STATEMENT OF ACCOUNTS

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Copies of the Statement of Accounts and a large print version are available from the Service Headquarters at 12 Geoff Monk Way, Birstall, Leicester, LE4 3BU.
Tel; Leicester (0116) 2872241 or on our website.

NARRATIVE REPORT

The accounting statements contained in this booklet represent the Combined Fire Authority's (CFA's) accounts for the year ended the 31st March 2017. The accounts have been presented in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

The accounts comprise the core financial statements, the names and purposes of which are described below:

Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also reflects the decision-making and reporting structure of the CFA. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure Statement

This 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 by 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 (MIRS). The deficit on the provision of services is £2,359k (£8,550k in 2015/16).

Movement in Reserves Statement

This statement shows the movement in year on the different reserves held by the CFA, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the CFA's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES). This is different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase or 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 CFA.

Balance Sheet

This sets out the value of assets and liabilities of the CFA as at the 31st March 2017. The net assets of the CFA (assets less liabilities) are matched by the reserves held by the CFA. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the CFA may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the CFA is not able to use to provide services. This category of reserves include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the MIRS line 'Adjustments between accounting basis and funding basis under regulations'.

The net worth of the CFA is £40,706k (£34,886k 2015/16) excluding pensions - a deficit of £410,936k (£334,337k 2015/16) including pensions.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the CFA during the reporting year. The statement shows how the CFA 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 CFA are funded by way of taxation and grant income or from the recipients of services provided by the CFA. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the CFA'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 CFA.

Summary of the year (Revenue)

The table below provides a comparison of revenue expenditure for the financial year ending the 31st March 2017 with the revised budget.

	Revised Budget £000	Actual £000	Variance £000
Employees	24,651	24,421	(230)
Premises	2,142	1,838	(304)
Transport	1,051	1,004	(47)
Supplies and Services	3,384	3,159	(225)
Capital Financing	4,733	4,733	0
Gross Expenditure	35,961	35,155	(806)
Controllable Income	(1,619)	(1,890)	(271)
Contribution (from)/to Specific Reserves	467	467	0
Total Expenditure	34,809	33,732	(1,077)

The accounts for 2016/17 show savings of £1,077k compared to the revised budget, before adjustments relating to reserves. The main areas of savings are as follows:

Operational overtime (£89k), Operational employer pension contributions (£67k), Training and other employee related costs (£94k), Repairs and Maintenance (£140k), Business rates (£71k), Other Premises Costs (£93k), Vehicle Fuel (£47k), Supplies and Services (£225k) and additional income (£271k).

The main items of income (excluding grant and funding income) are:

Secondment income (£485k), recovered costs (£317k), interest income (£34k), dividend from the subsidiary, Forge Health Limited (£56k), radio mast income (£57k) and Partnership Income (£157k)

Summary of the year (Capital)

The table below provides a comparison of actual payments for the financial year ending the 31st March 2017 with the most recent updated capital programme.

	Updated Programme £000	Actual £000	Variance £000
Vehicles	529	62	(467)
Property	639	180	(459)
Fire Control Project	319	1	(318)
IT and Equipment	261	250	(11)
Total Expenditure	1,748	493	(1,255)

The Capital Programme variance mainly relates to ongoing projects that did not complete in 2016/17 but are scheduled for completion in 2017/18 (£1,233k). This is due to the finalising of works at a fire station at Castle Donington (£55k), extension works to Coalville Fire Station to accommodate police and ambulance services (£304k), work at Market Harborough station (£89k), purchase of tactical response vehicles (£467k) and the ongoing system implementation of the Tri-Service Fire Control Project (£318k). The remaining variance (£22k) is mainly due to small savings over a number of projects.
The majority of the expenditure in year relates to the adaptation to Market Harborough station (£75k), hydraullic cutting units (£187k) and vehicle purchases (£62k).

Earmarked Reserves

Earmarked reserves have been created to support the CFA in managing future change and transition and to finance future Capital Programme expenditure so as to reduce or remove the requirement to borrow funds. Earmarked reserves are mainly funded by using amounts saved within the revenue budget.

The CFA has agreed to hold the sum of £2m of it's revenue budget as a general reserve from 2017/18.

Pension Funds

The Balance Sheet shows liabilities in respect of five pensions schemes provided for our staff:

The £13,022k liability (£9,493k in 2015/16) on the Local Government Pension Scheme (LGPS) is expected to be covered by increased levels of employer contributions.

The Firefighters' schemes are statutory unfunded schemes and the significant total liability of £438,620k (£359,730k in 2015/16) is a result of this position. There is no requirement, or legal powers, for the CFA to fund this deficit, and any costs not financed by future levels of employee or employer contributions will be met by grant from the Home Office. More details on pensions can be found in note 37.

Borrowing

Public Works Loans Board (PWLB) borrowing has remained at £14,478k. Total borrowing is less than originally anticipated in the 2016/17 budget when an authorised debt limit of £18,358k was set. There were no finance leases commenced during 2016/17 and repayments charged of £813k decreased the outstanding borrowing to £3,527k (£4,340k 2015/16) against an authorised lease limit of £4,942k.

Financing of capital expenditure has primarily been undertaken historically by procuring loans from PWLB, from finance leases available in the market, by capital grants from the Home Office, by using proceeds from sales of surplus capital assets or by using one-off excess funds such as savings. The facility to borrow from other Local Authorities is used where appropriate.

Significant Provisions, Contingencies or Write Offs

Provisions are held for current insurance claims and for non-domestic rates appeals. Provisions are measured at the best estimate of the expenditure required to settle the obligation.
There are no contingencies or significant write offs in 2016-17.

Events After the Reporting Period.

There are no events after the reporting period to report.

Annual Performance

The Annual Report and Statement of Assurance 2016/17 highlights the work that the CFA has undertaken over the year and provides assurance that the CFA is meeting its statutory and legal requirements. It provides a full review of the CFA's operational performance against Key Corporate Indicators (KCIs). The KCIs also include data on sickness absence for both operational and support staff. The Annual Report and Statement of Assurance 2016/17 provides a direct link to these accounts.

Property Revaluation

The property revaluation undertaken as at the 31st March 2017 identified £1,389k revaluation increases and £76k revaluation losses. £82k negative revaluations were not covered by positive values held in the revaluation reserve from previous revaluations. The net increase of £1,313k is 3.22% of the value of the entire property portfolio (excluding property assets in construction). The repairs and maintenance budget and the refurbishment plan in the capital programme help keep the value of the portfolio as high as the economy permits.

Future Issues

In order to address the impact of the current economic climate, the following actions have been identified;

In September 2016, an efficiency plan was submitted to the Home Office, in order to meet the Government's conditions for a four year finance settlement. The plan has been approved and a multi-year settlement, to 2019/20, achieved. The Budget Strategy 2017/18 to 2019/20 was approved by the CFA in February 2017 and is based upon the efficiency plan. The budget strategy shows that a balanced budget can be achieved over this period and that there is some (limited) capacity for operational growth following the achievement of substantial savings in the period to 2016/17. The substantial savings achieved were due to a number of factors:
- The reaching of the operational target establishment much sooner than was previously assumed.
- The outcomes of three strategic reviews in respect of management structure, use of the buildings within the CFA's estate and the vehicle fleet.
- The early achievement of shared services and accommodation reduction targets.

The savings have enabled the service to increase the operational establishment. A recruitment campaign for an additional twenty-five firefighters has been undertaken during the early months of 2017.

Notwithstanding this, further savings will be required in the medium term as the Government seeks to eliminate the public sector spending deficit. The budget strategy sets aside monies for the management of change, which we plan to use to reduce operational cost and help secure the longer term viability of the service. This will incorporate legislative changes that place a 'Duty to Collaborate' between the CFA and the Office of the Police and Crime Commissioner.

The CFA agreed along with all the major precepting authorities to operate a pooling agreement for business rates levies and safety net payments for 2016/17. The pool generated a total surplus of £5.0m in 2016/17 of which £5.0m is allocated to the Leicester and Leicestershire Enterprise Partnership in support of growth opportunities in the local economy. Of the total remaining balance in the pool of £1.4m, £29k is attributable to the CFA. The pooling arrangement will continue into 2017/18.

On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister, to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future, once the UK has left the EU. At this stage no estimate of its financial effect on the reporting entity can be made.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE CFA'S RESPONSIBILITIES

The CFA is required to;

(i) make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In the CFA that officer is the Treasurer,
(ii) manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets,
(iii) approve the Statement of Accounts.

These accounts were approved by the Treasurer to the CFA on the 28th September 2017.

Nicholas Rushton

CHAIR OF THE COMBINED FIRE AUTHORITY

THE TREASURER'S RESPONSIBILITIES

The Treasurer is responsible for the preparation of the CFA'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).

In preparing this Statement of Accounts, the Treasurer has:

(i) selected suitable accounting policies and then applied them consistently,
(ii) made judgements and estimates that were reasonable and prudent,
(iii) complied with the local authority Code,
(iv) kept proper accounting records which were up to date,
(v) taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Combined Fire Authority as at the reporting date and of its income and expenditure for the year ended the 31st March 2017.

Alison Greenhill

TREASURER OF THE COMBINED FIRE AUTHORITY

Date: 28th September 2017

EXPENDITURE AND FUNDING ANALYSIS

2015/16				2016/17		
Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
29,738	189	29,927	Fire Authority	28,150	(4,680)	23,470
29,738	**189**	**29,927**	**Net Cost of Services**	**28,150**	**(4,680)**	**23,470**
(32,169)	10,792	(21,377)	Other Income and Expenditure	(32,023)	10,912	(21,111)
(2,431)	**10,981**	**8,550**	**(Surplus) or Deficit**	**(3,873)**	**6,232**	**2,359**
(6,969)			**Opening General Fund**	**(9,400)**		
(2,431)			**(Surplus) or Deficit on General Fund in Year**	**(3,873)**		
(9,400)			**Closing General Fund**	**(13,273)**		

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2015/16 Gross Expenditure	2015/16 Gross Income	2015/16 Restated Net Expenditure		2016/17 Gross Expenditure	2016/17 Gross Income	2016/17 Net Expenditure
£000	£000	£000		£000	£000	£000
34,786	**(4,859)**	**29,927**	**Cost of Services**	**33,597**	**(10,127)**	**23,470**
0	(81)	(81)	Other operating expenditure (Note 11)	0	(38)	(38)
14,012	0	14,012	Financing and investment income and expenditure (Note 12)	13,635	0	13,635
0	(35,308)	(35,308)	Taxation and non-specific grant income and expenditure (Note 13)	0	(34,708)	(34,708)
		8,550	**Deficit on the provision of services**			**2,359**
		(710)	Surplus on revaluation of Property, Plant and Equipment assets (Note 14)			(1,131)
		(44,075)	Remeasurement of the net defined benefit liability (Note 24)			75,371
		(44,785)	**Other Comprehensive Income and Expenditure**			**74,240**
		(36,235)	**Total Comprehensive Income and Expenditure**			**76,599**

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Earmarked General Fund Reserves	**Total Usable Reserves**	Unusable Reserves	**Total CFA Reserves**
	£000	**£000**	**£000**	**£000**	**£000**
Balance as at the 31st March 2015	4,103	2,866	6,969	**(377,541)**	(370,572)
Deficit on the provision of services	(8,550)	0	(8,550)	0	(8,550)
Surplus on revaluation of Property, Plant and Equipment assets (Note 24)	0	0	0	**710**	710
Actuarial gain on pension assets/liabilities (Note 24)	0	0	0	**44,075**	44,075
Other Comprehensive Income and Expenditure:	0	0	0	**44,785**	**44,785**
Total Comprehensive Income and Expenditure	**(8,550)**	**0**	**(8,550)**	**44,785**	**36,235**
Adjustments between accounting basis and funding basis under regulations (Note 9)	10,981	0	10,981	**(10,981)**	0
Net Increase before Transfers to Earmarked Reserves	**2,431**	0	**2,431**	**33,804**	**36,235**
Transfers to or from Earmarked Reserves (Note 10)	**(4,163)**	**4,163**	0	0	0
Increase/(Decrease) in 2015/16	**(1,732)**	**4,163**	**2,431**	**33,804**	**36,235**
Balance as at the 31st March 2016	**2,371**	**7,029**	**9,400**	**(343,737)**	**(334,337)**
Deficit on the provision of services	(2,359)	0	(2,359)	0	(2,359)
Surplus on revaluation of Property, Plant and Equipment assets (Note 24)	0	0	0	**1,131**	1,131
Actuarial loss on pension assets/liabilities (Note 24)	0	0	0	**(75,371)**	(75,371)
Other Comprehensive Income and Expenditure:	0	0	0	**(74,240)**	**(74,240)**
Total Comprehensive Income and Expenditure	**(2,359)**	0	**(2,359)**	**(74,240)**	**(76,599)**
Adjustments between accounting basis and funding basis under regulations (Note 9)	6,232	0	6,232	**(6,232)**	0
Net Increase before Transfers to Earmarked Reserves	**3,873**	0	**3,873**	**(80,472)**	**(76,599)**
Transfers to or from Earmarked Reserves (Note 10)	**(2,561)**	**2,561**	0	0	0
Increase/(Decrease) in 2016/17	**1,312**	**2,561**	**3,873**	**(80,472)**	**(76,599)**
Balance as at the 31st March 2017	**3,683**	**9,590**	**13,273**	**(424,209)**	**(410,936)**

BALANCE SHEET

31st March 2016 £000		Note	31st March 2017 £000
48,686	Property, Plant and Equipment	14	49,028
3	Intangible Assets	15	1
48,689	**Long Term Assets**		**49,029**
292	Inventories	17	339
4,476	Short Term Debtors	18	6,399
4,015	Cash and Cash Equivalents	19	8,127
8,783	**Current Assets**		**14,865**
(813)	Short Term Borrowing	16	(875)
(3,098)	Short Term Creditors	21	(4,827)
(328)	Short Term Provisions	22	(30)
(4,239)	**Current Liabilities**		**(5,732)**
(18,005)	Long Term Borrowing	16	(17,131)
(369,223)	Net Pensions Liability	37	(451,642)
(342)	Long Term Provisions	22	(325)
(387,570)	**Long Term Liabilities**		**(469,098)**
(334,337)	**Net Liabilities**		**(410,936)**
	Represented by:		
2,371	General Fund		3,683
7,029	Earmarked General Fund Reserves	10	9,590
9,400	**Total Usable Reserves**		**13,273**
(369,223)	Pension Reserve	24	(451,642)
9,250	Revaluation Reserve	24	10,381
16,257	Capital Adjustment Account	24	16,915
233	Collection Fund Adjustment Account	24	373
(254)	Accumulated Absences Account	24	(236)
(343,737)	**Total Unusable Reserves**		**(424,209)**
(334,337)	**Total Reserves**		**(410,936)**

The notes on pages 14 to 43 form part of the financial statements.

The financial statements on pages 9 to 43 were authorised for issue on the 28th September 2017 by the Treasurer of the Combined Fire Authority.

CASH FLOW STATEMENT

2015/16			2016/17	
£000	£000		£000	£000
8,550		Net deficit on the provision of services	2,359	
(13,961)		Adjustment to the net deficit on the provision of services for non-cash movement (Note 25)	(7,591)	
0		Adjustments for items included in the net deficit on the provision of services that are investing and financing activities (Note 25)	(45)	
	(5,411)	**Net cash flows from Operating Activities**		**(5,277)**
	(1,905)	Investing Activities (Note 26)		353
	3,742	Financing Activities (Note 27)		812
	(3,574)	Net (increase)/decrease in cash and cash equivalents		**(4,112)**
	441	**Cash and cash equivalents at the beginning of the year**		**4,015**
	4,015	**Cash and cash equivalents at the end of the year (Note 19)**		**8,127**

NOTES TO THE ACCOUNTS

1 Accounting Policies

1.1 General principles

The Statement of Accounts summarises the CFA's transactions for the 2016/17 financial year and its position at the year-end of the 31st March 2017. The CFA is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which those regulations require to be prepared in accordance with proper accounting practices. The practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, as applicable to Fire Authorities and the Service Reporting Code of Practice 2016/17 (SeRCOP), 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.

1.2 Accruals of Income and Expenditure

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

Revenue from the sale of goods is recognised when the CFA 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 CFA.

Revenue from the provision of services is recognised when the CFA 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 CFA.

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 or expenditure has 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.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months 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 CFA's cash management.

1.4 Prior Year Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior year adjustments may result from a change in accounting policies or the need 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 CFA'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 are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.5 Charges to Revenue for Non-current Assets

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

~ depreciation attributable to the assets used

~ revaluation and impairment losses on assets where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
~ amortisation of intangible assets.

The CFA is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the CFA in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision (MRP) or the Statutory Repayment of Loans Fund Advances), by way of an adjusting transaction with the Capital Adjustment Account in the MIRS for the difference between the two.

1.6 **Council Tax and Non-Domestic Rates**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting NDR and council tax for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

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

The Balance Sheet includes the CFA's share of the year end balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

1.7 **Employee Benefits**

(i) Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include wages, salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. provided cars) for current employees and are recognised as an expense for services in the year in which employees render service to the CFA. 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 MIRS so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

(ii) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the CFA 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. These costs are charged on an accruals basis to the appropriate service segment at the earlier of when the CFA can no longer withdraw the offer of those benefits or when the CFA recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, the General Fund Balance is required to be charged with the amount payable by the CFA to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, 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.

(iii) Post-employment Benefits

Employees of the CFA are members of one of five pension schemes, all of which are accounted for as defined benefits schemes.

- The Local Government Pension Scheme (LGPS), for which Hymans Robertson calculate the liability as at the 31st March 2017 and which Leicestershire County Council administer.
- Four Firefighters' pension schemes, for which the Government Actuary's Department (GAD) calculate the liability:
- The Firefighters' Pension Scheme 1992
- The Firefighters' Pension Scheme 2006
- The Firefighters' Pension Scheme 2015
- The Firefighters' Injury Benefit Scheme

These schemes do not have the usual type of pension fund found in the private sector which uses investments to help meet scheme liabilities. The CFA is required to maintain a Firefighters' pension fund which:

~ receives employee and employer contributions and transfer values from other schemes, and

~ pays out benefits and transfer values to other schemes.

The CFA does not have the power to invest assets in the Firefighters' pension scheme as would normally be the case with a pension fund. If the fund has insufficient money to meet all of its pension liabilities, the Secretary of State will make up the shortfall; if the fund is in surplus, the Secretary of State will take the excess to cover any shortfall in the funds of other Authorities.

The liabilities attributable to the CFA are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that 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 for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.60% for the LGPS and 2.65% for the Firefighter's schemes.

The assets of the LGPS attributable to the CFA are included in the Balance Sheet at their fair value:
- quoted securities - current bid price
- unquoted securities - professional estimate
- unitised securities - current bid price
- property - market value

The change in the pensions asset/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 CIES to the services for which the employees worked
- past service costs - 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 CIES as part of Non Distributed Costs
- net interest on the net defined benefit liability (asset) - i.e. net interest expense for the CFA - the change during the year in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES - 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 benefit 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 fund 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 CFA to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, 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.

(iv) Discretionary Benefits

The CFA 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 LGPS scheme.

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

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

1.9 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the CFA 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 CIES 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.
For most of the borrowings that the CFA has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Financial Assets

Loans and receivables (assets that have fixed or determinable payments but are not quoted in an active market) are recognised on the Balance Sheet when the CFA becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the investments that the CFA 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 CIES is the amount receivable for the year in the loan agreement. The amortised cost will include any interest accrued and not received as at the Balance Sheet date. Where the interest is fixed for the term of the investment then the actual interest rate has been used to calculate interest receivable as this is the same as the effective interest rate. There are no transaction costs relating to investments. Annual credits to the Financing and Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument.

Financial assets and financial liabilities are presented gross in the Statement of Accounts, unless the Authority has a legal right to set off the amounts in which case the gross amounts are disclosed in a note.

1.10 Government Grants and Contributions

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

- the CFA will comply with the conditions attached to payments, and
- the monies will be received.

Amounts recognised as due to the CFA are not credited to the CIES 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 in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential 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 and Expenditure (non-ringfenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MIRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.11 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the CFA 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 CFA.

Intangible assets with an original cost in excess of £10k are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the CFA can be determined by reference to an active market. In practice, no intangible asset held by the CFA 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 in the CIES. 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 in the CIES.

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 reversed out of the General Fund Balance in the MIRS and posted to the CAA and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

1.12 Interests in Companies and Other Entities

The CFA has an interest in Forge Health Limited that has the status of a wholly owned subsidiary. An annual review in accordance with paragraph 9.1.1.6 of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 has been undertaken and it is considered that this interest is not material therefore Group Accounts are not prepared. The income, expenditure, assets and liabilities of Forge Health Limited are not included in the main statements of the CFA. Note 28 gives details.

There are no interests in associates and jointly controlled entities.

1.13 Inventories

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.

1.14 Joint Operations

Joint Operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:
• its assets, including its share of any assets held jointly
• its liabilities, including its share of any liabilities incurred jointly
• its revenue from the sale of its share of the output arising from the joint operation
• its share of the revenue from the sale of the output by the joint operation
• its expenses, including its share of any expenses incurred jointly

1.15 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.
Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.
Arrangements that do not have the legal status of a lease but conveying 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.

CFA as Lessor

An agreement remains under negotiation with East Midlands Ambulance Service (EMAS) for occupation of an area within Headquarters. An accrual has been made for the estimated income from mid-September 2015. There is an expectation that further arrangements of this type with other blue light services are likely to be considered as part of the estate review, in light of the Home Office duty to collaborate agenda.

CFA 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.
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 CIES).
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 CFA at the end of the lease period).
The CFA 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 CAA in the MIRS for the difference between the two.
Operating Leases
Rentals paid under operating leases are charged to the CIES 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 (e.g. there is a rent-free period at the commencement of the lease).

1.16 Overheads and Support Services

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

1.17 Property, Plant and Equipment

Assets that have a physical substance and are held for use in the provision of 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 improvement of property, plant and equipment is capitalised on an accruals basis, provided it is probable that the future economic benefits or service potential associated with the item will flow to the CFA 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) or is under a £5k de-minimus limit is charged as an expense when it is incurred.

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

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

Assets are then carried in the Balance Sheet using the following measurement bases:
- offices and workshops - current value, determined as the amount that would be paid for the asset in its existing use (EUV)
- fire stations - due to the specialised nature of the asset EUV cannot be assessed so it is held at depreciated replacement cost (DRC)
- assets under construction - depreciated historical cost
- all other assets - current value, determined as the amount that would be paid for the asset under EUV.

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

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

Assets included in the Balance Sheet at current value are revalued annually. The latest valuation exercise was carried out by Cameron Butler BLE (Hons) MRICS of FHP Property Consultants. The asset values used in the accounts are based on a certificate issued by FHP Property Consultants on all properties as at the 31st March 2017. Additions which are still under construction are included in the accounts at cost. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, they are accounted for by:
- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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

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 CIES.

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

Depreciation is calculated on the following bases:
- buildings - straight line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, furniture and equipment - a percentage of the value of each assets in the Balance sheet, as advised by a suitably qualified officer

Where an item of Property, Plant and Equipment asset has a major component whose cost is significant in relation to the total cost of the item and the significant life is different, 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 CAA.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

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

Assets that are abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES 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 CAA.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts remains within the Capital Receipt Reserve, and can then be used for new capital investment, or set aside to reduce the underlying need to borrow (the CFR). Receipts are appropriated to the Reserve from the General Fund Balance in the MIRS.

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 CAA from the General Fund Balance in the MIRS.

1.18 **Provisions, Contingent Liabilities and Contingent Assets**

(i) Provisions

Provisions are made when an event has taken place that gives the CFA a legal or constructive obligation that probably requires settlement by a transfer of economics benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

For instance, the CFA 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 CIES when the CFA has an 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 probable that a transfer of economic benefits will occur (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.

The CFA holds an insurance provision to cover the cost of known or likely claims relating to past events where it is anticipated that payment is likely to be made.

(ii) 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.

(iii) 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 entity's control.

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

1.19 **Reserves**

The CFA 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. 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 CIES. The reserve is then transferred back into the General Fund Balance 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, local taxation, retirement and employee benefits and do not represent usable resources for the CFA – these reserves are explained in note 24.

1.20 Value Added Tax (VAT)

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

2 Accounting Standards Issued but not yet Adopted

For 2016/17 the following accounting policy changes that need to be reported relate to:

~ Amendment to the reporting of pension fund scheme transaction costs

~ Amendment to the reporting of investment concentration (as per paragraph 6.5.5.1 (m) of the 2017/18 Code).

3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the CFA 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:

a) There is a high degree of uncertainty about future funding levels for local government. However the CFA has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the CFA might be impaired as a result of a need to close facilities and reduce levels of service provision

b) the relationship with Forge Health Limited is treated as a wholly owned subsidiary in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. As the interests are not considered material, group accounts are not presented

c) that no contracts held by the CFA hold embedded leases

d) that no major legal claims are in progress which could result in claims of a material value by or from the CFA.

4 Assumptions about the Future and other Major Sources of Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the CFA 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 CFA's Balance Sheet at the 31st March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Heading	Description of uncertainty	Potential effect if results differ from assumption
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependant on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the CFA will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £38k for every year that useful lives had to be reduced.
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements by the actuary relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement rates, mortality rates and expected returns on pension fund assets. On behalf of the CFA, the Local Government Pension Scheme employs the Actuary, Hymans Robertson, and the Firefighter's Pension Schemes are valued by Government Actuary's Department (GAD). These actuaries provide expert advice on assumptions to be applied.	The effects in the net pensions liability of changes in the individual assumptions can be measured. For instance a 0.5% increase in the discount rate assumption would result in an decrease in the pension liability of £45,146k (£4,046k LGPS and £41,100k Firefighters schemes). However, the assumptions interact in complex ways. During 2016/17, the CFA's actuaries advised that the net pensions liability had decreased by £6,586k as a result of estimates being corrected as a result of experience and increased by £81,957k attributable to updating of the assumptions.
Arrears	At the 31st March 2017, the CFA had a balance of sundry debtors of £118k. There are no balances over 121 days outstanding. There was also a balance of £60k relating to retained firefighter pension buy-backs. These are all over 121 days outstanding as the employees concerned have been given a longer timescale to repay. Due to the terms of the buy-back, it is not anticipated that any of these debts will become irrecoverable.	If all debt over 121 days were to be irrecoverable, there would be no effect to the CFA CIES. All funds currently outstanding relate to the firefighters pensions scheme which are collected then passed on to the Home Office as part of the firefighters pension account settlement.

5 Material Items of Income and Expense

There are no material items of income and expenditure other than those disclosed elsewhere in these statements.

6 Events after the Reporting Period

There were no events to report between 1/4/17 and 28/9/17

7 i) Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2015/16				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustment for Capital Purposes (i)	Net change for the Pensions Adjustments (ii)	Other Differences (iii)	Total Adjustments
	£000	£000	£000	£000
Fire Authority - Net Cost of Services	1,829	(1,796)	156	189
Other Income and Expenditure from the Expenditure and Funding Analysis	(2,380)	13,205	(33)	10,792
Difference between General Fund surplus or deficit and Comprehensive Income and expenditure Statement Surplus or Deficit on the Provision of Services	(551)	11,409	123	10,981

Adjustments between Funding and Accounting Basis 2016/17				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustment for Capital Purposes (i)	Net change for the Pensions Adjustments (ii)	Other Differences (iii)	Total Adjustments
	£000	£000	£000	£000
Fire Authority - Net Cost of Services	1,284	(5,946)	(18)	(4,680)
Other Income and Expenditure from the Expenditure and Funding Analysis	(1,942)	12,994	(140)	10,912
Difference between General Fund surplus or deficit and Comprehensive Income and expenditure Statement Surplus or Deficit on the Provision of Services	(658)	7,048	(158)	6,232

Adjustments for Capital Purposes

(i) This column adds in depreciation and impairment and revaluation gains and losses in the services line,

- **Other operating expenditure** - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- **Financing and investment income and expenditure** - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- **Taxation and non-specific grant income and expenditure** - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

(ii) This column adds in depreciation and impairment and revaluation gains and losses in the services line,

- For **services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

- For **Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the CIES.

Other Differences

(iii) Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute:

- For **Financing and investment income and expenditure** - the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

7 ii) Segmental Income

Income received on a segmental basis is analysed below:

Services	2015/16 Income from Services £000	2016/17 Income from Services £000
Fire Service Total Income	(1,905)	(1,073)

8 Expenditure and Income Analysed by Nature

The CFA's expenditure and income is analysed as follows:

	2015/16 £000	2016/17 £000
Expenditure		
Employee benefits and expenses	37,529	31,937
Other services expenses	6,005	5,434
Depreciation, amortisation, impairment	1,705	1,529
Interest payments	766	731
Loss on the disposal of assets	82	0
Total expenditure	46,087	39,631
Income		
Fees, charges and other service income	(1,905)	(1,073)
Interest and investment income	(85)	(90)
Income from council tax and non-domestic rates	(26,482)	(27,492)
Gain on the disposal of assets	0	(38)
Government grants and contributions	(9,065)	(8,579)
Total income	(37,537)	(37,272)
Surplus or Deficit on the Provision of Services	8,550	2,359

9 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the CFA in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the CFA to meet future capital and revenue expenditure.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the CFA is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the CFA is required to recover) at the end of the financial year.

	2015/16	2016/17
	Usable Reserves - General Fund Balance £000	**Usable Reserves - General Fund Balance £000**
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements		
Pensions costs (transfers to or (from) the Pension Reserve)	(11,409)	(7,048)
Council Tax and NDR (transfers to or (from) the Collection Fund)	37	140
Holiday Pay (transfers to or (from) the Accumulated Absences Reserve)	(160)	18
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,607)	(1,272)
Total Adjustments to Revenue Reserves	(13,139)	(8,162)
Adjustments between Revenue and Capital Resources		
Transfer of non-current assets sale proceeds from revenue to the Capital Receipts Reserve	(222)	(12)
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,555	1,449
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	121	388
Total Adjustments between Revenue and Capital Resources	1,454	1,825
Adjustments to Capital Resources		
Use of the Capital Receipts Reserve to finance capital expenditure	303	58
Contribution from Police and Crime Commissioner towards Coalville extension project	0	46
Application of capital grants to finance capital expenditure	401	1
Total Adjustments to Capital Resources	704	105
Total Adjustments	**(10,981)**	**(6,232)**

10 Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in the period 2015 to 2017.

	Balance at 1st April 2015 £000	Transfers out 2015/16 £000	Transfers in 2015/16 £000	Balance at 31st March 2016 £000
Insurance reserve	105	0	52	157
Occupational Health reserve	40	0	0	40
IRMP redundancy reserve	1,078	499	389	968
Ill health retirement reserve	152	0	0	152
Relocation reserve	19	4	0	15
Part time workers reserve	70	0	0	70
Mutual insurance reserve	201	0	0	201
Purchased vehicle reserve	82	0	0	82
Princes Trust reserve	151	151	0	0
Motor insurance reserve	75	0	0	75
Emergency Services Mobile Communications Programme reserve	150	0	0	150
Over-establishment reserve	743	0	2,442	3,185
Single control room reserve	0	0	114	114
Management of change reserve	0	0	1,320	1,320
Capital fund reserve	0	0	500	500
TOTAL	**2,866**	**654**	**4,817**	**7,029**
Net Movement				(4,163)

	Balance at 1st April 2016 £000	Transfers out 2016/17 £000	Transfers in 2016/17 £000	Balance at 31st March 2017 £000
Insurance reserve	157	29	0	128
Occupational Health reserve	40	0	0	40
IRMP redundancy reserve	968	862	0	106
Ill health retirement reserve	152	0	0	152
Relocation reserve	15	0	0	15
Part time workers reserve	70	0	0	70
Mutual insurance reserve	201	0	0	201
Purchased vehicle reserve	82	82	0	0
Motor insurance reserve	75	0	0	75
Emergency Services Mobile Communications Programme reserve	150	0	0	150
Over-establishment reserve	3,185	3,185	0	0
Single control room reserve	114	114	0	0
Management of change reserve	1,320	74	2,908	4,154
Capital fund reserve	500	285	3,626	3,841
Business Rates relief reserve	0	0	187	187
Cars and light vans reserve	0	29	500	471
TOTAL	**7,029**	**4,660**	**7,221**	**9,590**
Net Movement				(2,561)

11 Other Operating Expenditure

	2015/16 £000	2016/17 £000
(Gain) or loss on the disposal of non-current assets	81	(38)

12 Financing and Investment Income and Expenditure

	2015/16 £000	2016/17 £000
Interest payable and similar charges	807	731
Net interest on the defined benefit liability	13,205	12,994
Dividend received	(53)	(56)
Interest receivable	(32)	(34)
TOTAL	**13,927**	**13,635**

13 Taxation and Non-Specific Grant Income and Expenditure

	2015/16 £000	2016/17 £000
Council tax income	(18,140)	(19,243)
Non domestic rates income and expenditure	(8,309)	(8,248)
Non-ring fenced government grants	(8,387)	(7,168)
Capital grants and contributions	(401)	(1)
TOTAL	**(35,237)**	**(34,660)**

14 Property, Plant and Equipment

Movements in 2015/16	Land and Buildings £000	Vehicles, Plant and Equipment £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation				
As at 1st April 2015	36,494	19,357	2,935	58,786
Additions	1,662	180	555	2,397
Revaluation increases recognised in the Revaluation Reserve	1,102	0	0	1,102
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(380)	0	0	(380)
Derecognition - disposals	0	(192)	0	(192)
Transfers (to)/from In Construction	1,220	614	(1,805)	29
As at 31st March 2016	**40,098**	**19,959**	**1,685**	**61,742**
Accumulated Depreciation and Impairment				
As at 1st April 2014	0	11,728	0	11,728
Depreciation written out to the Revaluation Reserve	(854)	0	0	(854)
Depreciation written out to the Surplus/Deficit on the Provision of Services	854	1,457	0	2,311
Derecognition - disposals	0	(129)	0	(129)
Transfers (to)/from In Construction	0	0	0	0
As at 31st March 2016	**0**	**13,056**	**0**	**13,056**

Movements in 2016/17	Land and Buildings £000	Vehicles, Plant and Equipment £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation				
As at 1st April 2016	40,098	19,959	1,685	61,742
Additions	59	279	155	493
Revaluation increases recognised in the Revaluation Reserve	1,396	0	0	1,396
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(82)	0	0	(82)
Derecognition - disposals	(10)	(300)	0	(310)
Transfers (to)/from In Construction	(754)	155	599	0
As at 31st March 2017	**40,707**	**20,093**	**2,439**	**63,239**
Accumulated Depreciation and Impairment				
As at 1st April 2016	0	13,056	0	13,056
Depreciation written out to the Revaluation Reserve	(918)	0	0	(918)
Depreciation written out to the Surplus/Deficit on the Provision of Services	939	1,423		2,362
Derecognition - disposals	(1)	(288)	0	(289)
As at 31st March 2017	**20**	**14,191**	**0**	**14,211**
Net Book value:				
at 31st March 2016	40,098	6,903	1,685	48,686
at 31st March 2017	40,687	5,902	2,439	49,028

Depreciation

The following useful lives have been used in the calculation of depreciation:
- Land and Buildings - 5-60 years
- Vehicles, Plant, Furniture and Equipment - 5-15 years

Asset remaining lives have been reviewed and no alterations have been considered necessary for these accounts.

Capital Commitments

A total amount of £1,233k is currently contracted and is mainly related to the Tri-Service Fire Control Project, the finalisation of works at Castle Donington Fire Station and IT improvements. These commitments are expected to be paid in 2017/18.

15 Intangible Assets

The CFA accounts for software licences as intangible assets, to the extent that these are part of particular IT systems. The CFA's intangible assets are amortised over 5 years on a straight line basis.

	31st March 2016 £000	31st March 2017 £000
Cost or Valuation		
As at 1st April	136	136
Additions	0	0
As at 31st March	**136**	**136**
Accumulated Depreciation and Impairment		
As at 1st April	131	133
Amortisation Charge for Year:		
Amortisation charged to the surplus/deficit on the provision of services	2	2
As at 31st March	**133**	**135**
Net Book value	3	1

As at the 31st March 2017 there are no contractual commitments for the acquisition of intangible assets.

16 Financial Instruments

a) Categories of Financial Instruments

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

	31st March 2016		31st March 2017	
Included in:	**Long-Term £000**	**Short-Term £000**	**Long-Term £000**	**Short-Term £000**
- Cash and Cash Equivalents				
Bank balance	0	4,015	0	8,127
- Debtors				
Financial assets carried at contract cost	0	2,811	0	3,204
TOTAL ASSETS	**0**	**6,826**	**0**	**11,331**
- Borrowings				
Financial liabilities (i.e. borrowings) at amortised cost	(14,478)	0	(14,478)	0
- Creditors				
Financial liabilities carried at contract amount	0	(1,990)	0	(2,154)
- Other Liabilities				
Finance lease liabilities	(3,527)	(813)	(2,653)	(875)
TOTAL LIABILITIES	**(18,005)**	**(2,803)**	**(17,131)**	**(3,029)**
NET TOTAL	**(18,005)**	**4,023**	**(17,131)**	**8,302**

b) Maturity of Long-Term Borrowings and Other Liabilities

	31st March 2016 £000	31st March 2017 £000
Between 1 and 2 years	(1,662)	(1,922)
Between 2 and 5 years	(2,768)	(2,954)
Between 5 and 10 years	(5,438)	(4,708)
Over 10 years	(8,137)	(7,547)
TOTAL	(18,005)	(17,131)

PWLB interest of £141k (2015/16 £142k) has been accrued in the accounts but not included in short term borrowing.

Any surplus or overdrawn cash balances remaining on a daily basis are included in the CFA's treasury management activities. Funds are currently invested in short-term deposits with a limited range of banks in accordance with the CFA's Treasury Management policy. Investments are carried at the lower of cost and net realisable value. A cash deposit is considered to be an investment, rather than cash and cash equivalent, where the interest rate achieved is above the bank base rate and the deposit is placed primarily for the purposes of earning interest income.

Financial liabilities and financial assets represented by borrowings and investments are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

~ PWLB debt; estimated interest rates at the 31st March 2017 for new debt with the same maturity date from comparable lenders.

~ Investments; short term - carrying amounts in the Balance Sheet approximate to fair value.

~ For finance leases, the fair value is not significantly different from the carrying amount, because most of the loans commenced in the recent past and interest rates at the Balance Sheet date for these types of investments were not materially different.

The fair values calculated are as follows:

	31st March 2016		31st March 2017	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities	20,808	23,818	20,160	23,966
Financial Assets	6,826	6,828	11,331	11,333

The fair value of PWLB loans (£18,284k) measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £14,478k would be valued at £18,284k. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £20,313k.

17 Inventories

	31st March 2016 £000	31st March 2017 £000
Operational equipment	154	182
Vehicle parts	70	64
Other	68	93
TOTAL	292	339

Inventory valued at £322k (£280k 2015/16) was utilised in 2016/17.

18 Debtors

	31st March 2016 £000	31st March 2017 £000
Short-Term Debtors:		
- Central government bodies	1,665	3,195
- Other local authorities	1,361	1,470
- All other	1,450	1,734
TOTAL	4,476	6,399

19 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31st March 2016 £000	31st March 2017 £000
- Cash held by the CFA	1	2
- Bank current accounts	0	0
- Short-term investments	4,014	8,125
TOTAL	4,015	8,127

20 Assets Held for Sale

Moira fire station was put on the market for sale in 2014/15 with the sale taking place in June 2015.

	2015/16 £000	2016/17 £000
Cost or Valuation		
As at 1st April	349	0
Transfers	(29)	0
Revaluation increase	0	0
Disposals	(320)	0
As at 31st March	**0**	**0**
Net Book value as at 31st March	0	0

21 Creditors

	31st March 2016 £000	31st March 2017 £000
Central government bodies	1,108	2,673
Other local authorities	593	829
All other	1,397	1,325
TOTAL	3,098	4,827

Trade and other creditors are shown at amortised cost. There is no fair value adjustment to be made.

22 Provisions

The CFA holds an insurance provision for claims in progress. Timing of payment of these claims is difficult to predict as they may be subject to legal process. The amounts put aside are decided upon by reviewing the current level of claims and assessing the likelihood of their success. There are currently no material unfunded risks.

Income to this provision is from reserves currently held for this purpose, so has no impact on the CIES.

A provision is also made for the CFA's share of any defaults on business rates. This is calculated by the district councils based on their experience.

Movements in provisions are as follows:

	Balance as at 1st April 2016 £000	Reduced provision in 2016/17 £000	Increased provision in 2016/17 £000	Amounts used in 2016/17 £000	Balance as at 31st March 2017 £000
Long Term Provision					
Business Rates provision	342	17	0	0	325
Total Long Term Provision	342	17	0	0	325
Short Term Provision					
Insurance provision	17	0	29	16	30
Redundancy provision	311	311	0	0	0
Total Short Term Provision	328	311	29	16	30

23 Usable Reserves

Movement in the CFA's usable reserves are detailed in the MIRS.

24 Unusable Reserves

	31st March 2016 £000	31st March 2017 £000
Pensions Reserve	(369,223)	(451,642)
Revaluation Reserve	9,250	10,381
Capital Adjustment Account	16,257	16,915
Collection Fund Adjustment Account	233	373
Accumulated Absences Account	(254)	(236)
TOTAL	(343,737)	(424,209)

Capital Reserves

In accordance with standard accounting practice, two non cash-backed capital reserves exist. These are:

Revaluation Reserve

The Revaluation Reserve contains the gains made by the CFA arising from increases in the value of its Property, Plant, and Equipment. The balance is reduced when assets with accumulated gains are:
- revalued downwards or impaired and the gains are lost
- used on the provision of service and the gains are consumed through depreciations, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since the 1st April 2007, the date that a reserve was created with a balance of zero. Accumulated gains arising before that date are consolidated into the balance on the CAA.

Revaluation Reserve	2015/16 £000	2016/17 £000
Balance at 1st April	8,540	9,250
Upward revaluation of assets	1,106	1,417
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(4)	(21)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	1,102	1,396
Accumulated gains on assets sold or scrapped	(161)	(8)
Difference between fair value depreciation and historical cost depreciation	(231)	(257)
Balance at 31st March	**9,250**	**10,381**

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 CIES (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 CFA as finance for the costs of acquisition, construction and subsequent costs.

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

This account represents amounts set aside from revenue resources or capital receipts, which have been used to finance expenditure on non-current assets, or for the repayment of external loans and other capital financing transactions. The table below provides details of the source of all the transactions posted to the account.

Capital Adjustment Account	2015/16 £000	2016/17 £000
Balance at 1st April	15,706	16,257
Reversal of items relating to capital expenditure debited or credited to the CIES		
Depreciation	(2,311)	(2,362)
Amortisation of intangible assets	(2)	(2)
Expenditure to CIES - not increasing value.		
Revaluation differences on Property, Plant and Equipment	475	835
	(1,838)	(1,529)
Difference between fair value and historical cost depreciation	231	257
Disposal of assets	(222)	(12)
Capital financing applied in year:		
Capital grants credited to CIES that have been applied to capital financing	401	1
Donated Assets		
Contribution from Police and Crime Commissioner towards Coalville extension project	0	46
Statutory provision for the financing of capital investment charged against the general fund	1,555	1,449
Use of Capital Receipt	303	58
Capital expenditure charged against the general fund balance	121	388
Balance at 31st March	**16,257**	**16,915**

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 CFA accounts for post-employment benefits in the CIES 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 CFA 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 CFA 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.

Pensions Reserve	2015/16 £000	2016/17 £000
Balance at 1st April	(401,889)	(369,223)
Remeasurements of the net defined benefit liability debited or credited to other comprehensive income and expenditure in the CIES	44,075	(75,371)
Reversal of items relating to retirement benefits debited or credited to the surplus/deficit on the provision of services in the CIES	(13,205)	(12,994)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,796	5,946
Balance at 31st March	**(369,223)**	**(451,642)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates (NDR) income in the CIES 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.

Collection Fund Adjustment Account	2015/16 £000	2016/17 £000
Balance at 1st April	196	233
Amount by which council tax and NDR income credited to the CIES is different from council tax and NDR income calculated for the year in accordance with statutory requirements	37	140
Balance at 31st March	**233**	**373**

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 as at the 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Accumulated Absences Account	2015/16 £000	2016/17 £000
Balance at 1st April	(94)	(254)
Amount by which the officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(160)	18
Balance at 31st March	**(254)**	**(236)**

25 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2015/16 £000	2016/17 £000
The cash flows from operating activities include the following		
Interest received	(45)	(30)
Dividend received	(38)	(53)
Interest paid	902	681

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

	2015/16		2016/17	
	£000	£000	£000	£000
Depreciation	(2,080)		1,529	
Impairment and revaluation	475		835	
Amortisation	(2)		(2)	
Increase/decrease in creditors	(408)		(2,175)	
Increase/decrease in debtors	616		(1,060)	
Increase/decrease in provisions	(321)		315	
Increase/decrease in inventories	26		47	
Movement in pension liability	(11,409)		(7,048)	
Disposal of non-current assets	(222)		38	
Movement in Collection Funds	(146)		17	
Movement in Accumulated Absences	(160)		18	
Other non-cash items charged to the net surplus or deficit on the provision of services	(330)		(105)	
Adjustments to net surplus deficit on the provisions of services for non cash movements Items classified elsewhere in the statement		**(13,961)**		**(7,591)**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

	2015/16 £000	2016/17 £000
Capital grant received	402	(45)
Total adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**402**	**(45)**

26 Cash Flow Statement - Investing Activities

	2015/16 £000	2016/17 £000
Purchase of property, plant and equipment and intangible assets	2,725	411
Proceeds from the sale of short and long term investments	(4,327)	0
Proceeds from the sale of property, plant and equipment	(303)	(58)
Net cash flow from investing activities	**(1,905)**	**353**

27 Cash Flow Statement - Financing Activities

	2015/16 £000	2016/17 £000
Repayments of short term and long term borrowing	3,742	812
Net cash flow from financing activities	**3,742**	**812**

28 Trading Operations

The CFA operates a trading company named Forge Health Limited as a wholly owned subsidiary. Its main activity is the provision of occupational health services to the private and public sectors. The Company employs no members of staff but instead uses the CFA's staff (for which it pays a fee) and independent contractors to deliver its services. There is no non-current or intangible assets owned by the Company for the year ending 31st March 2017. For the year 2016/17, Forge Health Limited reported turnover of £205k and a post tax profit of £56k (£53k in 2015/16) and this sum is proposed by the Company to be wholly paid as dividend to the CFA. Note 33 of these accounts discloses the total transactions with Forge Health Limited and amounts due from/to at the year end. The accounts of the Company are completed on the same financial year basis as the CFA and accounting policies are aligned. The accounts of the Company are available from the Company Secretary, Forge Health Limited, Leicestershire Fire and Rescue Service Headquarters, 12 Geoff Monk Way, Birstall, Leicester, LE4 3BU. It is considered that the interests in Forge Health Limited are not material therefore group accounts are not presented.

29 Members' Allowances

The CFA paid the following amounts to its members during the year:

	2015/16 £000	2016/17 £000
Allowances	49	47
Special Allowances	12	13
Expenses	1	1
TOTAL	**62**	**61**

30 Officers' Remuneration

The following table sets out the remuneration disclosures for senior employees whose salary is less than £150k but equal to or more than £50k per year:

2015/16	Chief Fire Officer £000	Director/ Deputy Chief Fire and Rescue Officer £000	Director of Finance and Corporate Services (Section 112 officer) £000	Deputy Chief Fire and Rescue Officer/ Chief Fire Officer £000	Director £000
Note - staff changes through 2015-16	Chief Officer until April 2015	Deputy CFO / Director from June 2015	Role outsourced from September 2015	Chief Officer from April 2015	Director from June 2015
Salary	56	116	94	140	94
Benefits in Kind	0	0	4	1	1
Compensation for loss of employment	0	0	30	0	0
Total Remuneration excluding pensions contribution	56	116	128	141	95
Pension contribution	0	25	9	30	20
TOTAL	**56**	**141**	**137**	**171**	**115**

2016/17	Chief Fire Officer £000	Director/Chief Fire and Rescue Officer £000	Director /Asst Chief Fire and Rescue Officer £000	Director /Asst Chief Fire and Rescue Officer £000
Note - staff changes through 2016-17	CFO until June 2016	CFO from June 2016	Asst CFO from July 2016	Asst CFO from July 2016
Salary	60	125	101	93
Benefits in Kind	1	0	1	1
Compensation for loss of employment	48	0	0	0
Total Remuneration excluding pensions contribution	109	125	102	94
Pension contribution	5	27	13	20
TOTAL	**114**	**152**	**115**	**114**

The amounts shown are the true salary for that individual for the entire year, which will include previous posts if promotion occurred during the year.

If the posts were held for the entire year, the equivalent salary would have been as follows:

126	101	101

The CFA's other employees receiving more than £50k remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Salary Bands	Number of Employees 2015/16	Number of Employees 2016/17
£50,000 - £54,999	22	26
£55,000 - £59,999	7	5
£60,000 - £64,999	6	7
£65,000 - £69,999	0	1
£70,000 - £74,999	3	1
£75,000 - £79,999	0	1
£80,000 - £84,999	1	0
	39	**41**

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

	Number of Packages 2015/16 £000	Total Amount 2015/16 £000	Number of Packages 2016/17 £000	Total Amount 2016/17 £000
Compulsory				
£0 - £20,000	6	33	5	22
£20,001 - £40,000	1	23	0	0
£40,001 - £60,000	1	43	0	0
£60,001 - £80,000	1	69	0	0
TOTAL COMPULSORY	9	168	5	22
Voluntary				
£0 - £20,000	6	49	0	0
£20,001 - £40,000	10	296	7	217
£40,001 - £60,000	1	45	1	48
TOTAL VOLUNTARY	17	390	8	265
TOTAL REDUNDANCIES	26	558	13	287

31 External Audit Costs

The CFA incurred the following costs in relation to the audit of the Statement of Accounts, statutory inspection and other non-audit services provided by the CFA's external auditors:

	2015/16 £000	2016/17 £000
Fees payable to KPMG with regard to external audit services carried out by the appointed auditor for the year	29	29
TOTAL	29	29

There were no fees in respect of other services provided by KPMG during the year.

32 Grant Income

The CFA credited the following grants to the CIES, within Taxation and Non-specific Grant Income and Expenditure:

	2015/16 £000	2016/17 £000
Fire Revenue Grant	1,160	1,153
Section 31 Grants	276	258
TOTAL	1,436	1,411

Section 31 grants include grants relating to business rates and transparency code set-up.

No capital grant was received from the DCLG in 2016/17. A grant of £1,800k which was brought forward from 2011/12 in respect of the replacement of fire control systems was paid to the lead authority, Derbyshire Fire and Rescue Service, in August 2012. £1,481k of this was spent by Derbyshire up to 2015/16, and a further £1k in 2016/17. The remaining £318k has been treated as a creditor due to being returnable to the Home Office if unspent. The cost of this work and the use of the grant, has been incorporated into these accounts.

33 Related Parties

The CFA is required to disclose material transactions with related parties - bodies or individuals that have the potential to control, or to be controlled or influenced by the CFA. Disclosures of these transactions assesses the extent to which the CFA 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 CFA.

Central Government

The Home Office has significant influence on the general operation of the CFA - it is responsible for providing the statutory framework within which the CFA operates, provides a large proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the CFA has with other parties (e.g. council tax). Grants received from government departments are set out in Note 13.

Members

Members of the CFA have direct control over the CFA's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in note 29. During 2016/17, no works and services were commissioned from companies in which members declared an interest.

Officers

Officers of the CFA have significant influence over the CFA's financial and operating policies. During 2016/17, no works and services were commissioned from companies in which officers declared an interest.

Other Public Bodies

Leicester City Council, Leicestershire County Council and Rutland County Council are local partners who also supply services to the CFA. All transactions with these bodies are set out below:

Entities Controlled or Significantly Influenced by the CFA

Forge Health Limited

The CFA has control of Forge Health Limited, a wholly owned subsidiary. Dividends received due to this relationship are shown below.

Fire and Rescue Indemnity Company Limited

Nine fire and rescue authorities, including Leicestershire, are members of the Fire and Rescue Indemnity Company Limited (FRIC). The company commenced trading in November 2015. The CFA's risk protection arrangements are provided through the pooled funds of the company.

East Midlands Ambulance Service NHS Trust (EMAS)

The CFA is entering into agreement with EMAS to share some buildings. So far, agreements have not been signed but are expected to be in the near future. All transactions with this body are shown below:

	2015/16 £000	2016/17 £000
Due to:		
Leicestershire County Council - Local partner/Supplier of service	237	193
Leicester City Council - Local partner/Supplier of service	13	3
Home Office - Pensions overpayments	230	230
Home Office - Grant Received in Advance	0	1,014
DCLG - Firelink	66	198
Due from		
Forge Health Limited - Wholly owned subsidiary	(53)	(56)
FRIC - Insurances in advance/refund due	(159)	(175)
Leicester City Council - Local partner/Supplier of service	0	(4)
Home Office - Pensions reimbursement	(1,395)	(2,954)
Staff Secondment	(25)	(18)
Net balance with related parties at 31st March	(1,086)	(1,569)

	2015/16 £000	2016/17 £000
Expenditure		
Local Partners		
Leicestershire County Council	435	544
Leicester City Council	4	44
FRIC	287	309
EMAS	0	64
Firelink provider		
Home Office/DCLG	437	299
Income		
Local Partners		
Leicester City Council	(6)	(47)
Leicestershire County Council	0	(24)
EMAS	0	(43)
Wholly owned subsidiary		
Forge Health Limited	(38)	(53)
Government Grant		
Home Office/DCLG		
Specific Grants	(1,457)	(1,411)
Secondments	0	(209)
Funding		
Pensions reimbursement	(6,046)	(6,961)
Net transactions with related parties for year	(6,384)	(7,488)

34 Capital Expenditure and Capital Financing

Details of capital expenditure incurred during the year are as follows:

	2015/16 £000	2016/17 £000
Land and buildings	1,662	59
Vehicles, plant and equipment	180	279
Assets in construction	555	155
TOTAL	2,397	493

This includes property, plant and equipment and intangible assets (Notes 14 and 15).

Capital expenditure was financed as follows:

	2015/16 £000	2016/17 £000
Prudential borrowing	1,572	0
Capital receipts	303	58
General fund	121	388
Grant	401	1
Police Crime Commissioner	0	46
TOTAL	2,397	493

A capital grant of £186k was received in 2008/09 for New Dimensions accommodation, however no expenditure was incurred in 2008/09 or 2009/10, £1k in 2010/11 and none since.A feasibility study was conducted in 2016/17 and a location and specification agreed. Planning approval is now being sought. The remainder of the grant funding is carried over into 2017/18 and is shown as a creditor in the accounts.

The CFA had an opening capital financing requirement of £23,182k at the 1st April 2016 and a closing capital financing requirement of £21,733k at the 31st March 2017.

35 Leases

Finance lease rentals paid to lessors relating to 2016/17 totalled £974k (£1,134k 2015/16) of which £161k was interest and £813k was principal. All finance leases relate to Vehicles, Plant and Equipment and the net book value of these assets at the 31st March 2017 is £3,328k.

Finance lease liabilities:	Not later than 1 year £000	Later than 1 year and not later than 5 years £000	Later than 5 years £000
2015/16			
Minimum lease payments	962	3,080	710
Difference due to timing of cash flows	(27)	(276)	(127)
Present value	935	2,804	583
2016/17			
Minimum lease payments	962	2,471	357
Difference due to timing of cash flows	(27)	(209)	(62)
Present value	935	2,262	295

Operating lease rentals paid to lessors in the year totalled £149k (2015/16 £150k). As at the 31st March 2017 the CFA has a commitment to meet the following future minimum lease payments for operating leases, all of which relate to cars and light vehicles:

Operating lease liabilities:	Not later than 1 year £000	Later than 1 year and not later than 5 years £000	Later than 5 years £000
2015/16			
Minimum lease payments	140	394	0
2016/17			
Minimum lease payments	136	252	0

36 Termination Benefits

The CFA terminated the contracts of 13 employees in 2016/17, incurring redundancy costs of £287k in 2016/17 (26 employees costing £558k in 2015/16). The decision to terminate these contracts was made in 2016/17. There has been no decision during 2016/17 to terminate any further employees during 2017/18. There was no pension strain cost arising from early retirements.

37 Defined Benefit Pensions Schemes

Participation in Pension Schemes

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

The five pension schemes provide members with defined benefits related to pay and service and are detailed below:

(i) Uniformed Firefighters

This is made up of four unfunded schemes which means that there are no investment assets to match with the liability thus cash has to be generated to meet actual pension payments as they fall due.

(ii) Control and Support Staff

Employees, subject to certain qualifying criteria are eligible to join the LGPS administered by Leicestershire County Council. This is a funded defined benefit scheme meaning that the CFA and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised 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 required to be made 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 MIRS. The following transactions have been made in the CIES and the general fund balance via the MIRS during the year:

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2015/16 £000	Local Government Pension Scheme 2016/17 £000
Cost of Services		
~ current service cost	1,036	819
~ past service cost	106	0
Financing and Investment Income and Expenditure		
~ net interest expense	515	334
Total Post-employment Benefit charged to the Surplus or Deficit on the Provision of Services	**1,657**	**1,153**
Other Post-employment Benefit Charged to the CIES		
Remeasurement of the net defined benefit liability comprising:		
~ Return on plan assets (excluding the amount included in the net interest expense)	515	(3,544)
~ actuarial gains and losses arising on changes in financial assumptions	(7,535)	8,390
~ other	(275)	(1,785)
Total Post-employment Benefit Charged to the CIES	**(7,295)**	**3,061**
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	(1,657)	(1,153)
Actual amount charged against the General Fund Balance for pensions in the year:		
~ employers contributions payable to scheme	(768)	(685)

2015/16 Comprehensive Income and Expenditure	Firefighters' Pension Scheme 1992 £000	Firefighters' Pension Scheme 2006 £000	Firefighters' Pension Scheme 2015 £000	Injury Benefit Scheme £000	Consolidated Firefighters' Pension Schemes £000
Cost of Services					
~ current service costs	4,360	330	3,630	590	**8,910**
Financing and Investment Income and Expenditure					
~ net interest expense	11,780	710	60	140	**12,690**
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**16,140**	**1,040**	**3,690**	730	**21,600**
Other Post-employment Benefit Charged to the CIES					
Remeasurement of the net defined benefit liability comprising:					
~ actuarial gains arising on changes in demographic assumptions	(5,090)	(250)	(40)	(50)	**(5,430)**
~ actuarial losses arising on changes in financial assumptions	(29,200)	(3,530)	(300)	(580)	**(33,610)**
~ changes in assumptions underlying the present value of the retained settlement	0	(5,220)	0	0	**(5,220)**
~ other	3,670	3,720	(130)	220	**7,480**
Total Post-employment Benefit Charged to the CIES	**(30,620)**	(5,280)	(470)	(410)	(36,780)
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	(16,140)	(1,040)	(3,690)	(730)	**(21,600)**
Actual amount charged against the General Fund Balance for pensions in the year:					
~ employers contributions payable to scheme	(1,290)	(110)	(1,079)	0	(2,479)

2016/17 Comprehensive Income and Expenditure	Firefighters' Pension Scheme 1992 £000	Firefighters' Pension Scheme 2006 £000	Firefighters' Pension Scheme 2015 £000	Injury Benefit Scheme £000	Consolidated Firefighters' Pension Schemes £000
Cost of Services					
~ current service costs	3,340	280	3,440	140	**7,200**
Financing and Investment Income and Expenditure					
~ net interest expense	11,730	600	170	160	**12,660**
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**15,070**	**880**	**3,610**	**300**	**19,860**
Other Post-employment Benefit Charged to the CIES					
Remeasurement of the net defined benefit liability comprising:					
~ actuarial gains arising on changes in demographic assumptions	(5,330)	10	0	(970)	**(6,290)**
~ actuarial gains arising on changes in financial assumptions	69,090	7,420	2,970	740	**80,220**
~ other	(1,230)	170	(370)	(190)	**(1,620)**
Total Post-employment Benefit Charged to the CIES	**62,530**	**7,600**	**2,600**	**(420)**	**72,310**
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	(15,070)	(880)	(3,610)	(300)	**(19,860)**
Actual amount charged against the General Fund Balance for pensions in the year:					
~ employers contributions payable to scheme	(1,149)	(93)	(1,149)	0	**(2,391)**

Pensions Assets and Liabilities Recognised in the Balance Sheet - LGPS

	LGPS £000
As at 31st March 2016	
Present value of the defined benefit obligation	30,816
Fair value of plan assets	(21,323)
Net liability arising from defined benefit obligation	**9,493**
As at 31st March 2017	
Present value of the defined benefit obligation	38,995
Fair value of plan assets	(25,973)
Net liability arising from defined benefit obligation	**13,022**

Reconciliation of the Movements in the Fair Value of Plan Assets - LGPS

	2015/16 £000	2016/17 £000
Opening fair value of scheme assets	20,723	21,323
Interest Income	670	752
Remeasurement (gain)/loss:		
The return on plan assets, excluding the amount included in the net interest expense	(515)	3,544
Contributions from scheme employer	764	681
Contributions from employees into the scheme	234	220
Contributions in respect of unfunded benefits	4	4
Unfunded benefits paid	(4)	(4)
Benefits paid	(553)	(547)
Closing fair value of scheme assets	**21,323**	**25,973**

Reconciliation of Present Value of the Plan Liabilities - LGPS

	2015/16 £000	2016/17 £000
Funded Liabilities	36,536	30,737
Unfunded Liabilities	86	79
Opening balance at the 1st April	36,622	30,816
Current service cost	1,036	819
Interest cost	1,185	1,086
Contributions from scheme participants	234	220
Remeasurement gain/(loss):		
Actuarial gains/losses arising from changes in financial assumptions	(7,535)	8,390
Other experience	(275)	(1,785)
Past service costs	106	0
Benefits paid	(553)	(547)
Unfunded benefits paid	(4)	(4)
Closing balance at the 31st March	**30,816**	**38,995**
Represented by:		
Funded Liabilities	30,737	38,911
Unfunded Liabilities	79	84

Reconciliation of Present Value of the Scheme Liabilities - Firefighters Schemes

	Firefighters' Pension Scheme 1992 £000	Firefighters' Pension Scheme 2006 £000	Firefighters' Pension Scheme 2015 £000	Injury Benefit Scheme £000	Consolidated Firefighters' Pension Schemes £000
Opening balance at the 1st April 2015	360,240	21,500	0	4,250	385,990
Current service costs (net of employee contributions)	3,460	240	2,710	590	7,000
Contributions by scheme participants	900	90	920	0	1,910
Remeasurement gain					
Actuarial gains/losses arising from changes in demographic assumptions	(5,090)	(250)	(40)	(50)	(5,430)
Actuarial gains/losses arising from changes in financial assumptions	(29,200)	(3,530)	(300)	(580)	(33,610)
Changes in assumptions underlying the present value of the retained settlement	0	(5,220)	0	0	(5,220)
Other experience	3,670	3,720	(130)	220	7,480
Finance Interest cost	11,780	710	60	140	12,690
Benefits paid	(10,650)	(320)	0	(110)	(11,080)
Closing balance at the 31st March 2016	**335,110**	**16,940**	**3,220**	**4,460**	**359,730**
Current service costs (net of employee contributions)	2,400	200	2,440	140	5,180
Contributions by scheme participants	940	80	1,000	0	2,020
Remeasurement gain					
Actuarial gains/losses arising from changes in demographic assumptions	(5,330)	10	0	(970)	(6,290)
Actuarial gains/losses arising from changes in financial assumptions	69,090	7,420	2,970	740	80,220
Changes in assumptions underlying the present value of the retained settlement	0	0	0	0	0
Other experience	(1,230)	170	(370)	(190)	(1,620)
Finance Interest cost	11,730	600	170	160	12,660
Benefits paid	(12,990)	(170)	(10)	(110)	(13,280)
Closing balance at the 31st March 2017	**399,720**	**25,250**	**9,420**	**4,230**	**438,620**

Local Government Pension Plan assets comprised:

	Year ended 31st March 2016 £000	Year ended 31st March 2016 %	Year ended 31st March 2017 £000	Year ended 31st March 2017 %
Cash and cash equivalents	426	2.0%	1,659	6.0%
Quoted prices in active markets				
Equity Securities				
Other	583	2.7%	671	3.0%
Bonds				
UK Government	1,126	5.3%	2,237	9.0%
Other	878	4.1%	284	1.0%
Investment Funds and Unit Trusts				
Equities	10,461	49.1%	12,440	48.0%
Bonds	669	3.1%	905	3.5%
Hedge Funds	945	4.4%	867	3.0%
Commodities	0	0.0%	0	0.0%
Other	590	2.8%	651	3.0%
Derivatives				
Interest Rate	0	0.0%	0	0.0%
Foreign Exchange	(8)	0.0%	(12)	0.0%
Quoted prices not in active markets				
Property				
UK Property	2,172	10.2%	2,087	8.0%
Private Equity				
All	818	3.8%	981	4.0%
Investment Funds and Unit Trusts				
Bonds	1,626	7.6%	1,424	5.5%
Hedge Funds	22	0.1%	5	0.0%
Commodities	458	2.2%	612	2.0%
Infrastructure	557	2.6%	1,162	4.0%
Total Assets	**21,323**	**100.0%**	**25,973**	**100.0%**

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 dependant on assumptions about mortality rates, salary levels etc. The LGPS is valued by the actuary, Hymans Robertson, and the Firefighters pension schemes are valued by GAD. These actuaries provide expert advice on assumptions to be applied. The estimates for the LGPS Fund are based on the latest full valuation of the scheme in the 2016 actuarial report dated the 31st March 2016.

The significant assumptions used by the actuaries have been:

	2015/16		2016/17	
	LGPS	Fire Pension Scheme	LGPS	Fire Pension Scheme
Mortality assumptions:				
Longevity in years of current pensioners at 65:				
Men	22.2	22.3	22.1	22.4
Women	24.3	22.3	24.3	22.4
Longevity in years at 65 for future pensioners currently aged 45:				
Men	24.2	24.6	23.8	24.7
Women	26.6	24.6	26.2	24.7
Other assumptions:				
Rate of Inflation	-	2.20%	-	2.35%
Short duration	2.10%	-	2.70%	-
Medium duration	2.20%	-	2.70%	-
Long duration	2.20%	-	2.70%	-
Pension Increase Rate	2.20%	2.20%	2.40%	1.00%
Salary Increase Rate- Long Term	3.20%	4.20%	3.40%	4.35%
Salary Increase Rate- Short Term	-	1.00%	-	1.00%
Discount Rate	3.50%	3.55%	2.60%	2.65%

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

Impact on the Defined Benefit Obligation in the Plan/Scheme

	Change in Assumption	
	LGPS £000	**Fire Pension Schemes £000**
Longevity (change of 1 year)	see note below:	11,600
Rate of increase in salaries (change of 0.5%)	976	5,500
Rate of increase in pensions (change of 0.5%)	3,592	38,300
Rate of discounting scheme liabilities (change of 0.5%)	4,661	-41,100
Early retirement (change of 1 year)	Not available	300

The actuary estimate that a one year increase in life expectancy would approximately increase the LGPS Employer's Defined Benefit Obligation by around 3-5% (£391k-£651k).

Opposite changes in the assumptions will provide approximately equal and opposite changes in the liability.

Impact on the CFA's Cash Flows

The objectives of the schemes are to keep employers' contributions at as constant a rate as possible. Leicestershire County Council has agreed a strategy with the plan's actuaries to achieve a funding level of 100% over the next 19 years. The next triennial valuation of the LGPS is due to be completed on the 31st March 2019. The CFA is anticipated to pay £712k expected contributions to the scheme in 2017-18. The weighted average duration of the defined benefit obligation for plan members is 23 years as at the latest formal valuation on 31st March 2016.
No such strategy exists for the Fire Pension schemes as they are unfunded schemes and therefore have no target funding level. The methodology for calculating employer contribution rates to the Fire Pensions Schemes for the 2012 valuation is set out in 'The Public Services (Valuations and Employer Cost Cap) Directions 2014. GAD are currently undertaking the first valuation exercise for the Firefighters schemes as at 31st March 2016.

38 Contingent Liabilities

As at 30th June 2017 there are no contingent liabilities known.

39 Nature and Extent of Risks arising from Financial Instruments

The CFA'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 CFA
~ Liquidity risk - the possibility that the CFA might not have funds available to meet its commitments to make payments
~ Market risk - the possibility that financial loss might arise as a result of changes in, for example, interest rates

The CIPFA Code of Practice on Treasury Management has been adopted by the CFA and a Treasury Management Strategy is approved by the CFA each year. In addition, half yearly and annual reports are presented to CFA which highlight investment and borrowing progress and explain departures from the strategy. In this way, the risks are actively managed.

Credit Risk

Credit risk arises from deposits with banks and financial institutions and from providing chargeable services to customers. The CFA publishes criteria for lending surplus cash in the Medium Term Financial Strategy. The facilities applicable in this financial year are:

	Minimum Credit Criteria / Sector Colour Band	**Max % of total investments/ £ limit per institution**	**Max. Maturity Period**
Money market funds	AAA	100%	Liquid
Local authorities	N/a	100%	1 year
Term deposits with banks and building societies	Blue Orange Red Green	£5m	Up to 1 year Up to 1 year Up to 6 Months Up to 3 months

Institutions will be not be used where there are any doubts about their security.
Invoices to customers for chargeable services are of relatively low value.

The following analysis summarises the CFA's potential maximum exposure to credit risk based on actual experience in terms of deposits and percentage of debt which has been written off as unrecoverable over the last three years in terms of debtors. All deposits shown on the Balance Sheet as at the 31st March 2017 were repaid to the CFA before the date the Statement of Accounts was authorised for issue (30th June 2017) where repayment was due in this period. There is no reason to doubt the credit quality of any of the customers amounts, whether current or past due for payment.

Since July 2016 the majority of the CFA's liquid cash is invested with Leicester City Council, who also govern the CFA's Treasury Management activities.

Loans and Receivables	1st April 2016 £000	31st March 2017 £000	Est. Maximum Exposure to Credit Risk £000	Historical Experience of Default %
Deposits with banks, financial institutions	4,034	1,145	0	0.00
Deposits with local authorities	0	6,980	0	0.00
Trade debtors:				
- not yet due for payment	7	117	0	0.00
- past due date for payment	82	60	0	0.02
TOTAL	4,123	8,302	0	

The past due amount is analysed by age as follows:

	1st April 2016 £000	31st March 2017 £000
Less than 1 month overdue	43	0
1-2 months overdue	36	0
2-6 months overdue	2	0
6-12 months overdue	0	0
Over 1 year overdue	1	60
TOTAL	82	60

Liquidity Risk

The CFA has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the CFA is able to access borrowings from Leicester City Council, money markets and the PWLB. There is no significant risk that it will be unable to raise finance in order to meet its commitments under financial instruments. Instead the risk is that the CFA is exposed to is that it will be bound to replenish a significant proportion of its borrowings when interest rates are unfavourable. The CFA sets limits on the proportion of borrowings during specified periods. The maturity analysis of financial liabilities is as follows:

Maturity Structure of fixed interest rate borrowing 2016/17		
	Lower Limit	Upper Limit
Less than 1 year	0%	30%
12 months to 2 years	0%	30%
2 years to 5 years	0%	50%
5 years to 10 years	0%	70%
10 years and above	25%	100%

All trade and other payables are due to be repaid in less than one year.

Market Risk

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

~ 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 of 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 CFA has a number of strategies for managing interest rate risk. Policy is to aim to have no borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The team responsible for Treasury Management has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to revise the budget during the year. This allows any adverse changes to be accommodated.

According to this assessment strategy, at the 31st March 2017, if interest rates had been 1% higher with all other variables held constant, the financial effects would be:

	£000
Additional interest receivable on variable rate investments (has a positive impact on the Surplus or Deficit on the Provision of Services)	82
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(145)

An average rate of 0.40% (£33k) was achieved for investments, therefore this is the maximum amount which could be lost.

PENSION FUND STATEMENT

Firefighters' Pension Fund

Fund Account	2015/16 £000	2016/17 £000
Income to the fund		
Contributions receivable:		
~ Fire authority		
~ contributions in relation to pensionable pay	(2,553)	(2,366)
~ ill health contributions	(53)	(51)
~ firefighters' contributions	(2,180)	(1,910)
Transfers in:		
~Transfers in from other schemes	0	(32)
Income to the fund	**(4,786)**	**(4,359)**
Spending by the fund		
Benefits payable:		
~ Pensions	9,395	9,837
~ Commutation and lump-sum retirement benefits	2,765	3,169
~ Other payments	31	0
Payments To and On Behalf of Leavers		
~ transfers out to other schemes	48	110
Spending by the fund	**12,239**	**13,116**
Deficit for the year before top up grant receivable from Home Office	**7,453**	**8,757**
~ Top-up grant received	(6,047)	(5,803)
Deficit for the Year	**1,406**	**2,954**

Firefighters' Pension fund net assets statement	31st March 2016 £000	31st March 2017 £000
Net current assets and liabilities:		
~ pensions top up grant receivable from Home Office	1,406	2,954
Net grant receivable	**1,406**	**2,954**

NOTES TO THE FIREFIGHTERS' PENSION FUND STATEMENT

1. In accordance with the requirements of IAS19 the actual cost of pensions required for council tax setting purposes is replaced by the current service cost of pensions in CIES, and reversed out in the MIRS.
2. Employee contributions, and employer contributions are paid into a separate account out of which pensions are paid. This is administered on behalf of the CFA by Leicestershire County Council Pensions Department. Any deficit on this account is made up by direct government funding from the Home Office.
3. It is these employer contributions (rather than the net cost of pensions) that are replaced in the CIES.
4. The Government has determined that this account is deemed a pension fund separate from the CIES and is thus reported on separately. There are no assets in this scheme and the difference between income and expenditure is met by direct government funding to balance the account to nil each year, and therefore there is no surplus or deficit on this fund to impact on overall CFA reserves.
5. Employer's and employee contribution levels are based on percentages of pensionable pay set nationally by the DCLG and are subject to triennial revaluation by the Government Actuary's Department.
6. The pensions fund's accounts do not take account of liabilities to pay pensions and other benefits after the 31st March 2017. These can be found in note 37 in the notes to the accounts.
7. Refunds of £142k have been made to employees in respect of the pensions holiday as decided in the recent court case, and grant received to cover these costs.
8. The accounts are prepared in accordance with the same code of practice and accounting policies as outlined in the Statement of Accounting policies starting on page 14.
9. Any Government funding payable is paid in two instalments, 80% of the estimated annual amount in July and any further surplus or deficit settled with the Home Office (formerly DCLG) following audit of the accounts for the year.
10. The fund is in deficit by £438,620k as at the 31st March 2017 (£359,730k as at the 31st March 2016).

GLOSSARY OF TERMS

Accruals

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

Amortisation

The reduction of the value of an intangible asset by pro-rating its cost over a period of years.

Capital Expenditure

Expenditure on the acquisition of non current assets or expenditure which adds to and not merely maintains the value of existing non current assets.

Capital Receipts

Income from the sale of assets. Such income may only be used to repay loan debt or to finance new capital expenditure.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Chartered Institute of Public Finance and Accountancy (CIPFA)

The principle accountancy body dealing with Local Authority and Public Sector finance.

Code of Practice on Local Authority Accounting (The Code)

A publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) that provides comprehensive guidance on the content of the Authority's Statement of Accounts.

Contingent Liability

A possible obligation arising from past events whose existence will be confirmed by the occurrence of an uncertain future event not wholly within the CFA's control. It can also be a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or where the amount of the obligation is uncertain.

Creditors

Amounts owed by the CFA for which payment has not been made by the end of the financial year.

Debtors

Amounts due to the CFA but unpaid at the end of the financial year.

Depreciation

The measure of the wearing out, consumption, or other reduction in the usual economic life of a non current asset during the accounting period.

Finance Lease

A method of financing the acquisition of assets. Legally the assets are owned by the lessor, although the risks and rewards of ownership of the assets pass to the lessee. The assets are shown on the Balance Sheet of the CFA.

Financial Instrument

Any contract which gives rise to a financial asset of one entity and a financial liability of another. Typical financial instruments are: trade payables, bank deposits, trade receivables and investments.

General Fund

The CFA's main revenue account, covering the net cost of all services.

Government Actuary's Department

A Government Department that provides advice upon public sector pension arrangements, social security provision and regulators of private pension policies.

Impairment

A reduction in the value of an asset, which is adfditional to the expected depreciation of that asset. Impairment may be a result of, for example, physical damage or reducing prices.

Non-Current Assets

Property, plant and equipment that yield benefits to the CFA for a period of more than one year.

Operating Lease

A method of financing the acquisition of assets, notably equipment, vehicles, plant etc. which involves the payment of a rental by the user for a period which is normally substantially less than the useful economic life of the asset.

Provision

A liability or loss relating to a past event which is likely or certain to be incurred but uncertain as to the date when it will arise, which can be reasonably estimated.

Reserve

An amount set aside for purposes falling outside the definition of a provision. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for general contingencies.

Revenue Expenditure and Income

Expenditure and income arising from the day to day operation of the CFA.