2,262	3-5%	15,519	3
Rate of increase in salaries (increase by 0.5%)	286	2	298	1	5,513	1
Rate of increase in pensions (increase by 0.5%)	1,516	12	4,448	10	39,226	8
Rate for discounting scheme liabilities (decrease by 0.5%)	1,825	14	4,774	11	49,038	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 2022. The Authority anticipated to pay £1.3m expected contributions to the Local Government Pension scheme in 2020/21.

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.

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.

CASH FLOW STATEMENT

Summarises the inflows and outflows of cash transactions and links the opening and closing balance sheet with the Comprehensive Income and Expenditure Statement for the year.

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.

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.

EXPENDITURE AND FUNDING ANALYSIS

This links to the CIES and demonstrates how available funding has been used to provide services. This follows accounting practice and reports in accordance with the management reporting structure used for decision making purposes rather than legislative purposes.

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 (statements of recommended practice) 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 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 few years.

MINIMUM REVENUE PROVISION (MRP)

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

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in year on the different reserves held and identifies both usable and unusable. It links in with the Comprehensive Income and Expenditure Statement through the impact of the surplus or deficit on provision of services on the General Fund.

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.

NON CURRENT ASSETS

Tangible assets yielding benefits to the Authority and 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 and Chester Council, Warrington Borough Council and 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.

RIGHT OF USE ASSET

These are assets which are leased by the Authority who have control over their usage and are represented as the Authority's asset in the Balance Sheet.

THE HOME OFFICE

The Home Office is a ministerial department of the Her Majesty's Government of the United Kingdom, which, from 5 January 2016 is responsible for Fire and Rescue Policy. This was a role previously undertaken by the Department for Communities and 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHESHIRE FIRE AUTHORITY

Report on the Audit of the Financial Statements

To be included in the final version

ANNUAL GOVERNANCE STATEMENT

To be included in the final version

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibilities

- 1.1 Governance comprises the systems, processes, culture and values by which the Cheshire Fire Authority (the Authority) and Cheshire Fire and Rescue Service (the Service) direct and manage together, along with the activity through which they account to and engage with the people of Cheshire.
- 1.2 The Authority covers the four unitary areas of Cheshire East, Cheshire West and Chester, Halton and Warrington. The Authority is a separate legal body, with the power to set council tax and to set its own policies and procedures, without seeking the approval of these local councils. Each council appoints a number of elected Members to serve on the Authority. As an Authority Member, councillors represent the whole of Cheshire and are not just required to act as the formal representatives of their own council. The Authority as the governing body ensures that the Service operates in a lawful, open, inclusive and honest manner; making sure public money is safeguarded, properly accounted for and spent wisely; and has effective arrangements in place to manage risk.
- 1.3 Production of an Annual Governance Statement is a requirement under the Accounts and Audit Regulations (England) 2015 and helps to ensure that a reliable system of internal controls can be demonstrated.

2. The Governance Framework

- 2.1 The Authority is responsible for ensuring that business is conducted in accordance with the law, with openness and engagement with stakeholders and that risk is managed through robust internal control and strong public finance management to deliver effective accountability. The Authority has a Constitution, which sets out the governance framework that will assist in enabling the Authority and the Service to fulfil their statutory obligations. The Constitution is reviewed on a regular basis to ensure it remains up to date and relevant taking into account local and national changes in the way fire and rescue services operate.
- 2.2 The Authority's Constitution:
 - Explains the Authority's decision-making arrangements;
 - Sets out the responsibilities of elected Members and officers; and
 - Contains details of rules and controls.
- 2.3 Full details of the Constitution can be found on the website (www.cheshirefire.gov.uk).
- 2.4 The Governance Framework focuses on the Authority's strategic aims and objectives and includes:

Corporate

- The organisation's vision and purpose which drive the service planning, delivery, risk, project and performance management frameworks
- The Integrated Risk Management Plan (IRMP)
- Consultation Engagement and Communications Strategies
- A published set of core values

Committee Structure and Member Scrutiny

- The Authority's Constitution
- Established structure of Authority and Committee meetings, each with formal Terms of Reference (ToR)
- Scrutiny by Members e.g. Performance and Overview Committee responsible for thematic areas such as Finance, Equality & Diversity, Performance Management
- Crisis Management Plan – owned and scrutinised by Risk Management Board
- Local Code of Corporate Governance Action Plan reviewed by the Governance and Constitution Committee
- Published Anti-Fraud, Corruption, Whistle-blowing and Complaints policies and procedures
- Medium term financial forecasting and budget management processes
- Code of Conduct

Scrutiny and Reporting

- Integrated Corporate and Financial planning processes with regular reporting
- Treasury Management Strategy
- Risk Management Board – responsible for championing an effective Risk Management Policy and Framework – regular review of Strategic Risk Register
- Performance and Programme Board – responsible for monitoring and reviewing organisational performance including the Corporate Performance Scorecard setting out the Authority's key indicators and scrutiny of key projects and programmes
- Service Management Team – strategic direction for the Authority's IT delivery
- Information Governance arrangements

People

- Dynamic, intelligent training programme which is tailored to the development needs of the Authority's frontline staff
- Appraisal system and personal development programmes
- Established Health, Safety and Wellbeing policies – compliance Health, Safety and Wellbeing Board
- Health, Safety and Wellbeing Board review of fitness performance

- 2.5 For the purposes of financial reporting, the Authority has decided that the functions of an Audit Committee as those charged with governance, are exercised by the Authority meeting as a whole rather than be delegated to an Audit Committee. Internal audit activity is considered by the Performance and Overview Committee.
- 2.6 The above processes and meetings represent a standard year and have been followed until the outbreak of the Coronavirus pandemic. In response, the Government passed the Coronavirus Act 2020 on 25th March 2020 and introduced the 'lockdown' restrictions. Within this Act, provision was made for regulations to be issued to amend the legislation around authority meetings. These regulations - The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 – allow meetings to be held virtually.
- 2.7 In response to the above, the Authority amended and supplemented its constitution to enable virtual meetings to take place. The first such meeting was the Fire Authority which took place on 1st July 2020.

3. Internal Financial Controls

- 3.1 The objective of the internal financial controls is to maintain sound and proper financial arrangements; to explain why safeguards and controls are important and necessary; to profile a framework for financial management, which will enable, wherever possible, managerial and financial responsibilities to be aligned safeguarding all Members and officers.
- 3.2 The key documents that set out the internal financial controls are:
- Financial Regulations – as set out in the Constitution
 - Scheme of Delegation – as set out in the Constitution
 - Treasury Management Strategy – approved by the Authority each year which sets out the Annual Investment Strategy, Borrowing Strategy and the Minimum Revenue Provision Statement
 - Treasury Management Practices – which set out the detailed processes and practices to be followed in order to deliver the Treasury Management Strategy
- 3.3 In addition to the above, there are a series of governance checks and controls carried out through the Finance and HR teams to ensure financial systems are operating effectively. These are supported by periodic Internal and External Audit reviews to provide appropriate assurance to those charged with governance or with the production of action plans where necessary. The Director of Internal Audit's Opinion and their annual report for 2019/20 provide substantial assurance that there is a good system of internal controls designed to meet the organisation's objectives and that controls are generally being consistently applied.
- 3.4 Further assurance is now provided through HM Inspectorate of Constabularies, Fire and Rescue Services (HMICFRS) which carried out its first annual assessment of fire and rescue services in 2018. This assessment examines the service's effectiveness, efficiency and how well it looks after its people. It is designed to give the public information about how their local fire and rescue service is performing in several important areas, in a way that is comparable with other

services across England. The high-level ratings for the Service are shown below with further details available on the HMICFRS website (www.justiceinspectorates.gov.uk/hmicfrs).

-  The extent to which the service is effective at keeping people safe and secure from fire and other risks is good.
-  The extent to which the service is efficient at keeping people safe and secure from fire and other risks is good.
-  The extent to which the service looks after its people requires improvement.

- 3.5 Due to the Coronavirus Pandemic, all inspections by HMICFRS have been suspended and therefore the above rating remains in place. It should be noted, however, that significant progress has been made on action plans created in response to the areas requiring improvement.
- 3.6 With the need to swiftly act in terms of responding to the fast paced changes brought about by the pandemic, the suspension of some procurement rules were agreed with the Treasurer. These allowed immediate procurement of vital protective equipment etc., without delay, to support the Service’s response to the pandemic. All such purchases were recorded and regularly reported to the COVID-19 Meeting (attended by the Service Management Team).

4. **Good Governance in the Fire Service**

4.1 In 2016, CIPFA, in association with various groups including representation of fire and rescue services, issued best practice guidance on Delivering Good Governance. It sets out seven principles of good governance which are illustrated below:



- 4.2 The ethos of the above is for principles A and B to permeate the implementation of principles C to G. It also illustrates that good governance is dynamic and that an organisation as a whole should be committed to continually improving through a process of evaluation and review. Each principle is considered from the Authority's and Service's perspectives.
5. **Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law**
- 5.1 Core Values inspire and guide how teams behave. They set out a platform to guide our current and future activities and help achieve our organisational priorities. The previous Core Values were introduced ten years ago and a review has been undertaken to assess whether these values are still relevant and would stand the test of time for future aspirations of the Service.
- 5.2 Staff have been at the heart of the development of the new Core Values through conferences, a staff engagement forum and the last staff survey. This engagement was a vital part of the review as one of the main aims was to ensure the Core Values remained relevant so that the Service and individuals could identify with them.
- 5.3 As a result of the review, the new set of Core Values have been developed and approved by the Authority. They are:
- **Be inclusive** – by acting fairly, with integrity, respect and without prejudice
 - **Do the right thing** – by holding each other to account for ensuring high standards of professionalism in everything we do
 - **Act with compassion** – by being understanding and offering help to each other and to our communities with warmth, patience and kindness
 - **Make a difference** – by making an impact in our organisation and in our communities in whatever ways we can, for as many people as we can
- 5.4 The Director of Governance and Commissioning is the Authority's Monitoring Officer as set out in section 5 of the Local Government and Housing Act 1989, whose role is to advise on the rule of law and ensure decision making is legally sound. The Monitoring Officer is a qualified solicitor and is supported by the Joint Legal Services Team that includes a number of professionally qualified legal officers.
- 5.5 The Treasurer is the Authority's "Chief Financial Officer", as defined by CIPFA and as set out in section 151 of the Local Government Act 1972, whose role is to ensure the proper administration of the Authority's financial affairs. The Treasurer is a qualified accountant and is supported by the Head of Finance (who is also the Deputy S151 Officer) and by the Joint Finance Team that includes a number of professionally qualified finance officers.
- 5.6 The two Statutory Officers have collective meetings on a regular basis with the Chief Fire Officer and Chief Executive to ensure that robust governance arrangements are maintained and to consider potential future policy decisions, ensuring that these are consistent with available resources. These Statutory Officers, or their representatives, review all proposals that are to be submitted to meetings of the Authority and its various Committees and these officers, or their representatives, attend such meetings.

6. **Principle B: Ensuring openness and comprehensive stakeholder engagement**

- 6.1 The Authority has a clear Consultation Strategy that sets out how and when it will consult with communities and other stakeholders. The Community Engagement Strategy includes guiding principles and explains how the Service will engage with its communities.
- 6.2 The Integrated Risk Management Plan (IRMP) sets out how the Authority intends to deliver the services over a period, and is widely consulted on before it is finalised and approved by the Authority. The IRMP sets out the rationale behind planned activity including current performance and forecasts. The IRMP essentially reviews the effectiveness of previous activity and highlights any areas of focus for the future. An annual action plan is created.
- 6.3 Consultation with stakeholders includes both staff and public events at various venues, a web-based questionnaire and consultation with stakeholders during which the proposed plans are put forward and feedback is requested. The results of consultation are published on the website and reported to Members before the IRMP is finalised and approved.
- 6.4 Working in partnership with others is a key part of the Authority's ethos. For example, the Blue Light Collaboration involved bringing together most of the back office and professional services, which support the Service and Cheshire Constabulary in a single, shared headquarters site at Clemonds Hey, Winsford. At the same time, the Police and Crime Commissioner for Cheshire now has been given the right to attend Authority meetings.
- 6.5 As part of the virtual meeting arrangements brought in as a response to the pandemic mentioned in paragraph 2.7, members of the public are able to access Authority meetings from the Service's YouTube account.

7. **Principle C: Defining outcomes in terms of sustainable economic, social & environmental benefits**

- 7.1 The Service's vision is a Cheshire where there are no deaths, injuries or damage from fires and other emergencies. The Integrated Risk Management Plan (IRMP) explains the approach the Authority will take to support this vision, given the context in which the Service operates, and sets out the planned activity to deliver and achieve the intended outcomes.
- 7.2 The IRMP specifies which activity will take place in each year, what the result will be and when there may be an impact. Performance indicators are agreed, setting out the projected performance and reported to Members and the public in line with the approved corporate planning and reporting timelines. The Service approach to risk is explained in its risk management policy, which is reviewed every three years, and risks to key projects are outlined and managed through the project management framework.
- 7.3 A Medium Term Financial Plan is produced annually, reviewed regularly and updated as necessary setting out the financial assumptions and demands upon the Service to highlight budgetary pressures and set out options to address any funding shortfalls to ensure sustainability. The Plan is supplemented by a Capital Strategy and Reserves Strategy.

8. Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

- 8.1 The Constitution sets out a decision making framework which ensures that all decisions are supported by all relevant information, including financial, legal and other appropriate professional advice, that available options are considered and that internal and external stakeholders are consulted. All decisions are formally recorded and published subject to confidentiality requirements.
- 8.2 Progress against planned activity and projects is monitored and risks are reviewed regularly and reported quarterly to Performance and Overview Committee. Quarterly reports also include performance against targets for Key Performance Indicators (KPIs) as well as financial and project performance. If the circumstances in which the Service operates change, activity can be adapted accordingly. Decisions affecting Service delivery are delegated to officers in order to ensure they are able to react to changing circumstances quickly.
- 8.3 KPIs are set as part of the planning process and reported on every quarter. A Corporate Scorecard is produced showing performance against each of the KPIs. The corporate scorecard is published on the public website and the annual report is produced detailing the activity and performance of the Service. The following is an extract from the scorecard.

	Actual	Target	Q4 Year on Year	Q4 2018-19
Deaths in Primary Fires	6	0	↑	1
Injuries in Primary Fires	39	51	↓	57
Accidental dwelling fires	318	371	↓	363
- % starting in kitchens	179 (56%)		↓	190 (52%)
- % in homes with residents over pensionable age	60 (19%)		↓	63 (17%)
Deliberate fires (Primary and Secondary)	928	1,084	↓	1,083
Fires in Non Domestic Premises	163	166	↓	166
AFAs in Non Domestic Premises	514	465	↑	434

- 8.4 KPI data is generated from various internal systems and analysed by the Business Intelligence Team. The Team works closely with the Prevention, Protection and Service Delivery teams to provide data and analysis that highlights any current issues or emerging trends so that activity can be targeted and resources deployed effectively.
- 8.5 Budgets are prepared in accordance with the priorities set out in the IRMP and Medium Term Financial Plan which integrates and balances priorities, affordability and other resources. This ensures the budget process is all-inclusive, taking into account all costs of operations over the medium and long term.
- 8.6 Performance against budgets is monitored by the Performance and Programme and Budget Management Boards, which examine the progress against planned activity and spend against set budgets.

9. **Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it**
- 9.1 The Authority has carried out a 'Whole Service Review' to align the provision of services to future resources and priorities. The review was developed using the Service's Community Risk Management model and was informed by incident data, risks, statistics, information sources and feedback, as well as the outlook for public finances. The outcome of this extensive review has informed the recently approved IRMP.
- 9.2 Ensuring the all firefighters are appropriately trained is a key priority developing and maintaining their skills, safety and capabilities. One way that this is achieved is through the Incident Command Training Suite (ICTS).
- 9.3 The suite is designed to provide all incident commanders with the opportunity to develop and practice the full range of decision-making skills required in the most realistic training environment possible. While there is always a need for practical skills training in using equipment to fight fires and rescue people from vehicles, the use of virtual reality facilities is also a vital element now and in the future.
- 9.4 The Authority approved the building of a firefighter training centre at its Sadler Road site. It will provide a state-of-the-art firefighter training centre that is fit for the future. The new training facility will provide ground-breaking technology and provide real-life scenarios, ranging from serious motorway collisions to dealing with building fires, keeping our firefighters highly-skilled and equipped to deal with a myriad of life-saving situations. Although the pandemic has had some impact on the building works, it is anticipated that the centre will be operational early in 2021.
10. **Principle F: Managing risks & performance through robust internal control and strong public financial management**
- 10.1 There is a Risk Management Policy and Practitioner Guide used throughout the Service which is applied to projects, programmes and some planned departmental activity. All strategic risks are reviewed quarterly by the risk owners and six monthly by the Risk Management Board (RMB).
- 10.2 There is a well-established network of Risk Champions who promote good practice and ensure that risk is considered locally as part of regular team meetings. This network gains some real value in sharing of best practice and acting as a 'peer group' in the management and maintenance of risk.
- 10.3 Members and officers at all levels of the Authority recognise that risk management is part of their day to day job. An owner is allocated to risks on the risk register and they are responsible for regularly reviewing and managing the risks to which they are assigned. Risk training is scheduled every two years and forms part of the Member development and induction programmes.
- 10.4 With the high level risks of the pandemic and the speed with which changes were made in response to the virus, there was an increase in risk to officer safety; operational cover and provision; and the financial impact on the organisation. In response, the Authority set up a COVID-19 Group which initially met daily. This Group provides strategic direction and guidance

and agrees policies to allow the organisation to deliver operational functions and those additional services that can safely be delivered during the pandemic.

- 10.5 Health and Safety risks are robustly managed via the Health and Safety Policies and Procedures and by the application of Standard Operating Procedures that are regularly reviewed and updated as necessary.
- 10.6 Within the strategic risk register, identified risks are scored based on both probability and level of impact, the outcome of which is rated using a Red, Amber and Green basis.
- 10.7 The Service's Performance and Programme Board (members of the Service Management Team) receives a quarterly review of performance against KPIs. The Board is responsible for monitoring and reviewing progress against performance targets and ensuring that action is taken wherever possible if targets are not being met. The performance reviews are also reported to the Performance and Overview Committee.
- 10.8 Financial performance is also reported to the Performance and Overview Committee on a quarterly basis. Budget Managers are provided with detailed information monthly and all financial activity is subject to audit. The Director of Internal Audit provides an annual assurance statement together with the External Auditor's Annual Audit Letter both of which are published together with the Statement of Accounts on the website.
- 10.9 The use and disclosure of personal data is governed in the United Kingdom by the Data Protection Act 2018 (the Act) and the General Data Protection Regulation (GDPR). The Chief Fire Officer is a 'data controller' for the purposes of the Act and ensures that Cheshire Fire and Rescue Service handles all personal data in accordance with the Act.
11. **Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability**
 - 11.1 The Corporate Communications Strategy sets out the approach the Service will take to communicating with the public and other stakeholders. It recognises the need for different approaches for different audiences and the increased use of social media as a communications tool.
 - 11.2 The Service's website includes details of performance, strategy, plans, financial statements and Annual Report. The Annual Report highlights key challenges and achievements from the year and includes performance and financial information set out in a simple but informative way. Members and Senior Management agree the report before it is published.
 - 11.3 The process for assessing the Authority against this framework is agreed by the Governance and Constitution Committee. Evidence is reviewed yearly and an action plan is maintained highlighting areas for improvement. Progress against the action plan is reported to the Service Management Team and to Governance and Constitution Committee. The framework and the evidence supporting the assessment is included in the annual Statement of Assurance. Internal Audit review the assessment and evidence against at least two of the sections of the Code of Corporate Governance Framework each year and make recommendations for improvement accordingly.

- 11.4 As a public service organisation, the Fire Authority will use public funds prudently and apply the highest standards of conduct throughout the organisation. Under the remit of the Governance and Constitution Committee, the Authority has an Anti-Fraud Policy and Whistleblowing Policy and Procedure (Confidential Reporting) in support of this aim.
- 11.5 External assurance in terms of accountability is provided by both Internal and External Audit, HMICFRS reviews and partner reviews of collaborations. The Director of Internal Audit carries out his role in accordance with guidance issued in the CIPFA Statement on the role of the head of internal audit (2010). The overall Director of Internal Audit's opinion for the period 1st April 2019 to 31st March 2020 provides Substantial Assurance, confirming that there is a good system of internal control designed to meet the system objectives, and controls are generally being applied consistently.

12. **Review of Effectiveness**

- 12.1 As part of the on-going governance roles, each of the above principles is reviewed and evidence sourced to show effectiveness in terms of communications, actions, policies and procedures. This evidence is scrutinised and challenged by the Treasurer together with the Director of Governance and Commissioning.
- 12.2 These statutory roles have the responsibility to ensure the Authority has a sound system of governance (incorporating the system of internal control) and as such maintain the Authority's Code of Governance including financial regulations.

12.3 **Report on Areas for Action during 2019/20**

Within the 2018/19 Annual Governance Statement, the review of effectiveness identified three areas where further action was required. The following re-visits the actions and reports on the outcome in 2019/20.

Financial Sustainability – forecast of reducing funding in addition to decisions taken around service delivery will require savings. To achieve these whilst maintaining expected levels of service to the public will require a Whole Service Review. (Action Owners: Chief Fire Officer and Chief Executive and Treasurer)

UPDATE: The Whole Service Review was requested by the Authority to align the provision of services across our prevention, protection and response functions to future risks, resources and priorities. The review sets the future direction of the Service for the years from 2020-2024. It was developed using our Community Risk Management model and informed by incident data, risks, statistics, information sources and feedback, as well as the outlook for public finances.

The Review was developed with the feedback of trade unions, staff and fire authority members, as well as considering feedback from previous public consultations. It incorporates and expands on previous reviews and has been reflected in the current IRMP.

In addition, the Service has introduced Priority Based Budgeting that analyses in-depth each department's resources and service provision to ensure budget is aligned to the approved priorities as set out in the IRMP.

People – HMICFRS reported that the service should improve the way it looks after its people. In particular, it must do better at promoting the right values and culture; and ensuring fairness and promoting diversity. To address these issues, the Service will produce a People Strategy and undertake Exit interviews to provide learning for retention purposes. (Action Owners: Director of Transformation and Head of Human Resources)

UPDATE: A People Strategy has been approved and new Core Value have also been adopted. A process exists to encourage the completion of exit interviews.

Collaborations – HMICFRS reported that this was an area for improvement. Its main concerns centred upon a consistent approach to the effective monitoring, review and evaluation of the benefits and outcomes of collaboration. In response the Service will prepare an Action Plan concerned with existing collaborations and approach to future collaborative activity. (Action Owner: Director of Governance and Commissioning)

UPDATE: A Collaboration Strategy has been approved. Evaluations of key collaborations have been taking place, with others evaluations due to take place. There is an ongoing focus on the Blue Light Collaboration arrangements.

12.4 Areas for Action in 2019/20

The governance framework, internal controls and application of the principles have been reviewed during 2019/20 with the following areas highlighted as risks together with the mitigating actions required.

Coronavirus

The Service has, like all organisations, been significantly impacted by the pandemic. Whilst it has had very low sickness levels and seen no impact on its front-line operational capabilities, a range of its other core activities, e.g. prevention and protection, have been curtailed.

Action:

A robust recovery plan is being created, which will be communicated and delivered as appropriate.

The Medium Term Financial Plan will need to be updated regularly as the financial scenario becomes clearer.

Nationally-led Change

The fire and rescue sector is anticipating significant change in the near future. HMICFRS inspections and events like the Grenfell Tower tragedy have created an interest in fire and rescue services and an impetus for change.

Action:

The Service Management Team will monitor developments and allocate responsibility to appropriate officers. The teams that are impacted will be suitably resourced in order to respond effectively.

Collaborations

Whilst an action plan was created to respond to the area for improvement, not all aspects have been completed at this point, e.g. not all key collaborations have been assessed.

Action:

To complete the actions contained in the action plan and embed the practices that are required in order to support the effective delivery of activities carried out through collaboration.

13. Summary

- 13.1 We propose over the coming year to take steps to address the issues identified above to enhance further the governance arrangements. We are satisfied that these steps will address the need for improvement as identified in the review of effectiveness and will monitor their implementations and operation as part of the next annual review.

Signed

Cllr Bob Rudd
Chair of Fire Authority

Mark Cashin
Chief Fire Officer and Chief Executive

Andrew Leadbetter
Director of Governance and Commissioning

On behalf of the Members of Cheshire Fire Authority and officers of Cheshire Fire and Rescue Service.