

**LEICESTERSHIRE**  
**FIRE and RESCUE SERVICE**

**DRAFT**

# **Annual Statement of Accounts and Governance Statement**

**2019 - 2020**



**Created:** August 2020  
**Reviewed:** August 2020  
**Owner:** Finance



**DRAFT ANNUAL ACCOUNTS 2019/20**  
**Leicestershire Fire and Rescue Service**

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# Introductory Statements



# Narrative Statement

## 1. Foreword

Our purpose is **Safer People, Safer Places** in both our communities and our workplaces.

We must understand who our service users are and what services they need to ensure we can continue to deliver a well-managed service, focused on the end users and to direct our resources efficiently and effectively.

The corporate plan sets out how we will achieve our purpose and describes our service priorities and aims; departmental and district plans will detail how we will successfully achieve our desired outcomes.

Our prevention, protection and response teams will continue to manage the number and impact of incidents and will react effectively when they do happen. Our support teams will enable prevention, protection and response to deliver.

Our staff and our communities must feel safe and have confidence in the quality of the service that we provide and the way in which we deliver it. We've agreed a range of activities within our plan to make sure we continue to achieve our statutory duties and deliver an excellent fire and rescue service.

## 2. Leicestershire Fire and Rescue Service

Leicester, Leicestershire and Rutland cover an area of more than 979 square miles. It has a network of major motorways, an international airport, large scale businesses, buildings of historical importance and protected wildlife sites.

It has mix of urban, semi-rural and rural localities. The population is growing and ageing; at present it stands at just over 1.1 million people living in over 430,000 domestic properties. There are over 45,000 business premises.

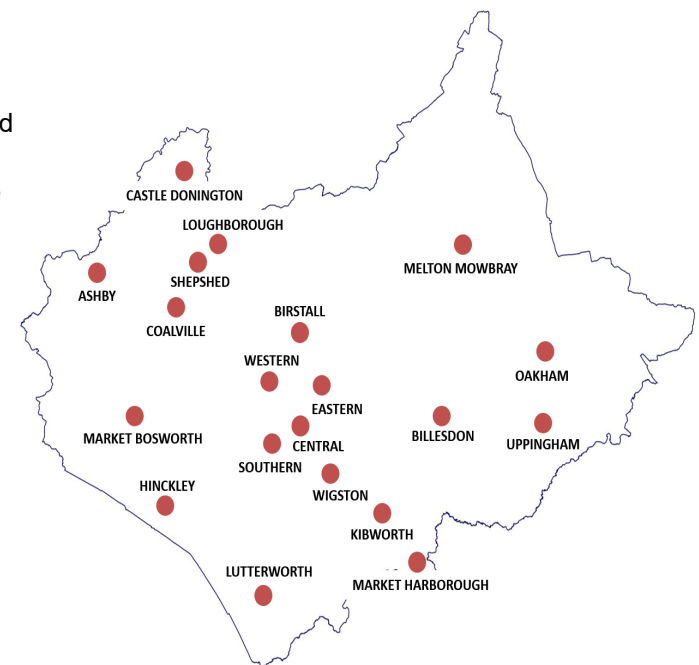
## 3. The Combined Fire Authority

The Leicester, Leicestershire and Rutland Combined Fire Authority (CFA) govern the Fire and Rescue Service. The CFA is responsible for delivering both an effective fire and rescue service to Leicester, Leicestershire and Rutland and the Corporate Plan and Integrated Risk Management Plan (IRMP). It provides clear leadership for residents and communities to ensure we operate with transparency and accountability.

## 4. About Us

We have 20 fire stations throughout Leicester, Leicestershire and Rutland, as shown in the map, and a fleet of fire engines and other operational vehicles. We employ just over 700 staff; 580 are firefighters, and the remainder are non-firefighting staff. We attend and resolve over 8,000 emergency incidents each year: fires in buildings,

complex rescue incidents involving road traffic collisions, hazardous materials, buildings collapsing and rescuing people trapped in water.



## Narrative Statement (continued)

### 5. Performance/Achievements

#### Incidents:

Fires	Road Traffic Collisions	False Alarms	Special Services	TOTAL INCIDENTS
2,079	748	2,994	2,720	8,541

Our response times in 19/20 were as follows:

- 95.22% of life threatening incidents within 10 minutes
- 99.48% of non-life threatening incidents within 20 minutes.

#### Prevention:

- During 2019/20 we carried out 7,274 home fire safety checks as part of our commitment towards improving community safety. Our partners (the British Legion, Hinckley & Bosworth Borough Council and Charnwood Neighbourhood) completed 366 of these.
- In total, we fitted 4,720 smoke alarms.

All of this work resulted in the following being served upon businesses or building owners:

- 18 prohibition notices
- 36 enforcement (formal) notices
- 81 action plans
- 109 deficiency notices
- 6 alteration notices
- 18 interim measures

In 2019/20 our Fire Protection group completed:

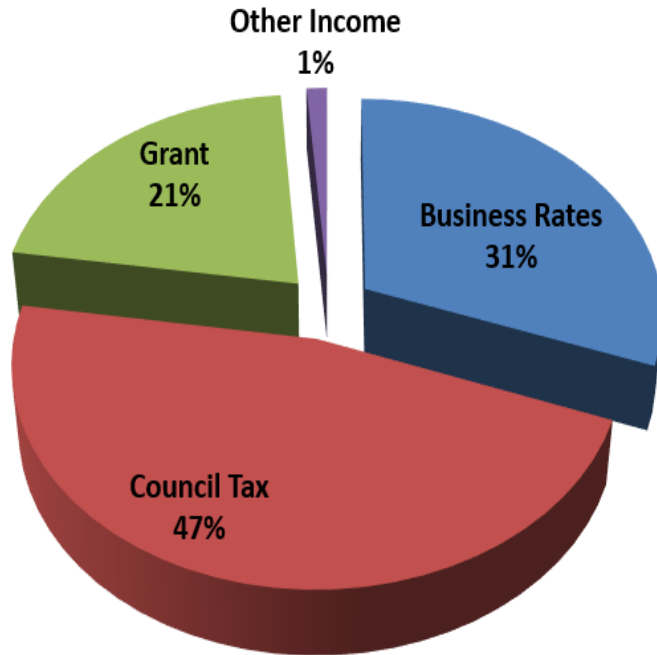
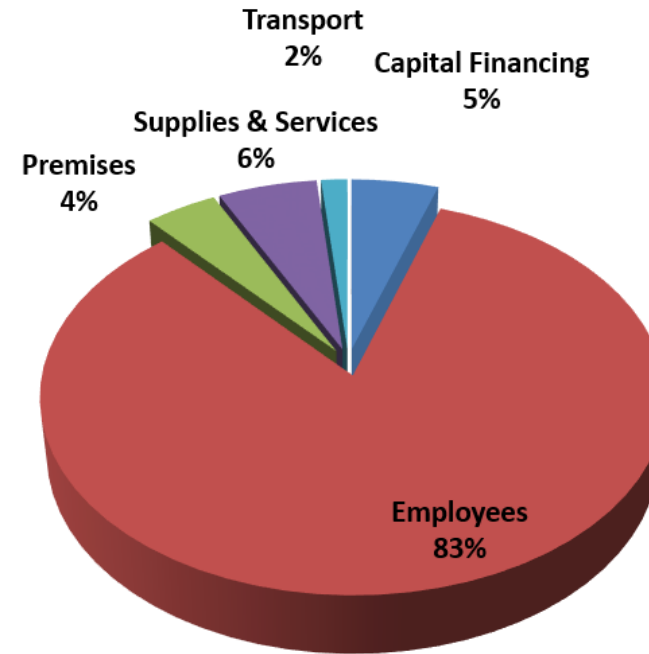
- 381 fire safety audits
- 790 building regulations inspections
- 503 fire safety concerns
- 141 specific inspections
- 43 desk-based inspections
- 212 licensing consultations
- 349 fire safety advice requests

## Narrative Statement (continued)

### 6. Financial Performance

Since 2010/11 there has been significant funding reductions, and this is forecast to continue. The CFA has addressed the issue through a 'managed reserves strategy', whereby reserves have been consciously increased to buy time to implement future reductions in a planned way.

Net expenditure on provision of services was £43,009k in 2019/20 and £55,995k in 2018/19. The chart to the right sets out the spend by subjective description.



The expenditure above is funded through various resources as demonstrated to the left: The Expenditure and Funding analysis as note 2 shows the relationship between the outturn position above and what is reported in the CFA's Comprehensive Income and Expenditure Statement. The CFA's Revenue Outturn report can be found on the following link: <https://leics-fire.gov.uk/wp-content/uploads/2020/07/revenue-and-capital-outturn-2019.pdf>

## Narrative Statement (continued)

### 7. Pension Liabilities

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

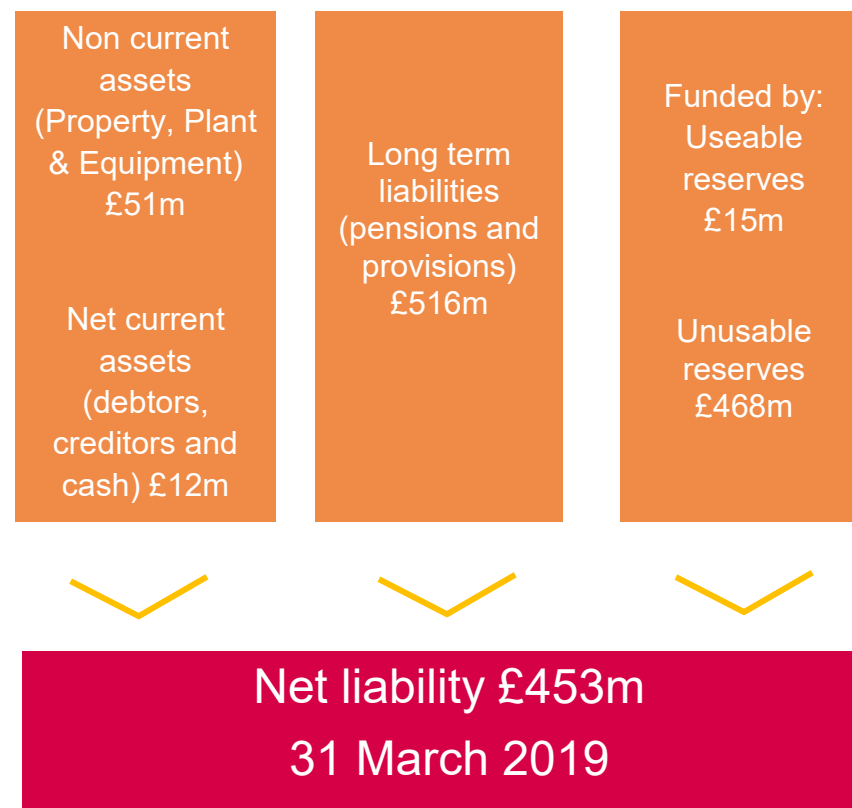
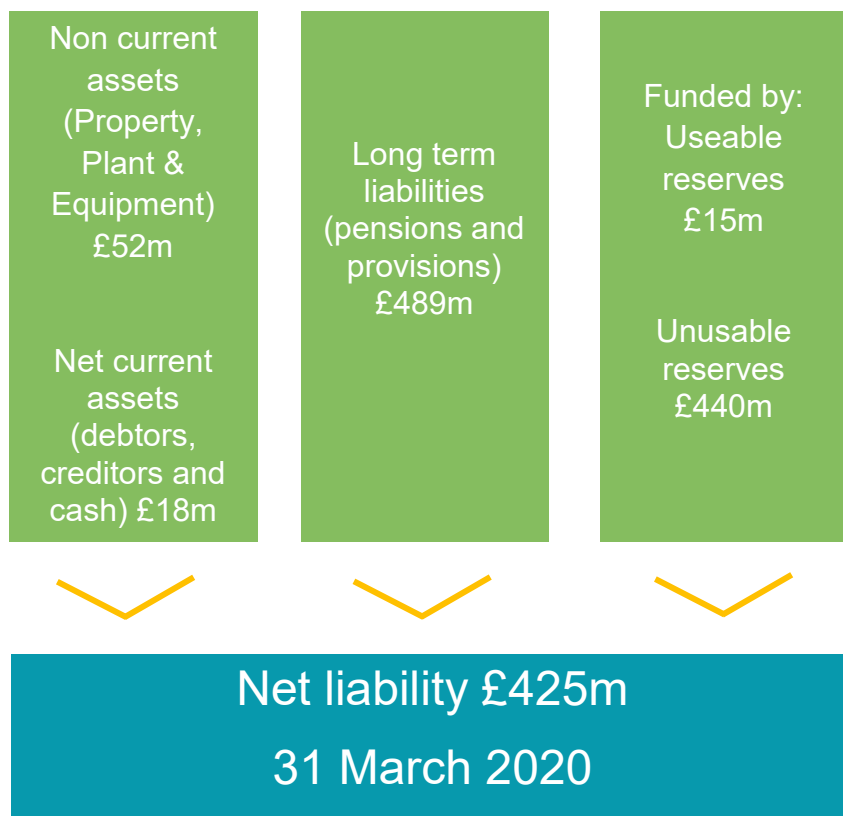
The £11,868k liability (£17,054k in 2018/19) on the Local Government Pension Scheme (LGPS) is expected to be covered by increased levels of employer contributions.

The Firefighters' schemes are statutory unfunded schemes and the significant total liability of £462,440k (£483,590k in 2018/19) 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.



## Narrative Statement (continued)

### 8. Net Assets



## Narrative Statement (continued)

### 9. Capital

The CFA had a budget for 19/20 Capital programme of £5,291k.

The key projects initiated in 2019/20 expected to carry forward into 2020/21 are the purchase of an aerial ladder platform vehicle, works arising from the condition survey, operational equipment purchases and demountable ICT devices for vehicles.

Capital Spend 2019-20		
Category	£000	Spend includes:
Property	155	Various works arising from condition survey
Vehicles	2,298	4 new appliances, 2 tactical response vehicles plus other operational and support vehicles
Firefighting Equipment	66	Minor equipment items
ICT	335	Upgrades to support systems
<b>Total</b>	<b>2,854</b>	

## Narrative Statement (continued)

### 10. Governance

Details regarding the CFA governance arrangements can be found in the Annual Governance Statement (page 100) along with the significant risks facing the authority.

### 11. Covid-19

In March, 2020, the Covid19 virus pandemic struck the UK. The CFA has supported other organisations during the pandemic including East Midlands Ambulance Service. The financial impact in 2019/20 was minor. The majority of the financial impact will be felt in 2020/21, this will be monitored closely. There is also expected to be an impact on the collection of council tax and non-domestic rates this is likely to impact the CFA's budget for 2021/22. The CFA has received £1m of grants from the Government to help meet the consequences of the pandemic. The CFA may need to carry out a more fundamental review of its revenue and capital priorities as part of its budget planning for 2021/22.

### 12. Looking Ahead

The CFA has set a balanced budget for 2020/21. Further detail on the CFA's long- term financial strategy can be found in the budget report;

<https://leics-fire.gov.uk/wp-content/uploads/2020/02/budget-strategy-2020-21-to-2021-22.pdf>

The strategy predated the Covid pandemic, and the future outlook is going to be heavily contingent on the long-term consequences. Although the additional current grant funding for 2020/21 is believed to be sufficient. However, we do not know the impact the pandemic will have on the income available to the CFA in future years. This will be reviewed as part of the budget planning for 2021/22.

### 13. Conclusion

The Authority will continue to operate within a reducing revenue budget envelope for the immediate future.

The Authority's Finance and Resources strategy aims to Deliver value for money quality services. The Authority will need to continue to ensure that it uses its cash and fixed asset resources in the most efficient and effective way possible. This will be important in maximising available resources whilst operating with prudent financial disciplines.

Further details on the Authority's organisational structure, corporate plans and strategic issues can be found in the Annual Governance Statement.

## Narrative Statement (continued)

### 14. Structure of the Statement of Accounts and Core Accounting Statements

The Statement of Accounts sets out the CFA's income and expenditure for the year, at its financial position at 31 March 2020. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. This is based on International Financial Reporting Standards adopted for use in the public sector context.

The Core Statements are:

- The **Comprehensive Income and Expenditure (CIES)** - this shows the net cost of providing services. This statement is prepared on the accounting basis. The Expenditure and Funding Analysis compares the CIES with level of income and expenditure which are taken into account when setting the annual budget and council tax, since certain amounts are disregarded under statute.
- The **Movement in Reserves Statement** is a summary of the changes in the CFA's reserves over the course of the year. Reserves are divided into usable reserves which can be used to fund future expenditure and unusable

reserves which are maintained to meet statutory responsibilities.

- The **Balance Sheet** shows the CFA's assets and liabilities at the year end. Net assets are matched by reserves which may be usable or unusable.
- The **Cash Flow Statement** shows the changes in cash and cash equivalents during the year and explains the reasons.

The Supplementary Financial Statements are:

- The **Annual Governance Statement** provides an overview of the CFA's key governance arrangements and updates readers on the conclusions of the annual review of these, including any changes and improvements that are being made.

The notes to these financial statements provide more detail about the CFA's accounting policies and individual transactions.

#### Group Accounts Preparation:

The CFA operates a trading company named Forge Health Limited as a wholly owned subsidiary. It is considered that the interests in Forge Health Limited are not material therefore group accounts are not presented.

# 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 draft accounts were approved by the Treasurer to the CFA on the 7 August 2020.**

## CHAIR OF THE COMBINED FIRE AUTHORITY

### THE CHIEF FINANCIAL OFFICER'S RESPONSIBILITIES

The Chief Financial Officer 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 chief financial officer 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 2020.



**Alison Greenhill**

**TREASURER OF THE COMBINED FIRE AUTHORITY**

**Date: 7 August 2020.**

# Independent Auditor's Report to the Members of Leicester, Leicestershire and Rutland Combined Fire Authority







# Core Financial Statements

# Comprehensive Income and Expenditure Statement

The **Comprehensive Income and Expenditure Statement** shows the CFA's actual financial performance for the year on the accounting basis, measured in terms of the resources consumed and generated over the financial period under the relevant accounting standards. This statement is prepared on the accounting basis and shows a deficit in 2019/20 of £13,613k.

The Net Cost of Services is now reported to mirror the CFA's financial reporting to members, which is a move away from the previous SeRCOP reporting requirement.

Total comprehensive income and expenditure includes various transactions which illustrate aspects of the CFA's financial position but do not impact on the 'bottom line' amounts chargeable to

taxpayers, in particular gains on the revaluation of pension liabilities (£41,608k) and gains on revaluation of property assets (£641k).

## Comprehensive Income and Expenditure Statement (continued)

2018/19			2019/20				
Gross Exp	Income	Net Exp		Gross Exp	Income	Net Exp	
£000	£000	£000	Note	£000	£000	£000	
58,841	(2,846)	55,995	Combined Fire Authority	46,726	(3,717)	43,009	
<b>58,841</b>	<b>(2,846)</b>	<b>55,995</b>	<b>Cost of Services</b>	<b>46,726</b>	<b>(3,717)</b>	<b>43,009</b>	
-	(14)	(14)	Other Operating Expenditure	11	-	(21)	(21)
12,317	(196)	12,121	Financing and Investment Income and Expenditure	12	12,913	(72)	12,841
-	(43,764)	(43,764)	Taxation and Non-Specific Grant Income and Expenditure	13	-	(42,216)	(42,216)
<b>71,158</b>	<b>(46,820)</b>	<b>24,338</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>13</b>	<b>59,639</b>	<b>(46,026)</b>	<b>13,613</b>
		(4)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	24			(641)
		15,469	Remeasurement of the Net Defined Benefit Liability	24			(41,608)
		<b>15,465</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>(42,249)</b>
		<b>39,803</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>(28,636)</b>

# Movement in Reserves Statement

The **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the CFA.

2019/20		General Fund Balance	Earmarked Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Note	£000	£000	£000	£000	£000
Note		23	10		24	
<b>Balance at 31st March 2019 brought forward</b>		2,612	12,448	15,060	(468,452)	(453,392)
Total Comprehensive Expenditure and Income		(13,613)		(13,613)	42,249	28,636
Adjustments between accounting basis & Funding basis under regulation	9	13,844		13,844	(13,844)	-
Transfers to/(from) Earmarked Reserves	10	(693)	693	-		-
<b>Increase/(Decrease) in 2019/20</b>		(462)	693	231	28,405	28,636
<b>Balance at 31st March 2020 carried forward</b>		2,150	13,141	15,291	(440,047)	(424,756)



## Movement in Reserves Statement (continued)

	2018/19		General	Earmarked	Total	Unusable	Total
	Note	£000	Fund Balance £000	Reserves £000	Usable Reserves £000	Reserves £000	Authority Reserves £000
<b>Balance at 31st March 2018 brought forward</b>			<b>2,247</b>	<b>11,599</b>	<b>13,846</b>	<b>(427,435)</b>	<b>(413,589)</b>
Total Comprehensive Expenditure and Income		(24,338)	-	-	<b>(24,338)</b>	(15,465)	<b>(39,803)</b>
Adjustments between accounting basis & Funding basis under regulation	8	25,552	-	-	<b>25,552</b>	(25,552)	-
Transfers to/(from) Earmarked Reserves	10	(849)	849	-	-	-	-
<b>Increase/(Decrease) in 2018/19</b>		<b>365</b>	<b>849</b>	<b>849</b>	<b>1,214</b>	<b>(41,017)</b>	<b>(39,803)</b>
<b>Balance at 31st March 2019 carried forward</b>			<b>2,612</b>	<b>12,448</b>	<b>15,060</b>	<b>(468,452)</b>	<b>(453,392)</b>

# Balance Sheet

The Balance Sheet shows the CFA's assets and liabilities.

The top of the Balance Sheet shows the CFA's net assets. Assets include property, plant & equipment, intangible assets, amounts owed to the CFA and the CFA's cash and financial investments. Liabilities include amounts owed by the CFA (including conditional funding received), provisions made in respect of future events (see Note 22), the CFA's borrowing and the deficit on the CFA's pension fund.

The bottom of the Balance Sheet shows how the CFA's net assets are financed by reserves, which are divided into usable and unusable reserves. More information on reserves is given in Notes 10, 23 & 24, and the change in the level of reserves is reconciled in the Movement in Reserves Statement, as outlined above.

<b>31st March 2019</b>		<b>Note</b>	<b>31st March 2020</b>
<b>£000</b>			<b>£000</b>
51,288	Property, Plant & Equipment	15	52,269
-	Intangible Assets	16	107
<b>51,288</b>	<b>Long Term Assets</b>		<b>52,376</b>
376	Inventories	18	390
6,520	Short Term Debtors	19	4,486
10,471	Cash and Cash Equivalents	20	13,303
<b>17,367</b>	<b>Current Assets</b>		<b>18,179</b>
(634)	Short Term Borrowing	17	(1,369)
(4,663)	Short Term Creditors	21	(4,874)
(422)	Provisions (<1 year)	22	(417)
<b>(5,719)</b>	<b>Current Liabilities</b>		<b>(6,660)</b>
(475)	Provisions (>1 year)	22	(429)
(15,209)	Long Term Borrowing	17	(13,916)
(500,644)	Net Pensions Liability	24	(474,308)
<b>(516,328)</b>	<b>Long Term Liabilities</b>		<b>(488,653)</b>
<b>(453,392)</b>	<b>Net Assets</b>		<b>(424,758)</b>
	<u>Represented by:</u>		
15,060	Usable Reserves	23	15,289
(468,452)	Unusable Reserves	24	(440,047)
<b>(453,392)</b>	<b>Total Reserves</b>		<b>(424,758)</b>

# Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the CFA during the reporting period. 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.

<b>2018/19</b>		<b>2019/20</b>	
<b>£000</b>		<b>Note</b>	<b>£000</b>
24,338	Net (surplus) or deficit on the provision of services		13,613
(28,053)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	25	(20,016)
<b>(3,715)</b>	<b>Net cash flows from Operating Activities</b>		<b>(6,403)</b>
1,845	Net cash flows from Investing Activities	26	3,013
1,286	Net cash flows from Financing Activities	27	558
<b>(584)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(2,832)</b>
9,887	Cash in hand, (overdraft) and cash equivalents at the beginning of the reporting period		10,471
<b>10,471</b>	<b>Cash in hand, (overdraft) and cash equivalents at the end of the reporting period</b>		<b>13,303</b>

# Explanatory Notes To The Core Financial Statements

# Note 1 Accounting Policies

## Changes in Accounting Policies

Only minor amendments have been made to the 2019/20 accounting policies to provide users with greater clarity.

## Accounting Policies for 2019/20

### **General Principles**

The Statement of Accounts summarises the CFA's transactions for the 2019/20 financial year and its position at the year-end of the 31st March 2020. 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. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 as applicable to Fire Authorities and the Service Reporting Code of Practice 2019/20 (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.

All figures in the Statement have been rounded to the nearest £1,000, which may result in some rounding errors.

### **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.

### **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.

## Note 1 Accounting Policies (continued)

### Prior Year Adjustments, Changes in Accounting Policies and Estimates and Errors.

Prior year adjustments may arise as a result of 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.

### 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.

### 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.



## Note 1 Accounting Policies (continued)

### Employee Benefits

#### Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include 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.

#### 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.

#### 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 2019 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.

## Note 1 Accounting Policies (continued)

Liabilities are discounted to their value at current prices, using a discount rate of 2.70% for the LGPS and 2.55% 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
- unlisted 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.

### 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.

## Note 1 Accounting Policies (continued)

### 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.

### 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

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 CFA has a legal right to set off the amounts in which case the gross amounts are disclosed in a note.

## Note 1 Accounting Policies (continued)

### 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 must be returned to the transferor.

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

### 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.

### 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 9.1.1.7 of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 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.

### 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.

## Note 1 Accounting Policies (continued)

### 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.

### Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### 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 2016.

#### 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).

## Note 1 Accounting Policies (continued)

### Overheads and Support Services

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

### 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 enhancement 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 by management

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the CFA.

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
- fire stations - due to the specialised nature of the asset existing use value (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 2019. 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:



## Note 1 Accounting Policies (continued)

- 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 asset 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.

## Note 1 Accounting Policies (continued)

### 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.

### **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



## Note 1 Accounting Policies (continued)

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 and also a provision in respect of possible further increase of the Firefighters pay settlement for July 2017, on which discussions are still ongoing.

### (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.

## 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.

## Value Added Tax

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.

## Note 2 Expenditure and Funding Analysis

2019/20	Net Expenditure Charged to the General Fund Balance	Adjustments Between Accounting & Funding Basis	Net Expenditure on the Comprehensive Income & Expenditure Statement
	£000	£000	£000
Fire Authority	34,934	8,074	43,008
<b>Net Cost of Services</b>	<b>34,934</b>	<b>8,074</b>	<b>43,008</b>
Other Operating Expenditure	(21)	-	(21)
Financing and Investment Income and Expenditure	572	12,270	12,842
Taxation and Non-Specific Grant Income	(35,716)	(6,500)	(42,216)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(231)</b>	<b>13,844</b>	<b>13,613</b>

Movement in Balances	Usable Reserves
Opening Balance	(15,057)
Surplus or Deficit in the Year	(231)
<b>Closing Balance</b>	<b>(15,288)</b>

## Note 2 Expenditure and Funding Analysis (continued)

2018/19	Net Expenditure Charged to the General Fund Balance	Adjustments Between Accounting & Funding Basis	Net Expenditure on the Comprehensive Income & Expenditure Statement
	£000	£000	£000
Fire Authority	33,375	22,622	55,997
<b>Net Cost of Services</b>	<b>33,375</b>	<b>22,622</b>	<b>55,997</b>
Other Operating Expenditure	(14)	-	(14)
Financing and Investment Income and Expenditure	534	11,587	12,121
Taxation and Non-Specific Grant Income	(35,106)	(8,658)	(43,764)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(1,211)</b>	<b>25,551</b>	<b>24,340</b>

Movement in Balances	Usable Reserves
Opening Balance	(13,846)
Surplus or Deficit in the Year	(1,211)
<b>Closing Balance</b>	<b>(15,057)</b>

## Note 3 Accounting Standards Issued But Not Yet Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code. At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

**IAS 19 Employee Benefits** will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

**IAS 28 Investments in Associates and Joint Ventures:** Long-term Interests in Associates and Joint Ventures amendments are not expected to have any impact on the accounts of LFRS

## Note 4 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1 of this Statement of Accounts, the CFA has had to make certain judgements about complex transactions and/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 2019/20. 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.

## Note 5 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the 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 31<sup>st</sup> March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the CFA will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by approximately £39k for every year that useful lives had to be reduced.</p>
Pensions 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.	<p>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 £47,453k (£4,453k LGPS and £43,000k Firefighters schemes).</p> <p>However, the assumptions interact in complex ways. During 2019/20, the CFA's actuaries advised that the net pensions liability had decreased by £3,379k as a result of estimates being corrected as a result of experience and decreased by £41,107k attributable to updating of the assumptions.</p>

**Note 5 Assumptions made about the future and other major sources of estimation uncertainty (continued)**

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	At the 31st March 2020, the CFA had a balance of sundry debtors of £47k. There is a balance of just under £30k over 121 days outstanding. There was also a balance of £29k 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 minimal 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.

## **Note 6 Material Items of Income and Expense**

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

## **Note 7 Events After the Balance Sheet Date**

There were no events to report between 1/4/20 and 07/08/20.



## Note 8 Note to the Expenditure and Funding Analysis

2019/20	Adjustments Between Accounting & Funding Basis					Net Expenditure Charged to the General Fund Balance
	Net Expenditure on the Comprehensive Income & Expenditure Statement	Adjustments for Capital Purposes	Adjustments for Defined Benefit Pensions	Other Adjustments	Total	
	£000	£000	£000	£000	£000	£000
Combined Fire Authority	43,009	1,573	(9,555)	(92)	(8,074)	34,935
<b>Cost of Services</b>	<b>43,009</b>	<b>1,573</b>	<b>(9,555)</b>	<b>(92)</b>	<b>(8,074)</b>	<b>34,935</b>
Other Operating Expenditure	(21)				-	(21)
Financing and Investment Income and Expenditure	12,841	21	(12,290)		(12,269)	572
Taxation and Non-Specific Grant Income	(42,216)		6,573	(73)	6,500	(35,716)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>13,613</b>	<b>1,594</b>	<b>(15,272)</b>	<b>(165)</b>	<b>(13,843)</b>	<b>(230)</b>

## Note 8 Note to the Expenditure and Funding Analysis (continued)

2018/19	Adjustments Between Accounting & Funding Basis						Net Expenditure Charged to the General Fund Balance
	Net Expenditure on the Comprehensive Income & Expenditure Statement	Adjustments for Capital Purposes	Adjustments for Defined Benefit Pensions	Other Adjustments	Total		
	£000	£000	£000	£000	£000	£000	
Combined Fire Authority	55,995	1,110	(23,783)	51	(22,622)	33,373	
<b>Cost of Services</b>	<b>55,995</b>	<b>1,110</b>	<b>(23,783)</b>	<b>51</b>	<b>(22,622)</b>	<b>33,373</b>	
Other Operating Expenditure	(14)	-	-	-	-	(14)	
Financing and Investment Income and Expenditure	12,121	66	(11,653)	-	(11,587)	534	
Taxation and Non-Specific Grant Income	(43,764)	185	8,422	51	8,658	(35,106)	
<b>(Surplus) or Deficit on Provision of Services</b>	<b>24,338</b>	<b>1,361</b>	<b>(27,014)</b>	<b>102</b>	<b>(25,551)</b>	<b>(1,213)</b>	

## Note 8 Note to the Expenditure and Funding Analysis (continued)

### Adjustments for Capital Purposes

This column adds depreciation, impairment and revaluation gains and losses into the services line, and for:

- **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 are satisfied in the year.

### Net Change for Pensions Adjustments

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and:

- 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 Adjustments

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.

## Note 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.

Adjustment	2019/20	
	General Fund Balance	Movement in Unusable Reserves
	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
Reversal of items debited or credited to the Comprehensive Income and Expenditure Account:		
Charges for depreciation, impairment and amortisation of non-current assets	2,710	(2,710)
Revaluation losses on Property Plant and Equipment	(301)	301
Capital grants and contributions applied		-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		-
Use of the Capital Receipts Reserve to finance new capital expenditure	(21)	21
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account:		
Statutory provision for the financing of capital investment	(1,148)	1,148
Capital expenditure charged against the General Fund balance	(2,833)	2,833
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>		
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	21	(21)
Use of the Capital Receipts Reserve to finance new capital expenditure	(21)	21

## Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations

Adjustment Continued	2019/20	
	General Fund Balance	Movement in Unusable Reserves
	£000	£000
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		
<b>Adjustments primarily involving the Capital Grants Unapplied Reserve:</b>		
Capital grants recognised in the year and credited to the Capital Grants Unapplied Reserve		
Application of grants to capital financing credited to the Capital Adjustment Account		
<b>Adjustments primarily involving the Financial Instruments Adjustments Account:</b>		
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		
<b>Adjustments primarily involving the Pensions Reserve:</b>		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	15,272	(15,272)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>		
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	92	(92)
<b>Adjustment primarily involving the Collection Fund Adjustment Account:</b>		
Amount by which Council Tax and NDR income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and NDR income calculated for the year in accordance with statutory requirements	73	(73)
<b>Total Adjustments</b>	<b>13,844</b>	<b>(13,844)</b>

## Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

Adjustment	2018/19	
	General Fund Balance	Movement in Unusable Reserves
	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
Reversal of items debited or credited to the Comprehensive Income and Expenditure Account:		
Charges for depreciation, impairment and amortisation of non-current assets	2,405	<b>(2,405)</b>
Revaluation losses on Property Plant and Equipment	(358)	<b>358</b>
Capital grants and contributions applied	(185)	<b>185</b>
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(319)	<b>319</b>
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account:		
Statutory provision for the financing of capital investment	(1,316)	<b>1,316</b>
Capital expenditure charged against the General Fund balance	(1,534)	<b>1,534</b>
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>		
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	13	<b>(13)</b>
Use of the Capital Receipts Reserve to finance new capital expenditure	(26)	<b>26</b>
Contribution from Police and Crime Commissioner towards Coalville extension project	(40)	<b>40</b>

## Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

Adjustment Continued	2018/19	
	General Fund Balance	Movement in Unusable Reserves
	£000	£000
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		
<b>Adjustments primarily involving the Capital Grants Unapplied Reserve:</b>		
Capital grants recognised in the year and credited to the Capital Grants Unapplied Reserve		
Application of grants to capital financing credited to the Capital Adjustment Account		
<b>Adjustments primarily involving the Financial Instruments Adjustments Account:</b>		
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		
<b>Adjustments primarily involving the Pensions Reserve:</b>		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	27,014	(27,014)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>		
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(51)	51
<b>Adjustment primarily involving the Collection Fund Adjustment Account:</b>		
Amount by which Council Tax and NDR income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and NDR income calculated for the year in accordance with statutory requirements	(51)	51
<b>Total Adjustments</b>	<b>25,552</b>	<b>(25,552)</b>

## Note 10 Movement 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 2018 to 2020.

<b>2019/20</b>	<b>Balance at 31st March 2019</b>	<b>Transfers In 2019/20</b>	<b>Transfers Out 2019/20</b>	<b>Balance at 31st March 2020</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Insurance Reserve	157	-	-	157
Occupational Health Reserve	29	-	-	29
Ill Health Retirement Reserve	152	-	-	152
Relocation Reserve	15	-	-	15
Emergency Services Mobile Communications Programme Reserve	327	-	-	327
Management of Change Reserve	491	728	-	1,219
Capital Fund Reserve	4,852	2,640	(2,833)	4,659
Estates Strategy Reserve	6,026	-	-	6,026
Recruitment Over - Establishment Reserve	400	-	-	400
COVID 19 Reserve	-	158	-	158
<b>Total Earmarked Reserves</b>	<b>12,449</b>	<b>3,526</b>	<b>(2,833)</b>	<b>13,142</b>



## Note 10 Movement in Earmarked Reserves (continued)

<b>2018/19</b>	<b>Restated Balance at 31st March 2018</b>	<b>Transfers In 2018/19</b>	<b>Transfers Out 2018/19</b>	<b>Balance at 31st March 2019</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Insurance Reserve	172	-	(15)	157
Occupational Health Reserve	29	-	-	29
Ill Health Retirement Reserve	152	-	-	152
Relocation Reserve	15	-	-	15
Emergency Services Mobile Communications Programme Reserve	327	-	-	327
Management of Change Reserve	290	201	-	491
Capital Fund Reserve	4,541	311	-	4,852
Estates Strategy Reserve	5,673	353	-	6,026
Recruitment Over - Establishment Reserve	400	-	-	400
COVID 19 Reserve	-	-	-	-
<b>Total Earmarked Reserves</b>	<b>11,599</b>	<b>865</b>	<b>(15)</b>	<b>12,449</b>

## Note 11 Other Operating Expenditure

	2018/19	2019/20
	£000	£000
Total (gains)/losses on the disposal of non-current assets	(14)	(21)
<b>Total</b>	<b>(14)</b>	<b>(21)</b>

## Note 12 Financing and Investment Income & Expenditure

	2018/19	2019/20
	£000	£000
Interest payable and similar charges	664	623
Net interest on the defined benefit liability	11,653	12,290
Interest receivable	(84)	(103)
Fixed Asset Funding	(81)	-
Dividend Received	(31)	31
<b>Total</b>	<b>12,121</b>	<b>12,841</b>

## Note 13 Taxation and Non-Specific Grant Income & Expenditure

	2018/19	2019/20
	£000	£000
Council Tax income	(20,729)	(21,584)
Non domestic rates	(9,675)	(14,059)
Non-ringfenced government grants	(13,190)	(6,573)
Capital grants and contributions	(170)	-
<b>Total</b>	<b>(43,764)</b>	<b>(42,216)</b>

## Note 14 Expenditure and Income Analysed by Nature

The CFA's expenditure and income reported in the Comprehensive Income & Expenditure Statement is analysed by nature in the table below.

	2018/19	2019/20
	£000	£000
<b>Expenditure</b>		
Employee Benefit Expenses	61,126	49,707
Other Services expenses	6,963	6,599
Depreciation, amortisation, impairment	2,405	2,710
Interest Payments	664	623
<b>Total Expenditure</b>	<b>71,158</b>	<b>59,639</b>
<b>Income</b>		
Fees, charges and other service income	(1,584)	(480)
Interest & Investment Income	(115)	(72)
Income from Council Tax, non domestic rates	(30,405)	(35,643)
Government grants & contributions	(14,702)	(9,810)
Gain on the disposal of assets	(14)	(21)
<b>Total Income</b>	<b>(46,820)</b>	<b>(46,026)</b>
<b>Surplus or Deficit on Provision of Services</b>	<b>24,338</b>	<b>13,613</b>

## Note 15 Property, Plant and Equipment - Movement on Balances in 2019/20

### Depreciation

The following useful lives have been used in the calculation of depreciation:

- Land and Buildings - 5-65 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 £70k is currently contracted and is mainly related to the purchase of a new vehicle. These commitments are expected to be paid in 2020/21.

Movements on Balances in 2019/20	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
At 1st April 2019	43,935	20,902	2,444	<b>67,281</b>
Additions	155	2,624	26	<b>2,805</b>
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	637	-	-	<b>637</b>
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	(823)	-	-	<b>(823)</b>
De-recognition – disposals	-	(266)	-	<b>(266)</b>
Transfers (to)/from In Construction	768	67	(892)	<b>(57)</b>
<b>As at 31st March 2020</b>	<b>44,672</b>	<b>23,327</b>	<b>1,578</b>	<b>69,577</b>

**Note 15 Property, Plant and Equipment - Movement on Balances in 2019/20 (continued)**

<b>Movements on Balances in 2019/20</b>	<b>Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Accumulated Depreciation &amp; Impairment</b>				
At 1st April 2019	34	15,959	-	<b>15,993</b>
Depreciation written out to the Revaluation Reserve	(1,129)	-	-	<b>(1,129)</b>
Depreciation Charge	1,112	1,598	-	<b>2,710</b>
De-recognition – disposals	-	(266)	-	<b>(266)</b>
<b>As at 31st March 2020</b>	<b>17</b>	<b>17,291</b>	<b>-</b>	<b>17,308</b>
<b>Net Book Value as at 31st March 2020</b>	<b>44,655</b>	<b>6,036</b>	<b>1,578</b>	<b>52,269</b>
As at 1st April 2019	43,901	4,943	2,444	51,288

## Note 15 Property, Plant and Equipment - Movement on Balances in 2018/19

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 2020. Additions which are still under construction are included in the accounts at cost.

<b>2018/19 Comparative Movements</b>	<b>Land &amp; Buildings</b>	<b>Vehicles, Plant, Furniture and Equipment</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant &amp; Equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>				
At 1st April 2018	42,330	20,529	3,147	<b>66,006</b>
Additions	892	458	420	<b>1,770</b>
Revaluation				
Increases/(Decreases) recognised in the Revaluation Reserve	323			<b>323</b>
Revaluation				
Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	(717)			<b>(717)</b>
De-recognition – disposals	-	(101)	-	<b>(101)</b>
Transfers (to)/from In Construction	1,107	16	(1,123)	-
<b>As at 31st March 2019</b>	<b>43,935</b>	<b>20,902</b>	<b>2,444</b>	<b>67,281</b>

## Note 15 Property, Plant and Equipment - Movement on Balances in 2018/19 (continued)

2018/19 Comparative Movements	Land & Buildings	Vehicles, Plant, Furniture and Equipment	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000
<b>Accumulated Depreciation &amp; Impairment</b>				
At 1st April 2018	43	14,709	-	14,752
Depreciation Charge				-
Depreciation written out to the Revaluation Reserve	(1,074)	-	-	(1,074)
Depreciation Charge	1,065	1,339	-	2,404
De-recognition – disposals	-	(89)	-	(89)
<b>As at 31st March 2019</b>	<b>34</b>	<b>15,959</b>	<b>-</b>	<b>15,993</b>
<b>Net Book Value as at 31st March 2019</b>	<b>43,901</b>	<b>4,943</b>	<b>2,444</b>	<b>51,288</b>
As at 1st April 2018	42,287	5,820	3,147	51,254

## Note 16 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.

As at the 31st March 2020 there are no contractual commitments for the acquisition of intangible assets.

	<u>2018/19</u>	<u>2019/20</u>
	<u>£000</u>	<u>£000</u>
Balance at 1st April		
Gross Carrying Amounts	136	136
Accumulated Amortisation	(135)	(136)
<b>Net carrying amount at start of year</b>	<b>1</b>	<b>-</b>
Additions (Purchases)	-	49
Reclassified from other asset classifications	-	58
Amortisation applied in Year	(1)	-
Gross Carrying Amount at 31st March	136	243
Accumulated Amortisation	(136)	(136)
<b>Net Carrying Amount at 31st March</b>	<b>-</b>	<b>107</b>



## Note 17a Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Category	Amount	Amount	Comment / Reference
	31st March 2019	31st March 2020	
	£000	£000	
<b>Short Term Borrowing</b>			
<b>Amount in Balance Sheet</b>	<b>634</b>	<b>1,369</b>	
Amounts covered in Note 17b:	634	1,369	
<b>Long Term Borrowing</b>			
<b>Amount in Balance Sheet</b>	<b>15,209</b>	<b>13,916</b>	
Amounts covered in Note 17b:	15,209	13,916	
<b>Other Long Term Liabilities</b>			
<b>Amount in Balance Sheet</b>	<b>501,119</b>	<b>474,737</b>	
Amounts not covered in Note 17:	475	429	
Liability related to defined benefit pension schemes	500,644	474,308	Note 37 - Defined Benefit Pensions

## Note 17b Financial Instruments - Balances

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long Term		Short Term	
	31st March 2019	31st March 2020	31st March 2019	31st March 2020
	£000	£000	£000	£000
- Cash (including bank accounts)			10,471	13,303
<b>Total Cash and Cash Equivalents</b>	-	-	<b>10,471</b>	<b>13,303</b>
Loans and receivables:				
- Trade receivables			23	18
<b>Included in Debtors</b>	-	-	<b>23</b>	<b>18</b>
<b>Total Financial Assets</b>	-	-	<b>10,494</b>	<b>13,321</b>

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term		Short Term	
	31st March 2019	31st March 2020	31st March 2019	31st March 2020
	£000	£000	£000	£000
Loans at amortised cost:				
- Principal sum borrowed	13,978	13,229	-	750
<b>Total Borrowing</b>	<b>13,978</b>	<b>13,229</b>	-	<b>750</b>
Liabilities at amortised cost:				
- Finance leases	1,231	687	634	619
<b>Total Other Liabilities</b>	<b>1,231</b>	<b>687</b>	<b>634</b>	<b>619</b>
Liabilities at amortised cost:				
- Trade payables	-	-	171	-
<b>Included in Creditors</b>	-	-	<b>171</b>	-
<b>Total Financial Liabilities</b>	<b>15,209</b>	<b>13,916</b>	<b>805</b>	<b>1,369</b>

## Note 17c Financial Instruments - Gains and Losses

	Age profile of Debtors	
	31st March 2019	31st March 2020
	£000	£000
Debtors		
- not yet due for payment	21	12
Past due analysis		
Less than 1 month overdue	-	3
1-2 months overdue	-	2
2-6 months overdue	-	-
Over 1 year overdue	46	30
<b>Total trade debtors</b>	<b>67</b>	<b>47</b>

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items:

	Financial	Financial	2019/20	2018/19
	Liabilities	Assets		
	Amortised Cost	Loans & Receivables		
	£000	£000	£000	£000
Interest expense	622	-	622	652
<b>Interest payable and similar charges</b>	<b>622</b>	<b>-</b>	<b>622</b>	<b>652</b>
Interest income	-	(103)	(103)	(84)
<b>Interest and investment income</b>	<b>-</b>	<b>(103)</b>	<b>(103)</b>	<b>(84)</b>
<b>Net (Gain)/Loss for the Year</b>	<b>622</b>	<b>(103)</b>	<b>519</b>	<b>568</b>

## Note 17d Financial Instruments - Fair Values

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds, the fair value is taken from the market price.

Some of the authority's financial assets are measured at fair value on a reoccurring basis and are described below:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

The table shows the amounts held at 31<sup>st</sup> March 2020 and the fair value reported in the 2019/20 accounts.

\*The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount.

	31st March 2019		31st March 2020	
	Balance Sheet	Fair Value	Balance Sheet	Fair Value
	£000	£000	£000	£000
Assets for which fair value is not disclosed *	13,428	0	14,282	-
<b>Total Financial Assets</b>	<b>13,428</b>	<b>-</b>	<b>14,282</b>	<b>-</b>
<i>Recorded on balance sheet as:</i>				
Short-term debtors	3,541	-	979	-
Cash and cash equivalents	10,471	-	13,303	-
<b>Total Financial Assets</b>	<b>14,012</b>	<b>-</b>	<b>14,282</b>	<b>-</b>
	31st March 2019		31st March 2020	
	Balance Sheet	Fair Value	Balance Sheet	Fair Value
	£000	£000	£000	£000
<i>Financial liabilities held at amortised cost:</i>				
Long-term loans from PWLB	13,978	17,732	13,228	16,840
Lease payables	1,865	1,865	1,306	1,306
<b>Total</b>	<b>15,843</b>	<b>19,597</b>	<b>14,534</b>	<b>18,146</b>
Liabilities for which fair value is not disclosed*	503,356	0	476,377	-
<b>Total Financial Liabilities</b>	<b>519,199</b>	<b>19,597</b>	<b>490,911</b>	<b>18,146</b>
<i>Recorded on balance sheet as:</i>				
Short-term creditors	2,712	-	1,229	-
Short-term borrowing	634	-	1,417	-
Long-term borrowing	15,209	-	13,957	-
Other long-term liabilities	500,644	-	474,308	-
<b>Total Financial Liabilities</b>	<b>519,199</b>	<b>-</b>	<b>490,911</b>	<b>-</b>

## Note 18 Inventories

The value of inventories as at 31<sup>st</sup> March:

	Balance at 31st March 2019	Balance at 31st March 2020
	£000	£000
Operational equipment	209	221
Vehicle Parts	89	91
Other	78	78
<b>Total</b>	<b>376</b>	<b>390</b>

## Note 19 Debtors

### Short-Term Debtors

The value of short-term debtors as at 31<sup>st</sup> March:

	Balance at 31st March 2019	Balance at 31st March 2020
	£000	£000
Central Government bodies	2,979	2,223
Other Local Authorities	1,901	636
All Other	1,640	1,626
<b>Total</b>	<b>6,520</b>	<b>4,485</b>

## Note 20 Cash and Cash Equivalents

The value of cash and cash equivalents as at 31<sup>st</sup> March:

	Balance at 31st March 2019	Balance at 31st March 2020
	£000	£000
Cash held by the CFA	2	46
Bank current accounts	10	12
Short-term investments	10,459	13,245
<b>Total Cash and Cash Equivalents</b>	<b>10,471</b>	<b>13,303</b>

## Note 21 Creditors

The value of creditors as at 31<sup>st</sup> March:

	Balance at 31st March 2019	Balance at 31st March 2020
	£000	£000
Central Government bodies	1,951	2,828
Other Local Authorities	1,222	821
All Other	1,490	1,225
<b>Total</b>	<b>4,663</b>	<b>4,874</b>

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

## Note 22 Provisions

The table below provides a list of provisions made by the authority at the end of the financial year:

### *Payment of Insurance Claims*

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.

### *Pay Award*

A provision has also been established in respect of the uncertainty surrounding the pay awards. Whilst payments have been made in respect of most prior year awards it is not yet conclusive that all amounts that will be due have been settled.

### *Business Rate appeals*

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.

	Insurance	Pay Award	Short Term Total	Business Rate Appeals	Long Term Total
	£000	£000		£000	£000
<b>Balance at 1st April 2018</b>	<b>56</b>	<b>148</b>	<b>204</b>	<b>375</b>	<b>375</b>
Net Movement (additions less amounts used)	14	204	218	100	100
<b>Balance at 1st April 2019</b>	<b>70</b>	<b>352</b>	<b>422</b>	<b>475</b>	<b>475</b>
2019/20 Provisions/(Reductions)	-	-	-	(46)	(46)
Amounts used in 2019/20	(5)	-	(5)	-	-
<b>Balance at 31st March 2020</b>	<b>65</b>	<b>352</b>	<b>417</b>	<b>429</b>	<b>429</b>

## Note 23 Usable Reserves

Movements in the CFA's usable reserves are detailed in the table below, which indicates the statement or note that provides further detail.

	<b>Opening Balance</b>	<b>Movement</b>	<b>Closing Balance</b>	<b>Supporting Note</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
General Fund	2,612	(462)	2,150	MIRS and Narrative Statement
Earmarked Reserves	12,448	694	13,142	Note 9 and Narrative Statement
<b>Total Usable Reserves</b>	<b>15,060</b>	<b>232</b>	<b>15,292</b>	



## Note 24 Unusable Reserves

	31st March 2019	31st March 2020
	£000	£000
Revaluation Reserve	11,636	11,955
Capital Adjustment Account	20,656	22,572
Pensions Reserve	(500,644)	(474,308)
Collection Fund Adjustment Account	114	41
Accumulated Absences Account	(214)	(306)
<b>Total Unusable Reserves</b>	<b>(468,452)</b>	<b>(440,046)</b>

### 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 in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1<sup>st</sup> April 2007, the date that the reserve was created with a balance of zero. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2018/19	2019/20
	£000	£000
<b>Balance at 1st April</b>	<b>11,633</b>	<b>11,637</b>
Upward revaluation of assets	473	650
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	(150)	(9)
<b>(Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>323</b>	<b>641</b>
Difference between fair value depreciation and historical cost depreciation	(319)	(323)
Accumulated gains on assets sold or scrapped	-	-
<b>Balance at 31st March</b>	<b>11,637</b>	<b>11,955</b>

## Note 24 Unusable Reserves (continued)

### 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.

	2018/19	2019/20
	£000	£000
<b>Balance at 1st April</b>	<b>19,295</b>	<b>20,656</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation & impairment	(2,404)	(2,710)
Revaluation losses on Property, Plant and Equipment	358	301
Amortisation of intangible assets	-	-
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Income and Expenditure Statement	(13)	-
	<b>17,236</b>	<b>18,247</b>
Adjusting amounts written out of the Revaluation Reserve	319	323
Net written out amount of the cost of non-current assets consumed in the year	<b>17,555</b>	<b>18,570</b>
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	26	21
Capital Grants, Contributions & Donated Assets credited to the Income and Expenditure Statement that have been applied to capital financing	185	-
Contribution from Police and Crime Commissioner towards Coalville extension project	40	-
Statutory provision for the financing of capital investment charged against the General Fund	1,316	1,148
Capital expenditure charged against the General Fund	1,534	2,833
<b>Balance at 31st March</b>	<b>20,656</b>	<b>22,572</b>

## Note 24 Unusable Reserves (continued)

### *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.

	2018/19	2019/20
	£000	£000
<b>Balance at 1st April</b>	<b>(458,161)</b>	<b>(500,644)</b>
Remeasurement of the Net Defined Benefit Liability	(15,469)	41,608
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(38,471)	(26,953)
Employer's pensions contributions and direct payments to pensioners payable in the year	11,457	11,681
<b>Balance at 31st March</b>	<b>(500,644)</b>	<b>(474,308)</b>

## Note 24 Unusable Reserves (continued)

### 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.

	2018/19	2019/20
	£000	£000
<b>Balance at 1st April</b>	<b>63</b>	<b>114</b>
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	51	(73)
<b>Balance at 31st March</b>	<b>114</b>	<b>41</b>

	2018/19	2019/20
	£000	£000
<b>Balance at 1st April</b>	<b>(265)</b>	<b>(214)</b>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	51	(92)
<b>Balance at 31st March</b>	<b>(214)</b>	<b>(306)</b>

### 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.

## Note 25 Cash Flow Statement - Operating Activities

	2018/19	2019/20
	£000	£000
Interest received	(79)	(100)
Dividend received	(61)	-
Interest paid	651	581
<b>Net interest</b>	<b>511</b>	<b>481</b>
The surplus on the provision of services has been adjusted for the following non-cash movements:		
	2018/19	2019/20
	£000	£000
Depreciation	(2,403)	(2,710)
Downward revaluations, impairment losses and reversal of prior year impairments	774	301
Amortisation	(1)	-
(Increase) / decrease in creditors	974	(389)
Increase / (decrease) in debtors	91	(2,034)
(Increase) / decrease in provisions	(318)	51
Increase / (decrease) in inventories	37	14
Movement in pension liability	(27,014)	(15,272)
Carrying amount of non-current assets, sold or de-recognised	(13)	-
Movement in Collection Funds	(101)	(73)
Movement in Accumulated Absences	(51)	92
Other non-cash items charged to the net surplus or deficit on the provision of services	(30)	4
<b>Adjustments to net surplus deficit on the provisions of services for non cash movements Items classified elsewhere in the statement</b>	<b>(28,055)</b>	<b>(20,016)</b>

## Note 26 Cash Flow Statement Investment Activities

	2018/19	2019/20
	£000	£000
Purchase of property, plant and equipment and intangible assets	1,871	3,034
Proceeds from sale of property, plant and equipment and int assets	(26)	(21)
<b>Net Cash Flows from Investing Activities</b>	<b>1,845</b>	<b>3,013</b>

## Note 27 Cash Flow Statement Financing Activities

	2018/19	2019/20
	£000	£000
Repayments of short and long-term borrowing	1,286	558
<b>Net Cash Flows from Financing Activities</b>	<b>1,286</b>	<b>558</b>

## Note 28 Trading Operations

### Forge Health

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 2019. For the year 2019/20, Forge Health Limited reported turnover of £Xk and a post tax profit of £Xk (£31k in 2018/19) 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.

	2018/19			2019/20		
	Turnover	Expenditure	(Surplus)/ Deficit	Turnover	Expenditure	(Surplus)/ Deficit
	£000	£000	£000	£000	£000	£000
Forge Health	(196)	165	(31)	(161)	135	(26)
<b>Total</b>	<b>(196)</b>	<b>165</b>	<b>(31)</b>	<b>(161)</b>	<b>135</b>	<b>(26)</b>

## Note 29 Members' Allowances

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

	2018/19	2019/20
	£000	£000
Basic Allowance Payments	52	55
Special Responsibility Payments	15	18
General Expense Payments	1	1
<b>Total</b>	<b>68</b>	<b>73</b>



## Note 30 Officers' Remuneration

This note comprises two parts. The first discloses the remuneration of the CFA's most senior officers. The second part discloses the total number of 'higher paid' CFA officers whose remuneration exceeded £50k during 2019/20, shown in bands and excluding those senior officers in the first part.

### **Part 1 - Senior Employees' Remuneration**

The table shows the amounts paid to the holders of senior posts in 2019/20 with comparative data from 2018/19 where applicable.

Senior employees are defined as certain statutory chief officer posts, those earning over £150k per annum and those earning less than this sum but reporting directly to the Chief Fire and Rescue Officer. There are two such officers, in 2019/20, which represents no change from 2018/19.

Remuneration in this table (as defined in statutory regulations) includes salary, fees/allowances, employer's pension contributions, taxable benefits and any compensation for loss of office.

Post	Financial Year	Salary, Fees and Allowances	Pension Contributions	Total
		£000	£000	£000
Chief Fire Officer	2019/20	134	49	<b>183</b>
	2018/19	130	29	<b>159</b>
Director / Assistant Chief Fire and Rescue Officer	2019/20	107	40	<b>147</b>
	2018/19	105	23	<b>128</b>
Director / Assistant Chief Fire and Rescue Officer (Note 1)	2019/20	83	17	<b>100</b>
	2018/19	-	-	<b>-</b>

Notes:

- 1) Asst CFO from 1st July 2019

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.

## Note 30 Officers' Remuneration (continued)

### Part 2 - Higher Paid Employees

The number of other CFA employees receiving more than £50,000 remuneration for the year is shown in the table below. In line with the relevant regulations, the table excludes the senior officers listed in the table above.

It should be noted that the definition of remuneration in this table differs from that in the table above (in line with regulations) as it excludes employer's pension contributions.

The table includes compensation for loss of office, so employees who left in the year may appear in a higher band than the equivalent role would appear in based on a normal year's salary. Equally, some posts would not be included in the table based on a normal year's salary, but are included because of payments for compensation for loss of office.

The threshold for inclusion in this report is defined in regulations and remains static at £50k annually. Salaries paid to staff include annual pay increases as and when these are awarded, increasing the scope of the report over time.

Leicestershire Fire and Rescue Service buy in the services of the Chief Financial Officer and the Monitoring Officer from neighbouring authorities. These roles are recharged to the Authority.

Remuneration Band £	Number of Employees	
	2018/19	2019/20
<b>40,000 - 44,999</b>	71	84
<b>45,000 - 49,999</b>	25	42
<b>50,000-54,999</b>	38	35
<b>55,000-59,999</b>	12	10
<b>60,000-64,999</b>	2	6
<b>65,000-69,999</b>	-	1
<b>70,000-74,999</b>	-	-
<b>75,000-79,999</b>	2	3
<b>80,000-84,999</b>	-	-
<b>85,000-89,999</b>	-	1
<b>Total</b>	<b>150</b>	<b>182</b>

## Note 31 External Audit Costs

The CFA has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the CFA's external auditors:

	2018/19	2019/20
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	23	23
Additional fees due to increased work undertaken	8	-
	<b>31</b>	<b>23</b>

Additional fees for extra work required for increased work in response to regulatory recommendations are yet to be agreed.

## Note 32 Grant Income

The CFA credited the following grants to the CIES, within Cost of Services:

### Revenue grants recognised in the year

	2018/19	2019/20
	£000	£000
<b>Credited to Cost of Services</b>		
Fire Revenue Grant	1,175	1,795
Section 31 Grants	8	1,193
Covid 19 Grant	-	159
<b>Total Credited to Cost of Services</b>	<b>1,183</b>	<b>3,147</b>

Section 31 grants include grants relating to new burdens and the firelink project. No Government capital grant was received in 2019/20.

Income of £90k was also utilised in the period from grant income received by Nottinghamshire Fire and Rescue Services for Home Office's Emergency Services Mobile Communications Project. This is received by them and distributed to regional partners.

## Note 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 and 32. Income of £9,720k was received in 19/20 (£14,543k in 18/19). Expenditure with Central Government bodies totalled £561k in 19/20 (£548k in 18/19).

### Members

Members of the CFA have direct control over the CFA's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in note 29. During 2019/20, 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 2019/20, 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. A total of £1,059k was spent with these partners (£1,084k in 2018/19). A total of £227k was owing to these partners at 31st March 2020 (£190k at 31st March 2019).

### Entities Controlled or Significantly Influenced by the CFA

#### Forge Health Limited

The CFA has control of Forge Health Limited, a wholly owned subsidiary. No dividend is due for 2019/20.

#### 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. Payments amounting to £301k were paid to FRIC in 2019/20 (£278k in 2018/19).

### Leicestershire Constabulary

Leicestershire Constabulary have paid for an extension on Coalville Fire Station, which they use. During the year, LFRS received income of £41k (£215k in 2018/19). As at 31st March 2020, Leicestershire Constabulary owe LFRS £58k for charges related to use of Coalville Station.

Payments of £39k were made to Leicestershire Constabulary during 2019/20 (£51k in 2018/19). As at 31st March 2020, LFRS still owed Leicestershire Constabulary £24k (£0k at 31st March 2019).

### East Midlands Ambulance Service NHS Trust (EMAS)

The CFA has entered into an agreement with EMAS to share some buildings. Income of £100k was received from EMAS in 2019/20 (£51k in 2018/19). Payments to EMAS amounted to £10k in 2019/20 (£42k in 2018/19). As at 31st March 2020, EMAS owed LFRS £60k (£100k at 31st March 2019).

## Note 34 Capital Expenditure and Capital Financing

The CFA had an opening capital financing requirement of £18,996k at the 1st April 2019 and a closing capital financing requirement of £17,848k at the 31st March 2020.

Details of capital expenditure incurred during the year and how it was financed shown in the table.

This includes property, plant and equipment and intangible assets (Notes 15 and 16).

	2018/19	2019/20
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>20,312</b>	<b>18,996</b>
<b>Capital Investment</b>		
Land and Buildings	892	155
Vehicles, Plant and Equipment	458	2,624
Assets In Construction	420	26
Intangibles	-	49
<b>Total Capital Investment</b>	<b>1,770</b>	<b>2,854</b>
<b>Sources of Finance</b>		
Capital Receipts	(26)	(21)
Grants	(170)	-
Sums set aside from revenue:		
Direct Revenue Contributions	(1,534)	(2,833)
MRP	(1,316)	(1,148)
Police Crime Commissioner Contribution	(40)	-
<b>Total Sources of Finance</b>	<b>(3,086)</b>	<b>(4,002)</b>
<b>Closing Capital Financing Requirement</b>	<b>18,996</b>	<b>17,848</b>
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(1,316)</b>	<b>(1,148)</b>

## Note 35 Leases

### CFA as Lessee

#### Finance Leases

Finance lease rentals paid to lessors relating to 2019/20 totalled £616k (£862k 2018/19) of which £60k was interest and £556k was principal. All finance leases relate to Vehicles, Plant and Equipment and the net book value of these assets at the 31st March 2020 is £1,241k.

#### Operating Leases

Operating lease rentals paid to lessors in the year totalled £119k (2018/19 £135k). As at the 31st March 2020 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:

### CFA as Lessor

#### Operating Leases

Operating lease rentals received relating to 2019/20 totalled £7k (£7k 2018/19). Part of Birstall HQ is leased to EMAS for £7k per annum. Part of Coalville Station is leased to Leicestershire Police at a Peppercorn rent.

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March	31st March	31st March	31st March
	2019	2020	2019	2020
	£000	£000	£000	£000
Within one year	665	650	683	667
Within 2 to 5 years	1,120	634	1,205	679
Later than 5 years	64	42	77	50
<b>Total</b>	<b>1,849</b>	<b>1,326</b>	<b>1,965</b>	<b>1,396</b>

	31st March	31st March
	2019	2020
	£000	£000
Not later than one year	107	13
Later than one year and not later than 5 years	14	-
<b>Total</b>	<b>121</b>	<b>13</b>

#### Operating Leases

	31st March	31st March
	2019	2020
	£000	£000
Within one year	7	7
Within 2 to 5 years	35	35
Later than 5 years	17	10
<b>Total</b>	<b>59</b>	<b>52</b>

## Note 36 Termination Benefits

The CFA terminated the contract of one employee in 2019/20, incurring costs of £8k (1 employee costing £30k in 2018/19).

Band	Total number of exit packages by cost band		Total cost of exit	
	2018/19	2019/20	2018/19	2019/20
£000	2018/19	2019/20	£000	£000
<b>Compulsory</b>				
0-20,000	-	-	-	8
20,001 - 40,000	1	-	30	-
<b>Total Compulsory</b>	<b>1</b>	<b>1</b>	<b>30</b>	<b>8</b>
<b>Voluntary</b>				
20,001 - 40,000	-	-	-	-
<b>Total Voluntary</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## Note 37 Defined Benefit Pension 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.

## Note 37 Defined Benefit Pension Schemes

### Transactions Relating to Post-Employment Benefits– LGPS

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:

Local Government Pension Scheme	2018/19	2019/20
	£000	£000
Comprehensive Income and Expenditure Statement		
<u>Cost of Services</u>		
Current service cost	1,458	1,703
Past service cost	-	-
Settlements and curtailments		
<b>Total Service Cost</b>	<b>1,458</b>	<b>1,703</b>
Financing and Investment Income and Expenditure		
Expected return on scheme assets		
Interest cost	353	420
<b>Net Interest Cost</b>	<b>353</b>	<b>420</b>
<b>Total Post-employment Benefit charged to the (Surplus) or Deficit on the Provision of Services</b>	<b>1,811</b>	<b>2,123</b>
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement		
Return on plan assets excluding amounts included in net interest	(802)	2,878
Actuarial (gains)/losses arising from changes in demographic assumptions		(1,548)
Actuarial (gains)/losses arising from changes in financial assumptions	4,099	(6,179)
Other Experience adjustments	2	(1,599)
<b>Total remeasurements recognised in the Comprehensive Income and Expenditure Statement</b>	<b>3,299</b>	<b>(6,448)</b>
<b>Total post-employment Benefit charged to the Comprehensive Income and Expenditure statement</b>	<b>5,110</b>	<b>(4,325)</b>
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	(1,811)	(2,123)
Actual amount charged against the General Fund Balance for pensions in the year (Employers contributions paid to the scheme)	817	861
<b>Total Movement in Reserves</b>	<b>(994)</b>	<b>(1,262)</b>

## Note 37 Defined Benefit Pension Schemes (continued)

2019/20	Firefighters' Pension Scheme 1992	Firefighters' Pension Scheme 2006	Firefighters' Pension Scheme 2015	Injury Benefit Scheme	Consolidated Firefighters Pension Schemes
	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement					
<u>Cost of Services</u>					
Current service cost	2,220	110	10,560	190	13,080
Past Service Cost	1,750	-	-	-	1,750
<b>Total Service Cost</b>	<b>3,970</b>	<b>110</b>	<b>10,560</b>	<b>190</b>	<b>14,830</b>
Financing and Investment Income and Expenditure					
Interest cost	10,410	700	650	110	11,870
<b>Net Interest cost</b>	<b>10,410</b>	<b>700</b>	<b>650</b>	<b>110</b>	<b>11,870</b>
<b>Total Post-employment Benefit charged to the (Surplus) or Deficit on the Provision of Services</b>	<b>14,380</b>	<b>810</b>	<b>11,210</b>	<b>300</b>	<b>26,700</b>
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement					
Actuarial (gains)/losses arising from changes in demographic assumptions	(12,740)	(1,000)	(980)	(160)	(14,880)
Actuarial (gains)/losses arising from changes in financial assumptions	(15,410)	(1,800)	(1,200)	(90)	(18,500)
Other Experience adjustments	(3,340)	1,210	490	(140)	(1,780)
<b>Total remeasurements recognised in the Comprehensive Income and Expenditure Statement</b>	<b>(31,490)</b>	<b>(1,590)</b>	<b>(1,690)</b>	<b>(390)</b>	<b>(35,160)</b>
<b>Total post-employment Benefit charged to the Comprehensive Income and Expenditure statement</b>	<b>(17,110)</b>	<b>(780)</b>	<b>9,520</b>	<b>(90)</b>	<b>(8,460)</b>
Movement in Reserves Statement					
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	(14,380)	(810)	(11,210)	(300)	(26,700)
Actual amount charged against the General Fund Balance for pensions in the year (Employers contributions paid to the scheme)	989	54	3,204	-	4,247
<b>Total Movement in Reserves</b>	<b>(13,391)</b>	<b>(756)</b>	<b>(8,006)</b>	<b>(300)</b>	<b>(22,453)</b>

## Note 37 Defined Benefit Pension Schemes (continued)

2018/19	Firefighters' Pension Scheme 1992 £000	Firefighters' Pension Scheme 2006 £000	Firefighters' Pension Scheme 2015 £000	Injury Benefit Scheme £000	Consolidated Firefighters Pension Schemes £000
Comprehensive Income and Expenditure Statement					
<u>Cost of Services</u>					
Current service cost	2,940	140	5,400	100	<b>8,580</b>
<b>Total Service Cost</b>	<b>2,940</b>	<b>140</b>	<b>5,400</b>	<b>100</b>	<b>8,580</b>
Financing and Investment Income and Expenditure					
Interest cost	10,130	640	430	100	11,300
<b>Net Interest cost</b>	<b>10,130</b>	<b>640</b>	<b>430</b>	<b>100</b>	<b>11,300</b>
<b>Total Post-employment Benefit charged to the (Surplus) or Deficit on the Provision of Services</b>	<b>13,070</b>	<b>780</b>	<b>5,830</b>	<b>200</b>	<b>19,880</b>
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement					
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	10,640	1,240	1,070	90	13,040
Other Experience adjustments	(880)	(450)	270	190	(870)
<b>Total remeasurements recognised in the Comprehensive Income and Expenditure Statement</b>	<b>9,760</b>	<b>790</b>	<b>1,340</b>	<b>280</b>	<b>12,170</b>
<b>Total post-employment Benefit charged to the Comprehensive Income and Expenditure statement</b>	<b>22,830</b>	<b>1,570</b>	<b>7,170</b>	<b>480</b>	<b>32,050</b>
Movement in Reserves Statement					
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	(13,070)	(780)	(5,830)	(200)	(19,880)
Actual amount charged against the General Fund Balance for pensions in the year (Employers contributions paid to the scheme)	800	32	1,385	-	2,217
<b>Total Movement in Reserves</b>	<b>(12,270)</b>	<b>(748)</b>	<b>(4,445)</b>	<b>(200)</b>	<b>(17,663)</b>

## Note 37 Defined Benefit Pension Schemes (continued)

### Pensions Assets and Liabilities Recognised in the Balance Sheet - LGPS

	2018/19	LGPS
		£000
Present value of the defined benefit obligation		46,708
Fair value of plan assets		(29,654)
<b>Net liability arising from defined benefit obligation</b>		<b>17,054</b>
	2019/20	
Present value of the defined benefit obligation		39,747
Fair value of plan assets		(27,879)
<b>Net liability arising from defined benefit obligation</b>		<b>11,868</b>

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

	2018/19	2019/20
	£000	£000
Opening fair value of scheme assets	27,637	29,654
Interest Income	752	718
Remeasurement (gain)/loss:		
The return on plan assets, excluding the amount included in the net interest expense	802	(2,878)
Contributions from scheme employer	812	856
Contributions from employees into the scheme	245	248
Contributions in respect of unfunded benefits	5	5
Unfunded benefits paid	(5)	(5)
Benefits paid	(594)	(719)
<b>Closing fair value of scheme assets</b>	<b>29,654</b>	<b>27,879</b>

## Note 37 Defined Benefit Pension Schemes (continued)

### Reconciliation of Present Value of the Plan Liabilities - LGPS

	2018/19	2019/20
	£000	£000
Funded Liabilities	40,316	46,624
Unfunded Liabilities	82	84
Opening Balance at 1st April	40,398	46,708
Current service cost	1,458	1,703
Interest cost	1,105	1,138
Contributions from scheme participants	245	248
Remeasurement gain/(loss):		
Actuarial (gains)/losses arising from changes in demographic assumptions	-	(1,548)
Actuarial gains/losses arising from changes in financial assumptions	4,099	(6,179)
Other experience	2	(1,599)
Past service costs	-	-
Benefits paid	(594)	(719)
Unfunded benefits paid	(5)	(5)
<b>Closing balance at the 31st March</b>	<b>46,708</b>	<b>39,747</b>
<b>Represented by:</b>		
Funded Liabilities	46,624	39,663
Unfunded Liabilities	84	84

## Note 37 Defined Benefit Pension Schemes (continued)

### Reconciliation of Present Value of the Scheme Liabilities - Firefighters Schemes

	Firefighters' Pension Scheme 1992	Firefighters' Pension Scheme 2006	Firefighters' Pension Scheme 2015	Injury Benefit Scheme	Consolidated Firefighters' Pension Schemes
	£000	£000	£000	£000	£000
Opening balance at the 1st April 2018	401,740	25,400	14,200	4,060	445,400
Current service costs (net of employee contributions)	2,400	100	4,160	100	6,760
Past service costs	16,610	1,990			18,600
Contributions by scheme participants	540	40	1,240	-	1,820
Transfers In	-	-	-	-	-
Remeasurement gain:					
Actuarial gains/losses arising from changes in demographic assumptions					-
Actuarial gains/losses arising from changes in financial assumptions	10,640	1,240	1,070	90	13,040
Other experience	(880)	(450)	270	190	(870)
Finance Interest cost	10,130	640	430	100	11,300
Benefits paid	(11,950)	(140)	(250)	(120)	(12,460)
<b>Closing balance at the 31st March 2019</b>	<b>429,230</b>	<b>28,820</b>	<b>21,120</b>	<b>4,420</b>	<b>483,590</b>
Current service costs (net of employee contributions)	1,820	60	9,140	190	11,210
Past service costs	1,750	-	-	-	1,750
Contributions by scheme participants	400	50	1,430	-	1,880
Transfers In	-	-	-	-	-
Remeasurement gain:					
Actuarial gains/losses arising from changes in demographic assumptions					
Actuarial gains/losses arising from changes in demographic assumptions	(12,730)	(1,000)	(980)	(160)	(14,870)
Actuarial gains/losses arising from changes in financial assumptions	(15,410)	(1,800)	(1,200)	(90)	(18,500)
Other experience	(3,360)	1,210	490	(140)	(1,800)
Finance Interest cost	10,410	700	650	110	11,870
Benefits paid	(12,340)	(200)	(30)	(120)	(12,690)
<b>Closing balance at the 31st March 2020</b>	<b>399,770</b>	<b>27,840</b>	<b>30,620</b>	<b>4,210</b>	<b>462,440</b>

## Note 37 Defined Benefit Pension Schemes (continued)

The Local Government Pension Scheme's assets consist of the categories in the table, by proportion of the total assets held:

	2018/19		2019/20	
	Bid Values	Percentage of Total	Bid Values	Percentage of Total
	£000	Assets	£000	Assets
<b>Cash and Cash Equivalents</b>				
All	888	3%	835	3%
<b><u>Quoted prices in active markets</u></b>				
<b>Equity Securities</b>				
Consumer	76	0%	71	0%
Manufacturing	22	0%	21	0%
Energy and Utilities	62	0%	59	0%
Financial Institutions	94	0%	89	0%
Information Technology	25	0%	24	0%
Health and Care	22	0%	21	0%
Other	215	1%	202	1%
<b>Bonds</b>				
UK Government	2,506	9%	2,356	8%
Other	384	1%	361	1%
<b>Investment Fund and Unit Trusts</b>				
Equities	11,910	40%	11,197	40%
Bonds	1,253	4%	1,178	4%
Hedge Funds	3	0%	2	0%
Other	2,969	10%	2,791	10%
<b>Derivatives</b>				
Foreign Exchange	-	0%	(35)	0%
<b><u>Quoted prices not in active markets</u></b>				
<b>Property</b>				
UK Property	2,216	8%	2,084	7%
<b>Private Equity</b>				
All	1,367	5%	1,286	5%
<b>Investment Fund and Unit Trusts</b>				
Bonds	-	0%	-	0%
UK Government	5	0%	4	0%
Hedge Funds	-	0%	-	0%
Other	3,066	10%	2,882	10%
Commodities	1,049	4%	986	4%
Infrastructure	1,560	5%	1,466	5%
Foreign Exchange	(38)	0%	-	0%
<b>Total</b>	<b>29,654</b>	<b>100%</b>	<b>27,879</b>	<b>100%</b>



## Note 37 Defined Benefit Pension Schemes (continued)

### **Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The fund liabilities have been assessed by Hymans Robertson LLP for LGPS, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2016. The Firefighter Pension Scheme has been assessed by the Government Actuary's Department (GAD).

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table. 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.

The main assumptions used by the actuary have been:

	LGPS		Fire Pension Scheme	
	2018/19	2019/20	2018/19	2019/20
<b>Mortality assumptions:</b>				
Longevity at 65 for current pensioners (years):				
Men	22.1	21.5	22.0	21.3
Women	24.3	23.8	22.0	21.3
Longevity at 65 for future pensioners (years):				
Men	23.8	22.2	23.9	23.0
Women	26.2	25.2	23.9	23.0
<b>Benefit entitlement assumptions:</b>				
Rate of increase in salaries	3.5%	2.3%	4.4%	4.0%
Rate of increase in pensions	2.5%	1.8%	2.4%	2.0%
Rate for discounting scheme liabilities	2.4%	2.3%	2.5%	2.3%
Take-up of option to convert annual pension into retirement lump-sum – relating to service pre April 2008	50.0%	50.0%	-	-
Take-up of option to convert annual pension into retirement lump-sum – relating to service post April 2008	75.0%	75.0%	-	-
Rate of Inflation (firefighters schemes)	-	-	2.4%	2.0%

## Note 37 Defined Benefit Pension Schemes (continued)

### Impact on the Defined Benefit Obligation in the Plan/Scheme

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%.

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

	Change in Assumption	
	LGPS	Fire Pension Schemes
	£000	£000
Longevity (change of 1 year)	as below	14,000
Rate of increase in salaries (change of 0.5%)	653	7,000
Rate of increase in pensions (change of 0.5%)	3,750	33,000
Rate of discounting scheme liabilities (increase of 0.5%)	(4,453)	(43,000)
Early retirement (change of 1 year)	unavailable	unavailable

### 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 18 years. The next triennial valuation of the LGPS is due to be completed on the 31st March 2022. The CFA is anticipated to pay £926k contributions to the scheme in 2020-21. The weighted average duration of the defined benefit obligation for plan members is 24 years as at the latest formal valuation on 31st March 2019.

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 undertook the first valuation exercise for the Firefighters schemes as at 31st March 2016. The results have been published and result in substantially increased employers contributions from April 2019.

## Note 37 Defined Benefit Pension Schemes (continued)

### Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

<b>Liabilities</b>		
<b>LGPS</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1st April</b>	<b>40,398</b>	<b>46,708</b>
Current service cost	1,458	1,703
Past service costs (including curtailments)	-	-
Interest cost	1,105	1,138
Contributions by scheme participants	245	248
Benefits paid	(599)	(724)
Remeasurements arising from changes in assumptions	4,101	(9,326)
<b>Balance at 31st March</b>	<b>46,708</b>	<b>39,747</b>

Reconciliation of fair value of the scheme (plan) assets:

<b>Assets</b>		
<b>LGPS</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1st April</b>	<b>27,637</b>	<b>29,654</b>
Interest income	752	718
Contributions by scheme participants	245	248
Employer contributions	812	856
Benefits paid	(594)	(719)
Return on plan assets excluding amounts included in net interest	802	(2,878)
<b>Balance at 31st March</b>	<b>29,654</b>	<b>27,879</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

## Note 38 Contingent Liabilities

The Fire Service has not identified any contingent liabilities in the 2019/20 accounts.

## Note 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.

## Note 39 Nature and Extent of Risks arising from Financial Instruments (continued)

### a) 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:

Institutions will 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 2020 were repaid to the CFA before the date the Statement of Accounts was authorised for issue 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.

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

Investment Type	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 Bank and Building Societies	Blue Orange Red Green	£5m	Up to 1 year Up to 1 year Up to 6 months Up to 3 months

Loans and Receivables	1st April 2019	31st March 2020	Est. Maximum Exposure to Credit Risk	Historical Experience of Default
	£000	£000	£000	£000
Deposits with banks, financial institutions	919	770	0	0.00
Deposits with local authorities	9,560	12,495	0	0.00
Trade Debtors				
- not yet due for payment	21	12	0	0.00
- past due date for payment	46	35	0	0.00
<b>Total</b>	<b>10,546</b>	<b>13,312</b>	<b>0</b>	<b>0</b>

## Note 39 Nature and Extent of Risks arising from Financial Instruments (continued)

The past due amount is analysed by age as follows:

	1st April 2019 31st March 2020	
	£000	£000
Less than 1 month overdue	0	3
1-2 months overdue	0	2
2-6 months overdue	0	0
Over 1 year overdue	46	30
<b>Total</b>	<b>46</b>	<b>35</b>

### 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 2018/19		
	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.

## Note 39 Nature and Extent of Risks arising from Financial Instruments (continued)

### 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 or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The 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 2020, 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	141
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive In-	1,474

An average rate of 0.73% (£103k) was achieved for investments, therefore this is the maximum amount which could be lost.

# Pension Fund Statement

## Firefighters' Pension Fund

Fund Account	2018/19	2019/20
	£000	£000
<b>Income to the fund</b>		
Contributions receivable:		
Fire authority contributions in relation to pensionable pay	(2,212)	(4,261)
Ill health contributions	(37)	(57)
Firefighters' contributions	(1,799)	(1,843)
Transfers in from other schemes	-	(70)
<b>Income to the fund</b>	<b>(4,048)</b>	<b>(6,231)</b>
<b>Spending by the fund</b>		
Benefits payable:		
Pensions	10,600	11,879
Commutation and lump-sum retirement benefits	2,158	1,523
Other payments	83	9
Payments To and On Behalf of Leavers	17	50
Transfers out to other schemes	150	-
<b>Spending by the fund</b>	<b>13,008</b>	<b>13,461</b>
<b>Deficit for the year before top up grant receivable from Home Office</b>	<b>8,960</b>	<b>7,230</b>
Top-up grant received	(6,453)	(5,140)
<b>Net Grant Receivable</b>	<b>2,507</b>	<b>2,090</b>

Firefighters' Pension fund net assets statement	31st March 2019	31st March 2020
	£000	£000
Net current assets and liabilities:		
Pensions top up grant receivable from Home Office	2,507	2,090
<b>Net grant receivable</b>	<b>2,507</b>	<b>2,090</b>



## Pension Fund Statement (continued)

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 2020. These can be found in note 37 in the notes to the accounts.
7. 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 25.
8. 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 following audit of the accounts for the year.
9. The fund is in deficit by £462,440k as at the 31<sup>st</sup> March 2020 (£483,590k as at the 31<sup>st</sup> March 2019).

# Final Statement & Glossary

# CFA Annual Governance Statement 2019-20

## 1. Introduction

The Combined Fire Authority (CFA) is committed to good corporate governance and complies with the CIPFA/SOLACE “Delivering Good Governance Framework” (2016). The Framework requires local authorities to be responsible for ensuring that:

- their business is conducted in accordance with all relevant laws and regulations
- public money is safeguarded and properly accounted for
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people

This statement is produced in fulfilment of the requirements under the Accounts and Audit Regulations, 2015, to prepare an annual governance statement.

## 2. The Arrangements

The CFA works within the governance framework summarised in Appendix 1, and has an approved Local Code of Corporate Governance. The following details how the CFA meets the requirements of the Framework through the core principles, systems, policies and procedures it has in place. Appendix 2 demonstrates how this has been assessed to inform the Annual Governance Statement.

### We have the following codes and rules:

- Finance and Contract Procedure Rules
- Code of Conduct for Members
- Code of Conduct for Employees
- Anti-fraud, Bribery and Corruption Policy
- Whistleblowing Policy
- Organisational Risk Management

**Our purpose is Safer People, Safer Places in both our communities and our workplaces. Our five key corporate strategies identified in our corporate plan and Integrated Risk Management Plan (IRMP) (Our Plan 2020-24) sets out how we will achieve this in each priority area. The strategies are:**

- Safer Communities
- Response
- Finance and Resources
- People
- Governance

### We monitor:

- Delivery of Our Plan
- Performance indicators
- Delivery of the budget
- Organisational Risk Register

### We are transparent in our decision making through:

- Open CFA & committee meetings with published agenda, meeting papers and minutes
- Published Senior Management Team decisions
- Scrutiny of our project development programme through committees
- Stakeholder engagement on our budget; IRMP; key projects and partnership working
- Publication of Freedom of Information Act responses and transparency data

## CFA Annual Governance Statement 2019-20 (continued)

### We are supported by:

- Leicester City Council who provide the position of Treasurer to make arrangements for the proper administration of the CFA's financial affairs
- Leicestershire County Council who provide the position of Monitoring Officer to maintain the constitution, ensure lawfulness and fairness in decision-making and provide member services
- A staff intranet, which provides guidance and policy documentation
- Tactical Management Team, Project Boards and Project Teams led by middle and supervisory managers to implement effective delivery of service priorities
- Partnership working on key priorities

### We review processes and delivery throughout the year supported by:

- Internal Audit
- External Audit
- Corporate Governance Committee
- Annual Report and Statement of Assurance

## 3. Significant Governance Issues

The CFA's review of processes enables the identification of any areas of the CFA's activities where there are significant weaknesses in financial controls, governance arrangements or the management of risk. Overall from this year's work, the Head of the Internal Audit Service (HoIAS) evaluation of the CFA's control environment (its framework of governance, risk management and control) is overall adequate and effective.

The External Auditors are required by the International Standard on Auditing 260 (ISA 260) to communicate about the audit of the Authority's financial statements with those charged with governance. A written report for the 2018/19 Statement of Accounts was presented to Members in September 2019 that identified issues with the production of the Statement of Accounts, although an unqualified opinion was given. The Treasurer has worked to improve this process for the 2019/20 accounts.

Areas of significant risk or priorities for action have been identified and are listed on the following pages, along with an update of the issues identified last year.

## CFA Annual Governance Statement 2019-20 (continued)

### Follow Up of Issues Identified in 2018/19

Last year the following areas were identified as significant governance issues. The table below sets out the action that has been taken to address these issues in the current year:

Issue Identified	Action taken to date:
<p><b>Budget Strategy</b> - the CFA's financial viability is a key concern at a time of deep funding cuts, the national uncertainties around funding from 2020 mean that continued viability could once again become a key concern.</p>	<p>The CFA has a balanced budget for 2020/21, although the Covid-19 pandemic has placed some uncertainty around future funding.</p>
<p><b>Fire Service Reform</b> – Fire Service is subject to a separate independent inspection regime (HMICFRS). Working standards are being established by a Professional Standards Body.</p>	<p>Following the inspection in December 2018, HMICFRS produced a report in June 2019 detailing their findings which were focussed on 3 areas – effectiveness, efficiency and people. HMICFRS recommended that we consider 24 'Areas for Improvement' (AFI), which were in addition to 20 other observations contained within the report requiring our ongoing consideration. The Combined Fire Authority (CFA) agreed in June 2019 that an improvement plan would be produced and put in place to address these areas. The Corporate Governance Committee (CGC) noted in November 2019 the production of the Improvement Plan and the monitoring arrangements that are in place.</p> <p>Await the impact of the working standards being developed and react accordingly.</p>
<p><b>Management Arrangements</b> – review temporary management structure.</p>	<p>A permanent Assistant Chief Fire and Rescue Officer (ACFO) was approved by the CFA in April 2019.</p>

**CFA Annual Governance Statement 2019-20 (continued)**

**Follow Up of Issues Identified in 2018/19 (continued)**

Issue Identified	Action taken to date:
<p><b>Regional Pensions Board</b> – to move from a local pension board to a regional one with Nottinghamshire and Derbyshire Fire and Rescue Services.</p>	<p>A submission for approval was made to the Secretary of State, however government focus on Brexit and the Election meant that a response was not received. There is a continued commitment to work towards a regional pensions board.</p>
<p><b>UK exit from the EU</b> – particularly in the event of a no-deal being reached.</p>	<p>Continually reviewed our impact assessment identifying possible risks and issues of a no-deal EU exit, updating and taking mitigating actions as appropriate. The Authority continued to link to a wider network, working with the National Fire Chiefs Council (NFCC) who identified and shared emerging issues, reporting up to Ministry of Housing, Communities and Local Government (MHCLG) and feeding into the impact assessment as necessary.</p> <p>The Local Resilience Forum (LRF) of which the Authority is a key member, continued to lead on assessing and planning risks collectively across the Leicester, Leicestershire and Rutland (LLR) in terms of possible major impacts requiring a multi-agency response. The Authority continued to work with the LRF to ensure that robust arrangements were in place so that any response needed could be achieved effectively and appropriately.</p>

## CFA Annual Governance Statement 2019-20 (continued)

### Issues Identified in 2019/20

The areas of significant risk or priorities for action that have been identified are listed below:

Issue Identified	Planned Action:
<p><b>Budget Strategy</b> - the CFA's financial viability continues to be a key concern. In addition we will need to plan for any long term impacts of Covid-19 on the CFA's budget.</p>	<p>The CFA is monitoring the impact of Covid-19 closely and will consider this when producing the budget for 2021/22.</p>
<p><b>Covid-19 Pandemic</b> - impact on the resources and services delivered.</p>	<p>Close monitoring and identification of any impacts associated with Covid 19 on the ability to deliver "Our Plan". It is noted for the short term some community based services have been suspended in accordance with government and NFCC guidance, however critical delivery of operational response and community safety activity remain in place, with innovative ideas to reach communities explored.</p>
<p><b>Statement of Accounts</b> - in the ISA260 for 2018/19 the External Auditors flagged areas of concern when the accounts were produced.</p>	<p>The Treasurer has put a plan in place to support the Finance Team and assist with producing the 2019/20 Statement of Accounts.</p>
<p><b>Regional Pensions Board</b> - to continue to move from a local pension board to a regional one with Nottinghamshire and Derbyshire Fire and Rescue Services.</p>	<p>Continue to work with Nottinghamshire &amp; Derbyshire to ensure this is moved forward.</p>
<p><b>Fire Service Reform</b> - Fire Service is subject to a separate independent inspection regime (HMICFRS). Working standards are being established by a Professional Standards Body.</p>	<p>Continue to progress the improvement plan monitored by CGC. Await the impact of the working standards being developed and react accordingly. Prepare for the next inspection due spring 2021 .</p>

## CFA Annual Governance Statement 2019-20 (continued)

### 4. Conclusion

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

.....	<b>(Chair)</b>	.....	<b>(Date)</b>
.....	<b>(Chief Fire and Rescue Officer)</b>	.....	<b>(Date)</b>
.....	<b>(Treasurer)</b>	.....	<b>(Date)</b>



## CFA Annual Governance Statement 2019-20 (continued)

The Combined Fire Authority had the following governance arrangements in place during 2019/20.

Appendix 1

### Key Elements of the Governance Framework at the Combined Fire Authority are summarised below:

#### Combined Fire Authority

- Provide leadership, develop and set policy

#### Decision making

- Decisions are recorded on the CFA's website

#### Risk management

- Risk registers identify both operational and strategic risks
- Key risks are considered by Senior Management Team

#### Scrutiny and review

- Corporate Governance Committee has oversight of the financial reporting process and ensures that an adequate risk management framework and control environment is in place.
- Employment Committee will make recommendations to the CFA on key appointments of senior officers and will hear grievances and disciplinary proceedings against these officers.
- Approve the Internal Audit Annual report and opinion
- Pension Board ensures the effective governance and administration of Pension Schemes and compliance with any requirements imposed by

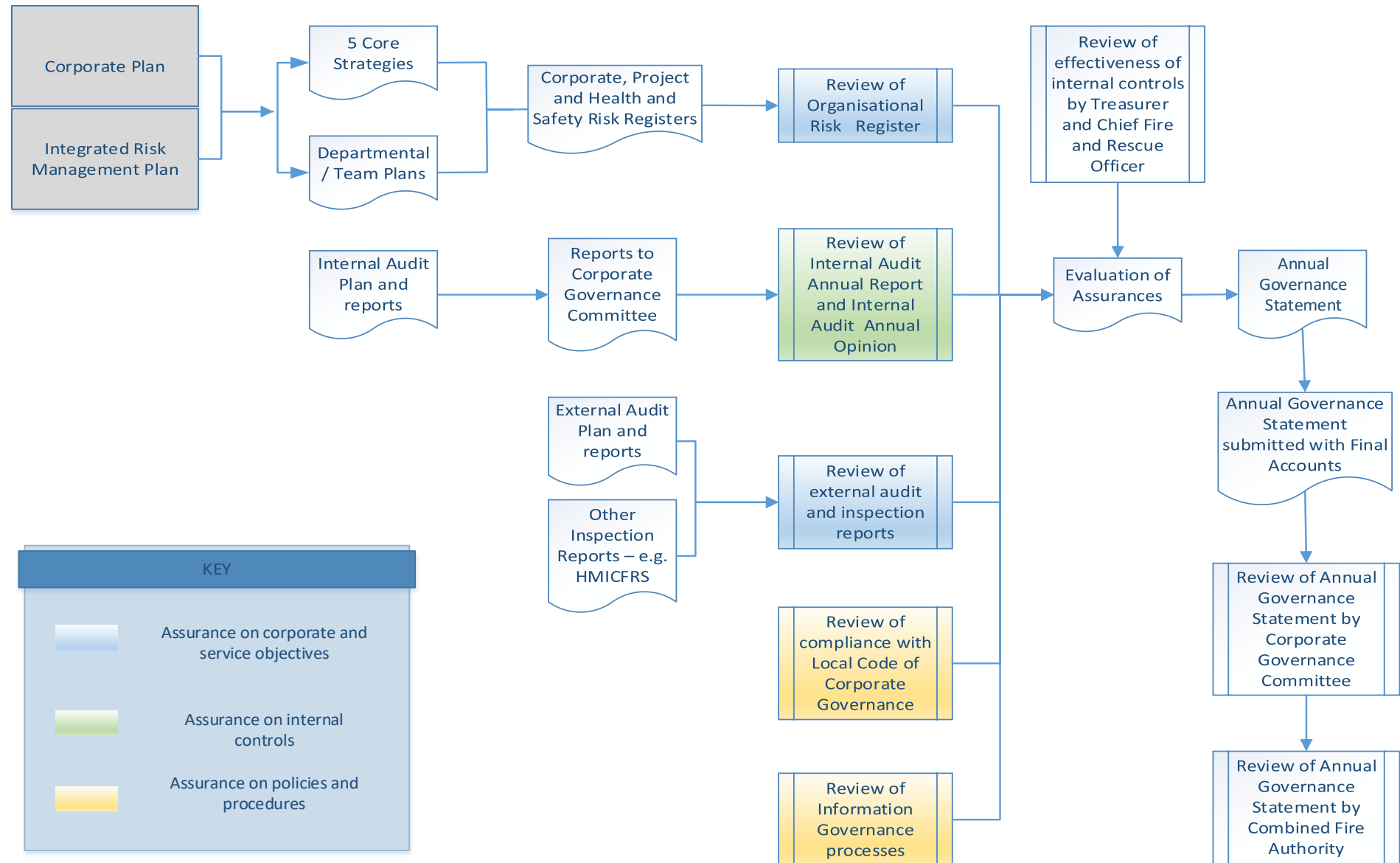
#### Senior Management Team

- Provide service level management and interface with the political leadership
- Head of Paid Service is the Chief Fire and Rescue Officer, who is responsible for leading an effective senior management team (SMT)
- The Treasurer is the s.151 Officer at Leicester City Council and is responsible for safeguarding the CFA's financial position and ensuring value for money
- Monitoring Officer is the Leicestershire County Council Director Law and Governance who is responsible for ensuring legality and promoting high standards of public conduct
- SMT includes all operational directors and service area managers.

## CFA Annual Governance Statement 2018-19 (continued)

### Governance Arrangements to inform the Annual Governance Statement

Appendix 2



# Glossary

This Glossary explains terms that may be encountered in discussion of Local Government finance. Definitions are intended to assist a general audience, rather than reflecting exactly the technical sense in which the terms are used.

## **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.

# Glossary (continued)

## **Impairment**

A reduction in the value of an asset, which is additional 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.

# Note References

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