CHESHIRE FIRE & RESCUE SERVICE

# Statement of Accounts

## 2013-14

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# CHESHIRE FIRE AUTHORITY

## Statement of Accounts 2013-14

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Further Information
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## 1. INTRODUCTION

The documents below comprise Cheshire Fire Authority's Statement of Accounts for the year 2013-14. This explanatory foreword explains the structure of the Accounts and also considers the overall financial position of the Authority in the context of the economic environment within which the Authority operates.

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

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

The Accounts are presented as a series of statements; a number of these comprise the financial statements themselves, whilst others provide context and other information. This is explained below.

## 2. THE STATEMENT OF ACCOUNTS

### 2.1 THE FINANCIAL STATEMENTS

**Movement in Reserves Statement (MiRS)**

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

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

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

**Balance Sheet**

The Balance Sheet sets out the Authority's overall financial position at the 31 March 2014, showing its balances and reserves, its long term liabilities, the non current and current assets employed in its operations and its short term liabilities. The net assets of the Authority (assets less liabilities) are matched by the reserves of the Authority, divided into usable reserves and other reserves. Usable reserves may be used by the Authority to provide services, subject to the need to maintain a prudent level and any statutory limitations on their use (for example capital receipts may generally only be used to fund capital expenditure or repay debt). Other reserves include those which hold unrealised gains and losses, those where amounts would only become available to provide services if the assets are sold and those which hold timing differences and which are shown in the MiRS in “Adjustments between accounting basis and funding under regulations”.

**Cash Flow Statement**

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

**The Pension Fund Account**

The Pension Fund Account provides information about the income and expenditure for the year on the Firefighters’ Pension Fund. The Account consolidates the 1992 and 2006 schemes.

## 2.2. SUPPORTING INFORMATION

**Note to the Accounts**

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

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

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

**Statement of Accounting Policies**

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

### The Annual Governance Statement

This summarises the Authority's responsibilities in the conduct of its operations, the purpose and key elements of the system of internal control and the processes applied in maintaining, reviewing and developing the effectiveness of control systems. It also addresses compliance with legal objectives, organisational priorities, corporate governance arrangements and performance management arrangements.

## 3. FINANCIAL PERFORMANCE IN 2013-14

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

The Authority received over half (£23,011k) of its revenue funding from local taxpayers, by way of precepts (amounts of funding) levied on the four constituent authorities (Cheshire East, Cheshire West and Chester, Halton and Warrington) who collect Council Tax. The precept levied in 2013-14 was increased by 1.99% from 2012-13 and equated to £67.75 on a Band D property.

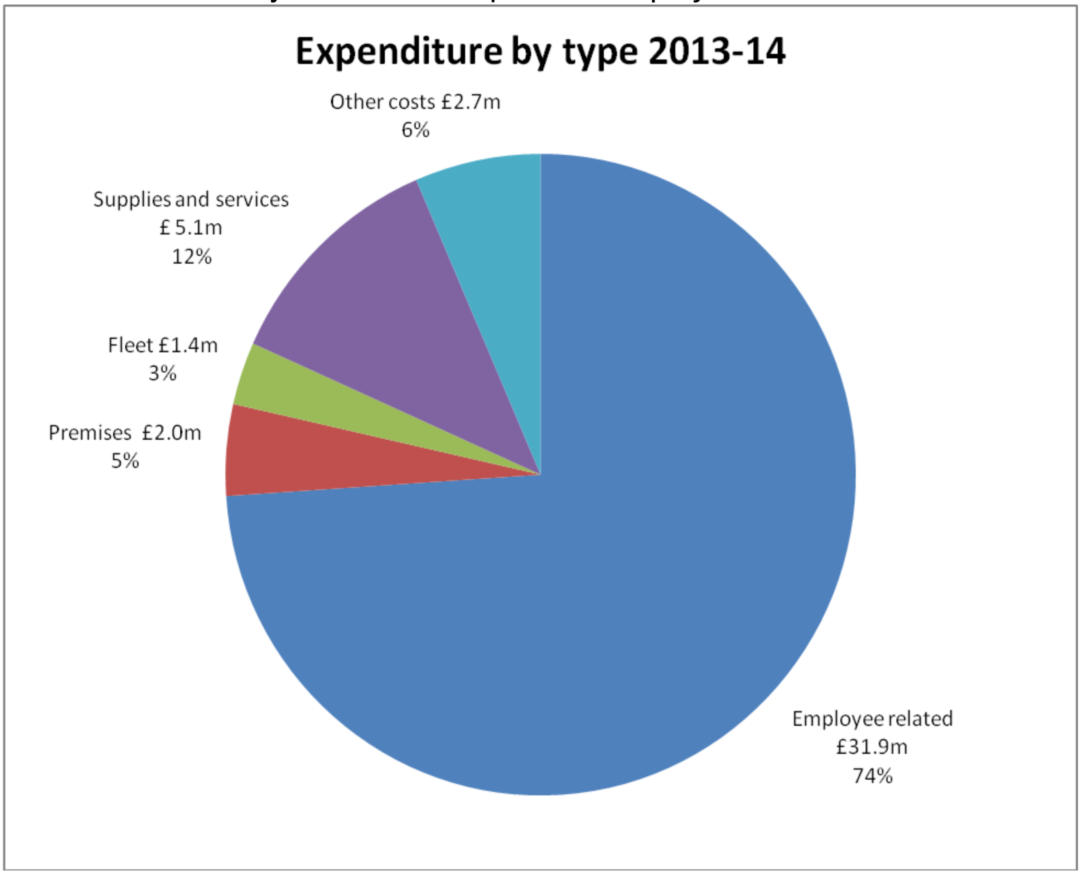
The majority of the balance of the revenue funding (£20,826k) was received from Central Government and the four constituent Authorities in the form of Settlement Funding Assessment. This can be broken down into two elements, Revenue Support Grant and Baseline Funding Level. Revenue Support Grant is determined centrally by Government and is based on a formula. Baseline Funding Level is the amount which the Government determines should be available to the Fire Authority as its share of Business Rates raised in its four constituent authorities. However, the amount of Business Rates which are available for the Fire Authority in its four constituent authorities is not sufficient to meet this level, so the Government also pays the Authority a Top Up Grant. In addition the Authority received other grants in relation to funding and recognised surplus/deficits on local taxation.

The actual amounts for 2013-14 for these elements are shown below.

| | £000 |
|---|---|
| Council Tax | (23,011) |
| Baseline Funding Level<br>- Business Rates Baseline<br>- Top Up Grant | <br>(4,409)<br>(3,983) |
| Revenue Support Grant | (12,434) |
| Section 31 Grants | (155) |
| Provision for non collection of Business Rates and Council Taxes | 93 |
| **Total 2013-14 Funding** | **(43,899)** |

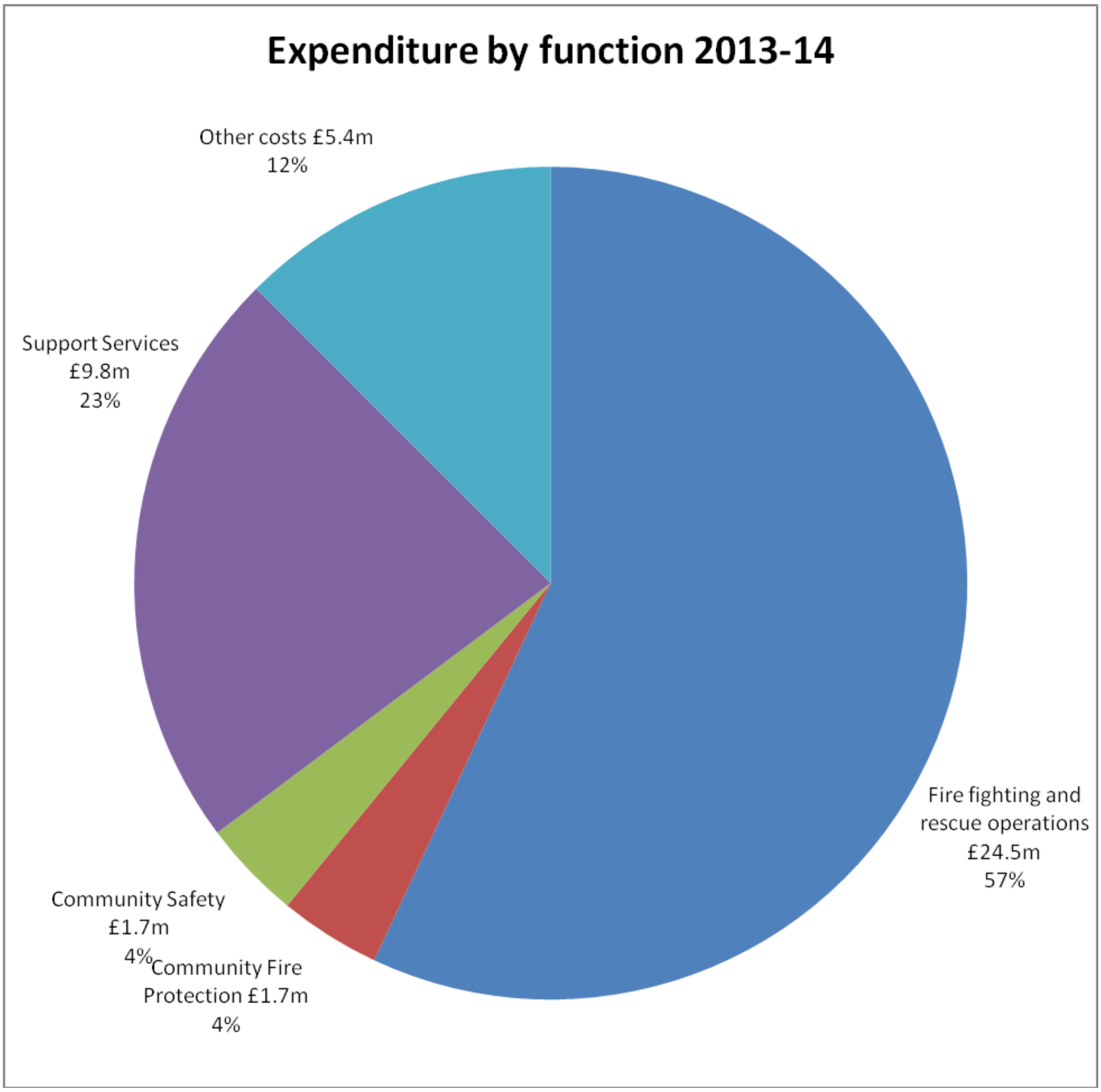
**What did the Authority spend its money on?**

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



**Performance against budget**

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




The Authority budgeted to break even, so that expenditure and income were equal. However, the Authority has underspent its revenue budget in 2013-14, and the budget has been revised twice during the year, after discussion at the Authority's Performance and Overview Committee, to reflect this. The intention is to reserve the underspend to help underpin the delivery of Integrated Risk Management Plans (IRMPs).

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

| Service Area | Revised Budget | Actual | Variance |
|---|---|---|---|
| £000 | £000 | £000 | £000 |
| Fire fighting and rescue operations | 24,771 | 24,546 | (225) |
| Community Fire Protection | 1,727 | 1,695 | (32) |
| Community Safety | 1,756 | 1,667 | (89) |
| Support Services | 10,158 | 9,798 | (360) |
| Other costs | 5,407 | 5,384 | (23) |
| Funding | (43,819) | (43,899) | (80) |
| Total | - | (809) | (809) |

The underspend against revised revenue budget is £809k. Fire fighting and rescue operations has continued to underspend against its budget throughout the year, as the Authority continues to keep posts vacant and has lower than anticipated on-call activity. The underspends achieved throughout the year reflect the fact that the Service has been preparing to achieve the savings which have been included in the 2014-15 budget as a result of the Emergency Response Programme.

Support Services have underspent against budget across a number of areas. Human Resources continue to underspend in anticipation of savings and as a result of lower than anticipated spending on corporate training. There has also been an underspend on Fleet services, with lower than anticipated spend on vehicle maintenance.

The underspend on Community Fire Protection is mainly as a result of staff vacancies. The underspend on Community Safety is as a result of salary vacancies and shortfall on Princes Trust income not materialising after the budget had been revised to reflect the expected shortfall. Other costs are budgeted for centrally (i.e. they are not reported as part of operational or support services). There has been an underspend on the costs to the Authority of ill health pensions, offset by a transfer to reserves to cover anticipated pension costs.

In general, the underspending reflects the trend during the year, as the Authority anticipates savings to be made in 2014-15 and beyond to support the delivery of IRMP 11 and future IRMPs. The nature of the savings is largely employee related. It is intended that underspends will mainly be transferred to the IRMP programme reserve which will be used to ensure that funding is available to smooth timing differences between actual expenditure and the full realisation of planned savings.

**Capital Expenditure**

The Authority invested £1,017k in non current assets during the year. Some of this expenditure was against schemes included in the capital programme for 2013-14, whilst some was carried forward from previous years. It is the nature of capital expenditure that some schemes do span financial years. In particular, the amounts approved for spend on the Emergency Response Programme (ERP) will not be fully spent until 2016-17, in line with the Authority's plan. Apart from the spending on the ERP, the Authority has invested £417k in vehicles including a new Command and Control Unit. The main property related spend was the £134k invested in joint working arrangements with the Police at Poynton station, which the Police have funded.

## 4. NON FINANCIAL PERFORMANCE IN 2013-14

Performance and Overview Committee receive a suite of performance indicators quarterly, including a Corporate Performance Scorecard. The final scorecard for 2013-14 shows that overall the Authority is performing well against its targets.

In particular, the number of fires in Cheshire is generally falling, with an overall decrease year on year of 4% in all primary fires, accidental dwelling fires and deliberate primary fires

There were three recorded fire fatalities in 2013-14, two within accidental dwelling fires and all within Cheshire East. Although there were forty four fire related injuries recorded, only five of these were classed as being severe. Three quarters of all fire related injuries were caused as a result of accidental dwelling fires.

Delivery against prevention and protection activities is on target, with Home Safety Assessments completion over target by 2,998. Thematic Inspections and Fire Safety Audits also ended the year with recorded increases in delivery when compared to 2012-13.

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

## 5. PENSIONS LIABILITY

The Authority is a responsible employer and encourages its employees to participate in pensions schemes. Firefighters may be members of two schemes. The first is the scheme introduced in 1992. This closed to new entrants in 2006 and was replaced by a new scheme. The Authority administers these schemes via a specialist external partner. Support staff may be members of the Local Government Pension Scheme (LGPS), which is administered on the Authority's behalf by Cheshire West and Chester Council.

The Firefighters' Pension schemes are unfunded, which means that there are no underlying assets to fund them and liabilities are funded as they fall due out of the annual income to the scheme. The requirements of IAS 19 means that the Authority must account in the current year for the liability which it incurs as an employer for future pension costs. This leads to a liability on the Authority's Balance Sheet for all pension costs, for both the Firefighter schemes and the LGPS, of £446m, which is based on a calculation by the Authority's actuaries of the future costs. This is offset in the Balance Sheet by a notional reserve of an equal and opposite amount. At present, all current deficits on the Firefighters' Pension Scheme are funded by Government through payment of a specific grant.

## 6. CHANGES IN ACCOUNTING POLICY

The main change to the Authority's accounting policies in 2013-14 relates to the way in which pension costs are disclosed in the accounts under IAS 19. There have been other minor changes to Accounting Policies during the year, but the impact of these changes on the accounts is minimal.

## 7. CURRENT BORROWING FACILITIES

In accordance with its Treasury Management Strategy, the Authority has recently been using cash balances to fund capital expenditure, as the poor investment returns available make this the most cost effective use of these balances. At the beginning of the year the Authority had outstanding loans with the Public Works Loans Board (PWLB) of £3,334k. During the year the Authority repaid £1,120k to PWLB prematurely, leaving a balance outstanding on 31 March 2014 of £2,214k. The policy on premature repayment continues to be reviewed. The Authority also completed repayment of a small loan to

Salix, a not for profit company who lend money to public bodies for invest to save environmental schemes.

Beyond that described in the section on Capital Expenditure above, the Authority has not acquired any major assets in the year, nor disposed of any.

## 8. SOURCES OF FUNDS FOR CAPITAL

The funding of capital in 2013-14 was use of capital grant, contributions from from reserves and contributions from the Police in respect of the work at Poynton Station. The key issue remains the Authority's ability to contain the potential impact from any capital funding decisions within its revenue budget, and this is regularly considered as part of the Medium Term Financial Plan (MTFP).

## 9. SIGNIFICANT PROVISIONS, CONTINGENCIES AND MATERIAL WRITE OFFS

The Authority has provided for £780k for the cost of termination payments resulting from restructuring as a result of the programme of VFM reviews which the Authority has been undertaking.

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

The Authority had identified contingent liabilities in respect of potential future insurance claims and potential pension costs for on call firefighters in its 2012-13 accounts. These are still considered valid at March 2014.

With regard to insurance the risk is as a result of the insolvency of MMI, the historic insurer to the Authority when it was still part of the County Council. The "run off" fund, set up to fund current claims relating to past insurable events is exhausted, leaving a risk of the costs of such claims bearing directly on the Authority.

With regard to pension costs, the risk relates to on call firefighters being allowed to retrospectively join the Firefighters pension scheme. The way in which historic costs in relation to employer contributions are to be funded is now likely to fall on the Authority by way of increased future contributions, but it is not clear how much this will cost. The position may also impact on the Authority's IAS 19 position in relation to its outstanding liabilities.

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

## 10. MATERIAL EVENTS AFTER THE BALANCE SHEET DATE

On 14 May 2014 the Authority transferred its control centre activity to the North West Fire Control (NWFC). NWFC is a joint venture company between the Fire Authorities of Cheshire, Greater Manchester, Lancashire and Cumbria.

## 11. IMPACT OF THE CURRENT ECONOMIC CLIMATE

The Authority's MTFP, which is periodically reviewed, models the Authority's finance for the next four years based on a set of assumptions, including those around likely future grant settlements. Given the continuing austerity agenda it is assumed that the cuts to the settlements seen over the last few years will continue at a similar level over the life time of the plan and beyond. The Authority's annual Integrated Risk Management Plans (IRMPs) show how the Authority intends to meet the challenges to delivering services posed by the continuing austerity programme.

The Authority has created an IRMP reserve to assist in delivering the complex programme of projects needed to deliver the IRMPs. In doing so it recognises the need to smooth out the impact of delivering IRMPs in years where savings are not achieved entirely as anticipated or if costs are higher or lower than expected.

The Authority has a balance on its general fund of £7,276k at 31 March 2014. The Treasurer is required, as part of the budgetary process, to risk assess the adequacy of the Authority's reserves. The risk assessment for the 2014-15 budget shows that the reserve level is adequate. The level is regularly under review in the light of any new risks which might have a significant financial impact. In addition to the General Fund, members of the Authority have prudently earmarked reserves to meet local community fire safety needs, to meet the costs of home safety assessments and other community initiatives, to help pay for training and other activity and, as discussed above, to help the Authority deliver current and future IRMPs.

The value of the Authority's non current assets is largely property related and the Authority recognises that a downturn in property values might lead to some reduction in value which would impact negatively on the Balance Sheet. The Authority carried out a valuation of its property in March 2014, in line with the requirement to fully revalue its property at intervals of no more than five years. Changes as a result of this valuation are included in the accounts, in particular in Note 12. The increase in value of the Authority's property as a result of the valuation was around £8m.

During 2013-14 some firefighters have taken industrial action in respect of a national dispute involving pensions. The nature of the dispute has meant that it has not had any significant financial impact during the year, but the risk of further action does pose potential significant risk to the Authority.

## 12. FUTURE PLANS

The MTFP has identified the need for savings of around £8m over the next four years. IRMPs are developed in the context of austerity, but try to ensure that the quality of the Authority's services is maintained at a time of severe financial challenge. The plans include the building of up to five new fire stations based on detailed risk intelligence to ensure standards are maintained, but with new and refreshed staffing systems in place, leading to savings in the Authority's revenue budget.

The Authority recognises the need to continue to be innovative and forward thinking in serving the needs of its residents. As a result it will develop a Safety Centre alongside the station it will build at Lymm, with a view to offering a holistic experience to its local residents to enable better understanding of the risks and dangers which lead to the types of accidents and incidents which ruin lives and potentially affect personal, regional and national finances. This will help reduce such accidents and incidents in the future, which will prevent personal tragedies as well as benefitting local and national communities.

The MTFP takes into account the continuing Capital Programme, focussing on the financial implications of delivering new stations and the Safety Centre and more generally on the Authority's Asset Management Strategy.

The delivery of control services by NWFC will lead to significant savings for all the Authorities involved, as well as enabling new state of the art facilities.

The Authority's first round of VFM reviews came to an end in the early part of 2014-15, and the focus has shifted in the remainder of 2014-15 to a review of ICT systems, along with a review of the vehicle fleet.

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

**Responsibilities of Cheshire Fire Authority**

Cheshire Fire Authority is required to:

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

**Statement from Cheshire Fire Authority**
I hereby approve the Statement of Accounts for Cheshire Fire Authority for the year ended 31 March 2014.

....................................

Councillor John Joyce
Cheshire Fire Authority

Date: 24 September 2014

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

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

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

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

The Treasurer has also:

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

**The Treasurer's Certificate**
I certify that the Statement of Accounts presents 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 2014 and that events after this date and prior to the formal approval of the Accounts have been properly considered.

.........................................

Paul Vaughan
Treasurer to Cheshire Fire Authority

Date: 24 September 2014

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

### Opinion on the Authority financial statements

We have audited the financial statements of Cheshire Fire Authority for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Cheshire Fire Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Cheshire Fire Authority as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

**Opinion on other matters**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

**Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

**Respective responsibilities of the Authority and the auditor**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Cheshire Fire Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

**Certificate**

We certify that we have completed the audit of the financial statements of Cheshire Fire Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Robin Baker

Associate Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Royal Liver Building
Liverpool
L3 1PS

24 September 2014

## CHESHIRE FIRE AUTHORITY - MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net increase/decrease, before transfers to earmarked reserves, line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

| | General Fund Balance | (Usable) Capital Receipts | Resource Centre Managers Reserves | Community Risk Reduction Reserve | UPGs Reserve | Capital grant unapplied account | Capital Reserve | **Total Usable Reserves** | Pensions Reserve | Revaluation Reserve | Collection Fund Adjustment Account | Accumulated Absences Account | Capital Adjustment Account | **Total Other Reserves** | **Total Authority Reserves** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2012** | (6,545) | (289) | (6,844) | (742) | (306) | (5) | (1,616) | **(16,347)** | 349,738 | (4,644) | (50) | 495 | (20,968) | **324,571** | **308,224** |
| **Movement in reserves during 2012-13** | | | | | | | | | | | | | | | |
| Surplus or deficit on the provision of services | 7,738 | - | - | - | - | - | - | **7,738** | - | - | - | - | - | **-** | **7,738** |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | - | **-** | 42,903 | - | - | - | - | **42,903** | **42,903** |
| **Total Comprehensive Income and Expenditure** | 7,738 | - | **-** | **-** | **-** | **-** | **-** | **7,738** | **42,903** | **-** | **-** | **-** | **-** | **42,903** | **50,641** |
| Adjustments between accounting basis and funding basis under regulations | | | | | | | | | | | | | | | |
| -depreciation & impairment of fixed assets and other capital charges | (2,620) | - | - | - | - | - | - | **(2,620)** | - | 45 | - | - | 2,575 | **2,620** | **-** |
| -pension costs - statutory adjustment | (13,245) | - | - | - | - | - | - | **(13,245)** | 13,245 | - | - | - | - | **13,245** | **-** |
| -capital expenditure charged to revenue | - | - | - | - | - | - | 468 | **468** | - | - | - | - | (468) | **(468)** | **-** |
| -capital grants - statutory adjustment | 1,416 | - | - | - | - | 5 | - | **1,421** | - | - | - | - | (1,421) | **(1,421)** | **-** |
| -Council tax - statutory adjustment | 46 | - | - | - | - | - | - | **46** | - | - | (46) | - | - | **(46)** | **-** |
| -Accumulated Absences - statutory adjustment | (90) | - | - | - | - | - | - | **(90)** | - | - | - | 90 | - | **90** | **-** |
| -Statutory provision for debt repayment (MRP) | 724 | - | - | - | - | - | - | **724** | - | - | - | - | (724) | **(724)** | **-** |
| **Net increase/decrease before transfers to earmarked reserves** | **(6,031)** | **-** | **-** | **-** | **-** | **5** | **468** | **(5,558)** | **56,148** | **45** | **(46)** | **90** | **(38)** | **56,199** | **50,641** |
| Transfers to/from earmarked reserves | 5,835 | - | (5,224) | - | (28) | - | (583) | **-** | - | - | - | - | - | **-** | **-** |
| **(Increase)/Decrease in 2012-13** | **(196)** | **-** | **(5,224)** | **-** | **(28)** | **5** | **(115)** | **(5,558)** | **56,148** | **45** | **(46)** | **90** | **(38)** | **56,199** | **50,641** |
| **Balance at 31 March 2013 carried forward** | **(6,741)** | **(289)** | **(12,068)** | **(742)** | **(334)** | **-** | **(1,731)** | **(21,905)** | **405,886** | **(4,599)** | **(96)** | **585** | **(21,006)** | **380,770** | **358,865** |

# CHESHIRE FIRE AUTHORITY - MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net increase/decrease, before transfers to earmarked reserves, line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

| | General Fund Balance | (Usable) Capital Receipts | Resource Centre Managers Reserves | Community Risk Reduction Reserve | UPGs Reserve | Capital grant unapplied account | Capital Reserve | **Total Usable Reserves** | Pensions Reserve | Revaluation Reserve | Collection Fund Adjustment Account | Accumulated Absences Account | Capital Adjustment Account | **Total Other Reserves** | **Total Authority Reserves** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2013 brought forward** | (6,741) | (289) | (12,068) | (742) | (334) | - | (1,731) | **(21,905)** | 405,886 | (4,599) | (96) | 585 | (21,006) | **380,770** | **358,865** |
| **Movement in reserves during 2013-14** | | | | | | | | | | | | | | | |
| Surplus or deficit on the provision of services | 9,108 | - | - | - | - | - | - | **9,108** | - | - | - | - | - | **-** | **9,108** |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | - | **-** | 23,371 | (7,044) | - | - | - | **16,327** | **16,327** |
| **Total Comprehensive Income and Expenditure** | 9,108 | - | **-** | **-** | **-** | **-** | **-** | **9,108** | **23,371** | **(7,044)** | **-** | **-** | **-** | **16,327** | **25,435** |
| Adjustments between accounting basis and funding basis under regulations | | | | | | | | | | | | | | **-** | **-** |
| -depreciation & impairment of fixed assets and other capital charges | (2,453) | - | - | - | - | - | - | **(2,453)** | - | 420 | - | - | 2,033 | **2,453** | **-** |
| -revaluation losses on property plant and equipment | 903 | - | - | - | - | - | - | **903** | - | - | - | - | (903) | **(903)** | **-** |
| -revenue expenditure funded from capital under statute | (30) | - | - | - | - | - | - | **(30)** | - | - | - | - | 30 | **30** | **-** |
| -pension costs - statutory adjustment | (16,488) | - | - | - | - | - | - | **(16,488)** | 16,488 | - | - | - | - | **16,488** | **-** |
| -capital expenditure charged to revenue | - | - | - | - | - | - | 126 | **126** | - | - | - | - | (126) | **(126)** | **-** |
| -capital grants - statutory adjustment | 3,304 | - | - | - | - | (2,383) | - | **921** | - | - | - | - | (921) | **(921)** | **-** |
| -Council tax - statutory adjustment | 66 | - | - | - | - | - | - | **66** | - | - | (66) | - | - | **(66)** | **-** |
| -Accumulated Absences - statutory adjustment | 22 | - | - | - | - | - | - | **22** | - | - | - | (22) | - | **(22)** | **-** |
| -Statutory provision for debt repayment (MRP) | 676 | - | - | - | - | - | - | **676** | - | - | - | - | (676) | **(676)** | **-** |
| **Net increase/decrease before transfers to earmarked reserves** | **(4,892)** | **-** | **-** | **-** | **-** | **(2,383)** | **126** | **(7,149)** | **39,859** | **(6,624)** | **(66)** | **(22)** | **(563)** | **32,584** | **25,435** |
| Transfers to/from earmarked reserves | 4,357 | - | (4,162) | 148 | (27) | - | (316) | **-** | - | - | - | - | - | **-** | **-** |
| **(Increase)/Decrease in 2013-14** | **(535)** | **-** | **(4,162)** | **148** | **(27)** | **(2,383)** | **(190)** | **(7,149)** | **39,859** | **(6,624)** | **(66)** | **(22)** | **(563)** | **32,584** | **25,435** |
| **Balance at 31 March 2014 carried forward** | **(7,276)** | **(289)** | **(16,230)** | **(594)** | **(361)** | **(2,383)** | **(1,921)** | **(29,054)** | **445,745** | **(11,223)** | **(162)** | **563** | **(21,569)** | **413,354** | **384,300** |

For further details on Usable and Other Reserves, see Notes 21 and 22.

## CHESHIRE FIRE AUTHORITY - COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure (CI&E) 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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

| 2012-13 Gross Expenditure £000 | 2012-13 Gross Income £000 | 2012-13 Net Expenditure £000 | | Note | 2013-14 Gross Expenditure £000 | 2013-14 Gross Income £000 | 2013-14 Net Expenditure £000 |
|---|---|---|---|---|---|---|---|
| 4,982 | (375) | **4,607** | Community fire safety | | 5,004 | (391) | **4,613** |
| 34,283 | (2,596) | **31,687** | Fire fighting and rescue operations | | 35,405 | (2,719) | **32,686** |
| 734 | (39) | **695** | Corporate and democratic core | | 502 | (22) | **480** |
| 67 | - | **67** | Non-distributed costs | 38 | 229 | - | **229** |
| **40,066** | **(3,010)** | **37,056** | Cost of services | | **41,140** | **(3,132)** | **38,008** |
| | | | Other operating expenditure | | | | |
| 19 | - | **19** | (Gains)/losses on the disposal of non-current assets | | 26 | - | **26** |
| 18,339 | (1,485) | 16,854 | Financing and investment income and expenditure | 10 | 18,639 | (178) | **18,461** |
| - | (46,191) | (46,191) | Taxation and non-specific grant income and expenditure | 11 | - | (47,387) | **(47,387)** |
| **58,424** | **(50,686)** | **7,738** | **(Surplus)/Deficit on Provision of Services** | | **59,805** | **(50,697)** | **9,108** |
| | | - | Surplus or deficit on revaluation of property, plant and equipment assets | 12 | | | **(7,044)** |
| | | 42,903 | Actuarial (gains)/losses on pension assets and liabilities | 38 | | | **23,371** |
| | | **42,903** | Other comprehensive income and expenditure | | | | **16,327** |
| | | **50,641** | **Total Comprehensive Income and Expenditure** | | | | **25,435** |

## CHESHIRE FIRE AUTHORITY - BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

| 01/04/2012 | 31/03/2013 | | | 31/03/2014 | |
|---|---|---|---|---|---|
| **£000** | **£000** | | Note | **£000** | **£000** |
| 29,750 | 29,032 | Land and buildings | 12 | 36,266 | |
| 5,754 | 6,044 | Vehicles and equipment | 12 | 5,468 | |
| 337 | 183 | Assets under construction | 12 | 216 | |
| 576 | 418 | Intangible assets | 13 | 229 | |
| **36,417** | **35,677** | **Total long-term assets** | | | **42,179** |
| 7,039 | 12,119 | Short-term investments | 14 | 18,343 | |
| 278 | 371 | Inventories | 16 | 459 | |
| 3,334 | 3,619 | Short-term debtors | 17 | 4,049 | |
| 1,340 | 1,835 | Amount due from pension fund | Pension fund | 1,845 | |
| 3,874 | 1,914 | Cash and cash equivalents | 18 | 2,230 | |
| **15,865** | **19,858** | **Total current assets** | | | **26,926** |
| **52,282** | **55,535** | **Total assets** | | | **69,105** |
| (99) | - | Cash and cash equivalents | 18 | - | |
| (445) | (8) | Short-term borrowing | 14 | - | |
| (3,834) | (4,626) | Short-term creditors | 19 | (4,265) | |
| (192) | (133) | Provisions | 20 | (1,112) | |
| (10) | - | Grants Receipts in Advance-capital | - | - | |
| **(4,580)** | **(4,767)** | **Total current liabilities** | | | **(5,377)** |
| **47,702** | **50,768** | **Total assets less current liabilities** | | | **63,728** |
| (686) | (330) | Long-term creditors | 15 | - | |
| (5,414) | (3,338) | Long-term borrowing | 14 | (2,214) | |
| (88) | (79) | Deferred liabilities | 33 | (69) | |
| (349,738) | (405,886) | Net pension liability (IAS19) | 38 | (445,745) | |
| **(355,926)** | **(409,633)** | **Total long-term liabilities** | | | **(448,028)** |
| **(308,224)** | **(358,865)** | **Net assets** | | | **(384,300)** |
| (16,347) | (21,905) | Usable reserves | 21, MiRS | | (29,054) |
| 324,571 | 380,770 | Unusable reserves | 22, MiRS | | 413,354 |
| **308,224** | **358,865** | **Total reserves** | | | **384,300** |

## CHESHIRE FIRE AUTHORITY - CASH FLOW STATEMENT

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

| **2012-13 £000** | | Note | **2013-14 £000** |
|---|---|---|---|
| **7,738** | **Net (surplus)/deficit on the provision of services** | CI&E | **9,108** |
| (15,272) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | 23 | (17,862) |
| 1,407 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 25 | 3,294 |
| **(6,127)** | **Net cash flows from Operating Activities** | | **(5,460)** |
| 5,466 | Investing activities | 24 | 4,002 |
| 2,522 | Financing activities | 25 | 1,142 |
| **1,861** | **Net (increase)/decrease in cash and cash equivalents** | | **(316)** |
| 3,775 | Cash and cash equivalents at the beginning of the reporting period | 18 | 1,914 |
| 1,914 | Cash and cash equivalents at the end of the reporting period | 18 | 2,230 |
| **1,861** | **Net (increase)/decrease in cash and cash equivalents** | | **(316)** |

## CHESHIRE FIRE AUTHORITY - FIREFIGHTERS' PENSION FUND

| 2012-13 £000 | 2012-13 £000 | | 2013-14 £000 | 2013-14 £000 |
|---|---|---|---|---|
| | | **Contributions Receivable** | | |
| | | Fire Authority contributions | | |
| (2,552) | | 1992 Firefighters' Pension Scheme | (2,442) | |
| (534) | | 2006 New Firefighters' Pension Scheme | (556) | |
| | (3,086) | | | (2,998) |
| | | Actuarial charges re: Early retirements | | |
| | (30) | Re: Ill health retirements | | (103) |
| | **(3,116)** | | | **(3,101)** |
| | | Firefighters' Contributions | | |
| (1,407) | | 1992 Firefighters' Pension Scheme | (1,518) | |
| (428) | | 2006 New Firefighters' Pension Scheme | (492) | |
| | (1,835) | | | (2,010) |
| | | **Transfers in** | | |
| | (98) | Transfers in from other pension funds | | (84) |
| | **(5,049)** | **Total Amount Receivable** | | **(5,195)** |
| | | **Benefits payable** | | |
| 10,184 | | Pensions | 10,631 | |
| 2,529 | | Commutation of pensions and lump sum retirement benefits | 2,156 | |
| | 12,713 | **Total Benefits payable** | | 12,787 |
| | | **Payments to and on account of leavers** | | |
| | 45 | Individual transfers out to other schemes | | 16 |
| | 1 | **Administrative expenses** | | - |
| | **12,759** | **Total Amount payable** | | **12,803** |
| | **7,710** | **(Surplus)/deficit for the year before top-up grant from Government** | | **7,608** |
| | (7,710) | Top-up grant receivable from Government | | (7,608) |
| | **-** | **Net amount payable/receivable for the year** | | **-** |

**Net Assets Statement**

| 01/04/2012 £000 | 31/03/2013 £000 | | 31/03/2014 £000 |
|---|---|---|---|
| | | **Current Assets** | |
| 2510 | 1,855 | Top-up grant receivable from the Government | 1,856 |
| 123 | 95 | Employee arrears | 66 |
| 13 | 13 | Contributions due from Fire Authority | - |
| | | **Current Liabilities** | |
| (102) | (87) | Contributions received in advance | (77) |
| (954) | (41) | Benefits outstanding | - |
| (250) | - | Top-up grant payable to the Government | - |
| (1,340) | (1,835) | Amount due to General Fund | (1,845) |
| **-** | **-** | **Net Assets** | **-** |

For further details, please see notes to the financial statements, notes 31 & 38.

The following pages show the notes to Cheshire Fire Authority Financial Statements 2013-14, a listing of the notes is shown below.

## 1 Accounting Policies

### I General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013-14 financial year and its position at the year end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations (England) 2011, which Regulations require 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 2013-14 and the Service Reporting Code of Practice 2013-14, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### II Accruals of Income and Expenditure

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

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

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

## III Cash and Cash Equivalents

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

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

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

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

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

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

## V Charges to Revenue for Non-Current Assets

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

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. 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 amortisations are therefore replaced by the contribution in the General Fund Balance [Minimum Revenue Provision (MRP)], by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## VI Employee Benefits

### Benefits Payable During Employment

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

### Termination Benefits

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

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

### Post-Employment Benefits

Employees of the Authority are members of three separate pension schemes:
-The Local Government Pension Scheme, administered by Cheshire West and Chester Council
-The Firefighters' Pension Schemes (1992)
-The New Firefighter Pensions Scheme (2006)

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

The Local Government Pension Scheme for non-uniformed staff -

All non-uniformed staff, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme, through the medium of the Cheshire Pension Fund. The scheme, which is a funded, defined benefit statutory scheme, is administered by Cheshire West and Chester Council in accordance with the Local Government Pension Scheme Regulations 2007 and 2008. The Authority currently pays an employer's contribution of 18.9% of employees' pensionable pay into the Cheshire Pension Fund. All pension payments to eligible staff are met from this fund. The attributable assets of the scheme are measured at fair value. Assets are valued at bid value.

Employer contribution rates are reviewed every three years. The last review took place on 31 March 2014. Contributions are set at a level intended to balance pension liabilities with the Authority's share of the Fund's investment assets.

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.3% (discount rate is derived from a corporate bond yield curve which is constructed based on the constituents of the iBox £ Corporates AA index using the UBS delta curve fitting methodology. Separate discount rates are then set for each individual employers, dependent on their own weighted average duration).

The Firefighters' 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, and an additional scheme in 2006, with both being administered through one fund. The Authority currently pays an employer's contribution of 21.3% of employees' pensionable pay into the fund in respect of the 1992 scheme, and 11% in respect of the 2006 scheme. The balance on the local pensions account is funded by Government grant.

Firefighters' Injury Schemes -

Under the Firefighters' 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 Firefighters' pension schemes.

The impact of these three pension schemes is identified in the revenue account and balance sheet.

The change in net pensions liability is analysed into the following components:

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.

Remeasurements comprising:

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

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

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

**Discretionary Benefits**

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

## VII Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

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

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

## VIII Financial Instruments

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The Authority's borrowings in the Balance Sheet represent the outstanding principal repayable (plus any accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.
Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

### Financial Assets (Loans and Receivables)

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument. They are measured initially 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 all of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

## IX Foreign Currency Translation

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

## X Government Grants and Contributions

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

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

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

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

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

## XI Heritage Assets

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

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

## XII Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.
Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement with charges commencing in the year of acquisition. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

The Authority has an interest in two entities, the North West Partnership, and NW Fire Control Ltd.

## XIV Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the first in first out (FIFO) costing formula.
The Authority has no long term contracts.

## XV Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.
Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.
Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

**The Authority as Lessee**

**Finance Leases**

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

Lease payments are apportioned between:

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

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

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

**Operating Leases**

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

## XVI Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013-14 (SeRCOP). The total absorption method is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Authority's status as a democratic organisation
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and the changes in the net pensions liability relating to past service costs.

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

## XVII Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

**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 Account, 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
- all other assets - fair value, determined as the amount that would be paid for the asset in its existing use

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
Where non-property assets have short useful lives and/or low values, depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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 Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

**Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

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

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for the depreciation that would have been charged had the loss not been recognised.

**Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives commencing in the year of acquisition. An exception is made for assets without a determinable useful life (e.g. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

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

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

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

**Disposals and Non-current Assets Held for Sale**

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

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

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

**Componentisation**

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

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

## XVIII Provisions, Contingent Liabilities and Contingent 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 efficiencies exit packages are charged to the appropriate service line in the Comprehensive Income and Expenditure, in the year that the Authority is committed to the new structure.

**Contingent Liabilities**

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

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

**Contingent Assets**

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

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

## XIX Reserves

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

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

## XX Revenue Expenditure Funded from Capital under Statute

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

## XXI VAT

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

## 2 Amounts Reported for Resource Allocation Decisions

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

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

| Service Area | 2013-14 £000 Revised budget | 2013-14 £000 Outturn | 2013-14 £000 Variance (under)/over spend |
|---|---|---|---|
| **Firefighting and rescue operations** | | | |
| Service Delivery | 21,224 | 21,018 | (206) |
| Operational Policy and Assurance | 3,547 | 3,528 | (19) |
| **Community Fire Protection** | 1,727 | 1,695 | (32) |
| **Community Safety** | 1,756 | 1,667 | (89) |
| **Support Services** | | | |
| Executive Management | 704 | 716 | 12 |
| Planning, Performance & Communications | 1,432 | 1,329 | (103) |
| Human Resources | 1,842 | 1,757 | (85) |
| Legal & Democratic services | 487 | 449 | (38) |
| Property Management | 1,694 | 1,667 | (27) |
| ICT | 1,514 | 1,510 | (4) |
| Finance | 403 | 392 | (11) |
| Procurement | 572 | 554 | (18) |
| Fleet services | 1,510 | 1,424 | (86) |
| **Other Costs** | | | |
| Unitary Performance Groups | 100 | 100 | - |
| General insurance | 185 | 217 | 32 |
| Contingency | 32 | - | (32) |
| Minimum Revenue Provision | 676 | 676 | - |
| Audit fees | 78 | 66 | (12) |
| Non distributed employee costs | 490 | 446 | (44) |
| Allocation of second homes Council Tax | 41 | 41 | - |
| Premium on repaid debt | 321 | 321 | - |
| Interest payable | 115 | 115 | - |
| Interest receivable | (170) | (178) | (8) |
| Bad debts | 6 | 18 | 12 |
| Other costs and income | 2 | 1 | (1) |
| Grants | (15) | (18) | (3) |
| Transfer to/from provisions | - | (23) | (23) |
| Contribution to IRMP reserve | 3,637 | 3,637 | - |
| Contribution from IRMP reserve | (321) | (321) | - |
| Other reserve movements | 230 | 286 | 56 |
| Total net expenditure reported for resource allocation decisions | **43,819** | **43,090** | (729) |

| Funding | 2013-14 £000 Revised budget | 2013-14 £000 Outturn | 2013-14 £000 Variance (under)/over spend |
|---|---|---|---|
| Council Tax | (23,011) | (23,011) | - |
| Council Tax - surplus / deficit | (22) | (301) | (279) |
| RSG | (12,434) | (12,434) | - |
| Business Rates | (8,392) | (8,392) | - |
| Business Rates - surplus / deficit | - | 212 | 212 |
| Section 31 grants | (76) | (155) | (79) |
| Appropriation to Collection Fund Adjustment account. | - | 66 | 66 |
| Transfer to provisions | 116 | 116 | - |
| Total funding | (43,819) | (43,899) | (80) |
| | - | (809) | (809) |
| Transfer of 2012-13 underspend to reserves | | | **274** |
| Increase in 2013-14 General Fund Balance | | | **(535)** |

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

| | 2013-14 £000 |
|---|---|
| Total expenditure reported for resource allocation decisions | 43,090 |
| Pension costs calculated in accordance with IAS 19 | (229) |
| Appropriation to capital financing | (851) |
| Minimum revenue provision | (676) |
| Capital grants received in year | 3,304 |
| Interest payable | (440) |
| Interest receivable | 178 |
| Accumulated absence | (22) |
| Other operating expenditure (profit or loss on disposal) | (25) |
| Revenue expenditure funded from capital under statute | 30 |
| revaluation losses on property plant and equipment | (903) |
| Net cost of IAS 19 pensions charged to CI&E | (1,482) |
| Funding transfer to provision | 116 |
| Transfer to reserves | (4,082) |
| **CI&E Net Cost of Services** | **38,008** |

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

**Subjective Analysis**

| 2012-13 | | 2013-14 | |
|---|---|---|---|
| £000 | | £000 | £000 |
| | Expenditure | | |
| 31,542 | Employee pay | 30,985 | |
| 491 | Other employee expenses | 498 | |
| 385 | Pensions | 465 | |
| 1,979 | Premises | 1,986 | |
| 1,480 | Transport | 1,366 | |
| 3,682 | Supplies, services & other expenses | 4,159 | |
| 912 | Agency and contracted services | 955 | |
| 1,417 | Capital charges and finance resources | 1,125 | |
| 136 | Members' allowances | 133 | |
| (59) | Provision | 763 | |
| 41,965 | Total expenditure | | 42,435 |
| | Income | | |
| (2,966) | Fees and other service income | (3,104) | |
| (44) | Sales | (28) | |
| (256) | Interest | (178) | |
| (25,064) | Council tax | (23,011) | |
| (19,665) | Government grants and contributions | (21,006) | |
| (47,995) | Total income | | (47,327) |
| 5,756 | Transfers to reserves | | 4,083 |
| **(274)** | Net expenditure | | **(809)** |

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

The Code of Practice on Local Council Accounting in the United Kingdom 2014-15 (the Code) requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the code for the relevant year.
The Code 2014-15 has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013-14 there would be no material changes as detailed below.
A number of new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities. These include:
• IFRS 10 Consolidated Financial Statements – This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. As at the 31 March 2014 the Authority doesn't  have any subsidiaries, associates under the revised definition, this would therefore have no impact on the 2013-14 statement of accounts.
• IFRS 11 Joint Arrangements – This standard addresses the accounting for a ‘joint arrangement’, which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities. As at the 31 March 2014 the Authority has no material joint venture arrangements.

• IFRS 12 Disclosures of Interest in Other Entities – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. As at the 31 March 2014 the Authority hasn't any arrangements with other entities under unconsolidated 'structured entities'.
• IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures – These statements conform with the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements, except for disclosure, due to the changes to IFRS 10, IFRS 11 and IFRS 12, there is therefore also no impact as a result of changes in IAS 27 and IAS 28.
• IAS 32 Financial Instruments Presentation – The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.
• IAS 1 Presentation of the Financial Statements – The changes clarifies the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the Authoriy's Statement of Accounts

## 4 Critical judgements in applying Accounting Policies

In applying the Accounting Policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to reduce levels of service provision. The Authority reviews its MTFP to assess potential impacts of reduction in fundings. The need to make efficiencies is factored into the IRMP process.

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

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

The items in the Authority's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|---|---|---|
| Property, Plant and Equipment (see note12) | Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, although the Authority does not feel that this poses any immediate quantifiable risk. | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £43k for every year that useful lives had to be reduced. |
| Provisions (see note 20) | | The Comprehensive Income and Expenditure Statement has been charged with the amount of the provision. Any change would result in a credit/debit to the Comprehensive Income and Expenditure Statement. |
| Pension Liability (see note 38) | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement age, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. | The effects on the net pensions liability of changes in individual assumptions can be measured. Sensitivity analyses in respect of the Firefighters' and Local Government Pension schemes are shown below, together with the monetary value that would result if they came to fruition. |

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

| Change in financial assumptions at year ended 31 March 2014 | LOCAL GOVERNMENT PENSION SCHEME Approximate Increase to Employer Liability | Approximate monetary Amount |
|---|---|---|
| | % | £000 |
| 0.5% decrease in real discount rate | 12% | 4,142 |
| 1 year increase in member life expectancy | 3% | 1,080 |
| 0.5% increase in the salary increase rate | 4% | 1,563 |
| 0.5% increase in the pensions increase rate (CPI) | 7% | 2,516 |

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

| | FIREFIGHTERS' PENSION SCHEME - FPS (1992 scheme) | | FIREFIGHTERS' PENSION SCHEME - NFPS (2006 scheme) | |
|---|---|---|---|---|
| Change in financial assumptions at year ended 31 March 2014 | Approximate increase to Employer Liability | Approximate monetary amount | Approximate Increase to Employer Liability | Approximate monetary Amount |
| | % | £000 | % | £000 |
| 0.1% decrease in real discount rate | 2% | 7,800 | 4% | 600 |
| 1 year increase in member life expectancy | 3% | 12,700 | 3% | 500 |
| 0.5% increase in the salary increase rate | 1% | 5,400 | 10% | 1,600 |
| 0.5% increase in the pensions increase rate (CPI) | 8% | 34,700 | 9% | 1,400 |

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

| | FIREFIGHTERS' PENSION SCHEME - FPS (1992 scheme) | | FIREFIGHTERS' PENSION SCHEME - NFPS (2006 scheme) | |
|---|---|---|---|---|
| Change in financial assumptions at year ended 31 March 2014 | Approximate increase to projected current service cost | Approximate monetary amount | Approximate increase to projected current service cost | Approximate monetary Amount |
| | % | £000 | % | £000 |
| 0.1% decrease in real discount rate | 4% | 280 | 5% | 100 |
| 1 year increase in member life expectancy | 3% | 220 | 3% | 60 |
| 0.5% increase in the salary increase rate | 4% | 310 | 13% | 280 |
| 0.5% increase in the pensions increase rate (CPI) | 13% | 950 | 11% | 230 |

## 6 Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Treasurer on 24 September 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 14 May 2014 the Authority transferred its control centre activity to the North West Fire Control (NWFC). NWFC is a joint venture company between the Fire Authorities of Cheshire, Greater Manchester, Lancashire and Cumbria. Note 36 to the accounts includes more details in relation to NWFC.

On 26 August 2014 the Authority purchased a piece of land at Alsager, on which to build a Fire Station, at a cost of £80k plus fees.

Whilst the items above provide information which is relevant to the Authority's financial position at 31 March 2014, the nature and timing of the activities which gave rise to them mean that no adjustment to the accounts is necessary.

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

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

## 8 Prior period adjustments

There are no prior period adjustments in the Authority's 2013-14 accounts.

## 9 Transfers to/from Earmarked Reserves

Please refer to the Movement in Reserves Statement and note 21.

## 10 Financing and Investment Income and Expenditure

| 2012-13 Net Expenditure £000 | | | 2013-14 Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
|---|---|---|---|---|---|
| 680 | | Interest payable on debt and similar charges | 436 | - | 436 |
| 4 | | Interest payable on finance leases | 4 | - | 4 |
| (256) | | Interest receivable and similar income | - | (178) | (178) |
| 17,655 | a | Pensions interest cost | - | - | - |
| (1,229) | a | Expected return on pensions assets | - | - | - |
| - | b | Net Interest on the net defined benefit liability (asset) | 18,199 | - | 18,199 |
| **16,854** | | **Total** | **18,639** | **(178)** | **18,461** |

IAS19 Employee Benefits was amended in June 2011. This has led to some changes in classification, recognition, measurement and disclosure requirements for Pensions in 2013-14. Under Financing and Investment Income and Expenditure ‘Net Interest on the net defined benefit liability (asset)’ (b) replaces ‘Pensions interest cost’ and ‘Expected return on pensions assets’ (a). Prior year figures have not been restated as this is not considered a material change.

## 11 Taxation and non-specific grant income

| 2012-13 Income £000 | | 2013-14 Income £000 |
|---|---|---|
| (25,111) | Council tax income | (23,312) |
| (19,290) | Non-domestic rates / Business Rates Retention Scheme | (8,179) |
| (374) | Non-ringfenced government grants | (12,592) |
| (1,416) | Capital grants and contributions | (3,304) |
| **(46,191)** | **Total** | **(47,387)** |

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

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

## 12 Property, Plant and Equipment

**12.1** Movements in 2013-14

| 2013-14 | Land and Buildings £000 | Vehicles £000 | Plant & Equipment £000 | Assets under Construction £000 | Total £000 |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| **At 1 April 2013** | **32,878** | **11,199** | **3,797** | **183** | **48,057** |
| Additions | 229 | 417 | 155 | 216 | **1,017** |
| Revaluations recognised in the Revaluation Reserve | 4,020 | - | - | - | **4,020** |
| Revaluations recognised in the Surplus/ Deficit on the Provision of Services | (953) | - | - | - | **(953)** |
| Derecognitions | - | (225) | (198) | - | **(423)** |
| Reclassifications | 92 | 15 | 76 | (183) | **-** |
| **As at 31 March 2014** | **36,266** | **11,406** | **3,830** | **216** | **51,718** |
| **Accumulated depreciation and impairment** | | | | | |
| **At 1 April 2013** | **(3,846)** | **(6,603)** | **(2,349)** | - | **(12,798)** |
| Depreciation charge | (1,035) | (699) | (521) | | **(2,255)** |
| Depreciation written out to the Revaluation Reserve | 3,025 | | | - | **3,025** |
| Depreciation written out to the Surplus/ Deficit on the Provision of Services | 1,856 | | | - | **1,856** |
| Derecognitions | - | 210 | 194 | - | **404** |
| **As at 31 March 2014** | **-** | **(7,092)** | **(2,676)** | - | **(9,768)** |
| **Net book value:** | | | | | |
| **At 31 March 2014** | **36,266** | **4,314** | **1,154** | **216** | **41,950** |
| **At 1 April 2013** | **29,032** | **4,596** | **1,448** | **183** | **35,259** |

**12.2** Comparative Movements in 2012-13

| 2012-13 | Land and Buildings £000 | Vehicles £000 | Plant & Equipment £000 | Assets under Construction £000 | Total £000 |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| **At 1 April 2012** | **32,575** | **10,938** | **3,665** | **337** | **47,515** |
| Additions | 331 | 923 | 344 | 183 | **1,781** |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on Provision of Services | (41) | - | - | - | **(41)** |
| Derecognitions | - | (979) | (200) | (19) | **(1,198)** |
| Reclassifications | 13 | 317 | (12) | (318) | **-** |
| **As at 31 March 2013** | **32,878** | **11,199** | **3,797** | **183** | **48,057** |
| **Accumulated depreciation and impairment** | | | | | |
| **At 1 April 2012** | **(2,825)** | **(6,841)** | **(2,008)** | - | **(11,674)** |
| Depreciation charge | (1,021) | (737) | (545) | - | **(2,303)** |
| Derecognitions | - | 979 | 200 | - | **1,179** |
| Reclassifications | - | (4) | 4 | - | **-** |
| **As at 31 March 2013** | **(3,846)** | **(6,603)** | **(2,349)** | - | **(12,798)** |
| **Net book value:** | | | | | |
| **At 31 March 2013** | **29,032** | **4,596** | **1,448** | **183** | **35,259** |
| **At 1 April 2012** | **29,750** | **4,097** | **1,657** | **337** | **35,841** |

**12.3** **Revaluations**

Assets included in the Balance Sheet at fair value are revalued at least every five years. The Authority's property portfolio was revalued by Edward Cottrell, MRICS of Cottrell Commercial as at 31 March 2014. The basis of the valuation was as follows:

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

The previous valuation for all assets other than Headquarters (HQ) was as at 31 March 2009. HQ was additionally revalued at 31 March 2011 in recognition of significant extension work. The final retention payment in relation to the HQ extension was made in 2012-13. This effectively recognised work done prior to the HQ revaluation on 31 March 2011. As such, this payment was not considered to have increased the value of the asset in 2012-13 and it was subsequently been written out as a revaluation loss.

The 2014 valuation has led to an overall net increase in asset values of £7.95m.

Other non current assets are valued at depreciated historic cost.

### 12.4 Capital Commitments

At 31 March 2014, the Authority does not have any capital commitments. Commitments at 31 March 2013 were £135k. The programme of station builds noted in the explanatory forward is underway, but expenditure in 2013-14 was largely on architects, planning fees and surveys. The Authority is pressing ahead with the plans but there are not considered to be any formal commitments to further spend at 31 March 2014.

| 31 March 2013 £000 | | 31 March 2014 £000 |
|---|---|---|
| 14 | ICT programme of change | - |
| 26 | HQ Entrance alterations | - |
| 52 | Runcorn Gym | - |
| 2 | Poynton Station Partnership | - |
| 4 | Hydrant Van | - |
| 19 | Manchester Airport Training Facility | - |
| 2 | Command and Control Unit | - |
| 16 | AV Equipment Upgrade | - |
| **135** | **Total** | **-** |

**Effects of changes in estimates**

There have been no material changes in accounting estimates in 2013-14.

## 13 Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item in Plant and Equipment. The intangible assets consist of purchased software and licences.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful life assigned to the major software suites used by the Authority is five years.

| | Intangible (Purchased) Assets | |
|---|---|---|
| | **2012-13 £000** | **2013-14 £000** |
| **Balance at start of year :** | | |
| Gross carrying amounts | 1,191 | 1,299 |
| Accumulated amortisation | (615) | (881) |
| **Net carrying amount at start of year** | **576** | **418** |
| Other disposals - gross cost | - | (70) |
| Other disposals - amortisation | - | 64 |
| Purchases | 108 | - |
| Amortisation for the period | (266) | (183) |
| **Net carrying amount at end of year** | **418** | **229** |
| Comprising: | | |
| • Gross carrying amount | 1,299 | 1,229 |
| • Accumulated amortisation | (881) | (1,000) |
| **Net carrying amount at end of year** | **418** | **229** |

Included within Intangible Assets are the IT systems which support the control room function. The estimated useful lives of such assets is in line with the anticipated move to a regional control room from May 2014.

## 14 Financial Instruments

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

| | Long Term | | | Current | | |
|---|---|---|---|---|---|---|
| | 01/04/12 £000 | 31/03/13 £000 | 31/03/14 £000 | 01/04/12 £000 | 31/03/13 £000 | 31/03/14 £000 |
| **Investments** | | | | | | |
| Loans and receivables | | | | | | |
| - Investments | - | - | - | 7,039 | 12,119 | 18,343 |
| - Imprest and cash | - | - | - | 3,874 | 1,914 | 2,230 |
| **Total Investments** | - | - | - | 10,913 | 14,033 | 20,573 |
| **Debtors** | | | | | | |
| - Loans and receivables | - | - | - | 553 | 810 | 1,614 |
| **Borrowings** | | | | | | |
| Financial liabilities at amortised cost | | | | | | |
| - PWLB | (5,402) | (3,334) | (2,214) | (437) | - | - |
| - Salix | (12) | (4) | - | (8) | (8) | - |
| - Overdraft | - | - | - | (99) | - | - |
| **Total Borrowings** | (5,414) | (3,338) | (2,214) | (544) | (8) | - |
| **Creditors** | | | | | | |
| Financial liabilities at amortised cost | (686) | (330) | - | (1,701) | (2,342) | (1,401) |

Income, Expense, Gains and Losses

| | 2012-13 | | | 2013-14 | | |
|---|---|---|---|---|---|---|
| | Financial liabilities at amortised cost £000 | Financial Assets: Loans and Receivables £000 | Total £000 | Financial liabilities at amortised cost £000 | Financial Assets: Loans and Receivables £000 | Total £000 |
| Interest expense | (684) | - | (684) | (440) | - | (440) |
| Impairment losses (bad debt provision) | - | (1) | (1) | - | (18) | (18) |
| **Total expense in Surplus or Deficit on the Provision of Services** | (684) | (1) | (685) | (440) | (18) | (458) |
| Interest income | - | 256 | 256 | - | 178 | 178 |
| **Total income in Surplus or Deficit on the Provision of Services** | - | 256 | 256 | - | 178 | 178 |
| **Net gain/(loss) for the year** | (684) | 255 | (429) | (440) | 160 | (280) |

**Fair Values of Assets and Liabilities**

Financial liabilities, financial assets represented by loans and receivables, and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present values of the cash flows that will take place over the remaining term of the instruments, making the following assumptions:

- for the PWLB loans, interest rates prevailing at 31 March 2014;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

| | 31 March 2013 | | 31 March 2014 | |
|---|---|---|---|---|
| | Carrying amount £000 | Fair value £000 | Carrying amount £000 | Fair value £000 |
| Financial liabilities | (5,688) | (6,625) | (3,615) | (3,951) |
| Long-term creditors | (330) | (330) | - | - |

| | 31 March 2013 | | 31 March 2014 | |
|---|---|---|---|---|
| | Carrying amount £000 | Fair value £000 | Carrying amount £000 | Fair value £000 |
| Loans and receivables | 14,843 | 14,843 | 22,187 | 22,187 |

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

## 15 Long Term Creditors

| 1 April 12 £000 | 31 March 13 £000 | | 31 March 14 £000 |
|---|---|---|---|
| (46) | (10) | LGPS | - |
| (640) | (320) | Pension Top-up grant | - |
| **(686)** | **(330)** | **Total** | **-** |

The long term creditor consisted of two element:

- Pension liabilities (LGPS)

  This represented the unpaid costs of non-uniformed staff early retirements. These costs are usually paid out over a period of 5 years.
- Pension top-up grant

  During 2011-12 the Authority identified that compensatory injury award payments had been inappropriately classified within its accounts since the inception of the Firefighters Pension Fund in 2006. The creditor amount represented the amount due to central government in respect of top up grant received incorrectly in prior years.

## 16 Inventories

| | Workshops £000 | Uniform £000 | Firefighting & General £000 | Total £000 |
|---|---|---|---|---|
| **Balance outstanding 1 April 2012** | **90** | **135** | **53** | **278** |
| Purchases 2012-13 | 33 | 254 | 131 | **418** |
| Recognised as an expense in the year | (34) | (199) | (94) | **(327)** |
| Written off balances 2012-13 | 1 | - | 1 | **2** |
| **Balance outstanding at 31 March 2013** | **90** | **190** | **91** | **371** |
| | | | | |
| **Balance outstanding 1 April 2013** | **90** | **190** | **91** | **371** |
| Purchases 2013-14 | 32 | 330 | 258 | **620** |
| Recognised as an expense in the year | (21) | (243) | (275) | **(539)** |
| Written off balances 2013-14 | - | 5 | 2 | **7** |
| **Balance outstanding at 31 March 2014** | **101** | **282** | **76** | **459** |

The inventory value has increased during 2013-14 , mainly related to uniforms as the Authority is anticipating the new on-call establishments and due to the delivery lead time for fire tunics and trousers have increased the stock levels.

## 17 Debtors (Amounts Receivable)

| 1 April 12 Restated £000 | 31 March 13 Restated £000 | | 31 March 14 £000 |
|---|---|---|---|
| 422 | 328 | Central Government bodies | 387 |
| 183 | 176 | Other local authorities | 996 |
| 20 | 25 | NHS bodies | 51 |
| 1 | - | Public corporations and trading funds | 5 |
| 1,864 | 2,248 | Other entities and individuals | 1,499 |
| 844 | 842 | Collection fund - council tax payers | 970 |
| - | - | Collection fund - business rates payers | 141 |
| **3,334** | **3,619** | **Total** | **4,049** |

The restatement for 1 April 2012 and 31 March 2013, reflects the debtor figure for council tax payers and business rates payers now on separate lines.

## 18 Cash and Cash Equivalents

| 1 April 12 £000 | 31 March 13 £000 | | 31 March 14 £000 |
|---|---|---|---|
| 7 | 9 | Cash held by the Authority | 26 |
| 3,867 | 1,905 | Bank current accounts | 2,204 |
| (99) | - | Bank overdraft | - |
| **3,775** | **1,914** | **Total** | **2,230** |

## 19 Creditors (Amounts Payable) - Short-term creditors

| 1 April 12 Restated £000 | 31 March 13 Restated £000 | | 31 March 14 £000 |
|---|---|---|---|
| (1,046) | (1,581) | Central Government bodies | (1,115) |
| (822) | (795) | Other local authorities | (1,219) |
| (17) | (1) | Public corporations and trading funds | - |
| (1,625) | (2,022) | Other entities and individuals | (1,526) |
| (324) | (227) | Collection fund - council tax payers | (324) |
| - | - | Collection fund - business rates payers | (81) |
| **(3,834)** | **(4,626)** | **Total** | **(4,265)** |

The restatement for 1 April 2012 and 31 March 2013, reflects the creditor figure for individual's council tax payers and business rates payers overpayment and prepayments on separate lines.

## 20 Provisions

In 2012-13 and 2013-14 the Authority identified likely costs in respect of termination payments. In 2013-14 the Authority has identified likely costs in business rates collection fund deficits, as well as reflecting the Fire Authority's share of the provision for business rates appeals.

| | Termination payments £000 | Collection fund £000 | **Total £000** |
|---|---|---|---|
| Balance as at 1 April 2013 | 133 | - | 133 |
| Additional provisions made in 2013-14 | 780 | 332 | 1,112 |
| Amounts used in 2013-14 | (105) | - | (105) |
| Amounts reversed in 2013-14 | (28) | - | (28) |
| Balance at 31 March 2014 | **780** | **332** | **1,112** |

## 21 Usable Reserves

| 1 April 12 £000 | 31 March 13 £000 | Usable Reserves | 31 March 14 £000 |
|---|---|---|---|
| (6,545) | (6,741) | General Fund Balance | (7,276) |
| (289) | (289) | (Usable) Capital Receipts | (289) |
| (5) | - | Capital grant unapplied account | (2,383) |
| | | Earmarked revenue reserves: | |
| (6,844) | (12,068) | - Resource Centre Managers | (16,230) |
| (742) | (742) | - Community Risk Reduction | (594) |
| (306) | (334) | - Unitary Performance Groups | (361) |
| (1,616) | (1,731) | Capital Reserve | (1,921) |
| **(16,347)** | **(21,905)** | **Total Usable Reserves** | **(29,054)** |

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

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

**(Usable) Capital Receipts**
This reserve shows the proceeds of fixed asset sales available to meet future capital expenditure.

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

**Resource Centre Managers Reserves**
These reserves are available to meet future identified commitments in resource centre managers' areas.

**Community Risk Reduction Reserve**

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

**Unitary Performance Groups (UPGs) Reserve**
This reserve is earmarked for facilitating partner engagement in community safety activities.

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

## 22 Unusable Reserves

| 1 April 12 £000 | 31 March 13 £000 | Unusable Reserves | 31 March 14 £000 |
|---|---|---|---|
| (4,644) | (4,599) | Revaluation Reserve | (11,223) |
| (20,968) | (21,006) | Capital Adjustment Account | (21,569) |
| 349,738 | 405,886 | Pensions Reserve | 445,745 |
| (50) | (96) | Collection Fund Adjustment Account | (162) |
| 495 | 585 | Accumulated Absences Account | 563 |
| **324,571** | **380,770** | **Total Unusable Reserves** | **413,354** |

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its non-current assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

| 2012-13 £000 | Revaluation Reserve | | 2013-14 £000 |
|---|---|---|---|
| **(4,644)** | **Balance at 1 April** | | **(4,599)** |
| - | Upward revaluation of assets | (7,163) | |
| - | Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services | 119 | |
| - | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | | (7,044) |
| 45 | Difference between fair value depreciation and historical cost depreciation | | 420 |
| **(4,599)** | **Balance at 31 March** | | **(11,223)** |

### 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 enhancement.

The Account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

| 2012-13 £000 | 2012-13 £000 | Capital Adjustment Account | 2013-14 £000 | 2013-14 £000 |
|---|---|---|---|---|
| | **(20,968)** | **Balance at 1 April** | | **(21,006)** |
| | | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement | | |
| 2,294 | | • Charges for depreciation and impairment of non-current assets | 2,245 | |
| 41 | | • Revaluation losses on Property, Plant and Equipment | (903) | |
| 266 | | • Amortisation of intangible assets | 183 | |
| - | | • Revenue expenditure funded from capital under statute | 30 | |
| 19 | | • Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 25 | |
| | 2,620 | | | 1,580 |
| | (45) | Adjusting amounts written out of the Revaluation Reserve | | (420) |
| | (18,393) | Net written out amount of the cost of non-current assets consumed in the year | | (19,846) |
| | | Capital financing applied in the year | | |
| (468) | | • Capital expenditure charged against the General Fund | (51) | |
| (1,421) | | • Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (996) | |
| (724) | | • Statutory provision for the financing of capital investment charged against the General Fund (MRP) | (676) | |
| | (2,613) | | | (1,723) |
| | **(21,006)** | **Balance at 31 March** | | **(21,569)** |

**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.

| 2012-13 £000 | Pension Reserve | 2013-14 £000 |
|---|---|---|
| **349,738** | **Balance at 1 April** | **405,886** |
| 42,903 | Actuarial gains or losses on pensions assets and liabilities | - |
| - | Remeasurements of the net defined benefit liability/(asset) | 23,371 |
| 25,173 | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account | 28,522 |
| (11,928) | Employer's pensions contributions and direct payments to pensioners payable in the year | (12,034) |
| **405,886** | **Balance at 31 March** | **445,745** |

**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.

| 2012-13 £000 | Collection Fund Adjustment Account | 2013-14 £000 |
|---|---|---|
| **(50)** | **Balance at 1 April** | **(96)** |
| (46) | Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated in accordance with statutory requirements | (66) |
| **(96)** | **Balance at 31 March** | **(162)** |

**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.

| 2012-13 £000 | 2012-13 £000 | Accumulated Absences Account | 2013-14 £000 | 2013-14 £000 |
|---|---|---|---|---|
| | **495** | **Balance at 1 April** | | **585** |
| (495) | | Settlement or cancellation of accrual made at the end of the preceding year | (585) | |
| 585 | | Amounts accrued at the end of the current year | 563 | |
| | 90 | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | | (22) |
| | **585** | **Balance at 31 March** | | **563** |

## 23 Cash Flow Statement - Operating Activities

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

| 2012-13 £000 | | 2013-14 £000 |
|---|---|---|
| (2,303) | Depreciation | (2,245) |
| (41) | Impairment and downward revaluation | 903 |
| (266) | Amortisation | (183) |
| (1) | Movement in impairment provision for bad debts | (18) |
| (329) | Movement in creditors | 639 |
| 285 | Movement in debtors | 430 |
| 495 | Movement in amount due from pension fund | 10 |
| 93 | Movement in stock/inventories | 95 |
| (13,245) | Movement in Pension liability | (16,488) |
| (19) | Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised | (26) |
| 59 | Other non-cash items charged to the net surplus or deficit on the provision of services | (979) |
| **(15,272)** | Total adjustment for non-cash movements | **(17,862)** |

| | | |
|---|---|---|
| | The cash flows for operating activities include the following items: | |
| 256 | Interest received | 178 |
| (684) | Interest paid | (440) |

## 24 Cash Flow Statement - Investing Activities

| 2012-13 £000 | | 2013-14 £000 |
|---|---|---|
| 1,802 | Purchase of non-current assets | 1,082 |
| 22,080 | Purchase of short-term and long-term investments | 38,724 |
| (17,000) | Proceeds from short-term and long-term investments | (32,500) |
| (1,416) | Other receipts from investing activities | (3,304) |
| **5,466** | **Net cash flows from investing activities** | **4,002** |

## 25 Cash Flow Statement - Financing Activities

| 2012-13 £000 | | 2013-14 £000 |
|---|---|---|
| 9 | Cash payments for the reduction of the outstanding liabilities relating to finance leases | 10 |
| 2,513 | Repayment of short-term and long-term borrowing | 1,132 |
| **2,522** | **Net cash flows from financing activities** | **1,142** |

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

| | | |
|---|---|---|
| 1,416 | Reverse part of Note 24 - Other receipts from investing activities | 3,304 |
| (9) | Reverse part of Note 25 - Cash payments for the reduction of the outstanding liabilities relating to finance leases | (10) |
| **1,407** | **Total** | **3,294** |

## 26 Members' Allowances

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

| 2012-13 £000 | | 2013-14 £000 |
|---|---|---|
| 134 | Members' allowances | 134 |
| 32 | Travel and subsistence, training and conferences | 31 |
| **166** | **Total** | **165** |

## 27 Officers' Remuneration

The tables below shows payments to the Authority's Leadership Team during the financial year 2013-14, and comparative figures for 2012-13.

| 2013-14 | Dates in Post | *Gross Annual Salary (a)* £ | Salary and Allowances £ | Benefits in kind (b) £ | Compensation for loss of office £ | Pension Contribution £ | Total £ |
|---|---|---|---|---|---|---|---|
| Chief Fire Officer | Full year | *144,430* | 149,016 | - | - | 30,251 | 179,267 |
| Deputy Chief Fire Officer | Full year | *123,186* | 128,511 | - | - | 26,043 | 154,554 |
| Assistant Chief Fire Officer | Full year | *106,050* | 117,217 | 3,528 | - | 21,993 | 142,738 |
| Head of Legal & Democratic Services | Full year | *58,021* | 58,021 | - | - | 10,966 | 68,987 |
| Head of Finance & Treasurer | Full year | *53,798* | 53,798 | - | - | 10,168 | 63,966 |
| **2013-14 Total** | | | **506,563** | **3,528** | **-** | **99,421** | **609,512** |

| 2012-13 | Dates in Post | *Gross Annual Salary (a)* £ | Salary and Allowances £ | Benefits in kind (b) £ | Compensation for loss of office £ | Pension Contribution £ | Total £ |
|---|---|---|---|---|---|---|---|
| Chief Fire Officer | Full year | *143,000* | 146,972 | - | - | 30,375 | 177,347 |
| Deputy Chief Fire Officer | Full year | *121,967* | 124,496 | - | - | 25,908 | 150,404 |
| Assistant Chief Fire Officer | Full year | *101,000* | 97,031 | 2,395 | - | 20,484 | 119,910 |
| Head of Legal & Democratic Services | Full year | *58,021* | 60,922 | - | - | 11,181 | 72,103 |
| Head of Finance & Treasurer | Full year | *53,798* | 57,832 | - | - | 9,899 | 67,731 |
| **2012-13 Total** | | | **487,253** | **2,395** | **-** | **97,847** | **587,495** |

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

| Remuneration band | | | Number of employees 2013-14 | 2012-13 |
|---|---|---|---|---|
| £50,000 | - | £54,999 | 4 | 24 |
| £55,000 | - | £59,999 | 18 | 4 |
| £60,000 | - | £64,999 | 6 | 5 |
| £65,000 | - | £69,999 | 4 | 2 |
| £70,000 | - | £74,999 | - | 2 |
| £75,000 | - | £79,999 | 3 | - |
| £80,000 | - | £84,999 | - | - |
| £85,000 | - | £89,999 | - | - |
| £90,000 | - | £94,999 | - | - |
| £95,000 | - | £99,999 | - | - |
| £100,000 | - | £104,999 | - | 1 |

Notes

a) Gross annualised salary represents the gross full time equivalent salary applicable to the post at 31 March, or when the person left post if earlier.

b) Benefits in kind consist of taxable benefits relating to car lease and mileage payments.

c) Members of the Leadership Team are excluded from the remuneration banding figures.

d) In the remuneration bands above, the highest paid employee in 2012-13 received termination benefits.

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 £ |
|---|---|---|---|---|
| **2013-2014** | | | | |
| £0 - £20,000 | 1 | 4 | 5 | 42,798 |
| £20,001 - £40,000 | - | 2 | 2 | 46,156 |
| £40,001 - £60,000 | 1 | - | 1 | 44,791 |
| £60,001 - £80,000 | - | - | - | - |
| £80,001 - £100,000 | - | 1 | 1 | 98,905 |
| **Total** | **2** | **7** | **9** | **232,650** |
| Amounts provided for in CI&E not included in bandings | | | 21 | 780,000 |
| Total cost included in 2013-14 CI&E | | | - | **1,012,650** |
| **2012-2013** | | | | |
| £0 - £20,000 | 0 | 8 | 8 | 55,533 |
| £20,001 - £40,000 | 1 | 2 | 3 | 90,516 |
| £40,001 - £60,000 | - | 1 | 1 | 56,523 |
| £60,001 - £80,000 | 1 | - | 1 | 61,446 |
| £80,001 - £100,000 | - | - | - | - |
| **Total** | **2** | **11** | **13** | **264,018** |
| Amounts provided for in CI&E not included in bandings | | | 1 | 133,000 |
| Total cost included in 2012-13 CI&E | | | - | **397,018** |

In 2013-14 the Authority has identified likely costs of £780k (2012-13 £133k) in respect of termination payments.

## 28 Termination Benefits

The Authority terminated the contracts of a number of employees in 2013-14, incurring liabilities of £233k relating to 9 employees (£264k in 2012-13 relating to 13 employees).

During 2013-14, there were £69k termination costs payable to 4 officers as part of the Planning, Performance and Communications review, £45k termination costs payable to 1 officer as part of the property management reviews, 1 post with £99k costs following initial part of the HR review and 1 post with £12k costs following the OPA review. £2k costs relate to redundancy payments following the end of a fixed contract relating to youth support work The remaining £6k was paid to 1 operational officers as the result of termination of their employment.

During 2012-13, there were £153k termination costs payable to 3 officers as part of the Transport review, £51k termination costs payable to 7 officers as part of the admin reviews, 1 post with £15k costs following initial part of the facilities review. The remaining £45k was paid to 2 operational officers as the result of termination of their employment.

See Note 27 for the number of exit packages and total cost per band.

## 29 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:

| 2012-13<br>£000 | | 2013-14<br>£000 |
|---|---|---|
| 40 | Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year | 40 |
| (4) | Rebate from Audit Commission | (6) |
| 1 | Fees payable in respect of other services provided by the Audit Commission during the year (National Fraud Initiative) | - |
| **37** | **Total** | **34** |

## 30 Grant Income

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

| 2012-13 £000 | | 2013-14 £000 |
|---|---|---|
| | **Credited to Taxation and Non-Specific Grant Income and Expenditure** | |
| (19,290) | Non-domestic rates / Business Rates Retention Scheme | (8,179) |
| (374) | Revenue Support Grant | (12,592) |
| (1,416) | Government Capital Grant | (3,304) |
| **(21,080)** | | **(24,075)** |
| | **Credited to Services** | |
| (85) | DCLG New Dimensions Fund | (87) |
| (35) | DCLG Migrant Impact Fund | (27) |
| (752) | DCLG Council tax freeze payment | - |
| (27) | DCLG Localised Council Tax Schemes | - |
| - | DCLG Council Tax Transition Grant | (15) |
| (113) | DCLG Fire Revenue Grant - FireLink | (133) |
| - | Other Grants (transforming community safety) | (21) |
| (27) | Other Grants | (5) |
| (6) | Donations | (5) |
| (97) | Other contributions | (143) |
| **(1,142)** | | **(436)** |

## 31 Related Parties

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

### a Central Government

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

Grants received from Government Departments are set out in note (30), Grant Income.
The Authority has utilised the borrowing facilities operated by the the Debt Management Office (PWLB loans).

**b Members**

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in the year is shown in Note 26 (Members' Allowances).

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

**c Officers**

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

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

The Authority was one of five Fire and Rescue Authorities that together set up FRAML, a company regulated by the Financial Services Authority. In the event that the company incurred a loss, it could require each Authority to pay an additional contribution up to the equivalent of 100% of the insurance premium paid by that Authority during the financial year. Any profits made by the company could be distributed amongst its members.

Following a 2008 court case involving a similar entity the legality of FRAML was brought into question and as a result the Authority transferred its insurances to a commercial insurance provider. The Directors of FRAML elected to wind up the company and this happened on 22 October 2010, passing management of the company into the hands of a liquidator. No material financial issues remain between the Authority and FRAML. The liquidation had not been completed by 31 March 2014.

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

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

These are as follows:

| 2012-13 £000 | Council Tax Billing Authority | 2013-14 £000 |
|---|---|---|
| (9,732) | Cheshire East Council | (9,297) |
| (8,126) | Cheshire West and Chester Council | (7,548) |
| (2,555) | Halton Borough Council | (2,263) |
| (4,698) | Warrington Borough Council | (4,204) |
| **(25,111)** | **Total** | **(23,312)** |

| 2012-13 £000 | Business Rates Billing Authority | 2013-14 £000 |
|---|---|---|
| - | Cheshire East Council | (1,292) |
| - | Cheshire West and Chester Council | (1,401) |
| - | Halton Borough Council | (501) |
| - | Warrington Borough Council | (1,002) |
| **-** | **Total** | **(4,196)** |

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

**f Firefighters' Pension Fund**

The Fire Authority administers the Firefighters' Pensions Schemes. The account for the schemes is included in the Statement of Accounts.

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

With effect from 1 April 2006, a new Firefighters' Pension Fund for each English Fire Authority was introduced. Rather than meet all of the net cost of pensions, the employer is now required to make contributions to the Fund. In the event of a shortfall, the deficit in the Fund is met by DCLG. Similarly, any surplus on the Fund would be payable by the employer to the DCLG. The deficit is known as “Top-Up Grant”.

A further change introduced in April 2006 was the introduction of a new Scheme for new Firefighters. This new Scheme attracts a contribution rate from employees of between 8.5% and 11.1% of their pensionable pay (compared to between 11% and 15% for the previous {1992} Scheme). Members of the previous Scheme were given the choice of staying with their existing Scheme or transferring to the New Scheme.

The employers' contribution consists of 21.3% of gross pay for the 1992 Scheme and 11% of gross pay for the 2006 Scheme, together with formula-based charges for the cost of ill-health and other early retirements.

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.

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

The Authority was involved in NW Fire Control Ltd and the North West Partnership Board, details of which are disclosed in Notes 36 and 37 respectively.

## 32 Capital Expenditure and Capital Financing

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

| 2012-13 £000 | | 2013-14 £000 |
|---|---|---|
| **10,814** | **Opening Capital Financing Requirement** | **10,090** |
| | **Capital Investment** | |
| 1,781 | Property, plant and equipment | 1,017 |
| 108 | Intangible assets | - |
| - | Revenue Expenditure Funded from Capital under Statute | 30 |
| | **Sources of Finance** | |
| - | Capital receipts | - |
| (1,421) | Government grants and other contributions | (996) |
| | **Sums set aside from revenue** | |
| (468) | Revenue contributions | (51) |
| (724) | Minimum revenue provision (MRP) | (676) |
| **10,090** | **Closing Capital Financing Requirement** | **9,414** |
| | **Explanation of movements in year** | |
| (724) | Increase/(decrease) in underlying need for borrowing | (676) |
| **(724)** | **Increase/(decrease) in Capital Financing Requirement** | **(676)** |

## 33 Leases

### Authority as Lessee

### Finance Leases

The Authority has a training vehicle held under a finance lease. The vehicle is carried in the Balance Sheet at the value of £69,197 (2012-13 £78,949).

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

| | 2013-14 | |
|---|---|---|
| | £ | £ |
| **Cost or Valuation** | | 128,743 |
| **Accumulated depreciation** | | |
| As at 1 April 2012 | (40,490) | |
| Charge for 2012-13 | (9,304) | |
| Charge for 2013-14 | (9,752) | |
| As at 31 March 2014 | | (59,546) |
| | | **69,197** |

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

| 1 April 2012 | 31 March 2013 | | 31 March 2014 |
|---|---|---|---|
| £ | £ | | £ |
| 9,304 | 9,752 | Not later than 1 year | 10,221 |
| 41,915 | 43,932 | Later than 1 year and not later than 5 years | 46,047 |
| 37,034 | 25,265 | Later than 5 years | 12,929 |
| **88,253** | **78,949** | **Total** | **69,197** |

### Operating Leases

Expenditure on operating leases in 2013-14 totalled £386,727 (2012-13 £470,598). All expenditure on leases relates to vehicles.

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

| 1 April 2012 | 31 March 2013 | | 31 March 2014 |
|---|---|---|---|
| £000 | £000 | | £000 |
| 366 | 340 | Not later than 1 year | 262 |
| 378 | 248 | Later than 1 year and not later than 5 years | 140 |
| **744** | **588** | **Total** | **402** |

## 34 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.

On call Firefighters have, as part time workers, access to the Firefighters pension scheme. Recent legal cases means that this right is retrospective, and as a result, the Authority is likely to become liable for employer contributions on past service. This matter has not yet been resolved, and it is not possible to quantify potential costs.

## 35 Nature and Extent of Risks Arising from Financial Instruments

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

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

The Authority's overall Treasury risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is the responsibility of the Treasurer, under policies approved by the Authority in the annual Treasury Management Strategy. The Strategy provides written principles for overall risk management, as well as written policies concerning specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

**Credit risk**

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

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

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £18,343k cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits but there was no evidence at the 31 March 2014 that this was likely to crystallise.

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

| | Amount at 31/03/2014 £000 A | Historical experience of default % B | Historical experience adjusted for market conditions at 31/03/2014 % C | Estimated maximum exposure to default and uncollectability at 31/03/2014 £000 (A x C) | Estimated maximum exposure at 31/03/2013 £000 |
|---|---|---|---|---|---|
| Deposits with banks & financial institutions | 18,343 | 0 | 0 | 0 | 0 |
| | | | | **0** | **0** |

The exceptionally difficult economic situation means that the credit limits agreed as part of the Annual Investment Strategy were occasionally exceeded. The Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits but continues to invest in a prudent manner.

The Authority does not generally allow credit for customers.

The past due date amount of £802k can be analysed by age as follows:

| | 31 March 2014 £000 | 31 March 2013 £000 |
|---|---|---|
| Less than three months | 702 | 427 |
| Three to six months | 94 | 159 |
| Six months to one year | 1 | 17 |
| More than one year | 5 | 2 |
| **Total** | **802** | **605** |

**Liquidity Risk**

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

The maturity analysis of financial liabilities is as follows:

| | 31 March 2014 £000 | 31 March 2013 £000 |
|---|---|---|
| Less than one year | - | 8 |
| Between one and two years | - | 334 |
| Between two and five years | 322 | 322 |
| Between five and ten years | 1,306 | 880 |
| Between ten and fifteen years | 586 | 2,132 |
| **Total** | **2,214** | **3,676** |

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

**Market Risk**

**Interest Rate Risk**

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services would rise
- borrowings at fixed rates - the fair value of the liabilities borrowings will fall
- investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates - the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority seeks to minimise interest rate risk by working with Warrington Borough Council, its Treasury Management partner, to agree a strategy in relation to investment and debt portfolios, which is reflected in its Treasury Management Strategy document.
The Authority's policy is to maximise the percentage of borrowings and investments at fixed rates because it wishes to have cost certainty, particularly in the current volatile economic climate. In addition the Authority has relatively small portfolios of loans and investments, which makes it more difficult to offset risk by having a mixed portfolio.

**Price Risk**

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

**Foreign Exchange Risk**

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

## 36 NW Fire Control Limited

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

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

During 2013-14 the company has continued to be funded by a section 31 grant from the Department for Communities and Local Government (DCLG). Accommodation and implementation expenditure will continue to be funded during the project phase to implement the new Control Mobilising system. The grant is paid to Greater Manchester Fire & Rescue Authority as lead authority for the North West region and released to the company as required. There have also been contributions to the project from the four fire authorities. The transition of the Control function to NW Fire Control Ltd is is being implemented in the first quarter of 2014-15.

In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, based on International Financial Reporting Standards, the Authority has considered any requirement for the preparation of Group Accounts as a result of its relationship with NW Fire Control Limited.

It has been determined that the company will be accounted for as a jointly controlled entity for Group Accounts purposes within the accounts of the Authority. This has been determined by following guidance in the Code of Practice. This will be reviewed in forthcoming financial years based on the future of the Company and if any Fire and Rescue Authority influence positions or Company governance arrangements have changed.

However on the basis of materiality it has been determined that Group Accounts are not required for the financial year 2013-14 having considered both qualitative and quantitative factors, including the following:

• The Authority does not depend on the company for continued provision of statutory services at present and activities provided by the control function remain within the individual Fire Authorities.

• The company is not operational in providing a public service and will not be until the financial year 2014-15.

• The only trading activity of the Company is currently the use of facilities at the building and car parking which is charged out accordingly to other Fire Authorities and organisations.

• The Authority’s share of the gross administrative expenses of the company in the financial year 2013-14 (25% of £2.931m) is not material in the context of the Authority’s gross expenditure.

• The Authority is not expected to make any contribution to the company until it commences using the company’s services.

• The cost of running the company is covered by Section 31 grant from the Department for Communities and Local Government, contributions from the Fire Authority members, bank interest earned and small values of trading profit.

• The liability of the Authority is limited to a maximum of £1.

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

| Accounts Information | Year ended 2013-14 £000 | Year ended 2012-13 £000 |
|---|---|---|
| Net Assets | 136 | 120 |
| Profits Before Taxation | 63 | 78 |
| Profits After Taxation | 48 | 62 |

At the end of 2013-14 the Authority shows NW Fire Control Ltd as a debtor for £116k (£187k for 2012-13).
The Company's Financial Statements can be obtained from Companies House with the deadline for submission as 31/12/2014 for the final audited 2013-14 accounts.

The position regarding Group Accounts will be reviewed for the 2014-15 financial year.

## 37 North West Partnership Board

The North West Fire and Rescue Authorities are continuing to work collaboratively and a Board was set up with effect from March 2011 called the North West Partnership Board. This is a Joint committee of the five fire authorities in the North West (Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside). The committee is comprised of councillors from the five constituent Authorities.

The objectives of the North West Partnership Board are as below:

• Develop the sharing of best practice from across the North West and beyond to influence future business.
• Encourage the provision of sustainable and increasingly efficient prevention, protection and intervention services to reduce overall risk.
• Influence the implementation of value led strategies on a localised basis.
• Provide the platform for continuing collaboration between NW Fire and Rescue Services to promote increasing value in all aspects of service delivery.
• Lobby key internal and external partners to improve fire and rescue service policies and processes.
• To lead continuous improvement through delivery of a sector led, peer reviewed approach.

During 2013-14 the financial impact of the partnership on Cheshire Fire Authority was negligible.

## 38 Defined Benefit Pension Schemes

### Participation in Pension Schemes

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

The Authority participates in three post-employment schemes:

- The Local Government Pension Scheme for non uniformed staff, administered locally by Cheshire West and Chester Council. This is a funded defined benefit final salary 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.

- The two Firefighters' Pension Schemes for uniformed staff. An original scheme commenced in 1992, and an additional scheme in 2006, with both being administered through one fund. These are unfunded schemes, meaning that there are no investment assets built up to meet the liabilities so that cash has to be generated to meet actual pension payments as they become due. However, as of 1 April 2006, firefighter and employer contributions are paid into a pension fund, from which pension payments are made. The fund is balanced to nil each year by receipt of pension top-up grant from central government if there is a deficit, or by paying over the surplus to central government. Details of the pension fund for 2013-14 are shown in the Pension Fund statement.

**Local Government Pension Scheme assets comprised:**

| Asset category | Fair Value of scheme assets 31 March 2014 £000 | Fair Value of scheme assets 31 March 2013 £000 |
|---|---|---|
| Equity Securities: | | |
| Consumer | 3,822.7 | 3,253.9 |
| Manufacturing | 1,326.9 | 1,319.5 |
| Energy and Utilities | 795.9 | 580.4 |
| Financial Institutions | 1,454.8 | 1,011.4 |
| Health and Care | 353.8 | 338.1 |
| Information Technology | 1,134.6 | 851.4 |
| Other | 897.4 | 853.7 |
| Debt Securities: | | |
| Corporate Bonds (investment grade) | - | - |
| Corporate Bonds (non-investment grade) | - | - |
| UK Government | - | - |
| Other | 1,730.7 | 1,482.8 |
| Private Equity: | | |
| All | 1,579.3 | 1,631.8 |
| Real Estate | | |
| UK Property | 1,832.8 | 1,499.9 |
| Overseas Property | 100.1 | 103.6 |
| Investment Funds and Unit Trusts | | |
| Equities | 4,755.3 | 5,446.0 |
| Bonds | 5,071.2 | 3,582.2 |
| Hedge Funds | 4,077.0 | 3,670.2 |
| Commodities | - | - |
| Infrastructure | - | - |
| Other | - | - |
| Derivatives: | | |
| Inflation | - | - |
| Interest Rate | - | - |
| Foreign Exchange | - | - |
| Other | - | - |
| Cash and Cash Equivalents | | |
| All | 114.8 | 116.1 |
| **Total Assets** | **29,047.3** | **25,741.0** |

## 38 Defined Benefit Pension Schemes (cont)

### Transactions Relating to Post-employment benefits

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

| | Local Government Pension Scheme £000 | | Firefighters' Pension Schemes FPS (1992 scheme) £000 | | Firefighters' Pension Schemes NFPS (2006 scheme) £000 | | Total for all schemes £000 | |
|---|---|---|---|---|---|---|---|---|
| | 2013-14 | 2012-13 | 2013-14 | 2012-13 | 2013-14 | 2012-13 | 2013-14 | 2012-13 |
| **Comprehensive Income and Expenditure Statement** | | | | | | | | |
| Cost of Services | | | | | | | | |
| • Current service cost | 1,394 | 1,080 | 7,000 | 6,300 | 1,700 | 1,300 | 10,094 | 8,680 |
| • Past service costs | 129 | 67 | 100 | - | - | - | 229 | 67 |
| Financing and Investment Income and Expenditure | | | | | | | | |
| • Net interest expense | 399 | 1,355 | 17,300 | 16,000 | 500 | 300 | 18,199 | 17,655 |
| **Total Post-employment benefit charged to the Surplus or Deficit on the Provision of Services** | **1,922** | **2,502** | **24,400** | **22,300** | **2,200** | **1,600** | **28,522** | **26,402** |
| **Other Post-employment benefit charged to the Comprehensive Income and Expenditure Statement** | | | | | | | | |
| Remeasurement of the net defined benefit liability comprising: | | | | | | | | |
| • Return on plan assets (excluding the amount included in the net interest expense) | (1,288) | 1,229 | - | - | - | - | (1,288) | 1,229 |
| • Actuarial gains and losses arising on changes in demographic assumptions | (620) | - | 9,300 | - | 300 | - | 8,980 | - |
| • Actuarial gains and losses arising on changes in financial assumptions | (2,768) | 4,414 | 14,700 | 38,600 | 1,600 | 2,000 | 13,532 | 45,014 |
| • Other experience | 2,147 | (28) | (100) | (300) | 100 | - | 2,147 | (328) |
| **Total Post-employment benefit charged to the Comprehensive Income and Expenditure Statement** | **(607)** | **8,117** | **48,300** | **60,600** | **4,200** | **3,600** | **51,893** | **72,317** |

| | Local Government Pension Scheme | | Firefighters' Pension Schemes | | | | Total for all schemes | |
|---|---|---|---|---|---|---|---|---|
| | | | FPS (1992 scheme) | | NFPS (2006 scheme) | | | |
| | £000 | | £000 | | £000 | | £000 | |
| | 2013-14 | 2012-13 | 2013-14 | 2012-13 | 2013-14 | 2012-13 | 2013-14 | 2012-13 |
| **Movement in Reserves Statement** | | | | | | | | |
| • Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code | (1,922) | (2,502) | (24,400) | (22,300) | (2,200) | (1,600) | (28,522) | (26,402) |
| **Actual amount charged against the General Fund Balance for pensions in the year:** | | | | | | | | |
| • Employers' contributions payable to scheme (gross amount before the Authority's receipt of the Firefighter pension scheme top up grant) | 1,134 | 1,028 | 11,400 | 11,300 | (500) | (400) | 12,034 | 11,928 |

**Pensions Assets and Liabilities Recognised in the Balance Sheet:**
The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

| | Funded liabilities: Local Government | | Unfunded liabilities: Firefighters' Pension FPS (1992 scheme) | | NFPS (2006 | | Total for all schemes | |
|---|---|---|---|---|---|---|---|---|
| | £000 | | £000 | | £000 | | £000 | |
| | 2013-14 | 2012-13 | 2013-14 | 2012-13 | 2013-14 | 2012-13 | 2013-14 | 2012-13 |
| Present value of the defined benefit obligation | 35,992 | 34,427 | 423,200 | 386,300 | 15,600 | 10,900 | 474,792 | 431,627 |
| Fair value of plan assets | (29,047) | (25,741) | - | - | - | - | (29,047) | (25,741) |
| Sub-total | 6,945 | 8,686 | 423,200 | 386,300 | 15,600 | 10,900 | 445,745 | 405,886 |
| Other movements in the liability (asset) | - | - | - | - | - | - | - | - |
| **Net Liability arising from defined benefit obligation** | **6,945** | **8,686** | **423,200** | **386,300** | **15,600** | **10,900** | **445,745** | **405,886** |

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

| | Funded liabilities: Local Government £000 | | Unfunded liabilities: Firefighters' Pension FPS (1992 scheme) £000 | | NFPS (2006 £000 | | Total for all schemes £000 | |
|---|---|---|---|---|---|---|---|---|
| | **2013-14** | **2012-13** | **2013-14** | **2012-13** | **2013-14** | **2012-13** | **2013-14** | **2012-13** |
| **Opening fair value of scheme assets** | 25,741 | 21,960 | - | - | - | - | 25,741 | 21,960 |
| Interest income | 1,176 | 1,073 | - | - | - | - | 1,176 | 1,073 |
| Remeasurement gain/(loss): | | | | | | | - | - |
| - The return on plan assets, excluding the amount included in the net interest expense | 1,288 | 1,939 | - | - | - | - | 1,288 | 1,939 |
| Contributions from employer | 1,134 | 1,028 | 11,400 | 11,300 | (500) | (400) | 12,034 | 11,928 |
| Contributions from employees into the scheme | 355 | 354 | 1,600 | 1,300 | 500 | 400 | 2,455 | 2,054 |
| Benefits paid | (647) | (613) | (13,000) | (12,600) | - | - | (13,647) | (13,213) |
| **Closing fair value of scheme assets** | **29,047** | **25,741** | **-** | **-** | **-** | **-** | **29,047** | **25,741** |

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

| | Funded liabilities: Local Government Pension Scheme £000 | | Unfunded liabilities: Firefighters' Pension Schemes FPS (1992 scheme) £000 | | Unfunded liabilities: Firefighters' Pension Schemes NFPS (2006 scheme) £000 | | Total for all schemes £000 | |
|---|---|---|---|---|---|---|---|---|
| | **2013-14** | **2012-13** | **2013-14** | **2012-13** | **2013-14** | **2012-13** | **2013-14** | **2012-13** |
| **Opening balance at 1 April** | 34,427 | 27,798 | 386,300 | 337,000 | 10,900 | 6,900 | 431,627 | 371,698 |
| Current service cost | 1,394 | 1,080 | 7,000 | 6,300 | 1,700 | 1,300 | 10,094 | 8,680 |
| Interest cost | 1,575 | 1,355 | 17,300 | 16,000 | 500 | 300 | 19,375 | 17,655 |
| Contributions by scheme participants | 355 | 354 | 1,600 | 1,300 | 500 | 400 | 2,455 | 2,054 |
| Remeasurement (gains) and losses: | | | | | | | | |
| - Actuarial gains/losses arising from changes in demographic assumptions | (620) | - | 9,300 | - | 300 | - | 8,980 | - |
| - Actuarial gains/losses arising from changes in financial assumptions | (2,768) | 4,414 | 14,700 | 38,600 | 1,600 | 2,000 | 13,532 | 45,014 |
| - other experience | 2,147 | (28) | (100) | (300) | 100 | - | 2,147 | (328) |
| Past service cost | 129 | 67 | 100 | - | - | - | 229 | 67 |
| Losses /(gains) on curtailments | - | - | - | - | - | - | - | - |
| Benefits paid | (647) | (613) | (13,000) | (12,600) | - | - | (13,647) | (13,213) |
| **Closing balance at 31 March** | **35,992** | **34,427** | **423,200** | **386,300** | **15,600** | **10,900** | **474,792** | **431,627** |

The Liabilities shown on the Firefighters Pension Schemes include liabilities in respect of injury pensions. Of the £423.2m FPS liability, £23.0m related to injury pensions (2012-13 £20.2m) and of the £15.6m NFPS Liability, £1.4m related to injury pensions (2012-13 £1.0m)

**Basis for Estimating Assets and Liabilities**

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

| | Local Government Pension Scheme £000 | | Firefighters' Pension Schemes £000 | |
|---|---|---|---|---|
| | **2013-14** | **2012-13** | **2013-14** | **2012-13** |
| **Long-term expected rate of return on assets in the scheme:** | | | | |
| Equity investments | 4.3% | 4.5% | - | - |
| Bonds | 4.3% | 4.5% | - | - |
| Property | 4.3% | 4.5% | - | - |
| Cash | 4.3% | 4.5% | - | - |
| **Mortality assumptions:** | At age 65 | | At age 60 | |
| Longevity for current pensioners: | | | | |
| • Men | 22.3 years | 22.9 years | 29.3 years | 28.1 years |
| • Women | 24.4 years | 25.7 years | 31.5 years | 31.0 years |
| Longevity for future pensioners: | | | | |
| • Men | 24.1 years | 24.9 years | 30.9 years | 29.7 years |
| • Women | 26.7 years | 27.7 years | 33.0 years | 32.5 years |
| Rate of inflation (CPI) | 2.8% | 2.8% | 2.8% | 2.8% |
| Rate of increase in salaries | 3.6% | 5.1% | 3.8% | 3.8% |
| Rate of increase in pensions | 2.8% | 2.8% | 2.8% | 2.8% |
| Rate for discounting scheme liabilities | 4.3% | 4.5% | 4.3% | 4.5% |

The estimation of the defined benefit obligations is sensitive to the acturial 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, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitity analysis below did not change from those used in the previous period.

**Impact on the Defined Benefit Obligation in the Scheme**

| | Local Government Pension Scheme £000 | | FPS (1992 scheme) £000 | | NFPS (2006 scheme) £000 | |
|---|---|---|---|---|---|---|
| | £ | % | £ | % | £ | % |
| Longevity (increase of 1 year) | 1,080 | 3 | 12,700 | 3 | 500 | 3 |
| Rate of increase in salaries (increase by 0.5%) | 1,563 | 4 | 5,400 | 1 | 1,600 | 10 |
| Rate of increase in pensions (increase by 0.5%) | 2,516 | 7 | 34,700 | 8 | 1,400 | 9 |
| Rate for discounting scheme liabilities (decrease by 0.5%) | 4,142 | 12 | n/a | n/a | n/a | n/a |
| Rate for discounting scheme liabilities (decrease by 0.1%) | n/a | n/a | 7,800 | 2 | 600 | 4 |

**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 due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the calculation of benefits under the Local Government Pension Scheme will alter in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Authority anticipated to pay £1.065m expected contributions to the Local Government Pension scheme in 2014-15. For the Firefighters' Pension Scheme in the year to 31 March 2015, the projected benefit net cashflow is £11.780m.

The table below shows the weighted average duration of the defined benefit obligation for scheme members for each of the schemes:

| | Local Government Pension Scheme | | Firefighters' Pension Schemes | | | |
|---|---|---|---|---|---|---|
| | | | FPS (1992 scheme) | | NFPS (2006 scheme) | |
| | Years | | Years | | Years | |
| | 2013-14 | 2012-13 | 2013-14 | 2012-13 | 2013-14 | 2012-13 |
| • The weighted average duration of the defined benefit obligation | 21.1 | 21.1 | 18.1 | 17.8 | 37.3 | 37.3 |

## GLOSSARY OF TERMS USED IN STATEMENT OF ACCOUNTS

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

**ACCOUNTING POLICIES**
The specific principles, bases, conventions, rules and practices applied by the authority in preparing and presenting financial statements.

**APPROPRIATIONS**
Amounts transferred to or from revenue or capital reserves.

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

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

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

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

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

**CAPITAL FINANCING REQUIREMENT**
This measures the underlying need to borrow to finance capital expenditure.

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

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

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**
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.

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

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

**FINANCIAL REPORTING STANDARDS**
Documents issued by the Accounting Standards Board, setting out approved accounting treatment.

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

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

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

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

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

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

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

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

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

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

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

**LONG TERM BORROWING**
Loans that are raised with external bodies, for periods greater than one year.

**MEDIUM TERM FINANCIAL PLAN (MTFP)**
Budget plan for the Authority for the next five years.

**MINIMUM REVENUE PROVISION (MRP)**
This is the amount which should be set aside from revenue as provision for debt repayment.

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

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

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

**NON CURRENT ASSETS (Previously known as FIXED ASSETS)**
Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.

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

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

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

**OPERATING LEASES**
A lease other than a finance lease.

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

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

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

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

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

**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:

1. The Authority's decision to terminate an employee's employment before the normal retirement date
2. 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.

**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.