STATEMENT OF ACCOUNTS

// 2015-2016

LEICESTERSHIRE
FIRE and RESCUE SERVICE
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STATEMENT OF ACCOUNTS

CONTENTS

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

NARRATIVE REPORT

The accounting statements contained in this booklet represent the Combined Fire Authority's (CFA's) accounts for the year ended the 31st March 2016. 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 2015/16.

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 £8,550k (£11,412k in 2014/15).

Balance Sheet

This sets out the value of assets and liabilities of the CFA as at the 31st March 2016. The net assets of the CFA (assets less liabilities) are matched by the reserves held by the CFA. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the CFA may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the CFA is not able to use to provide services. This category of reserves include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the MIRS line 'Adjustments between accounting basis and funding basis under regulations'.

The net worth of the CFA is £34,886k (£31,317k 2014/15) excluding pensions - a deficit of £334,337k (£370,572k 2014/15) including pensions.

Cash Flow Statement

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

Summary of the year (Revenue)

The table below provides a comparison of revenue expenditure for the financial year ending the 31st March 2016 with the revised budget.

	Revised Budget £000	Actual £000	Variance £000
Employees	26,890	25,960	(930)
Premises	2,240	2,040	(200)
Transport	1,140	960	(180)
Supplies and Services	3,350	3,000	(350)
Capital Financing	2,464	2,451	(13)
Gross Expenditure	36,084	34,411	(1,673)
Controllable Income	(1,910)	(1,990)	(80)
Net Expenditure	34,174	32,421	(1,753)
Contribution (from)/to Specific Reserves	3,291	3,100	(191)
Net Expenditure after Specific Reserves	37,465	35,521	(1,944)
Contribution (from)/to General Fund	(2,355)	(2,241)	114
Total Expenditure	35,110	33,280	(1,830)

The accounts for 2015/16 show savings of £1,830k compared to the revised budget, before adjustments relating to reserves. The main areas of savings are as follows:

Operational pay (£660k), Control and Administrative pay (£150k), Training and other employee related costs (£100k), Repairs and Maintenance (£140k), Energy Costs (£70k), Vehicle Fuel (£80k), Car allowances (£40k) and non payment of Tri-Service Control system maintenance costs (£90k).

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

Secondment income (£281k), recovered costs (£248k), contributions received for the former Princes Trust Scheme (£120k), interest income (£32k), dividend from the subsidiary, Forge Health Limited (£53k) and radio mast income (£48k).

Summary of the year (Capital)

The table below provides a comparison of actual payments for the financial year ending the 31st March 2016 with the most recent updated capital programme.

	Updated Programme £000	Actual £000	Variance £000
Appliances/ Vehicles	50	4	(46)
Property	2,351	1,652	(699)
Equipment	137	86	(51)
IT and Communications	1,112	655	(457)
Total Expenditure	3,650	2,397	(1,253)

The Capital Programme variance mainly relates to ongoing projects that did not complete in 2015/16 but are scheduled for completion in 2016/17 (£711k). This is mainly due to the finalising of external works at a fire station at Castle Donington (£150k) and the ongoing system implementation of the Tri-Service Fire Control Project (£319k). The remaining variance (£542k) is mainly due to lower than budgeted construction costs at Castle Donington fire station (£185k) and the deferral of property work on other schemes pending a future conditions survey and premises review (£288k).

The majority of the expenditure in year relates to the refurbishment work for a new fire station at Castle Donington (£1,652k), work in relation to the new system for Fire Control (£411k) and ICT improvements (244k) which includes the implementation of a Wide Area Network (£112k).

Earmarked Reserves

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

The CFA has agreed to hold the sum of £3m of its revenue budget as a General Reserve from 2016/17.

Pension Funds

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

The £9,493k liability (£15,899k in 2014/15) 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 £359,730k (£385,990k in 2014/15) is a result of this position. There is no requirement, or legal powers, for the CFA to fund this deficit, and any costs not financed by future levels of employee or employer contributions will be met by grant from the Home Office (formerly Department of Communities and Local Government (DCLG)). More details on pensions can be found in note 36.

Borrowing

Public Works Loans Board (PWLB) borrowing has decreased to £14,478k (£15,728k in 2014/15), with no new PWLB borrowing in 2015/16 and two loans maturing. Total borrowing is less than originally anticipated in the 2015/16 budget when an authorised debt limit of £22,730k was set. There were no finance leases commenced during 2015/16 and repayments charged of £1,364k decreased the outstanding borrowing to £4,340k (£5,703k 2014/15) against an authorised lease limit of £6,377k.

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

Significant Provisions, Contingencies or Write Offs

Provisions are held for current insurance claims, approved redundancies likely to occur in the next financial year and for non-domestic rates appeals. Provisions are measured at the best estimate of the expenditure required to settle the obligation.

There are no contingencies or significant write offs in 2015-16.

Events After the Reporting Period.

There are no events after the reporting period to report.

Annual Performance

The Annual Report and Statement of Assurance 2015/16 highlights the work that the CFA has undertaken over the year and provides assurance that the CFA is meeting its statutory and legal requirements. It provides a full review of the CFA's operational performance against Key Corporate Indicators (KCIs). The KCIs also include data on sickness absence for both operational and support staff. The Annual Report and Statement of Assurance 2015/16 provides a direct link to these accounts.

Property Revaluation

The property revaluation undertaken the 31st March 2016 identified £1,208k revaluation increases and £486k revaluation losses. £380k negative revaluations which were not covered by positive values held in the revaluation reserve from previous revaluations. The net increase of £722k is 1.48% of the value of the entire property portfolio (excluding property assets in construction). The repairs and maintenance budget and the refurbishment plan in the capital programme help keep the value of the portfolio as high as the economy permits.

Future Issues

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

The Medium Term Financial Plan (MTFP) 2015-18 identified significant predicted reductions in future funding based on published estimates from the Office of Budget Responsibility. In response to this an employee reduction programme was approved and savings achieved from reduced headcount, reductions in overtime, temporary secondments of firefighters to other authorities and voluntary redundancy. In addition, an updated Integrated Risk Management Plan was prepared and substantial consultation on this plan was undertaken. The CFA reviewed the outcomes of this consultation and agreed a budget strategy for the period 2016/17 to 2019/20 at its meeting of the 10th February 2016. The budget strategy is based upon a four year funding settlement and shows that a balanced budget can be achieved over this period without the need for compulsory operational redundancies. The four year settlement is conditional and is subject to the submission of an 'Efficiency Plan'. The Plan will be submitted to the Home Office by October 2016. The Home Office took over as the government department responsible for Fire Services in early 2016. This plan will highlight how the service seeks to deliver its services as efficiently as possible. The plan will focus on the ways that this can be achieved, in particular through collaboration with local partners, the promotion of an efficient, modern force with flexible working practices and by the promoting of a culture where efficiency is embedded in all we do. Collaboration activity will incorporate planned legislative changes that place a 'Duty to Collaborate' between the CFA and the Office of the Police and Crime Commissioner. In support of the approach to maximising savings, the CFA also agreed as part of the budget strategy 2016/17 to 2019/20 to commission three strategic reviews in respect of management structure, use of the buildings within the CFA's estate and the vehicle fleet. The budget strategy committed to a savings target of £350k for shared services and accommodation by the end of the plan.

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 to operate a pooling agreement for business rates levies and safety net payments for 2015/16. The pool generated a total surplus of £2.7m in 2015/16 of which £2m is allocated to the Leicester and Leicestershire Enterprise Partnership in support of growth opportunities in the local economy. Of the total remaining balance in the pool of £1.4m, £29k is attributable to the CFA. The pooling arrangement will continue into 2016/17.

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation and begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future, once the UK has left the EU. The effects of this on Local Authorities are unknown as yet.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE CFA'S RESPONSIBILITIES

The CFA is required to;

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

These accounts were approved by the Treasurer to the CFA on the 29th September 2016.

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 2016.

Alison Greenhill

TREASURER OF THE COMBINED FIRE AUTHORITY

29th September 2016

KPMG

Independent auditor's report to the members of Leicester, Leicestershire and Rutland Combined Fire Authority

We have audited the financial statements of Leicester, Leicestershire and Rutland Combined Fire Authority for the year ended 31 March 2016 on pages 9 to 43. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2016 and of the Authority's and the Group's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

- the information given in the Narrative Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

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

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2015, as to whether Leicester, Leicestershire and Rutland Combined Fire Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether 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 2016.

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, Leicester, Leicestershire and Rutland Combined Fire Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, 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 ended 31 March 2016.

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 the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Andrew Cardoza

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill,
Snow Hill Queensway
Birmingham,
B4 6GH

30/09/2016

MOVEMENT IN RESERVES STATEMENT

	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 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	**22**	0	0	**0**	725	**725**
Actuarial gain on pension assets/liabilities	**36**	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	**7**	12,758	0	**12,758**	(12,758)	**0**
Net Increase before Transfers to Earmarked Reserves		**1,346**	**0**	**1,346**	**(38,138)**	**(36,792)**
Transfers to or from Earmarked Reserves	**8**	**(1,374)**	**1,374**	**0**	**0**	**0**
Increase/(Decrease) 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)**
Deficit on the provision of services		(8,550)	0	**(8,550)**	0	**(8,550)**
Surplus on revaluation of Property, Plant and Equipment assets	**22**	0	0	**0**	710	**710**
Actuarial loss on pension assets/liabilities	**36**	0	0	**0**	44,075	**44,075**
Other Comprehensive Income and Expenditure		**0**	**0**	**0**	**44,785**	**44,785**
Total Comprehensive Income and Expenditure		**(8,550)**	**0**	**(8,550)**	**44,785**	**36,235**
Adjustments between accounting basis and funding basis under regulations	**7**	10,981	0	**10,981**	(10,981)	**0**
Net Increase before Transfers to Earmarked Reserves		**2,431**	**0**	**2,431**	**33,804**	**36,235**
Transfers to or from Earmarked Reserves	**8**	**(4,163)**	**4,163**	**0**	**0**	**0**
Increase/(Decrease) in 2015/16		**(1,732)**	**4,163**	**2,431**	**33,804**	**36,235**
Balance as at the 31st March 2016		**2,371**	**7,029**	**9,400**	**(343,737)**	**(334,337)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Note	2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 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 Defence		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	9	0	(99)	(99)
Financing and investment income and expenditure	10	16,747	(85)	16,662
Taxation and non-specific grant income and expenditure	11	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	12			(725)
Remeasurement of the net defined benefit liability	36			26,105
Other Comprehensive Income and Expenditure				**25,380**
Total Comprehensive Income and Expenditure				**36,792**

	Note	2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net Expenditure of Continuing Operations £000
Community Fire Safety		4,226	(290)	3,936
Firefighting and Rescue Operations		29,452	(4,513)	24,939
Fire Service Emergency Planning and Civil Defence		397	(20)	377
Corporate and Democratic Core		705	(36)	669
Non distributed costs		6	0	6
Cost of services		**34,786**	**(4,859)**	**29,927**
Other operating expenditure	9	0	(85)	(85)
Financing and investment income and expenditure	10	14,016	0	14,016
Taxation and non-specific grant income and expenditure	11	0	(35,308)	(35,308)
Deficit on the provision of services				**8,550**
Items that will not be reclassified to the Deficit on the Provision of Services				
Surplus on revaluation of Property, Plant and Equipment assets	22			(710)
Remeasurement of the net defined benefit liability	36			(44,075)
Other Comprehensive Income and Expenditure				**(44,785)**
Total Comprehensive Income and Expenditure				**(36,235)**

BALANCE SHEET

	Note	31st March 2015 £000	31st March 2016 £000
Property, Plant and Equipment	**12**	47,058	48,686
Intangible Assets	**13**	5	3
Long Term Assets		**47,063**	**48,689**
Short Term Investments	**14**	4,327	0
Assets Held for Sale	**18**	349	0
Inventories	**15**	266	292
Short Term Debtors	**16**	6,152	4,476
Cash and Cash Equivalents	**17**	441	4,015
Current Assets		**11,535**	**8,783**
Short Term Borrowing	**14**	(3,726)	(813)
Short Term Creditors	**19**	(4,000)	(3,098)
Short Term Provisions	**20**	0	(328)
Current Liabilities		**(7,726)**	**(4,239)**
Long Term Borrowing	**14**	(19,206)	(18,005)
Net Pensions Liability	**36**	(401,889)	(369,223)
Long Term Provisions	**20**	(349)	(342)
Long Term Liabilities		**(421,444)**	**(387,570)**
Net Liabilities		**(370,572)**	**(334,337)**
Represented by:			
General Fund		4,103	2,371
Earmarked General Fund Reserves	**8**	2,866	7,029
Total Usable Reserves		**6,969**	**9,400**
Pension Reserve	**22**	(401,889)	(369,223)
Revaluation Reserve	**22**	8,540	9,250
Capital Adjustment Account	**22**	15,706	16,257
Collection Fund Adjustment Account	**22**	196	233
Accumulated Absences Account	**22**	(94)	(254)
Total Unusable Reserves		**(377,541)**	**(343,737)**
Total Reserves		**(370,572)**	**(334,337)**

The notes on pages 13 to 43 form part of the financial statements.

The financial statements on pages 9 to 43 were authorised for issue on the 29th September 2016 by the Treasurer of the Combined Fire Authority.

CASH FLOW STATEMENT

	Note	2014/15		2015/16	
		£000	**£000**	**£000**	**£000**
Net deficit on the provision of services		11,412		8,550	
Adjustment to the net deficit on the provision of services for non-cash movement	**23**	(15,435)		(13,961)	
Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	**23**	1,495			
Net cash flows from Operating Activities			**(2,528)**		**(5,411)**
Investing Activities	**24**		2,768		(1,905)
Financing Activities	**25**		405		3,742
Net (increase)/decrease in cash and cash equivalents			**645**		**(3,574)**
Cash and cash equivalents at the beginning of the year			**1,086**		**441**
Cash and cash equivalents at the end of the year	**17**		**441**		**4,015**

NOTES TO THE ACCOUNTS

1 Accounting Policies

1.1 General principles

The Statement of Accounts summarises the CFA's transactions for the 2015/16 financial year and its position at the year-end of the 31st March 2016. The CFA is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 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 2015/16, as applicable to Fire Authorities and the Service Reporting Code of Practice 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS).
The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Accruals of Income and Expenditure

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

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

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

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

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

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

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

1.3 Cash and Cash Equivalents

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

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

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

Prior year adjustments may result from a change in accounting policies or the need to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.
Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the CFA's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. This policy is also applied to any material errors that may be identified.

1.5 Charges to Revenue for Non-Current Assets

Services and support services are charged 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 twelve months of the year-end. They include wages, salaries, paid annual leave, paid sick leave and non-monetary benefits (e.g. provided cars) for current employees and are recognised in the year in which the employees render service. An accrual is made for the cost of holiday entitlement (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 period in which the employee takes the benefit. This 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 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. These costs 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 is committed to the termination, or when the CFA recognises costs for a restructuring.

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

(iii) Post-employment Benefits

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

- The Local Government Pension Scheme (LGPS), for which Hymans Robertson calculate the liability as at the 31st March 2016 and which Leicestershire County Council administer.
- Four Firefighters' pension schemes, for which the Government Actuary's Department (GAD) calculate the liability:
- The Firefighters' Pension Scheme 1992
- The Firefighters' Pension Scheme 2006
- The Firefighters' Pension Scheme 2015
- The Firefighters' Injury Benefit Scheme

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

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

~ pays out benefits and transfer values to other schemes.

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 3.50% for the LGPS and 3.55% for the Firefighter's schemes.

The assets of the LGPS attributable to the CFA are included in the Balance Sheet at their fair value:

- quoted securities - current bid price
- unquoted securities - [professional estimate
- unitised securities - current bid price
- property - market value

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

Service cost comprising:

- current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the CIES to the services for which the employees worked
- past service costs - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs
- net interest on the net defined benefit liability (asset) - i.e. net interest expense for the CFA - the change during the year in the net defined liability (asset) that arises 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 adverse, that occur between the end of the year and the date that the Statement of Accounts is authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events
- those indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

1.8 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the CFA becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.
For most of the borrowings that the CFA has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Financial Assets

Loans and receivables (investments) are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and subsequently carried at their amortised cost. The amortised cost will include any interest accrued and not received as at the Balance Sheet date. Where the interest is fixed for the term of the investment then the actual interest rate has been used to calculate interest receivable as this is the same as the effective interest rate. There are no transaction costs relating to investments. Annual credits to the Financing and Income and Expenditure line in the CIES for interest receivable are based in the carrying amount of the asset, multiplied by the effective rate of interest for the instrument.
Financial assets and financial liabilities are presented gross in the Statement of Accounts, unless the Authority has a legal right to set off the amounts in which case the gross amounts are disclosed in a note.

1.9 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 at the date that the CFA satisfies the conditions of the entitlement to the grants/contribution and there is reasonable assurance that the monies will be received.
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 returned to the payer. Revenue grants are matched in the revenue accounts with the service expenditure to which they relate.
Grant towards general expenditure is credited to the Taxation and non-specific grant income in the CIES.
Grants that relate to capital expenditure are recognised in the year that the conditions of the grant are met, or immediately upon receipt if there are no conditions. These items are credited in the CIES under Taxation and Non-specific Grant Income. To avoid impact on the General Fund these items are reversed in the MIRS and transferred to either the Capital Grants Unapplied Reserve or the Capital Adjustment Account (CAA).
Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance.

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 Forge Health that has the status of a wholly owned subsidiary. An annual review in accordance with paragraph 9.1.1.6 of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 has been undertaken and it is considered that this interest is not material therefore Group Accounts are not prepared. The income, expenditure, assets and liabilities of Forge Health Limited are not included in the main statements of the CFA. Note 27 gives details.
There are no interests in associates and jointly controlled entities.

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.

CFA as Lessor

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

CFA as Lessee

Finance Leases
Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.
Lease payments are apportioned between;
- a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the CFA at the end of the lease period).
The CFA is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the CAA in the MIRS for the difference between the two.
Operating Leases
Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from 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 SeRCOP. The total absorption costing principal is used whereby the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:
- Corporate and Democratic Core - The direct costs of members and their support.
- Non-distributed costs - The cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two categories are defined in SeRCOP and accounted for 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 provision of services, for rental to others, or for administrative purposes and that are expected to used during more than one financial year are classified as Property, Plant and Equipment.
Recognition
All expenditure on the acquisition, creation or improvement of Property, Plant and Equipment is capitalised on an accruals basis, provided it is probable that the future economic benefits or service potential associated with the item will flow to the CFA and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential (i.e. repairs and maintenance) or is under a £5k de-minimus limit is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended

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

Assets are then carried in the Balance Sheet using the following measurement bases:

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

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

Assets included in the Balance Sheet at current value are revalued annually. The latest valuation exercise was carried out by Cameron Butler BLE (Hons) MRICS of FHP Property Consultants. The asset values used in the accounts are based on a certificate issued by FHP Property Consultants on all properties as at the 31st March 2016. Additions which are still under construction are included in the accounts at cost. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, they are accounted for by:

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

buildings - straight line allocation over the useful life of the property as estimated by the valuer. Depreciation is not charged on Assets Held for Sale.

vehicles, plant, furniture and equipment - a percentage of the value of each assets in the Balance sheet, as advised by a suitably qualified officer

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

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

Disposals and Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services.

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

Assets that are abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the CAA.

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

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

1.16 Provisions, Contingent Liabilities and Contingent Assets

(i) Provisions

Provisions are made when an event has taken place that gives the CFA an 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

Contingent liabilities arise 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

Contingent assets arise 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. They 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 22.

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 Issued but not yet Adopted

For 2015/16 the following accounting policy changes that need to be reported relate to:

~ Amendment to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
~ Amendment to IFRS Joint Arrangements (Accounting for Acquisitions of Interest in Joint Operations)
~ Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
~ Amendment to IAS1 Presentation of Financial Statements (Disclosure Initiative)
~ The changes to the format of the CIES, the MIRS and the introduction of the new Expenditure and Funding Analysis
~ The changes to the format of the Pension Fund Account and the Net Assets Statement

The issues included in the Annual Improvements to IFRS 2012 - 2014 cycle are:

~ IFRS 3 Business Combinations (Accounting for Contingent Consideration in a Business Combination)
~ IFRS 8 Operating Segments (Aggregation of Operating Segments and some reconciliation issues)
~ IFRS 13 Fair Value Measurement (Short-term receivables and payables)
~ IAS 16 Property, Plant and Equipment (Revaluation method—proportionate restatement of accumulated depreciation)
~ IAS 24 Related Party Disclosures (Key management personnel)
~ IAS 38 Intangible Assets (Revaluation method - proportionate restatement of accumulated amortisation)

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 2015/16. 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 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 2016 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 are reduced, depreciation increases and the carrying value of assets falls. It is estimated that the annual depreciation charge for buildings would increase by £295k 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 £402k 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 £41,146k (£4,046k LGPS and £37,100k Firefighters schemes).
Arrears	At the 31st March 2016, the CFA had a balance of trade debtors of £88k. There are no balances over 121 days outstanding. There was also a balance of £75k relating to retained firefighter pension buy-backs. These are all over 121 days outstanding as the employees concerned have been given a longer timescale to repay. Due to the terms of the buy-back, it is not anticipated that any of these debts will become irrecoverable.	If all debt over 121 days were to be irrecoverable, there would be no effect to the CFA CIES. All funds currently outstanding relate to the firefighters pensions scheme which are collected then passed on to the Home Office as part of the firefighters pension account settlement.

5 Material Items of Income and Expense

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

6 Events after the Reporting Period

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

7 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.

	2014/15	2015/16
	Usable Reserves - General Fund Balance	**Usable Reserves - General Fund Balance**
	£000	**£000**
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements		
Pensions costs (transfers to or (from) the Pension Reserve)	(13,337)	(11,409)
Council Tax and NDR (transfers to or (from) the Collection Fund)	1	37
Holiday Pay (transfers to or (from) the Accumulated Absences Reserve)	104	(160)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(2,878)	(1,607)
Total Adjustments to Revenue Reserves	(16,110)	(13,139)
Adjustments between Revenue and Capital Resources		
Transfer of non-current assets disposals (funded by a contribution from the Capital Receipts Reserve)	(46)	(222)
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,516	1,555
Capital expenditure financed from revenue balances (transfer from the Capital Adjustment Account)	242	121
Total Adjustments between Revenue and Capital Resources	1,712	1,454
Adjustments to Capital Resources		
Use of the Capital Receipts Reserve to finance capital expenditure	145	303
Application of capital grants to finance capital expenditure	1,495	401
Total Adjustments to Capital Resources	1,640	704
Total Adjustments	**(12,758)**	**(10,981)**

8 Earmarked Reserves

Earmarked Reserves are amounts set aside from the General Fund to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in the year.

The table below provides a list of reserves held by the CFA and movements on these reserves from 1st April 2014 to 31st March 2016:

	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
Integrated Risk Management Plan (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
Emergency Services Mobile Communications Programme reserve	150	0	0	150
Over-establishment reserve	0	0	743	743
TOTAL	**1,492**	**66**	**1,440**	**2,866**
Net Movement				(1,374)

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

9 Other Operating Expenditure

	2014/15 £000	2015/16 £000
(Gain) or loss on the disposal of non-current assets	(99)	81

10 Financing and Investment Income and Expenditure

	2014/15 £000	2015/16 £000
Interest payable and similar charges	865	807
Net interest on the defined benefit liability	15,882	13,205
Dividend received	(38)	(53)
Interest receivable	(47)	(32)
TOTAL	**16,662**	**13,927**

11 Taxation and Non-Specific Grant Income and Expenditure

	2014/15 £000	2015/16 £000
Council tax income	(17,391)	(18,140)
Non domestic rates	(8,120)	(8,309)
Non-ring fenced government grants	(10,190)	(8,387)
Capital grants and contributions	(1,495)	(401)
TOTAL	**(37,196)**	**(35,237)**

12 Property, Plant and Equipment

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	1,615	144	2,210	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	4,220	0	(4,431)	(211)
As at 31st March 2015	**36,494**	**19,357**	**2,935**	**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**

Movements in 2015/16	Land and Buildings £000	Vehicles, Plant and Equipment £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation				
As at 1st April 2015	36,494	19,357	2,935	58,786
Additions	1,662	180	555	2,397
Revaluation increases recognised in the Revaluation Reserve	1,102	0	0	1,102
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(380)	0	0	(380)
Derecognition - disposals	0	(192)	0	(192)
Transfers	1,220	614	(1,805)	29
As at 31st March 2016	**40,098**	**19,959**	**1,685**	**61,742**
Accumulated Depreciation and Impairment				
As at 1st April 2015	0	11,728	0	11,728
Depreciation credited to the Revaluation Reserve	(854)	0	0	(854)
Depreciation charged to the Surplus/Deficit on the Provision of Services	854	1,457	0	2,311
Derecognition - disposals	0	(129)	0	(129)
Transfers	0	0	0	0
As at 31st March 2016	**0**	**13,056**	**0**	**13,056**
Net Book value:				
As at 31st March 2015	36,494	7,629	2,935	47,058
As at 31st March 2016	40,098	6,903	1,685	48,686

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

Capital Commitments

A total amount of £711k is currently contracted and is mainly related to the Tri-Service Fire Control Project, the finalisation of works at Castle Donington Fire Station and IT improvements. These commitments are expected to be paid in 2016/17.

13 Intangible Assets

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

	31st March 2015 £000	31st March 2016 £000
Cost or Valuation		
As at 1st April	136	136
Additions	0	0
As at 31st March	**136**	**136**
Accumulated Depreciation and Impairment		
As at 1st April	118	131
Amortisation Charge for Year:		
Amortisation charged to the surplus/deficit on the provision of services	13	2
As at 31st March	**131**	**133**
Net Book value	5	3

As at the 31st March 2016 there are no contractual commitments for the acquisition of intangible assets.

14 Financial Instruments

a) Categories of Financial Instruments

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

Included in:	31st March 2015		31st March 2016	
	Long-Term £000	Short-Term £000	Long-Term £000	Short-Term £000
- Investments				
Loans and receivables at fair value	0	4,327	0	0
- Cash and Cash Equivalents				
Bank balance	0	441	0	4,015
- Debtors				
Financial assets carried at contract cost	0	3,083	0	2,811
TOTAL ASSETS	**0**	**7,851**	**0**	**6,826**
- Borrowings				
Financial liabilities (i.e. borrowings) at amortised cost	(14,478)	(2,750)	(14,478)	0
- Creditors				
Financial liabilities carried at contract amount	0	(2,005)	0	(1,990)
- Other Liabilities				
Finance leases	(4,728)	(976)	(3,527)	(813)
TOTAL LIABILITIES	**(19,206)**	**(5,731)**	**(18,005)**	**(2,803)**
NET TOTAL	**(19,206)**	**2,120**	**(18,005)**	**4,023**

b) Maturity of Long-Term Borrowings and Other Liabilities

	31st March 2015 £000	31st March 2016 £000
Between 1 and 2 years	(1,724)	(1,662)
Between 2 and 5 years	(2,504)	(2,768)
Between 5 and 10 years	(4,772)	(5,438)
Over 10 years	(10,206)	(8,137)
TOTAL	**(19,206)**	**(18,005)**

PWLB interest of £142k (2014/15 £129k) has been accrued in the accounts but not included in short term borrowing.

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

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

~ PWLB debt; estimated interest rates at the 31st March 2016 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 2015		31st March 2016	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities	25,422	28,239	20,808	23,818
Financial Assets	8,330	8,330	6,826	6,828

The fair value of PWLB loans (£17,488k) measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £14,478k would be valued at £17,488k. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £1,963k.

15 Inventories

	31st March 2015 £000	31st March 2016 £000
Operational equipment	136	154
Vehicle parts	62	70
Other	68	68
TOTAL	**266**	**292**

Inventory valued at £280k (£350k 2014/15) was utilised in 2015/16.

16 Debtors

	31st March 2015 £000	31st March 2016 £000
Short-Term Debtors:		
- Central government bodies	3,069	1,665
- Other local authorities	977	1,361
- All other	2,106	1,450
TOTAL	**6,152**	**4,476**

17 Cash and Cash Equivalents

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

	31st March 2015 £000	31st March 2016 £000
- Cash held by the CFA	4	1
- Bank current accounts	14	0
- Short-term investments	423	4,014
TOTAL	**441**	**4,015**

18 Assets Held for Sale

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

	2014/15 £000	2015/16 £000
Cost or Valuation		
As at 1st April	0	349
Transfers	210	(29)
Revaluation increase	139	0
Disposals	0	(320)
As at 31st March	**349**	**0**
Accumulated Depreciation and Impairment		
As at 1st April	0	0
Depreciation	8	0
Write back of accumulated depreciation	(8)	0
As at 31st March	**0**	**0**
Net Book value as at 31st March	349	0

19 Creditors

	31st March 2015 £000	31st March 2016 £000
Central government bodies	1,995	1,108
Other local authorities	810	593
All other	1,195	1,397
TOTAL	**4,000**	**3,098**

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

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

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

Movements in provisions are as follows:

	Balance as at 1st April 2015 £000	Reduced provision in 2015/16 £000	Increased provision in 2015/16 £000	Amounts used in 2015/16 £000	Balance as at 31st March 2016 £000
Long Term Provision					
Insurance provision	69	69	0	0	0
Business Rates provision	280	0	62	0	342
Total Long Term Provision	349	69	62	0	342
Short Term Provision					
Insurance provision	0	0	17	0	17
Redundancy provision	0	0	311	0	311
Total Short Term Provision	0	0	328	0	328

21 Usable Reserves

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

22 Unusable Reserves

	31st March 2015 £000	31st March 2016 £000
Pensions Reserve	(401,889)	(369,223)
Revaluation Reserve	8,540	9,250
Capital Adjustment Account	15,706	16,257
Collection Fund Adjustment Account	196	233
Accumulated Absences Account	(94)	(254)
TOTAL	**(377,541)**	**(343,737)**

Capital Reserves

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

Revaluation Reserve

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

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

Revaluation Reserve	2014/15 £000	2015/16 £000
Balance at 1st April	7,815	8,540
Upward revaluation of assets	944	1,106
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(10)	(4)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	934	1,102
Accumulated gains on assets sold or scrapped	0	(161)
Difference between fair value depreciation and historical cost depreciation	(209)	(231)
Balance at 31st March	**8,540**	**9,250**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the CFA as finance for the costs of acquisition, construction and subsequent costs.

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

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

Capital Adjustment Account	2014/15 £000	2015/16 £000
Balance at 1st April	15,232	15,706
Reversal of items relating to capital expenditure debited or credited to the CIES		
Depreciation	(2,199)	(2,311)
Amortisation of intangible assets	(13)	(2)
Revaluation differences on Property, Plant and Equipment	(875)	475
	(3,087)	(1,838)
Difference between fair value and historical cost depreciation	209	231
Disposal of assets	(46)	(222)
Capital financing applied in year:		
Capital grants credited to CIES that have been applied to capital financing	1,495	401
Statutory provision for the financing of capital investment charged against the general fund	1,516	1,555
Use of Capital Receipt	145	303
Capital expenditure charged against the general fund balance	242	121
Balance at 31st March	**15,706**	**16,257**

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	2014/15 £000	2015/16 £000
Balance at 1st April	(362,447)	(401,889)
Remeasurements of the net defined benefit liability	(26,105)	44,075
Reversal of items relating to retirement benefits debited or credited to the surplus/deficit on the provision of services in the CIES	(15,882)	(13,205)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,545	1,796
Balance at 31st March	**(401,889)**	**(369,223)**

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	2014/15 £000	2015/16 £000
Balance at 1st April	195	196
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	1	37
Balance at 31st March	**196**	**233**

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	2014/15 £000	2015/16 £000
Balance at 1st April	(198)	(94)
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	104	(160)
Balance at 31st March	**(94)**	**(254)**

23 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2014/15 £000	2015/16 £000
Interest received	(37)	(45)
Dividend received	(64)	(38)
Interest paid	849	902

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

	2014/15		2015/16	
	£000	£000	£000	£000
Depreciation	(1,990)		(2,080)	
Impairment and revaluation	(875)		475	
Amortisation	(13)		(2)	
Increase/decrease in creditors	2,076		(408)	
Increase/decrease in debtors	(1,117)		616	
Increase/decrease in provisions	(249)		(321)	
Increase/decrease in inventories	12		26	
Movement in pension liability	(13,337)		(11,409)	
Disposal of non-current assets	99		(222)	
Movement in Collection Funds	(189)		(146)	
Movement in Accumulated Absences	104		(160)	
Other non-cash items charged to the net surplus or deficit on the provision of services	44		(330)	
Adjustments to net surplus deficit on the provisions of services for non cash movements Items classified elsewhere in the statement		**(15,435)**		**(13,961)**

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

	2014/15 £000	2015/16 £000
Capital grant received	1,495	402
Total adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**1,495**	**402**

24 Cash Flow Statement - Investing Activities

	2014/15 £000	2015/16 £000
Purchase of property, plant and equipment and intangible assets	4,020	2,725
Purchase of short and long term investments	3,500	0
Proceeds from the sale of short and long term investments	(3,558)	(4,327)
Proceeds from the sale of property, plant and equipment	(145)	(303)
Capital grants and contributions	(1,049)	0
Net cash flow from investing activities	**2,768**	**(1,905)**

25 Cash Flow Statement - Financing Activities

	2014/15 £000	2015/16 £000
Cash receipts from short term and long term borrowing including sale and leaseback	(2,500)	0
Repayments of short term and long term borrowing	2,905	3,742
Net cash flow from financing activities	**405**	**3,742**

26 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 SeRCOP. 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 per Narrative Report £000	Not reported in Management Accounts £000	Not included in CIES £000	Total £000
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**
2015/16				
Employee expenses	25,960	160	0	26,120
Pension costs calculated in accordance with IAS19	0	11,409	0	11,409
Other service expenses*	6,000	(4)	(1,676)	4,320
Loss on disposal of non-current assets	0	82	0	82
Depreciation, revaluation losses to CIES, amortisation and impairment	0	1,705	0	1,705
Capital Financing	2,451	0	0	2,451
Expenditure	**34,411**	**13,352**	**(1,676)**	**46,087**
Controllable Income	(1,990)	0	0	(1,990)
Income from council tax		(18,136)	0	(18,136)
Income from non-domestic rates		(8,346)	0	(8,346)
Government grants and contributions		(9,065)	0	(9,065)
Income	**(1,990)**	**(35,547)**	**0**	**(37,537)**
Deficit on the Provision of Services				**8,550**

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

27 Trading Operations

The CFA operates a trading company named Forge Health Limited as a wholly owned subsidiary. Its main activity is the provision of occupational health services to the private and public sectors. The Company employs no members of staff but instead uses the CFA's staff (for which it pays a fee) and independent contractors to deliver its services. There is no non-current or intangible assets owned by the Company for the year ending 31st March 2016. For the year 2015/16, Forge Health Limited reported turnover of £206k and a post tax profit of £53k (£38k in 2014/15) and this sum is proposed by the Company to be wholly paid as dividend to the CFA. Note 32 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.

28 Members' Allowances

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

	2014/15 £000	2015/16 £000
Salaries	51	49
Allowances	15	12
Expenses	2	1
TOTAL	**68**	**62**

29 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.

2014/15	Chief Fire Officer £000	Director £000	Director of Finance and Corporate Services (Section 112 officer) £000	Deputy Chief 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**

2015/16	Chief Fire Officer £000	Director/ Deputy Chief Fire and Rescue Officer £000	Director of Finance and Corporate Services (Section 112 officer) £000	Deputy Chief Fire and Rescue Officer/ Chief Fire Officer £000	Director £000
Note - staff changes through 2015-16	Chief Officer until 29th April 2015	Deputy CFO / Director from 4th June 2015	Role outsourced from 24th September 2015	Chief Officer from 30th April 2015	Director from 30th April 2015
Salary	56	97	50	116	79
Benefits in Kind	0	0	4	1	1
Compensation for loss of employment	0	0	69	0	0
Total Remuneration excluding pensions contribution	56	97	123	117	80
Pension contribution	0	19	6	24	15
TOTAL	**56**	**116**	**129**	**141**	**95**

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 2014/15	Number of Employees 2015/16
£50,000 - £54,999	15	22
£55,000 - £59,999	12	7
£60,000 - £64,999	3	6
£65,000 - £69,999	4	0
£70,000 - £74,999	1	3
£75,000 - £79,999	1	0
£80,000 - £84,999	1	1
	37	**39**

The increase in numbers occurs as the maximum pay for the role of Watch Manager is close to the reporting limit, so any pay award results in more people meeting the reporting criteria.

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

Compulsory	Number of Packages 2014/15 £000	Total Amount 2014/15 £000	Number of Packages 2015/16 £000	Total Amount 2015/16 £000
£0 - £20,000	19	94	6	33
£20,001 - £40,000	5	139	1	23
£40,001 - £60,000	0	0	1	43
£60,001 - £80,000	0	0	1	69
TOTAL COMPULSORY	24	233	9	168
Voluntary				
£0 - £20,000	3	38	6	49
£20,001 - £40,000	1	24	10	296
£40,001 - £60,000	0	0	1	45
TOTAL VOLUNTARY	4	62	17	390
TOTAL REDUNDANCIES	28	295	26	558

30 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:

	2014/15 £000	2015/16 £000
Fees payable to KPMG (PricewaterhouseCoopers LLP 2014/15) with regard to external audit services carried out by the appointed auditor for the year	39	29
Fees in respect of other services provided by KPMG (PricewaterhouseCoopers LLP 2014/15) during the year		
VAT helpline	2	0
VAT training	1	0
Employment tax services	1	0
Tax modeller	3	0
Organisational change project review	5	0
TOTAL	**51**	**29**

31 Grant Income

The CFA credited the following grants to the CIES:

	2014/15 £000	2015/16 £000
Fire Revenue Grant	1,272	1,160
Section 31 Grants	252	276
Capital Grant	1,049	0
TOTAL	**2,573**	**1,436**

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

No capital grant was received from the DCLG in 2015/16. A grant of £1,800k which was brought forward from 2011/12 in respect of the replacement of fire control systems was paid to the lead authority, Derbyshire Fire and Rescue Service, in August 2012. £1,080k of this was spent by Derbyshire up to 2014/15, and a further £401k in 2015/16. The remaining £319k has been treated as a creditor due to being returnable to the Home Office if unspent. The cost of this work and the use of the grant, has been incorporated into these accounts.

32 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

The Home Office (DCLG until the 5th January 2016) has significant influence on the general operation 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 26 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 members' allowances paid in 2015/16 is shown in note 28. During 2015/16, 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 2015/16, 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

Forge Health Limited

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

Fire and Rescue Indemnity Company Limited

Until 31st October 2015 insurances for the CFA were arranged as part of a consortium of nine fire and rescue authorities. These fire and rescue authorities, including Leicestershire, are now members of the Fire and Rescue Indemnity Company Limited (FRIC). The company commenced trading in November 2015. The CFA's risk protection arrangements are provided through the pooled funds of the company. The CFA made contributions of £302k to the company for the year to 31st October 2016 with £120k of this treated as an expense in 2015/16.

	2014/15 £000	2015/16 £000
Due to:		
Leicestershire County Council - Local partner/Supplier of service	133	237
Leicester City Council - Local partner/Supplier of service	12	13
Home Office (formerly DCLG) - Pensions overpayments	230	230
DCLG - Firelink	66	66
Due from		
Forge Health Limited - Wholly owned subsidiary	(38)	(53)
Home Office (formerly DCLG) :-		
Pensions reimbursement	(2,038)	(1,395)
Staff Secondment	0	(25)
Net balance with related parties at 31st March	**(1,635)**	**(927)**

	2014/15 £000	2015/16 £000
Expenditure		
Local Partners		
Leicestershire County Council	374	435
Leicester City Council	14	4
FRIC	0	287
Firelink provider		
Home Office (formerly DCLG)	448	437
Income		
Local Partners		
Leicester City Council	19	(6)
Wholly owned subsidiary		
Forge Health Limited	(64)	(38)
Government Grant		
Home Office (formerly DCLG)		
Specific Grants	(1,524)	(1,457)
Funding		
Pensions reimbursement	(6,619)	(6,046)
Net transactions with related parties for year	**(7,352)**	**(6,384)**

33 Capital Expenditure and Capital Financing

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

	2014/15 £000	2015/16 £000
Land and buildings	1,615	1,662
Vehicles, plant and equipment	144	180
Assets in construction	2,210	555
TOTAL	**3,969**	**2,397**

This includes property, plant and equipment and intangible assets (Notes 12 and 13).

Capital expenditure was financed as follows:

	2014/15 £000	2015/16 £000
Prudential borrowing	1,491	1,572
Capital receipts	145	303
General fund	242	121
Finance lease	0	0
Finance lease not commenced in year	596	0
Grant	1,495	401
TOTAL	**3,969**	**2,397**

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 2016/17 to make a recommendation on any future local provision of a training rig. The remainder of the grant funding is carried over into 2016/17 and is shown as a creditor in the accounts.

The CFA had an opening capital financing requirement of £23,166k at the 1st April 2015 and a closing capital financing requirement of £23,182k at the 31st March 2016.

34 Leases

Finance lease rentals paid to lessors relating to 2015/16 totalled £1,134k (£1,171k 2014/15) of which £189k was interest and £945k was principal. All finance leases relate to Vehicles, Plant and Equipment and the net book value of these assets at the 31st March 2016 is £4,108k.

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
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
2015/16			
Minimum lease payments	962	3,080	710
Difference due to timing of cash flows	(27)	(276)	(127)
Present value	935	2,804	583

Operating lease rentals paid to lessors in the year totalled £150k (2014/15 £172k). As at the 31st March 2016 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
2014/15			
Minimum lease payments	154	422	6
2015/16			
Minimum lease payments	140	394	0

35 Termination Benefits

The CFA terminated the contracts of fourteen employees in 2015/16, incurring redundancy costs of £247k in 2015/16 (£295k in 2014/15). The decision to terminate these contracts was made in 2015/16. Decision has also been made during 2015/16 to terminate a further twelve employees during 2016/17 at a cost of £311k. This cost has been recognised as an expense in 2015/16 and a provision created.
There was no pension strain cost arising from early retirements.

36 Defined Benefit Pensions Schemes

Participation in Pension Schemes

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

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

(i) Uniformed Firefighters

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

(ii) Control and Support Staff

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

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment/ retirement benefits is reversed out of the General Fund via the MIRS. The following transactions have been made in the CIES and the general fund balance via the MIRS during the year:

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2014/15 £000	Local Government Pension Scheme 2015/16 £000
Cost of Services		
~ current service cost	910	1,036
~ past service cost	233	106
Financing and Investment Income and Expenditure		
~ net interest expense	491	515
Total Post-employment Benefit charged to the Surplus or Deficit on the Provision of Services	**1,634**	**1,657**
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)	(2,038)	515
~ actuarial gains and losses arising on changes in financial assumptions	6,065	(7,535)
~ other	(162)	(275)
Total Post-employment Benefit Charged to the CIES	**3,865**	**(7,295)**
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	(1,634)	(1,657)
Actual amount charged against the General Fund Balance for pensions in the year:		
~ employers contributions payable to scheme	(918)	(768)

2014/15 Comprehensive Income and Expenditure	**Firefighters' Pension Scheme 1992 £000**	**Firefighters' Pension Scheme 2006 £000**	**Consolidated Firefighters' Pension Schemes £000**	**Injury Benefit Scheme £000**
Cost of Services				
~ current service costs	6,580	2,220	**8,800**	690
Financing and Investment Income and Expenditure				
~ net interest expense	14,080	580	**14,660**	(730)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**20,660**	**2,800**	**23,460**	**(40)**
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)	(4,820)	**(21,500)**	13,520
~ actuarial losses arising on changes in financial assumptions	52,300	4,670	**56,970**	(690)
~ changes in assumptions underlying the present value of the retained settlement	0	6,050	**6,050**	0
~ other	(6,780)	790	**(5,990)**	460
Total Post-employment Benefit Charged to the CIES	**28,840**	**6,690**	**35,530**	**13,290**
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)	(2,800)	**(23,460)**	40
Actual amount charged against the General Fund Balance for pensions in the year:				
~ employers contributions payable to scheme	(2,225)	(494)	**(2,719)**	0

2015/16 Comprehensive Income and Expenditure	**Firefighters' Pension Scheme 1992 £000**	**Firefighters' Pension Scheme 2006 £000**	**Firefighters' Pension Scheme 2015 £000**	**Consolidated Firefighters' Pension Schemes £000**	**Injury Benefit Scheme £000**
Cost of Services					
~ current service costs	4,360	330	3,630	**8,320**	590
Financing and Investment Income and Expenditure					
~ net interest expense	11,780	710	60	**12,550**	140
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**16,140**	**1,040**	**3,690**	**20,870**	**730**
Other Post-employment Benefit Charged to the CIES					
Remeasurement of the net defined benefit liability comprising:					
~ actuarial gains arising on changes in demographic assumptions	(5,090)	(250)	(40)	**(5,380)**	(50)
~ actuarial gains arising on changes in financial assumptions	(29,200)	(3,530)	(300)	**(33,030)**	(580)
~ changes in assumptions underlying the present value of the retained settlement	0	(5,220)	0	**(5,220)**	0
~ other	3,670	3,720	(130)	**7,260**	220
Total Post-employment Benefit Charged to the CIES	**(30,620)**	**(5,280)**	**(470)**	**(36,370)**	**(410)**
Movement in Reserves Statement					
~ reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	(16,140)	(1,040)	(3,690)	**(20,870)**	(730)
Actual amount charged against the General Fund Balance for pensions in the year:					
~ employers contributions payable to scheme	(1,290)	(110)	(1,079)	**(2,479)**	0

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

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

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

	2014/15 £000	2015/16 £000
Opening fair value of scheme assets	17,172	20,723
Interest Income	754	670
Remeasurement (gain)/loss:		
The return on plan assets, excluding the amount included in the net interest expense	2,038	(515)
Contributions from scheme employer	914	764
Contributions from employees into the scheme	269	234
Contributions in respect of unfunded benefits	4	4
Unfunded benefits paid	(4)	(4)
Benefits paid	(424)	(553)
Closing fair value of scheme assets	**20,723**	**21,323**

Reconciliation of present value of the scheme liabilities - LGPS

	2014/15 £000	2015/16 £000
Funded Liabilities	28,408	36,536
Unfunded Liabilities	81	86
Opening balance at the 1st April	28,489	36,622
Current service cost	910	1,036
Interest cost	1,246	1,185
Contributions from scheme participants	269	234
Remeasurement gain/(loss):		
Actuarial gains/losses arising from changes in financial assumptions	6,065	(7,535)
Other experience	(162)	(275)
Past service costs	233	106
Benefits paid	(424)	(553)
Unfunded benefits paid	(4)	(4)
Closing balance at the 31st March	**36,622**	**30,816**
Represented by:		
Funded Liabilities	36,536	30,737
Unfunded Liabilities	86	79

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

	Firefighters' Pension Scheme 1992 £000	Firefighters' Pension Scheme 2006 £000	Firefighters' Pension Scheme 2015 £000	Consolidated Firefighters' Pension Schemes £000	Injury Benefit Scheme £000
Opening balance at the 1st April 2014	322,590	12,310	0	334,900	16,230
Current service costs (net of employee contributions)	5,050	1,750	0	6,800	690
Contributions by scheme participants	1,530	470	0	2,000	0
Remeasurement gain					
Actuarial gains/losses arising from changes in demographic assumptions	(16,680)	(4,820)	0	(21,500)	(13,520)
Actuarial gains/losses arising from changes in financial assumptions	52,300	4,670	0	56,970	690
Changes in assumptions underlying the present value of the retained settlement	0	6,050	0	6,050	0
Other experience	(6,780)	790	0	(5,990)	(460)
Finance Interest cost	14,080	580	0	14,660	730
Benefits paid	(11,850)	(300)	0	(12,150)	(110)
Closing balance at the 31st March 2015	**360,240**	**21,500**	**0**	**381,740**	**4,250**
Current service costs (net of employee contributions)	3,460	240	2,710	6,410	590
Contributions by scheme participants	900	90	920	1,910	0
Remeasurement gain					
Actuarial gains/losses arising from changes in demographic assumptions	(5,090)	(250)	(40)	(5,380)	(50)
Actuarial gains/losses arising from changes in financial assumptions	(29,200)	(3,530)	(300)	(33,030)	(580)
Changes in assumptions underlying the present value of the retained settlement	0	(5,220)	0	(5,220)	0
Other experience	3,670	3,720	(130)	7,260	220
Finance Interest cost	11,780	710	60	12,550	140
Benefits paid	(10,650)	(320)	0	(10,970)	(110)
Closing balance at the 31st March 2016	**335,110**	**16,940**	**3,220**	**355,270**	**4,460**

Local Government Pension Scheme assets comprised:

	Year ended 31st March 2015 £000	Year ended 31st March 2015 %	Year ended 31st March 2016 £000	Year ended 31st March 2016 %
Cash and cash equivalents	208	1.0%	426	2.0%
Quoted prices in active markets				
Equity Securities				
Other	643	3.1%	583	2.7%
Bonds				
UK Government	1,137	5.5%	1,126	5.3%
Other	852	4.1%	878	4.1%
Investment Funds and Unit Trusts				
Equities	10,449	50.4%	10,461	49.1%
Bonds	633	3.0%	669	3.1%
Hedge Funds	881	4.2%	945	4.4%
Commodities	472	2.3%	0	0.0%
Other	380	1.8%	590	2.8%
Derivatives				
Interest Rate	116	0.6%	0	0.0%
Foreign Exchange	0	0.0%	-8	0.0%
Quoted prices not in active markets				
Property				
UK Property	1,964	9.5%	2,172	10.2%
Private Equity				
All	786	3.8%	818	3.8%
Investment Funds and Unit Trusts				
Bonds	1,297	6.3%	1,626	7.6%
Hedge Funds	18	0.1%	22	0.1%
Commodities	398	1.9%	458	2.2%
Infrastructure	489	2.4%	557	2.6%
Total Assets	**20,723**	**100.0%**	**21,323**	**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:

	2014/15		2015/16	
	LGPS	Fire Pension Scheme	LGPS	Fire Pension Scheme
Mortality assumptions:				
Longevity in years of current pensioners at 65:				
Men	22.2	22.5	22.2	22.3
Women	24.3	22.5	24.3	22.3
Longevity in years at 65 for future pensioners currently aged 45:				
Men	24.2	24.8	24.2	24.6
Women	26.6	24.8	26.6	24.6
Other assumptions:				
Rate of Inflation	-	2.20%	-	2.20%
Short duration	1.90%	-	2.10%	-
Medium duration	2.20%	-	2.20%	-
Long duration	2.30%	-	2.20%	-
Pension Increase Rate	2.40%	2.20%	2.20%	2.20%
Salary Increase Rate- Long Term	4.30%	4.20%	3.20%	4.20%
Salary Increase Rate- Short Term	-	-	-	1.00%
Discount Rate	3.20%	3.30%	3.50%	3.55%

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

Impact on the Defined Benefit Obligation in the Scheme

	Change in Assumption	
	LGPS £000	**Fire Pension Schemes £000**
Longevity (change of 1 year)	924	8,400
Rate of increase in salaries (change of 0.5%)	1,609	3,500
Rate of increase in pensions (change of 0.5%)	2,359	29,600
Rate of discounting scheme liabilities (change of 0.5%)	4,046	37,100
Early retirement (change of 1 year)	0	(200)

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. The CFA anticipated to pay £741k expected contributions to the scheme in 2016-17. The weighted average duration of the defined benefit obligation for scheme members is 23 years as at the latest formal valuation on 31st March 2013.
No such strategy exists for the Fire Pension schemes as they are unfunded schemes and therefore have no target funding level. The methodology for calculating employer contribution rates to the Fire Pensions Schemes for the 2012 valuation is set out in 'The Public Services (Valuations and Employer Cost Cap) Directions 2014. GAD are currently undertaking the first valuation exercise for the Firefighters schemes as at 31st March 2016.

37 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 2014/15 and 2015/16 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.

Firefighters' Pension Scheme - Contributions Holiday

Firefighters who joined the 1992 Firefighters' Pension scheme aged 18-20 have previously had to contribute for up to 32 years to receive a 30 year pension at the earliest age of 50. This is because this scheme had an accrual cap of 30 years reckonable service. Following a legal challenge by the Fire Brigades Union (FBU), correspondence from Central Government has confirmed that the Secretary of State will allow members meeting certain criteria to take a contributions holiday. The rules on the 1992 scheme will be amended and applied retrospectively to 1st December 2006, with affected members receiving a refund. Specific guidance is awaited from the Home Office in order to implement this change. The pension fund is impacted by a financial risk as a result which cannot be specifically measured at this time.

Pension Transitional Protection Legal Challenge

As part of Central Government pension reform across the public sector, the Firefighters' Pension Scheme (2015) was created which extended the normal pension age to 60 and changed from a final salary scheme to a defined benefit scheme as part of a suite of initiatives to make fire pensions more financially sustainable. To support those closer to retirement who are considered less able to alter their financial retirement planning, firefighters within 10-14 years of their normal pension age were wholly or partially protected from transferring to the 2015 scheme.
In response, a legal challenge has been raised nationally arguing that such transitional protection discriminates on the grounds of age, gender and race. The preliminary hearing of the resulting Employment Tribunal is set for 31st May - 3rd June 2016 with the full hearing expected from 9th - 24th January 2017.
It is felt that Fire Services and DCLG/Home Office have strong defences in this case, but a level of financial risk exists. Should this employment tribunal find in favour of employees, the financial cost cannot be measured with sufficient reliability. Such cost would be a contingent liability on the pension fund, as opposed to members directly. At a future date, a valuation of the fund liabilities including any judgement in respect of this legal challenge would be assessed nationally, with deficits being addressed by increases to employer and employee pensions contribution rates.

38 Nature and Extent of Risks arising from Financial Instruments

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

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions and from providing chargeable services to customers. The CFA publishes criteria for lending surplus cash in the Medium Term Financial Strategy. The 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 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 2016 were repaid to the CFA before the date the Statement of Accounts was authorised for issue (30th June 2016) 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 2015 £000**	**31st March 2016 £000**	**Est. Maximum Exposure to Credit Risk £000**	**Historical Experience of Default %**
Deposits with banks and financial institutions	4,768	4,034	0	0.00
Trade debtors:				
- not yet due for payment	108	7	0	0.00
- past due date for payment	35	82	0	0.02
TOTAL	**4,911**	**4,123**	**0**	

The past due amount is analysed by age as follows:

	1st April 2015 £000	**31st March 2016 £000**
Less than 1 month overdue	33	43
1-2 months overdue	0	36
2-6 months overdue	0	2
6-12 months overdue	0	0
Over 1 year overdue	2	1
TOTAL	**35**	**82**

Liquidity Risk

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

Maturity Structure of fixed interest rate borrowing 2015/16		
	Lower Limit	Upper Limit
Less than 1 year	0%	30%
12 months to 2 years	0%	30%
2 years to 5 years	0%	50%
5 years to 10 years	0%	70%
10 years and above	25%	100%

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

Market Risk

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

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

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

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

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

According to this assessment strategy, at the 31st March 2016, 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)	95
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)

An average rate of 0.527% (£32k) was achieved for investments, therefore this is the maximum amount which could be lost.

PENSION FUND STATEMENT

Firefighters' Pension Fund

Fund Account	2014/15 £000	2015/16 £000
Income to the fund		
Contributions receivable:		
~ from employer		
~ normal contributions	(2,719)	(2,553)
~ ill health contributions	(20)	(53)
~ from members	(2,157)	(2,180)
Income to the fund	**(4,896)**	**(4,786)**
Spending by the fund		
Benefits payable:		
~ Pension payments	8,998	9,395
~ Commutation of pensions and lump-sum retirement benefits	2,568	2,765
~ Other payments	0	31
Payments To and On Behalf of Leavers		
~ Individual transfers out to other schemes	311	48
Spending by the fund	**11,877**	**12,239**
Deficit for the year before top up grant receivable from Home Office (formerly DCLG)	**6,981**	**7,453**
~ Top-up grant received	(4,944)	(6,047)
Deficit for the Year	**2,037**	**1,406**

Firefighters' Pension fund net assets statement	31st March 2015 £000	31st March 2016 £000
Net current assets and liabilities:		
~ pensions top up grant receivable from Home Office (formerly DCLG)	2,037	1,406
~ repayment of 13-14 grant claimed in error	(29)	0
Net grant receivable	**2,008**	**1,406**

NOTES TO THE FIREFIGHTERS' PENSION FUND STATEMENT

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

2. Employee contributions, and employer contributions are paid into a separate account out of which pensions are paid. This is administered on behalf of the CFA by Leicestershire County Council Pensions Department. Any deficit on this account is made up by direct government funding from the Home Office (formerly 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 2016. These can be found in note 36 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 13.

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 the Home Office (formerly DCLG) following audit of the accounts for the year.

8. The fund is in deficit by £359,730k as at the 31st March 2016 (£385,990k as at the 31st March 2015).

9. Following the GAD vs Milne case, the 2015/16 figures include costs of £1,272k. This sum was reimbursed to the CFA in full via DCLG grant.

GLOSSARY OF TERMS

Accruals

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

Amortisation

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

Capital Expenditure

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

Capital Receipts

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

Cash Equivalents

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Code of Practice on Local Authority Accounting (The Code)

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

Contingent Liability

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

Creditors

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

Debtors

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

Depreciation

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

Finance Lease

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

Financial Instrument

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

General Fund

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

Government Actuary's Department

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

Impairment

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

Non-Current Assets

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

Operating Lease

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

Provision

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

Reserve

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

Revenue Expenditure and Income

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