STATEMENT OF ACCOUNTS
// 2014-2015

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CONTENTS

Combined Fire Authority 2014/15 Statement of Accounts

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

EXPLANATORY FOREWORD

The accounting statements contained in this booklet represent the Combined Fire Authority's (CFA's) accounts for the year ended the 31st March 2015. The accounts have been presented in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded by taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement (MIRS). The deficit on the provision of services is £11,412k (£17,752k in 2013/14).

Balance Sheet

This sets out the value of assets and liabilities of the CFA as at the 31st March 2015. The net assets of the CFA (assets less liabilities) are matched by the reserves held by the CFA. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the CFA may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the CFA is not able to use to provide services. This category of reserves include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The net worth of the CFA is £31,317k (£28,667k 2013/14) excluding pensions (a deficit of £370,572k including pensions) - (£333,780k 2013/14).

Cash Flow Statement

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

Comparison of Income and Expenditure Spend to Budget

The table below provides a comparison of actual expenditure for the financial year ending the 31st March 2015 with the revised budget.

	Revised Budget £000	Actual £000	Variance £000
Employees	27,644	26,897	(747)
Indirect Employee Expenses	693	501	(192)
Fire Pensions	808	839	31
Premises	2,123	2,040	(83)
Transport	1,258	1,089	(169)
Supplies and Services	3,351	2,937	(414)
Other Local Authorities	50	21	(29)
Support Services	72	73	1
Capital Financing	2,687	2,623	(64)
Gross Expenditure	38,686	37,020	(1,666)
Income	(38,305)	(38,327)	(22)
Net Expenditure	381	(1,307)	(1,688)
Contribution (from)/to Specific Reserves	(39)	1,342	1,381
Net Expenditure after Specific Reserves	342	35	(307)
Contribution (from)/to General Fund	(342)	(35)	307
Total Expenditure	0	0	0

The accounts for 2014/15 show an underspend of £1,688k compared to the revised budget, before adjustments relating to reserves. The main areas contributing to the underspend are as follows:

Firefighters pay (£479k), Support Staff pay (£69k), Retained pay (£201k), Training (£179k), Energy Costs, (£97k), Fleet Maintenance and fuel (£83k), Leasing costs (£43k), Car allowances (£42k), Operational Equipment (£42k), Clothing and Uniforms (£72k), Communications and Computing (£108k), Government Grants (£44k), and External Interest payments (£64k).

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

Contributions received for the Princes Trust Scheme £476k (£504k 2013/14), interest income £47k (£30k 2013/14), dividend from the subsidiary, Forge Health Limited £37k (£64k 2013/14) and radio mast income £60k (£49k 2013/14).

Comparison of Capital Spend to Revised Programme

The table below provides a comparison of actual payments for the financial year ending the 31st March 2015 with the most recent updated capital programme.

	Updated Programme £000	Actual £000	Variance £000
Appliances/ Vehicles	647	597	(50)
Property	3,309	2,753	(556)
Equipment	111	110	(1)
IT and Communications	1,439	509	(930)
Other	100	0	(100)
Total Expenditure	5,606	3,969	(1,637)

The Capital Programme underspend mainly relates to ongoing projects that did not complete in 2014/15 but are scheduled for completion in 2015/16 (£1,196k). This is mainly due to the continuing development of a fire station at Castle Donington (£298k), the Tri-Service Fire Control Project where the implementation of the system is presently planned for August 2015 (£720k) and the implementation of a Wide Area Network (£56k). The remaining £441k is mainly due to underspends on the Birstall new station and headquarters project (£240k); Fire Control Enabling works at Southern Station (£69k) and a reduced requirement to meet the capitalisation costs of a new Fire and Rescue Indemnity Consortium Company (£100k).

As a consequence of both the underspend on the capital projects and the deliberate delay in borrowing to keep interest costs down, interest paid on borrowings for 2014/15 was £64k less than the revised budget.

The majority of the expenditure in year relates to the purchase and refurbishment work for a new fire station at Castle Donington (£1,152k) and for the completion of major refurbishment projects at Hinckley Fire Station (£341k) and at Coalville Fire Station (£1,077k). Vehicle expenditure of £597k relates to the procurement and purchase of a new Aerial Ladder Platform (ALP).

Annual Performance

The Annual Report for 2014/15 highlights the work that the Service has undertaken over the year and provides a full review of the CFA's performance against Key Corporate Indicators (KCI's). The KCI's include the performance on sickness absence for both operational and support staff and environmental data on the CFA's energy usage. The Annual Report 2014/15 provides a direct link to these accounts.

Pensions Accounting

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

The £15,899k liability (£11,317k in 2013/14) 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 £385,990k (£351,130k in 2013/14) 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 a Department of Communities and Local Government (DCLG) grant. More details on pensions can be found in note 32.

Borrowing

Public Works Loans Board (PWLB) borrowing has decreased to £15,728k (£16,728k in 2013/14), with no new PWLB borrowing in 2014/15. Temporary borrowing of £1,500k in 2014/15 was sourced from the North Yorkshire County Council. Total borrowing is less than originally anticipated in the 2014/17 Medium Term Financial Plan when an authorised debt limit of £21,853k was set. There were no finance leases commenced during 2014/15 and repayments made of £912k decreases the outstanding borrowing to £5,703k (£6,615k 2013/14) against an authorised lease limit of £7,234k.

Financing of capital expenditure is primarily undertaken by procuring loans from PWLB, from finance leases available in the market, by capital grants from DCLG, by using proceeds from sales of surplus capital assets or by using one-off excess funds such as underspends.

Significant Provisions, Contingencies or Write Offs

There were no significant write-offs in 2014/15. The property revaluation undertaken on the 31st March 2015 resulted in £875k negative revaluations which were not covered by positive values held in the revaluation reserve from previous revaluations.

Events After the Reporting Period.

There are no events after the reporting period to report.

Impact of Current Economic Climate on the CFA's Services

The property revaluation as at the 31st March 2015 identified £944k revaluation increases and £885k revaluation losses. The net increase of £59k is 0.13% of the value of the entire property portfolio (excluding property assets in construction). The repairs and maintenance budget and the refurbishment plan in the capital programme help keep the value of the portfolio as high as the economy permits.

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

The Medium Term Financial Plan (MTFP) 2014-17 identified that efficiency savings to an estimated value of £7,500k were required by 2019/20. To tackle the budget shortfall an Organisational Change Project was established that was tasked to identify ways in which the deficit would be addressed. Following completion of the Project and a public consultation period, a number of options were agreed by the CFA at its meetings of the 11th February 2015 and the 8th April 2015. These savings have been included in the MTFP 2015-20. It is acknowledged that it is not possible to achieve the required savings without reductions in staffing levels and it is likely that a number of voluntary and/or compulsory redundancies will be required. Earmarked reserves have been identified to support future redundancy and over-establishment costs in this transitional period. However, the MTFP 2015-20 shows that on current financial planning assumptions, additional efficiency savings of £2,100k by 2019/20 need to be found. The MTFP 2015-20 shows that a balanced budget cannot be achieved in 2017/18 without further action.

The CFA has agreed to hold 5% of its revenue budget as a General Reserve. Consideration is being given to recent advice from the Chartered Institute of Public Finance and Accountancy (CIPFA) that this could be reduced to 4% in the future. Any excess balances will support Earmarked Reserves to meet redundancy and over-establishment costs.

The CFA continues to work closely with all major precepting authorities within Leicester, Leicestershire and Rutland, to determine and monitor the impact of government funding policy with regards to Business Rates and Council Tax Benefits.
The CFA agreed along with all the major precepting authorities not to operate a pooling agreement for business rates levies and safety net payments for 2014/15. This was due to uncertainties around both business rate policy and regulation, and the probability of future change to business rate liabilities. The uncertainties mean that all members of the pool were unwilling to take the risks associated with continuing the pool. After receiving clarification around the implications of the financial settlement, all previous pool members have indicated to the Department for Communities and Local Government (DCLG) that they are happy to renew the pool again for the 2015/16 financial year.

STATEMENT OF RESPONSIBILITIES

THE CFA'S RESPONSIBILITIES

The CFA is required to;

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

These accounts were approved by the Treasurer to the CFA on the 24th September 2015.

Nicholas Rushton

CHAIR OF THE COMBINED FIRE AUTHORITY

THE TREASURER'S RESPONSIBILITIES

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

In preparing this Statement of Accounts the Treasurer has:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Combined Fire Authority as at the reporting date and of its income and expenditure for the year ended the 31st March 2015.

TREASURER OF THE COMBINED FIRE AUTHORITY

29th September 2015

Independent Auditors' Report to the Members of the Leicester, Leicestershire and Rutland Combined Fire Authority (the "Authority")

Report on the financial statements

Our opinion

In our opinion, Leicester, Leicestershire and Rutland Combined Fire Authority's financial statements (the "financial statements"):

- give a true and fair view of the state of the Leicester, Leicestershire and Rutland Combined Fire Authority's affairs as at 31 March 2015 and of the Leicester, Leicestershire and Rutland Combined Fire Authority's income and expenditure and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the CIPFA Service Reporting Code of Practice for Local Authorities 2014/15.

What we have audited

The financial statements comprise:

- the Balance Sheet as at 31 March 2015;
- the Comprehensive Income and Expenditure Statement for the year then ended;
- the Movement in Reserves Statement for the year then ended;
- the Cash Flow Statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 supported by the CIPFA Service Reporting Code of Practice for Local Authorities 2014/15.

In applying the financial reporting framework, the Treasurer has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Code of Audit Practice

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

Other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice issued by the Audit Commission requires us to report to you if:

- in our opinion, the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012) or is misleading or inconsistent with information of which we are aware from our audit; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we make any recommendations under section 11 of the Audit Commission Act 1998 that requires the Leicester, Leicestershire and Rutland Combined Fire Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Treasurer

As explained more fully in the Statement of Responsibilities set out on page 5 the Treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the CIPFA Service Reporting Code of Practice for Local Authorities 2014/15.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Leicester, Leicestershire and Rutland Combined Fire Authority's members as a body in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies – Local Government, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Leicester, Leicestershire and Rutland Combined Fire Authority's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Treasurer; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Treasurer's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Report on the pension fund accounts

Our opinion

In our opinion, the firefighters' pension fund accounts contained within the Statement of Accounts of Leicester, Leicestershire and Rutland Combined Fire Authority (the "pension fund accounts"):

- give a true and fair view of the financial transactions of the firefighters' pension fund during the year ended 31 March 2015, and the amount and disposition of the fund's assets and liabilities as at 31 March 2015; and
- have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

What we have audited

The pension fund accounts comprise:

- the Firefighters' Pension Fund Net Assets Statement as at 31 March 2015;
- the firefighters' Fund Account for the year then ended; and
- the notes to the Firefighters' Pension Fund statement, which include explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

In applying the financial reporting framework, the Treasurer has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Code of Audit Practice

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

Responsibilities for the pension fund accounts and the audit

Our responsibilities and those of the Treasurer

As explained more fully in the Statement of Responsibilities set out on page 5 the Treasurer is responsible for the preparation of the pension fund accounts and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Our responsibility is to audit and express an opinion on the pension fund accounts in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Leicester, Leicestershire and Rutland Combined Fire Authority's members as a body in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies – Local Government, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of pension fund accounts involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the pension fund accounts sufficient to give reasonable assurance that the pension fund accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the firefighters' Pension Fund's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Treasurer; and
- the overall presentation of the pension fund accounts.

We primarily focus our work in these areas by assessing the Treasurer's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited pension fund accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Conclusion on the Leicester, Leicestershire and Rutland Combined Fire Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission on 13 October 2014, we are satisfied that, in all significant respects, Leicester, Leicestershire and Rutland Combined Fire Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

What a review of the arrangements for securing economy, efficiency and effectiveness in the use of resources involves

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission on 13 October 2014, as to whether the Leicester, Leicestershire and Rutland Combined Fire Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Leicester, Leicestershire and Rutland Combined Fire Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Our responsibilities and those of the Leicester, Leicestershire and Rutland Combined Fire Authority

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

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

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

Certificate

We certify that we have completed the audit of the financial statements of Leicester, Leicestershire and Rutland Combined Fire Authority in accordance with the requirements of Part II of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

A Breadon

Alison Breadon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Donington Court
Pegasus Business Park
East Midlands
DE74 2UZ

Date: 29th September 2015

(a) The maintenance and integrity of the Leicester, Leicestershire and Rutland Combined Fire Authority website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Statement of Accounts since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of the Statement of Accounts may differ from legislation in other jurisdictions.

MOVEMENT IN RESERVES STATEMENT

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

	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total CFA Reserves £000**
Balance as at the 31st March 2013		4,432	906	**5,338**	(340,943)	**(335,605)**
Deficit on the provision of services		(17,752)	0	**(17,752)**	0	**(17,752)**
Surplus on revaluation of Property, Plant and Equipment assets	23	0	0	**0**	3,627	**3,627**
Actuarial gain on pension assets/liabilities	23	0	0	**0**	15,950	**15,950**
Other Comprehensive Income and Expenditure:		**0**	**0**	**0**	**19,577**	**19,577**
Total Comprehensive Income and Expenditure		**(17,752)**	**0**	**(17,752)**	**19,577**	**1,825**
Adjustments between accounting basis and funding basis under regulations	5	18,037	0	**18,037**	(18,037)	**0**
Net Increase before Transfers to Earmarked Reserves		**285**	**0**	**285**	**1,540**	**1,825**
Transfers to or from Earmarked Reserves	6	**(586)**	**586**	**0**	**0**	**0**
(Decrease)/Increase in 2013/14		**(301)**	**586**	**285**	**1,540**	**1,825**
Balance as at the 31st March 2014		**4,131**	**1,492**	**5,623**	**(339,403)**	**(333,780)**
Deficit on the provision of services		(11,412)	0	**(11,412)**	0	**(11,412)**
Surplus on revaluation of Property, Plant and Equipment assets	23	0	0	**0**	725	**725**
Actuarial loss on pension assets/liabilities	23	0	0	**0**	(26,105)	**(26,105)**
Other Comprehensive Income and Expenditure		**0**	**0**	**0**	**(25,380)**	**(25,380)**
Total Comprehensive Income and Expenditure		**(11,412)**	**0**	**(11,412)**	**(25,380)**	**(36,792)**
Adjustments between accounting basis and funding basis under regulations	5	12,758	0	**12,758**	(12,758)	**0**
Net Decrease before Transfers to Earmarked Reserves		**1,346**	**0**	**1,346**	**(38,138)**	**(36,792)**
Transfers to or from Earmarked Reserves	6	**(1,374)**	**1,374**	**0**	**0**	**0**
(Decrease)/Increase in 2014/15		**(28)**	**1,374**	**1,346**	**(38,138)**	**(36,792)**
Balance as at the 31st March 2015		**4,103**	**2,866**	**6,969**	**(377,541)**	**(370,572)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded by taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement (MIRS).

		2013/14		
	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure of Continuing Operations £000
Community Fire Safety		4,771	(292)	4,479
Firefighting and Rescue Operations		35,755	(1,948)	33,807
Fire Service Emergency Planning and Civil		568	(34)	534
Corporate and democratic core		774	(36)	738
Non distributed costs		6	0	6
Cost of services		**41,874**	**(2,310)**	**39,564**
Other operating expenditure	7	0	(82)	(82)
Financing and investment income and expenditure	8	16,334	(94)	16,240
Taxation and non-specific grant income and expenditure	9	93	(38,063)	(37,970)
Deficit on the provision of services				**17,752**
Items that will not be reclassified to the Deficit on the Provision of Services				
Surplus on revaluation of Property, Plant and Equipment assets	23			(3,627)
Remeasurement of the net defined benefit liability	23			(15,950)
Other Comprehensive Income and Expenditure				**(19,577)**
Total Comprehensive Income and Expenditure				**(1,825)**

		2014/15		
	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure of Continuing Operations £000
Community Fire Safety		4,757	(315)	4,442
Firefighting and Rescue Operations		31,063	(4,859)	26,204
Fire Service Emergency Planning and Civil		690	(22)	668
Corporate and democratic core		763	(38)	725
Non distributed costs		6	0	6
Cost of services		**37,279**	**(5,234)**	**32,045**
Other operating expenditure	7	0	(99)	(99)
Financing and investment income and expenditure	8	16,747	(85)	16,662
Taxation and non-specific grant income and expenditure	9	0	(37,196)	(37,196)
Deficit on the provision of services				**11,412**
Items that will not be reclassified to the Deficit on the Provision of Services				
Surplus on revaluation of Property, Plant and Equipment assets	23			(725)
Remeasurement of the net defined benefit liability	23			26,105
Other Comprehensive Income and Expenditure				**25,380**
Total Comprehensive Income and Expenditure				**36,792**

BALANCE SHEET

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

	Note	31st March 2014 £000	31st March 2015 £000
Property, Plant and Equipment	10	45,624	47,058
Intangible Assets	11	18	5
Long Term Assets		**45,642**	**47,063**
Short Term Investments	15	4,385	4,327
Assets Held for Sale	19	0	349
Inventories	16	255	266
Short Term Debtors	17	5,933	6,152
Cash and Cash Equivalents	15	1,086	441
Current Assets		**11,659**	**11,535**
Short Term Borrowing	15	(1,925)	(3,726)
Short Term Creditors	20	(5,191)	(4,000)
Current Liabilities		**(7,116)**	**(7,726)**
Long Term Borrowing	15	(21,418)	(19,206)
Net Pensions Liability	32	(362,447)	(401,889)
Provisions	21	(100)	(349)
Long Term Liabilities		**(383,965)**	**(421,444)**
Net Liabilities		**(333,780)**	**(370,572)**
General Fund		4,131	4,103
Earmarked General Fund Reserves	6	1,492	2,866
Total Usable Reserves		**5,623**	**6,969**
Pension Reserve	23	(362,447)	(401,889)
Revaluation Reserve	23	7,815	8,540
Capital Adjustment Account	23	15,232	15,706
Collection Fund Adjustment Account	23	195	196
Accumulated Absences Account	23	(198)	(94)
Total Unusable Reserves		**(339,403)**	**(377,541)**
Total Reserves		**(333,780)**	**(370,572)**

The notes on pages 14 to 42 form part of the financial statements.

The financial statements on pages 10 to 42 were authorised for issue on the 29th September 2015 by the Treasurer of the Combined Fire Authority.

CASH FLOW STATEMENT

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

		2013/14		2014/15	
	Note	**£000**	**£000**	**£000**	**£000**
Net deficit on the provision of services		17,752		11,412	
Adjustment to the net deficit on the provision of services for non-cash movement	**35**	(22,104)		(15,435)	
Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	**35**	1,049		1,495	
Net cash flows from Operating Activities			**(3,303)**		**(2,528)**
Investing Activities	**37**		8,222		2,768
Financing Activities	**38**		(6,004)		405
Net (increase)/decrease in cash and cash equivalents			**(1,085)**		**645**
Cash and cash equivalents at the beginning of the year			**1**		**1,086**
Cash and cash equivalents at the end of the year	**18**		**1,086**		**441**

NOTES TO THE ACCOUNTS

1 Accounting Policies

1.1 General principles

The Statement of Accounts summarises the CFA's transactions for the 2014/15 financial year and its position at the year-end of the 31st March 2015. The CFA is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which require to be prepared in accordance with proper accounting practices. The practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, as applicable to Fire Authorities and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).
The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Accruals of Income and Expenditure

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

Revenue from the sale of goods is recognised when the CFA transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the CFA.

Revenue from the provision of services is recognised when the CFA can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the CFA.

Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Cash and Cash Equivalents

Cash and cash equivalents are represented by cash in hand and deposits with financial institutions repayable without penalty on demand and where earning interest is not the prime consideration.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the CFA's cash management.

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

Prior year adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.
Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the 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 figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.5 Charges to Revenue for Non-current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:
~ depreciation attributable to the assets used
~ 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 loans fund principal), by way of an adjusting transaction with the Capital Adjustment Account in the MIRS for the difference between the two.

1.6 **Employee Benefits**

(i) Benefits Payable During Employment

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

(ii) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the CFA to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the CIES 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 the termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the CFA to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

(iii) Post-employment Benefits

Employees of the CFA are members of one of four 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 2015 and which Leicestershire County Council administer.
- Three Firefighters' pension schemes, for which the Government Actuary's Department (GAD) calculate the liability. 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. A fourth Firefighters' Pension Scheme (The 2015 scheme) comes into effect from the 1st April 2015.

IAS19 - Employee Benefits, requires the recognition of the CFA's share of assets and liabilities in the three Firefighters' pension schemes and the LGPS as well as requiring recognition in the CIES of the full costs of providing for future retirement benefits earned by existing employees.

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

Liabilities are discounted to their value at current prices, using a discount rate of 3.2% for the LGPS and 3.3% for the Firefighter's schemes.

The Firefighter's schemes are unfunded and therefore have no assets. In respect of LGPS, in accordance with IAS 19, quoted securities are valued at bid price rather than mid-market value.

Actuarial losses and gains are recognised within Other Comprehensive Income and Expenditure in the CIES. They are then reversed out of the General Fund to the Pensions Reserve within the MIRS, to ensure they do not impact on the council tax payer.

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 for 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 year - taking into account any changes into the net defined benefit liability (asset) during the year as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets - excluding amounts included in the 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

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

(iv) Discretionary Benefits
The CFA also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the pension scheme.

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

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

1.8 Financial Instruments

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.

1.9 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 Authority will comply with the conditions attached to the payments, and
the grants or contributions 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, income is recognised within the CIES on the relevant service line (attributable revenue grants and contributions) or in Taxation and Non-specific Grant Income and Expenditure (non-ring fenced revenue grants and all capital grants).
Where capital grants are recognised in this way they are then reversed out of the General Fund 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 transferred to the Capital Adjustment Account (CAA) and reported in the MIRS.

1.10 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. The assets continue to be carried at amortised cost over its useful life to the relevant service line in the CIES. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line in the CIES.
Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the CAA and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

1.11 Interests in Companies and Other Entities

The CFA has an interest in other companies and other entities that have the status of a wholly owned subsidiary. There are no interests in associates and jointly controlled entities. An annual review in accordance with paragraph 9.1.1.6 of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 has been undertaken and it is considered that this interest is not material.

1.12 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the first in, first out (FIFO) costing formula.

1.13 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.

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 the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

1.14 **Overheads and Support Services**

The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP). The total absorption costing principal is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:
- The direct costs of members and their support, which are disclosed separately in the CIES within Corporate and Democratic Core.
- The cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two categories are accounted as separate headings in the CIES, as part of Net Expenditure on Continuing Services.

1.15 **Property, Plant and Equipment**

Assets that have a physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used for more than one financial year are classified as Property, Plant and Equipment. All expenditure on the acquisition, creation or improvement of Property, Plant and Equipment is capitalised on an accruals basis, provided that future economic benefits or service potential associated with the item will flow to the CFA for a period of more than a year and is over a £5k de-minimus limit.

There is no depreciation or amortisation charged in the year of addition, unless the value is deemed material to the accounts, but a full year's depreciation or amortisation is charged in year of disposal.

Non-current assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS).

The bases of valuation of the various categories of assets are as follows:

(i) **Land and Buildings**

This category of asset is included in the Balance Sheet at open market value for existing use, or where, due to the specialised nature of the asset this could not be assessed, at depreciated replacement cost. The remaining average life of all buildings as at the 31st March 2015 is 30 years. Valuation is carried out every year. 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 2015. Additions which are still under construction are included in the accounts at cost.

(ii) **Vehicles, Plant and Equipment**

Measurement is based upon actual cost depreciated over the individual assets' useful economic lives.

1.16 **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.
Provisions are charged as an expense to the appropriate service line in the CIES in the year that the CFA becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.
When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less probable that the situation will occur (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.
Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.
The CFA holds an insurance provision to cover the cost of known or likely claims relating to past events where it is anticipated that payment is likely to be made.

(ii) Contingent liabilities

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

Where either of these circumstances are present, no provision is made in the Balance Sheet, but the circumstances are explained as a note to the accounts.

(iii) Contingent Assets

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

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

1.17 **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 in the MIRS. 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 appropriated back into the General Fund Balance in the MIRS 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, retirement and employee benefits and do not represent usable resources for the CFA – these reserves are explained in note 23.

1.18 **Value Added Tax (VAT)**

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

2 Accounting Standards that have been Issued but not yet Adopted

For 2014/15 the following accounting policy changes that need to be reported relate to:

~ IFRS 13 Fair Value Measurement (May 2011)

~ IFRIC 21 levies

The issues included in the Annual Improvements to IFRSs 2011 - 2013 cycle are:

~ IFRS 1 Meaning of effective IFRSs

~ IFRS 3 Scope exceptions for joint ventures

~ IFRS 13 Scope of paragraph 52 (portfolio exception)

~ IAS 40 Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property

3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in these accounts, the CFA has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the accounts are:

a) that despite a high degree of uncertainty about future funding levels for local government, the CFA has determined that at present, this is not sufficient to prevent the CFA continuing as a going concern
b) impairment of investments will not be material
c) 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 2014/15. As the interests are not considered material, group accounts are not presented.
d) that no contracts held by the CFA hold embedded leases
e) that no major legal claims are in progress which could result in claims of a material value by or from the CFA.

4 Assumptions Made about the Future and other Major Sources of Uncertainty

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

The items in the CFA's Balance Sheet at the 31st March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Heading	Description of uncertainty	Potential effect if results differ from assumption
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependant on them being repaired and maintained sufficient to keep them in a usable condition for this period. The current economic climate makes it uncertain that the CFA will be able to sustain its current spending on repairs and maintenance, which may impact the significant assumptions applied by the valuer in estimating the fair value and remaining useful lives of land and buildings.	If the useful lives of assets is reduced, depreciation increases and the carrying value of assets falls. It is estimated that the annual depreciation charge for buildings would increase by £28k for every year of reduction if applied to useful lives of the entire portfolio. 1% variation in the valuation would result in a difference of £366k to the value of land and buildings.
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements by the actuary relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement rates, mortality rates and expected returns on pension fund assets. On behalf of the CFA, the Local Government Pension Scheme employs the Actuary, Hymans Robertson, and the Firefighter's Pension Schemes are valued by Government Actuary's Department (GAD). These actuaries provide expert advice on assumptions to be applied.	The effects in the net pensions liability of changes in the individual assumptions can be measured. A 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £48,500k (£4,800k LGPS and £43,700k Firefighters schemes).
Arrears	At the 31st March 2015, the CFA had a balance of trade debtors of £143k. A review of all balances over 121 days outstanding found no evidence to conclude that any unrecoverable debts were material. For this reason, no impairment of doubtful debts is proposed at this time.	If all outstanding debt over 121 days became irrecoverable, a charge of £2k would be made to the revenue budget.

5 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.

	2013/14		2014/15	
	Usable Reserves - General Fund Balance	**Movement in Unusable Reserves**	**Usable Reserves - General Fund Balance**	**Movement in Unusable Reserves**
Adjustments primarily involving the Capital Adjustment Account:	**£000**	**£000**	**£000**	**£000**
Reversal of items debited or credited to the CIES				
Charges for depreciation of non-current assets	(2,014)	2,014	(2,199)	2,199
Difference between fair value and historical cost depreciation	110	(110)	209	(209)
Revaluation Gains/(Losses) of Property, Plant and Equipment	(4,408)	4,408	(875)	875
Amortisation of Intangible assets	(13)	13	(13)	13
Capital grants and contributions applied	1,552	(1,552)	1,495	(1,495)
Capital Receipts applied	1,313	(1,313)	145	(145)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(1,069)	1,069	(46)	46
Amounts of current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(162)	162	0	0
Insertion of items not debited or credited to the CIES				
Statutory provision for the financing of capital investment	1,414	(1,414)	1,516	(1,516)
Capital expenditure charged against the General Fund	1,265	(1,265)	242	(242)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to CIES	(15,606)	15,606	(15,882)	15,882
Employer's pensions contributions and direct payments to pensioners payable in the year	(440)	440	2,545	(2,545)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited to the CIES is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	124	(124)	1	(1)
Adjustments primarily involving the Accumulating Absences Account:				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	(103)	103	104	(104)
Total Adjustments	(18,037)	18,037	(12,758)	12,758

6 Transfers to/ from Earmarked General Fund 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 2014/15.

The CFA maintains a number of earmarked reserves to finance future expenditure as detailed below:

(i) Insurance reserve

The CFA's insurance policies require a degree of self-insurance. The insurance reserve has been established to meet future claims.

(ii) Occupational Health reserve

To support the proposed relocation of the Occupational Health and Fitness Unit and Forge Health Limited in 2015/16.

(iii) Arson reserve

Created to support work on arson reduction over a 3 year period from 2010/11 from a one-off City Reward grant. This is now fully used.

(iv) IRMP Redundancy reserve

Created to help with any redundancy costs arising from the implementation of the Integrated Risk Management Plan (IRMP) and Organisational Change Project.

(v) Ill health retirement reserve

Created to help finance any DCLG imposed penalties for early retirements caused through ill health.

(vi) Relocation reserve

Created to meet any costs associated with the employment of new employees where relocation expenses are appropriate.

(vii) Part time workers reserve

Created to meet costs to be paid under the part time workers (Prevention of Less Favourable Treatment) Regulations 2000. Final agreement has been reached and the majority was paid in 2012/13.

(viii) Mutual insurance reserve

These funds have been maintained to cover possible costs incurred as a consequence of belonging to an insurance consortium.

(ix) Purchased vehicle reserve

A replacement fund for 5 officers' cars which are purchased and not leased.

(x) Princes Trust reserve

This was created to meet the future potential redundancy and notice costs of the Prince's Trust Team should it lose its income streams.

(xi) Motor Insurance reserve

This was created to meet the uninsured excess elements of the CFA's motor insurance.

(xii) Training rig reserve

This was created to provide a capital contribution towards the Urban Search and Rescue (USAR) Training Rig. The fund was fully used to support the 2014/15 Capital Programme.

(xiii) Emergency Services Mobile Communications Programme (ESMCP) reserve

This has been created to provide a contingency for the mobile communications programme.

(xiv) Over-establishment reserve

This has been created to pay for operational salaries whilst staffing levels reduce to the required level.

Movements in these reserves for the year 1st April 2013 to 31st March 2015 are as follows:

	Balance at 1st April 2013 £000	Transfers out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31st March 2014 £000
Insurance reserve	11	48	110	73
Occupational Health reserve	40	0	0	40
Arson reserve	18	18	0	0
IRMP redundancy reserve	415	0	0	415
Ill health retirement reserve	172	0	0	172
Relocation reserve	26	0	0	26
Part time workers reserve	70	0	0	70
Mutual insurance reserve	75	0	126	201
Purchased vehicle reserve	40	0	42	82
Princes Trust reserve	0	0	149	149
Motor Insurance reserve	0	0	75	75
Training rig reserve	39	0	0	39
ESMCP reserve	0	0	150	150
TOTAL	906	66	652	1,492
Net Movement				(586)

	Balance at 1st April 2014 £000	Transfers out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31st March 2015 £000
Insurance reserve	73	0	32	105
Occupational Health reserve	40	0	0	40
IRMP redundancy reserve	415	0	663	1,078
Ill health retirement reserve	172	20	0	152
Relocation reserve	26	7	0	19
Part time workers reserve	70	0	0	70
Mutual insurance reserve	201	0	0	201
Purchased vehicle reserve	82	0	0	82
Princes Trust reserve	149	0	2	151
Motor insurance reserve	75	0	0	75
Training rig reserve	39	39	0	0
ESMCP reserve	150	0	0	150
Over-establishment reserve	0	0	743	743
TOTAL	1,492	66	1,440	2,866
Net Movement				(1,374)

7 Other Operating Expenditure

	2013/14 £000	2014/15 £000
Gains on the disposal of non-current assets	(82)	(99)

8 Financing and Investment Income and Expenditure

	2013/14 £000	2014/15 £000
Interest payable and similar charges	728	865
Net interest on the defined benefit liability	15,606	15,882
Dividend received	(64)	(38)
Interest receivable	(30)	(47)
TOTAL	16,240	16,662

9 Taxation and Non Specific Grant Income and Expenditure

	2013/14 £000	2014/15 £000
Council tax income	(16,786)	(17,391)
Non domestic rates income and expenditure	(7,804)	(8,120)
Non-ring fenced government grants	(11,828)	(10,190)
Capital grants and contributions	(1,552)	(1,495)
TOTAL	(37,970)	(37,196)

10 Property, Plant and Equipment

Movement on Balances

Movements in 2013/14	Land and Buildings £000	Vehicles, Plant and Equipment £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation				
As at 1st April 2013	18,721	17,757	14,569	51,047
Additions	2,385	1,812	4,119	8,316
Revaluation increases recognised in the Revaluation Reserve	3,202	0	0	3,202
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(4,408)	0	0	(4,408)
Derecognition - disposals	(1,050)	(259)	0	(1,309)
Transfers	12,635	897	(13,532)	0
As at 31st March 2014	**31,485**	**20,207**	**5,156**	**56,848**
Accumulated Depreciation and Impairment				
As at 1st April 2013	0	10,013	1	10,014
Depreciation credited to the Revaluation Reserve	(559)	0	0	(559)
Depreciation charged to the Surplus/Deficit on the Provision of Services	607	1,402	0	2,009
Derecognition - disposals	(26)	(214)	0	(240)
Transfers	0	1	(1)	0
As at 31st March 2014	**22**	**11,202**	**0**	**11,224**

Movements in 2014/15	Land and Buildings £000	Vehicles, Plant and Equipment £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation				
As at 1st April 2014	31,485	20,207	5,156	56,848
Additions	1,601	1,216	1,152	3,969
Revaluation increases recognised in the Revaluation Reserve	49	0	0	49
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(875)	0	0	(875)
Derecognition - disposals	0	(994)	0	(994)
Transfers	2,288	0	(2,499)	(211)
As at 31st March 2015	**34,548**	**20,429**	**3,809**	**58,786**
Accumulated Depreciation and Impairment				
As at 1st April 2014	22	11,202	0	11,224
Depreciation credited to the Revaluation Reserve	(739)	0	0	(739)
Depreciation charged to the Surplus/Deficit on the Provision of Services	740	1,459	0	2,199
Derecognition - disposals	0	(948)	0	(948)
Transfers	(23)	15	0	(8)
As at 31st March 2015	**0**	**11,728**	**0**	**11,728**
Net Book value:				
As at 31st March 2014	31,463	9,005	5,156	45,624
As at 31st March 2015	34,548	8,701	3,809	47,058

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

A total amount of £1,196k is currently contracted and is mainly related to the development of Castle Donington Fire Station, the procurement of an Aerial Ladder Platform and the Tri-Service Fire Control Project. These projects are expected to be paid in 2015/16.

11 Movement of Intangible Assets

	31st March 2014 £000	31st March 2015 £000
Cost or Valuation		
As at 1st April	136	136
As at 31st March	**136**	**136**
Accumulated Depreciation and Impairment		
As at 1st April	105	118
Amortisation Charge for Year:		
Amortisation charged to the surplus/deficit on the provision of services	13	13
As at 31st March	**118**	**131**
Net Book value	18	5

As at the 31st March 2015 there are no contractual commitments for the acquisition of intangible assets.

12 Details of Capital Expenditure

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

	2013/14 £000	2014/15 £000
Land and buildings	2,385	1,601
Vehicles, plant and equipment	1,812	1,216
Assets in construction	4,119	1,152
TOTAL	8,316	3,969

This includes property, plant and equipment and intangible assets (Notes 10 and 11).

13 Financing of Capital Expenditure

Capital expenditure was financed as follows:

	2013/14 £000	2014/15 £000
Prudential Borrowing	2,794	1,491
Capital receipts	1,261	145
General fund	1,265	242
Finance lease	1,442	0
Finance lease not commenced in year	2	596
Grant	1,552	1,495
TOTAL	8,316	3,969

A capital grant of £186k was received in 2008/09 for New Dimensions accommodation, however no expenditure was incurred in 2008/09 or 2009/10, £1k in 2010/11 and none since. A feasibility study is being conducted in early 2015/16 to make a recommendation on any future local provision of a training rig. Discussions on retaining the grant are on-going with the Department for Communities and Local Government. The remainder of the grant funding is carried over into 2015/16 and is shown as a creditor in the accounts.

The CFA had an opening capital financing requirement of £22,594k at the 1st April 2014 and a closing capital financing requirement of £23,171k at the 31st March 2015.

14 Leases

Finance lease rentals paid to lessors relating to 2014/15 totalled £1,171k (£1,197k 2013/14) of which £259k was interest and £912k was principal. All finance leases relate to Vehicles, Plant and Equipment and the net book value of these assets at the 31st March 2015 is £5,136k.

Finance lease liabilities:	Not later than 1 year £000	Later than 1 year and not later than 5 years £000	Later than 5 years £000
2013/14			
Minimum lease payments	1,184	4,012	1,966
Difference due to timing of cash flows	(42)	(463)	(460)
Present value	1,142	3,549	1,506
2014/15			
Minimum lease payments	1,134	3,471	1,282
Difference due to timing of cash flows	(40)	(394)	(286)
Present value	1,094	3,077	996

Operating lease rentals paid to lessors in the year totalled £172k (2013/14 £195k). As at the 31st March 2015 the CFA has a commitment to meet the following future minimum lease payments for operating leases, all of which relate to cars and light vehicles:

Operating lease liabilities:	Not later than 1 year £000	Later than 1 year and not later than 5 years £000	Later than 5 years £000
2013/14			
Minimum lease payments	98	152	26
2014/15			
Minimum lease payments	154	422	6

15 Financial Instruments

a) Categories of Financial Instruments

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

Included in:	31st March 2014		31st March 2015	
	Long-Term £000	Short-Term £000	Long-Term £000	Short-Term £000
- Investments				
Loans and receivables at fair value	0	4,385	0	4,327
- Cash and Cash Equivalents				
Bank balance	0	1,086	0	441
- Debtors				
Financial assets carried at contract cost	0	2,920	0	3,562
TOTAL ASSETS	**0**	**8,391**	**0**	**8,330**
- Borrowings				
Financial liabilities (i.e. borrowings) at amortised cost	(15,728)	(1,000)	(14,478)	(2,750)
- Creditors				
Financial liabilities carried at contract amount	0	(3,010)	0	(2,491)
- Other Liabilities				
Finance leases	(5,690)	(925)	(4,728)	(976)
TOTAL LIABILITIES	**(21,418)**	**(4,935)**	**(19,206)**	**(6,217)**
NET TOTAL	**(21,418)**	**3,456**	**(19,206)**	**2,113**

b) Maturity of Long-Term Borrowings and Other Liabilities

	31st March 2014 £000	31st March 2015 £000
Between 1 and 2 years	(3,091)	(1,724)
Between 2 and 5 years	(2,793)	(2,504)
Between 5 and 10 years	(4,306)	(4,772)
Over 10 years	(11,228)	(10,206)
TOTAL	**(21,418)**	**(19,206)**

PWLB interest of £129k (2013/14 £136k) has been accrued in the accounts but not included in short term borrowing.

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

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

~ PWLB debt; estimated interest rates at the 31st March 2015 for new debt with the same maturity date from comparable lenders.
~ Investments; short term - carrying amounts in the Balance Sheet approximate to fair value.
~ For finance leases, the fair value is not significantly different from the carrying amount, because most of the loans commenced in the recent past and interest rates at the Balance Sheet date for these types of investments were not materially different.

The fair values calculated are as follows:

	31st March 2014		31st March 2015	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities	26,353	26,815	25,422	28,239
Financial Assets	8,391	8,833	8,330	8,330

The fair value for financial liabilities as at the 31st March 2015 is more than the carrying amount because the CFA's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the CFA would have to pay if the lender requested or agreed to early repayments of the loans. The difference on the financial assets in 2014 relates to accrued interest which was due after the 31st March 2014.

c) Exposure to Risk

The CFA's activities expose it to a variety of financial risks:
~ Credit risk - the possibility that other parties might fail to pay amounts due to the CFA
~ Liquidity risk - the possibility that the CFA might not have funds available to meet its commitments to make payments
~ Market risk - the possibility that financial loss might arise as a result of changes in, for example, interest rates

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

Credit Risk

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

	Minimum Credit Criteria / Sector Colour Band	Max % of total investments/ £ limit per institution	Max. Maturity Period
Debt Management Account Deposit Facility – UK Government	N/A	100%	6 months
UK Government gilts	UK sovereign rating	100%	1 year
UK Government Treasury balls	UK sovereign rating	100%	1 year
Bonds issued by multilateral development banks	UK sovereign rating	100%	6 months
Money market funds	AAA	100%	Liquid
Local authorities	N/a	100%	1 year
Term deposits with banks and building societies	Blue Orange Red Green	£5m	Up to 1 year Up to 1 year Up to 6 Months Up to 3 months
Certificates of deposit or corporate bonds with banks and building societies	Blue Orange Red Green	£1m	Up to 1 year Up to 1 year Up to 6 Months Up to 3 months

Institutions will be removed from the list where there are any doubts about their security.
Invoices to customers for chargeable services are of relatively low value. The CFA actively pursues outstanding debt through the in-house legal services department.

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 2015 were repaid to the CFA before the date the Statement of Accounts was authorised for issue (30th June 2015) 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.

Loans and Receivables	1st April 2014 £000	31st March 2015 £000	Est. Maximum Exposure to Credit Risk £000	Historical Experience of Default %
Deposits with banks and financial institutions	5,471	4,768	0	0.00
Trade debtors:				
- not yet due for payment	177	108	0	0.00
- past due date for payment	3	35	0	0.02
TOTAL	5,651	4,911	0	

The past due amount is analysed by age as follows:

	1st April 2014 £000	31st March 2015 £000
Less than 1 month overdue	0	33
1-2 months overdue	1	0
Over 1 year overdue	2	2
TOTAL	3	35

Liquidity Risk

The CFA is able to access borrowings from the PWLB so there is no significant risk that it will be unable to raise funds in order to meet its commitments relating to financial liabilities. The risk the CFA is exposed to is that it will need to replenish its borrowings when interest rates are unfavourable. The CFA's strategy is to place limits on the percentage of borrowings due to mature at intervals as follows:

Maturity of Borrowing:

Maturity Structure of fixed interest rate borrowing 2014/15		
	Lower Limit	Upper Limit
Under 12 months	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%

This strategy allows the CFA time to restructure debt when interest rates are favourable.

The CFA's strategy is to maintain sufficient cash balances to meet daily revenue requirements without recourse to borrowing other than short term borrowing in exceptional circumstances.

All trade and other payables are due to be repaid within one year.

Market Risk

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

~ borrowings at fixed rates – the fair value of the liabilities borrowings will fall
~ investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
~ investments at fixed rates – the fair value of the assets will fall.

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

The CFA has a number of strategies for managing interest rate risk. Policy is to aim to 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 2015, if interest rates had been 1% higher with all other variables held constant, the financial effects would be:

	£000
Additional interest receivable on variable rate investments (has a positive impact on the Surplus or Deficit on the Provision of Services)	78
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(157)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

16 Inventories

	31st March 2014 £000	31st March 2015 £000
Operational equipment	109	136
Vehicle parts	61	62
Other	85	68
TOTAL	255	266

Inventory valued at £350k (£367k 2013/14) was utilised in 2014/15.

17 Debtors

	31st March 2014 £000	31st March 2015 £000
Short-Term Debtors:		
- Central government bodies	3,013	3,069
- Other local authorities	765	977
- All other	2,155	2,106
TOTAL	5,933	6,152

18 Cash and Cash Equivalents

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

	31st March 2014 £000	31st March 2015 £000
- Cash held by the CFA	0	4
- Bank current accounts	3	14
- Short-term investments	1,083	423
TOTAL	1,086	441

19 Assets Held for Sale

Syston fire station was sold in 2013/14 and a capital receipt of £250k was received in December 2013. A gain on disposal of £88k was realised. Moira fire station was put on the market for sale in 2014/15 and a sale subsequently happened in June 2015. This is shown as an asset held for sale for the purposes of these accounts.

	2013/14 £000	2014/15 £000
Cost or Valuation		
As at 1st April	167	0
Transfers	0	210
Revaluation increase	0	139
Disposals	(167)	0
As at 31st March	**0**	**349**
Accumulated Depreciation and Impairment		
As at 1st April	0	0
Depreciation	5	8
Write back of accumulated depreciation	(5)	(8)
As at 31st March	**0**	**0**
Net Book value as at 31st March	0	349

20 Creditors

	31st March 2014 £000	31st March 2015 £000
Central government bodies	2,181	1,995
Other local authorities	1,241	810
All other	1,769	1,195
TOTAL	5,191	4,000

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

21 Provisions

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

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

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

Movements in provisions are as follows:

	Balance as at 1st April 2014 £000	Reduced provision in 2014/15 £000	Increased provision in 2014/15 £000	Amounts used in 2014/15 £000	Balance as at 31st March 2015 £000
Insurance provision	100	(31)	0	0	69
Business Rates provision	0	0	280	0	280
TOTAL	100	(31)	280	0	349

22 Usable Reserves

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

23 Unusable Reserves

	31st March 2014 £000	31st March 2015 £000
Pensions Reserve	(362,447)	(401,889)
Revaluation Reserve	7,815	8,540
Capital Adjustment Account	15,232	15,706
Collection Fund Adjustment Account	195	196
Accumulated Absences Account	(198)	(94)
TOTAL	(339,403)	(377,541)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The CFA accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the CFA makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the CFA has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Pensions Reserve	2013/14 £000	2014/15 £000
Balance at 1st April	(362,351)	(362,447)
Remeasurements of the net defined benefit liability	15,950	(26,105)
Reversal of items relating to retirement benefits debited or credited to the surplus/deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(15,606)	(15,882)
Employer's pensions contributions and direct payments to pensioners payable in the year	(440)	2,545
Balance at 31st March	(362,447)	(401,889)

CAPITAL RESERVES

In accordance with standard accounting practice, two non cash-backed capital reserves exist as part of the system of capital accounting. These are:

Revaluation Reserve

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

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

Revaluation Reserve	2013/14 £000	2014/15 £000
Balance at 1st April	4,188	7,815
Upward revaluation of assets	3,874	944
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(113)	(10)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	3,761	934
Accumulated gains on assets sold or scrapped	(24)	0
Difference between fair value depreciation and historical cost depreciation	(110)	(209)
Amount written off to the Capital Adjustment Account	3,627	725
Balance at 31st March	7,815	8,540

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.

Balances as at the 31st March 2015 represent the combined balances of the Capital Financing Account and Fixed Asset Restatement Account. 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. Note 5 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	2013/14 £000	2014/15 £000
Balance at 1st April	17,244	15,232
Reversal of items relating to capital expenditure debited or credited to the CIES		
Charges for depreciation of non-current assets	(2,014)	(2,199)
Difference between fair value and historical cost depreciation	110	209
Charges for amortisation of intangible assets	(13)	(13)
Net revaluation differences in surplus/deficit on the provision of services	(4,408)	(875)
Disposal of non-current asset	(1,069)	(46)
Disposal of asset held for sale	(162)	0
Capital financing applied in year:		
Capital grants credited to CIES that have been applied to capital financing	1,552	1,495
Statutory provision for the financing of capital investment charged against the general fund	1,414	1,516
Use of Capital Receipt	1,313	145
Capital expenditure charged against the general fund balance	1,265	242
Balance at 31st March	15,232	15,706

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates (NDR) income in the CIES as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Collection Fund Adjustment Account	2013/14 £000	2014/15 £000
Balance at 1st April	71	195
Amount by which council tax and NDR income credited to the CIES is different from council tax and NDR income calculated for the year in accordance with statutory requirements	124	1
Balance at 31st March	195	196

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward as at the 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Accumulated Absences Account	2013/14 £000	2014/15 £000
Balance at 1st April	(95)	(198)
Amount by which the officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(103)	104
Balance at 31st March	(198)	(94)

24 Members' Allowances

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

	2013/14 £000	2014/15 £000
Salaries	49	51
Allowances	15	15
Expenses	3	2
TOTAL	67	68

25 Officers' Remuneration

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

2013/14	Chief Officer £000	Director of Community Safety £000	Director of Finance and Corporate Services (Section 112 officer) £000	Deputy Fire and Rescue Officer (part year) £000	Deputy Fire and Rescue Officer (part year) £000
Salary	87	92	84	59	40
Benefits in Kind	0	0	6	0	0
Total Remuneration excluding pensions contribution	87	92	90	59	40
Pension contribution	0	16	7	10	7
TOTAL	87	108	97	69	47

2014/15	Chief Officer £000	Director of Community Safety £000	Director of Finance and Corporate Services (Section 112 officer) £000	Deputy Fire and Rescue Officer £000
Salary	81	92	83	96
Benefits in Kind	0	0	6	1
Total Remuneration excluding pensions contribution	81	92	89	97
Pension contribution	0	18	10	19
TOTAL	81	110	99	116

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

Salary Bands	Number of Employees 2013/14	Number of Employees 2014/15
£50,000 - £54,999	18	15
£55,000 - £59,999	8	12
£60,000 - £64,999	5	3
£65,000 - £69,999	1	4
£70,000 - £74,999	0	1
£75,000 - £79,999	3	1
£80,000 - £84,999	0	1
	35	37

26 Exit Packages

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

Compulsory	Number of Packages 2013/14 £000	Total Amount 2013/14 £000	Number of Packages 2014/15 £000	Total Amount 2014/15 £000
£0 - £20,000	0	0	19	94
£20,001 - £40,000	0	0	5	139
Voluntary				
£0 - £20,000	0	0	3	38
£20,001 - £40,000	0	0	1	24

27 External Audit Costs

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

	2013/14 £000	2014/15 £000
Fees payable to PricewaterhouseCoopers LLP with regard to external audit services carried out by the appointed auditor for the year	39	39
Fees in respect of other services provided by PricewaterhouseCoopers LLP during the year		
VAT helpline	2	2
VAT training	4	1
Employment tax services	22	1
Tax modeller	0	3
Organisational change project review	0	5
TOTAL	67	51

28 Grant Income

The CFA credited the following grants to the CIES:

	2013/14 £000	2014/15 £000
Fire Revenue Grant	1,231	1,272
Section 31 Grants	187	252
Capital Grant	1,049	1,049
TOTAL	2,467	2,573

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

Capital grant received from the DCLG was utilised fully in the financial year. A grant of £1,800k which was brought forward from 2011/12 in respect of the replacement of fire control systems was paid to the lead authority, Derbyshire Fire and Rescue Service, in August 2012. £633k of this was spent by Derbyshire up to 2013/14, and a further £446k in 2014/15. The remaining £721k has been treated as a creditor due to being returnable to DCLG if unspent. The cost of this work and the use of the grant, has been incorporated into these accounts.

29 Related Party Disclosures

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
DCLG has significant influence of the general operations of the CFA - it is responsible for providing the statutory framework within which the CFA operates, provides the majority 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 the subjective analysis in Note 39 on reporting for resources allocation decisions.

Members
Members of the CFA have direct control over the CFA's financial and operating policies. The total of member' allowances paid in 2014/15 is shown in note 24. During 2014/15, 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 2014/15, no works and services were commissioned from companies in which officers declared an interest.

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

Entities Controlled or Significantly Influenced by the CFA

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

	2013/14 £000	2014/15 £000
Due to:		
Leicestershire County Council - Local partner/Supplier of service	100	133
Leicester City Council - Local partner/Supplier of service	0	12
DCLG - Pensions overpayments	0	230
DCLG - Firelink	67	66
Due from		
Forge Health Limited - Wholly owned subsidiary	(64)	(38)
DCLG :-		
Pensions reimbursement	(1,048)	(2,038)
Funding	(10)	0
Net balance with related parties at 31st March	(955)	(1,635)

	2013/14 £000	2014/15 £000
Expenditure		
Local Partners		
Leicestershire County Council	419	374
Leicester City Council	10	14
Rutland County Council	1	0
Firelink provider		
DCLG	390	448
Income		
Local Partners		
Leicester City Council	0	19
Wholly owned subsidiary		
Forge Health Limited	(64)	(38)
Government Grant		
DCLG		
Specific Grants	(1,418)	(1,524)
Funding		
Pensions reimbursement	(6,800)	(6,619)
Net transactions with related parties for year	(7,462)	(7,326)

30 Provisions for Repayment for External Loans

The CFA is required by statute to set aside a minimum revenue provision for the redemption of debt. In its Medium Term Financial Plan 2014/17 the CFA has stated its intention to provide 4% of the capital financing requirement as a minimum revenue provision. In addition, in respect of any unsupported borrowing the asset life method will be used, basing an MRP provision on the estimated life of assets in accordance with DCLG guidance. The total amount of this provision is detailed below:

	2013/14 £000	2014/15 £000
Minimum Revenue Provision	1,414	1,516

31 Forge Health Limited

The CFA operates a trading company '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 2015. For the year 2014/15, Forge Health Limited reported turnover of £188k and a post tax profit of £38k (£64k in 2013/14) and this sum is proposed by the Company to be wholly paid as dividend to the CFA. Note 29 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.

32 Defined Benefit Pensions Schemes

Participation in Pension Schemes

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

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

(i) Uniformed Firefighters

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

(ii) Control and Support Staff

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

Transactions Relating to Post-employment Benefits

The cost of retirement benefits are 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	
Comprehensive Income and Expenditure Statement	2013/14 £000	2014/15 £000
Cost of Services		
~ current service cost	942	910
~ past service cost	0	233
Financing and Investment Income and Expenditure		
~ net interest expense	376	491
Total Post-employment Benefit charged to the Surplus or Deficit on the Provision of Services	**1,318**	**1,634**
Other Post-employment Benefit Charged to the CIES		
Remeasurement of the net defined benefit liability comprising:		
~ Return on plan assets (excluding the amount included in the net interest expense)	270	(2,038)
~ actuarial gains and losses arising on changes in demographic assumptions	672	0
~ actuarial gains and losses arising on changes in financial assumptions	557	6,065
~ other	911	(162)
Total Post-employment Benefit Charged to the CIES	**2,410**	**3,865**
Movement in Reserves Statement		
~ reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	(1,318)	(1,634)
Actual amount charged against the General Fund Balance for pensions in the year:		
~ employers contributions payable to scheme	(632)	(918)

2013/14 Comprehensive Income and Expenditure Statement	Firefighters' 1992 Pension Scheme £000	Injury Benefit Scheme £000	Firefighters' 2006 Pension Scheme £000
Cost of Services			
~ current service costs	7,520	810	2,490
~ past service costs	0	10	0
Financing and Investment Income and Expenditure			
~ net interest expense	13,930	800	500
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**21,450**	**1,620**	**2,990**
Other Post-employment Benefit Charged to the CIES			
Remeasurement of the net defined benefit liability comprising:			
~ actuarial gains arising on changes in demographic assumptions	(7,710)	(2,130)	(1,020)
~ actuarial gains arising on changes in financial assumptions	(180)	0	(20)
~ other	(5,820)	(1,390)	(90)
Total Post-employment Benefit Charged to the CIES	**(13,710)**	**(3,520)**	**(1,130)**
Movement in Reserves Statement			
~ reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	(21,450)	(1,620)	(2,990)
Actual amount charged against the General Fund Balance for pensions in the year:			
~ employers contributions payable to scheme	(2,295)	0	(512)

2014/15 Comprehensive Income and Expenditure Statement	Firefighters' 1992 Pension Scheme £000	Injury Benefit Scheme £000	Firefighters' 2006 Pension Scheme £000
Cost of Services			
~ current service costs	6,580	(690)	2,220
Financing and Investment Income and Expenditure			
~ net interest expense	14,080	730	580
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**20,660**	**40**	**2,800**
Other Post-employment Benefit Charged to the CIES			
Remeasurement of the net defined benefit liability comprising:			
~ actuarial gains arising on changes in demographic assumptions	(16,680)	(13,520)	(4,820)
~ actuarial losses arising on changes in financial assumptions	52,300	690	4,670
~ changes in assumptions underlying the present value of the retained settlement	0	0	6,050
~ other	(6,780)	(460)	790
Total Post-employment Benefit Charged to the CIES	**28,840**	**(13,290)**	**6,690**
Movement in Reserves Statement			
~ reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	(20,660)	(40)	(2,800)
Actual amount charged against the General Fund Balance for pensions in the year:			
~ employers contributions payable to scheme	(2,225)	0	(494)

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

	Firefighters' 1992 Pension Scheme £000	Injury Benefit Scheme £000	Firefighters' 2006 Pension Scheme £000	Total £000
Opening balance at the 1st April 2013	325,430	18,250	10,450	354,130
Current service costs (net of employee contributions)	6,100	810	2,040	8,950
Past service costs	0	10	0	10
Contributions by scheme participants	1,420	0	450	1,870
Remeasurement gain				0
- Changes in demographic assumptions	(7,710)	(2,130)	(1,020)	(10,860)
- Changes in financial assumptions	(180)	0	(20)	(200)
- Other experience	(5,820)	(1,390)	(90)	(7,300)
Finance Interest cost	13,930	800	500	15,230
Benefits paid	(10,580)	(120)	0	(10,700)
Closing balance at the 31st March 2014	322,590	16,230	12,310	351,130
Current service costs (net of employee contributions)	5,050	690	1,600	7,340
Contributions by scheme participants	1,530	0	620	2,150
Remeasurement gain				
- Changes in demographic assumptions	(16,680)	(13,520)	(4,820)	(35,020)
- Changes in financial assumptions	52,300	690	4,670	57,660
- Changes in assumptions underlying the present value of the retained settlement	0	0	6,050	6,050
- Other experience	(6,780)	(460)	790	(6,450)
Finance Interest cost	14,080	730	580	15,390
Benefits paid	(11,850)	(110)	(300)	(12,260)
Closing balance at the 31st March 2015	360,240	4,250	21,500	385,990

Reconciliation of present value of the scheme liabilities - LGPS

	2013/14 £000	2014/15 £000
Funded Liabilities	24,374	28,408
Unfunded Liabilities	78	81
Opening balance at the 1st April	24,452	28,489
Current service cost	942	910
Past service costs	0	233
Interest cost	1,116	1,246
Contributions by scheme participants	269	269
Remeasurement gain/(loss):		
Changes in demographic assumptions	672	0
Changes in financial assumptions	557	6,065
Other experience	911	(162)
Benefits paid	(426)	(424)
Unfunded benefits paid	(4)	(4)
Closing balance at the 31st March	28,489	36,622
Represented by:		
Funded Liabilities	28,408	36,536
Unfunded Liabilities	81	86

Reconciliation of the movement of fair value of scheme assets - LGPS

	2013/14 £000	2014/15 £000
Opening balance at the 1st April	16,231	17,172
Interest Income	740	754
Remeasurement (gain)/loss:		
The return on plan assets, excluding the amount included in the net interest expense	(270)	2,038
Employer contributions	628	914
Contributions by scheme participants	269	269
Contributions in respect of unfunded benefits	4	4
Unfunded benefits paid	(4)	(4)
Benefits paid	(426)	(424)
Closing balance at the 31st March	17,172	20,723

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

	LGPS £000
As at 31st March 2014	
Present value of the defined benefit obligation	28,489
Fair value of plan assets	(17,172)
Net liability arising from defined benefit obligation	11,317
As at 31st March 2015	
Present value of the defined benefit obligation	36,622
Fair value of plan assets	(20,723)
Net liability arising from defined benefit obligation	15,899

Local Government Pension Scheme assets comprised:

	Year ended 31st March 2014 £000	Year ended 31st March 2014 %	Year ended 31st March 2015 £000	Year ended 31st March 2015 %
Cash and cash equivalents	390	2.3%	208	1.0%
Quoted prices in active markets				
Equity Securities				
Other	631	3.7%	643	3.1%
Bonds				
UK Government	212	1.2%	1,137	5.5%
Other	1,228	7.2%	852	4.1%
Investment Funds and Unit Trusts				
Equities	8,658	50.4%	10,449	50.4%
Bonds	587	3.4%	633	3.0%
Hedge Funds	566	3.3%	881	4.2%
Commodities	461	2.7%	472	2.3%
Other	890	5.2%	380	1.8%
Derivatives				
Interest Rate	0	0.0%	116	0.6%
Quoted prices not in active markets				
Property				
UK Property	1,605	9.3%	1,964	9.5%
Private Equity				
All	674	3.9%	786	3.8%
Investment Funds and Unit Trusts				
Bonds	543	3.2%	1,297	6.3%
Hedge Funds	21	0.1%	18	0.1%
Commodities	316	1.8%	398	1.9%
Infrastructure	390	2.3%	489	2.4%
Total Assets	17,172	100.0%	20,723	100.0%

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The LGPS is valued by the actuary, Hymans Robertson, and the Firefighters pension schemes are valued by GAD. These actuaries provide expert advice on assumptions to be applied. The estimates for the LGPS Fund are based on the latest full valuation of the scheme in the 2013 actuarial report dated the 28th March 2014.

The significant assumptions used by the actuaries have been:

	2013/14		2014/15	
	LGPS	Fire Pension Scheme	LGPS	Fire Pension Scheme
Mortality assumptions:				
Longevity in years of current pensioners at 65:				
Men	22.2	23.5	22.2	22.5
Women	24.3	25.5	24.3	22.5
Longevity in years at 65 for future pensioners currently aged 45:				
Men	24.2	26.6	24.2	24.8
Women	26.6	28.6	26.6	24.8
Other assumptions:				
Rate of Inflation	2.8%	2.5%	-	2.2%
Short duration			1.9%	-
Medium duration			2.2%	-
Long duration			2.3%	-
Rate of increase in pensions	2.8%	2.5%	2.4%	2.2%
Rate of increase in salaries	4.6%	4.5%	4.3%	4.2%
Rate for discounting scheme liabilities	4.3%	4.4%	3.2%	3.3%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the 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 below did not change from those used in the previous year.

Impact on the Defined Benefit Obligation in the Scheme

	Change in Assumption	
	LGPS £000	Fire Pension Schemes £000
Longevity (change of 1 year)	1,099	9,000
Rate of increase in salaries (change of 0.5%)	2,192	5,000
Rate of increase in pensions (change of 0.5%)	2,493	33,000
Rate of discounting scheme liabilities (change of 0.5%)	4,842	40,000
Early retirement (change of 1 year)	0	(2,000)

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

Impact on the CFA's Cash Flows

The objectives of the schemes are to keep employers' contributions at as constant a rate as possible. Leicestershire County Council has agreed a strategy with the scheme's actuaries to achieve a funding level of 100% over the next 20 years. The next triennial valuation of the LGPS is due to be completed on the 31st March 2016.
No such strategy exists for the Fire Pension schemes as they are unfunded schemes and therefore have no target funding level. The methodology for calculating employer contribution rates to the Fire Pensions Schemes for the 2012 valuation is set out in 'The Public Services (Valuations and Employer Cost Cap) Directions 2014.

33 Contingent Liabilities

Employment Appeal Tribunal on holiday pay for contractual overtime

In November 2014 the Employment Appeal Tribunal ruled that holiday pay should include non-guaranteed overtime (i.e. overtime, which is not guaranteed by the employer, but which the worker is obliged to work, if it is offered). This stems from a discrepancy between EU and UK law. In the UK, employers have generally used basic pay to calculate how much employees are paid while they are on holiday whilst the European Working Time Directive does not specify how holiday pay should be calculated, suggesting that overall remuneration should be taken into account. This ruling may have an implication where Firefighters work casual overtime (i.e. stay beyond the shift finish time in order to complete an incident). The backdated claims are however limited, with the tribunal ruling that workers can only make claims if it less than three months since their last incorrect payment (of holiday pay), although the claim can be back dated until such time as there is a three month break between underpayments. Based on the 2013/14 and 2014/15 level of casual overtime this is not considered material. There is potential for an appeal against the ruling which may impact on an estimate of any future liability for such backdated claims.

Determination of the 13th May 2015 by the Pensions Ombudsman

Following the Pensions Ombudsman recent Determination in the case of Mr W Milne v the Government Actuary's Department (GAD), the Government has decided that additional payments are to be made to members of the Firefighters' 1992 pension scheme whose pension commenced between 1 December 2001 and 21 August 2006 and who chose to commute pension for lump sum at retirement. This is to address the Ombudsman's conclusion that found GAD at fault of maladministration and recognition that the scheme's commutation factors should have been reviewed before 2006.
This creates an obligation to make additional payments to Firefighters, however it is not possible to reliably estimate the value of the liability at this point in time. Over the period 1 December 2001 to the 21 August 2006, a total of 93 retirees have been identified, although not all of these will necessarily be affected by the Determination.

34 Contingent Assets

Following the Pension Ombudsman Determination in respect of firefighter pensions, the DCLG will bear the cost of any pension payments made in this respect in full. The effect of the Determination to the CFA will be nil. See note 33 - Contingent Liabilities.

35 Reconciliation of the Surplus on the CIES to the Revenue Activities Cash Flow.

	2013/14		2014/15	
	£000	£000	£000	£000
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:				
Pension liability	(16,046)		(13,337)	
Depreciation	(2,014)		(2,199)	
Amortisation	(13)		(13)	
Impairment and downward revaluation	(4,408)		(875)	
Accumulating absence adjustment account	103		104	
Collection fund adjustment account	(215)		(191)	
Write out of revaluation reserve	24		209	
Net gain on disposal	82		99	
Creditors	2,952		2,076	
Debtors	(2,635)		(1,117)	
Provisions	48		(249)	
Inventories	2		12	
Other items	16		46	
Adjustments to net surplus deficit on the provisions of services for non cash movements Items classified elsewhere in the statement:		**(22,104)**		**(15,435)**
Capital grant received		1,049		1,495
Total adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		**1,049**		**1,495**

36 Operating Activities

	2013/14 £000	2014/15 £000
Interest received	(37)	(37)
Dividend received	(33)	(64)
Interest paid	559	849

37 Investing Activities

	2013/14 £000	2014/15 £000
Purchase of property, plant and equipment and intangible assets	8,489	4,020
Purchase of short and long term investments	4,043	3,500
Proceeds from the sale of short and long term investments	(2,001)	(3,558)
Proceeds from the sale of property, plant and equipment	(1,260)	(145)
Capital grants and contributions	(1,049)	(1,049)
Net Cash Flow from Investing Activities	**8,222**	**2,768**

38 Financing Activities

	2013/14 £000	2014/15 £000
Cash receipts from short term and long term borrowing including sale and leaseback	(6,942)	(2,500)
Repayments of short term and long term borrowing	938	2,905
Net Cash Flow from Financing Activities	**(6,004)**	**405**

39 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the CIES is that specified by the Service Reporting Code of Practice. Decisions about resource allocation are taken by the CFA, who are considered to be the chief operating decision maker, on the basis of a one segment for the whole CFA. These reports are prepared on a different basis from the accounting policies used in the accounts. In particular:

~ No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the CIES).

~ The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

RECONCILIATION BETWEEN MANAGEMENT ACCOUNTS AND CIES

	Management Accounts as Reported in Explanatory Foreword	Not reported in Management Accounts	Not included in CIES	Total
	£000	£000	£000	£000
2013/14				
Employee expenses	28,621	104	0	28,725
Pension costs calculated in accordance with IAS19	0	16,046	0	16,046
Other service expenses*	9,039	0	(2,679)	6,360
Depreciation, revaluation losses to CIES, amortisation and impairment	0	6,324	0	6,324
Write out of revaluation reserve on disposal	0	25	0	25
Non-domestic rates expenditure	0	93	0	93
Interest payments	728	0	0	728
Expenditure	**38,388**	**22,592**	**(2,679)**	**58,301**
Fees, charges and other income	(892)	0	0	(892)
Interest and investment income	(94)	0	0	(94)
Income from council tax	(16,574)	(212)	0	(16,786)
Income from non-domestic rates	(7,896)	0	0	(7,896)
Gain on disposal of non-current assets	0	(82)	0	(82)
Government grants and contributions	(13,247)	(1,552)	0	(14,799)
Income	**(38,703)**	**(1,846)**	**0**	**(40,549)**
Deficit on the Provision of Services				**17,752**
2014/15				
Employee expenses	27,398	(104)	0	27,294
Pension costs calculated in accordance with IAS19	0	13,104	0	13,104
Other service expenses*	8,757	0	(1,765)	6,992
Depreciation, revaluation losses to CIES, amortisation and impairment	0	3,078	0	3,078
Interest payments	865	0	0	865
Expenditure	**37,020**	**16,078**	**(1,765)**	**51,333**
Fees, charges and other income	(1,022)	0	0	(1,022)
Interest and investment income	(85)	0	0	(85)
Income from council tax	(17,387)	0	0	(17,387)
Income from non-domestic rates	(8,119)	0	0	(8,119)
Gain on disposal of non-current assets	0	0	(99)	(99)
Government grants and contributions	(11,714)	(1,495)	0	(13,209)
Income	**(38,327)**	**(1,495)**	**(99)**	**(39,921)**
Deficit on the Provision of Services				**11,412**

* Made up of non pay costs such as premises expenses, transport expenses and supplies and services.

PENSION FUND STATEMENT

Firefighters' Pension Fund

Fund Account	2013/14 £000	2014/15 £000
Income to the fund		
Contributions receivable:		
~ from employer		
~ normal contributions	(2,807)	(2,719)
~ ill health contributions	(18)	(20)
~ from members	(1,870)	(2,157)
Income to the fund	**(4,695)**	**(4,896)**
Spending by the fund		
Benefits payable:		
~ Pension payments	8,189	8,998
~ Death benefits	86	0
~ Commutation of pensions and lump-sum retirement benefits	2,454	2,568
Payments To and On Behalf of Leavers		
~ Individual transfers out to other schemes	(27)	311
Spending by the fund	**10,702**	**11,877**
Deficit for the year before top up grant receivable from DCLG	**6,007**	**6,981**
~ Top-up grant received	(4,959)	(4,944)
Deficit for the Year	**1,048**	**2,037**

Firefighters' Pension fund net assets statement	31 March 2014 £000	31 March 2015 £000
Net current assets and liabilities:		
~ pensions top up grant receivable from DCLG	1,048	2,037
~ repayment of 13-14 grant claimed in error	0	(29)
Net grant receivable	1,048	2,008

NOTES TO THE FIREFIGHTERS' PENSION FUND STATEMENT

1. In accordance with the requirements of IAS19 the actual cost of pensions required for council tax setting purposes is replaced by the current service cost of pensions in CIES, and reversed out in the MIRS.

2. Employee contributions, and employer contributions are paid into a separate account out of which pensions are paid. This is administered on behalf of the CFA by Leicestershire County Council Pensions Department. Any deficit on this account is made up by direct government funding from the DCLG.

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. The pensions fund's accounts do not take account of liabilities to pay pensions and other benefits after the 31st March 2015. These can be found in note 32 in the notes to the accounts.

6. 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 15.

7. 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 DCLG following audit of the accounts for the year.

8. The fund is in deficit by £385,990k as at the 31st March 2015 (£351,130k as at the 31st March 2014).

GLOSSARY OF TERMS

1. **Accruals**

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

2. **Amortisation**

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

3. **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.

4. **Capital Receipts**

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

5. **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.

6. **Chartered Institute of Public Finance and Accountancy (CIPFA)**

   The principle accountancy body dealing with Local Government finance.

7. **Corporate and Democratic Core**

   Includes all aspects of members' activities and corporate management (see 8 below).

8. **Corporate Management**

   Concerns those activities and costs relating to provision of infrastructure, whether by the CFA or not, and the information which is required for public accountability.

9. **Creditors**

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

10. **Debtors**

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

11. **Depreciation**

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

12. **Government Actuary's Department**

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

13. **Long Term Borrowing**

    Loans raised to finance capital spending which have still to be repaid.

14. Non-current Assets

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

15. Non Distributed Costs

Costs relating to pension scheme past service costs, settlements and curtailments.

16. Operating Leases

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.

17. 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.

18. Reserve

An amount set aside for purposes falling outside the definition of a provision.

19. Revenue Expenditure

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