# CONTENTS

## Combined Fire Authority 2013/14 Statement of Accounts



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

# EXPLANATORY FOREWORD

The accounting statements contained in this booklet represent the Combined Fire Authority's (CFA's) accounts for the year ended the 31st March 2014. 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 2013/14.

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 £17.752m (£10.407m in 2012/13).

### Balance Sheet

This sets out the value of assets and liabilities of the CFA as at the 31st March 2014. The net assets of the CFA (assets less liabilities) are matched by the reserves held by the CFA. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the CFA may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the CFA is not able to use to provide services. This category of reserves include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The net worth of the CFA is £28.667m (£26.746m 2012/13) excluding pensions (a deficit of £333.780m including pensions) - (£335.605m 2012/13).

### Cash Flow Statement

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

## Comparison of Income and Expenditure Spend to Budget

The table below provides a comparison of actual expenditure for the financial year ending the 31st March 2014 with the revised budget.

| | Revised Budget £000 | Actual £000 | Variance £000 |
|---|---|---|---|
| Employees | 28,333 | 27,985 | (348) |
| Fire Pensions | 785 | 636 | (149) |
| Indirect Employee Expenses | 155 | 133 | (22) |
| Premises | 2,012 | 1,872 | (140) |
| Transport | 1,349 | 1,222 | (127) |
| Supplies and Services | 3,180 | 3,038 | (142) |
| Other Local Authorities | 50 | 26 | (24) |
| Support Services | 72 | 72 | 0 |
| Capital Financing | 3,572 | 3,394 | (178) |
| Gross Expenditure | 39,508 | 38,378 | (1,130) |
| Income | (38,499) | (38,702) | (203) |
| Net Expenditure | 1,009 | (324) | (1,333) |
| Contribution to Specific Reserves | 445 | 634 | 189 |
| Net Expenditure after Specific Reserves | 1,454 | 310 | (1,144) |
| Contribution (from)/to General Fund | (1,454) | (765) | 689 |
| Total Expenditure | 0 | (455) | (455) |

The accounts for 2013/14 show an underspend of £1,333k compared to the revised budget, before adjustments relating to reserves. The main areas contributing to the underspend are as follows:

Firefighters pay (£183k), Support Staff pay (£77k), Control Room staff pay (£64k), Training (£210k), Building Repairs and Maintenance (£152k), Fleet Maintenance and fuel (108k), Operational Equipment (£55k), Clothing and Uniforms (£67k), Communications and Computing overspend £69k, Government Grants (£141k), and External Interest payments (£94k).

The main items of income (excluding Government Funding income) are:

Contributions received for the Princes Trust Scheme £504k (£638k 2012/13), interest income £30k (£107k 2012/13), dividend from the subsidiary, Forge Health Limited £64k (£33k 2012/13) and radio mast income £49k (£67k 2012/13).

## Comparison of Capital Spend to Revised Programme

The table below provides a comparison of actual payments for the financial year ending the 31st March 2014 with the most recent updated capital programme.

| | Updated Programme £000 | Actual £000 | Variance £000 |
|---|---|---|---|
| Appliances/ Vehicles | 1,738 | 1,480 | (258) |
| Property | 8,782 | 5,978 | (2,804) |
| Equipment | 205 | 205 | 0 |
| IT and Communications | 2,115 | 653 | (1,462) |
| Total Expenditure | 12,840 | 8,316 | (4,524) |

The Property underspend mainly relates to ongoing major building projects that did not complete in 2013/14 but are scheduled for completion in 2014/15. These include continuing development at Hinckley and Coalville Fire Stations, the delayed building purchase at Castle Donington and outstanding fixtures and fitting costs for the new headquarters and fire station at Birstall. Completed projects at Melton and Oakham was achieved with an underspend of £65k. The IT and Communications underspend relates to the Tri-Service Fire Control Project where the implementation of the system is presently planned for July 2014.

As a consequence of both the underspend of the capital projects and deliberate delay in borrowing to keep interest costs down, interest paid on borrowings for 2013/14 was £94k less than the revised budget.

The majority of the expenditure on property relates to the major projects at Hinckley Fire Station (£1.758m), Coalville Fire Station (£1.823m) and the completed projects at Melton and Oakham (£1.191m).

## Annual Performance

The Annual Report for 2013/14 that these accounts are contained within, highlights the work that the Service has undertaken over the year and provides a full review of the CFA's performance against Key Corporate Indicators (KCI's). The KCI's include the performance on sickness absence for both operational and support staff and environmental data on the CFA's energy usage.

### Pensions Accounting

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

The £11.317m liability (£8.221m in 2012/13) 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 £351.130m (£354.130m in 2012/13) is a result of this position. There is no requirement, or legal powers, for the CFA to fund this deficit, and any costs not financed by future levels of employee or employer contributions will be met by a Department of Communities and Local Government (DCLG) grant. More details on pensions can be found in note 32.

## Borrowing

Public Works Loans Board (PWLB) borrowing has increased to £16.728m (£11.228 million in 2012/13), with new borrowing of £5.5m in 2013/14. This is less than originally anticipated in the 2013/16 Medium Term Financial Plan when an authorised limit of £25.269m was set. Finance leases of £1.442m have commenced during 2013/14 and repayments made of £0.809m increasing the borrowing to £6.615m (£5.977m 2012/13) against an authorised limit of £8.336m.

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

## Significant Provisions, Contingencies or Write Offs

There were no significant write-offs in 2013/14. The property revaluation undertaken on the 31st March 2014 resulted in £4.408m negative revaluations which were not covered by positive values held in the revaluation reserve from previous revaluations. A large proportion of this was due to the new headquarters building which was revalued at £3.577m less than its building cost.

## Events After the Balance Sheet Date

There are no events after the balance sheet date to report.

## Impact of Current Economic Climate on the CFA's Services

The property revaluation as at the 31st March 2014 identified £3.874m revaluation increases and £4.521m revaluation losses. The net loss of £0.647m is 1.6% of the value of the entire property portfolio (excluding property assets in construction). The repairs and maintenance budget and the refurbishment plan in the capital programme help keep the value of the portfolio as high as the economy permits.

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

Officers of the CFA have implemented efficiency savings across all areas of the Service. This includes the ongoing roll-out of the 'Day Crewing Plus' duty system. The Medium Term Financial Plan 2013/16 highlights that the CFA is required to make substantial efficiency savings through to 2016/17 and probably until 2019/20. The budget deficit over the next three years is estimated to be £3.9m. Based upon the current financial planning assumptions, this amount will grow to an estimated £7.5m by 2019/20. To tackle the budget shortfall an Organisational Change Project has been established to identify ways in which the deficit can be addressed. A range of options was presented to the CFA at its meeting of the 25th June 2014. These will be developed further and will undergo consultation before decisions are made by the CFA in December 2014. It is acknowledged that it is not possible to achieve the required savings without reductions in staffing levels. It is likely that a number of voluntary and/or compulsory redundancies will be required.

The CFA has agreed to hold 5% of its revenue budget as a General Reserve. Any excess balances will be used to increase the General Fund and provide further transition funding to meet forthcoming budget reductions.

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 that became effective from 2013/14.
The CFA agreed along with all the major precepting authorities to operate a pooling agreement for business rates levies and safety net payments for 2013/14, the Leicester and Leicestershire Pool (LLP). The County Council was the lead authority for the LLP. Overall the Pool achieved a net surplus of £0.7m for 2013/14. The surplus at the end of 2013/14 will be distributed in agreement with the LLP partners. The CFA's share of this pool is £8,244 which will be received in 2014/15.
Due to the uncertainties over Government policy changes and the level of potential appeal losses, the LLP partners decided not to continue with the Pool in 2014/15 and to review the position again for 2015/16.

# STATEMENT OF RESPONSIBILITIES

### THE CFA'S RESPONSIBILITIES

The CFA is required to;

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

These accounts were approved by the Treasurer to the CFA on the 25th September 2014.

**Stephen Corrall**

**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 expenditure and income for the year ended the 31st March 2014.

**Trevor Peel**

**TREASURER OF THE COMBINED FIRE AUTHORITY**

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

## Report on the financial statements

### Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Authority's affairs as at 31 March 2014 and of the Authority's income and expenditure and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the CIPFA Service Reporting Code of Practice 2013/14.

This opinion is to be read in the context of what we say in the remainder of this report.

### What we have audited

The financial statements, which are prepared by Leicester, Leicestershire and Rutland Combined Fire Authority, comprise:

- the Balance Sheet as at 31 March 2014;
- the Comprehensive Income and Expenditure Statement for the year then ended;
- the Movement in Reserves Statement for the year then ended;
- the Cash Flow Statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 supported by the CIPFA Service Reporting Code of Practice 2013/14.

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

### What an audit of financial statements involves

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

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

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

## Opinion on other matter prescribed by the Code of Audit Practice

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

## Other matters on which we are required to report by exception

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

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

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the Treasurer

As explained more fully in the Statement of Responsibilities the Treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the CIPFA Service Reporting Code of Practice 2013/14.

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

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

## Report on the pension fund accounts

### Our opinion

In our opinion the pension fund accounts, defined below:

- give a true and fair view of the financial transactions of the firefighters' pension fund during the year ended 31 March 2014, and the amount and disposition of the fund's assets and liabilities as at 31 March 2014; and
- have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This opinion is to be read in the context of what we say in the remainder of this report.

### What we have audited

The firefighters' pension fund accounts contained within the Statement of Accounts of Leicester, Leicestershire and Rutland Combined Fire Authority for the year ended 31 March 2014, comprise:

- the firefighters' pension fund Net Assets Statement as at 31 March 2014;
- the firefighters' pension fund Fund Account for the year then ended; and
- the notes to the firefighters' pension fund statement, which include explanatory information.

The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

### What an audit of pension fund accounts involves

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

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

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

## Responsibilities for the pension fund accounts and the audit

### Our responsibilities and those of the Treasurer

As explained more fully in the Statement of Responsibilities the Treasurer is responsible for the preparation of the pension fund accounts and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

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

## Opinion on other matter prescribed by the Code of Audit Practice

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

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

### Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission on 15 October 2013, we are satisfied that, in all significant respects, Leicester, Leicestershire and Rutland Combined Fire Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission on 15 October 2013, as to whether the Authority has proper arrangements for:

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

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

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

Our responsibilities and those of the Authority

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

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

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

## Certificate

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

A Breadon

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

Donington Court,
Pegasus Business Park,
East Midlands
DE74 2UZ

Date: 25 September 2014

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

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

## MOVEMENT IN RESERVES STATEMENT

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

| | Note | Restated General Fund Balance £000 | Earmarked General Fund Reserves £000 | Restated Total Usable Reserves £000 | Unusable Reserves £000 | Restated Total CFA Reserves £000 |
|---|---|---|---|---|---|---|
| **Balance as at the 31st March 2012** | | 6,358 | 1,242 | 7,600 | (294,439) | (286,839) |
| Deficit on the provision of services | | (10,407) | 0 | (10,407) | 0 | (10,407) |
| Deficit on revaluation of Property, Plant and Equipment assets | 6 | 0 | 0 | 0 | (166) | (166) |
| Actuarial loss on pension assets/liabilities | 6 | 0 | 0 | 0 | (38,193) | (38,193) |
| **Other Comprehensive Income and Expenditure:** | | 0 | 0 | 0 | (38,359) | (38,359) |
| **Total Comprehensive Income and Expenditure** | | (10,407) | 0 | (10,407) | (38,359) | (48,766) |
| Adjustments between accounting basis and funding basis under regulations | 5 | 8,145 | 0 | 8,145 | (8,145) | 0 |
| **Net Decrease before Transfers to Earmarked Reserves** | | (2,262) | 0 | (2,262) | (46,504) | (48,766) |
| Transfers to or from Earmarked Reserves | 7 | 336 | (336) | 0 | 0 | 0 |
| **Decrease in 2012/13** | | (1,926) | (336) | (2,262) | (46,504) | (48,766) |
| **Balance as at the 31st March 2013** | | 4,432 | 906 | 5,338 | (340,943) | (335,605) |
| Deficit on the provision of services | | (17,752) | 0 | (17,752) | 0 | (17,752) |
| Surplus on revaluation of Property, Plant and Equipment assets | 6 | 0 | 0 | 0 | 3,627 | 3,627 |
| Actuarial gains on pension assets/liabilities | 6 | 0 | 0 | 0 | 15,950 | 15,950 |
| **Other Comprehensive Income and Expenditure** | | 0 | 0 | 0 | 19,577 | 19,577 |
| **Total Comprehensive Income and Expenditure** | | (17,752) | 0 | (17,752) | 19,577 | 1,825 |
| Adjustments between accounting basis and funding basis under regulations | 5 | 18,037 | 0 | 18,037 | (18,037) | 0 |
| **Net Increase before Transfers to Earmarked Reserves** | | 285 | 0 | 285 | 1,540 | 1,825 |
| Transfers to or from Earmarked Reserves | 7 | (586) | 586 | 0 | 0 | 0 |
| **(Decrease)/Increase in 2013/14** | | (301) | 586 | 285 | 1,540 | 1,825 |
| **Balance as at the 31st March 2014** | | 4,131 | 1,492 | 5,623 | (339,403) | (333,780) |

## 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).

| | Note | 2012/13 (restated) | | |
|---|---|---|---|---|
| | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure of Continuing Operations £000 |
| Community Fire Safety | | 4,854 | (308) | 4,546 |
| Firefighting and Rescue Operations | | 31,240 | (3,268) | 27,972 |
| Fire Service Emergency Planning and Civil | | 453 | (21) | 432 |
| Corporate and democratic core | | 803 | (35) | 768 |
| Non distributed costs | | 6 | 0 | 6 |
| **Cost of services** | | **37,356** | **(3,632)** | **33,724** |
| Other operating expenditure | 8 | 0 | (11) | (11) |
| Financing and investment income and expenditure | 9 | 15,771 | (140) | 15,631 |
| Taxation and non-specific grant income and expenditure | 10 | 0 | (38,937) | (38,937) |
| Deficit on the provision of services | | | | **10,407** |
| **Items that will not be reclassified to the Deficit on the Provision of Services** | | | | |
| Deficit on revaluation of Property, Plant and Equipment assets | 6 | | | 166 |
| Actuarial losses on pension assets/liabilities | 6 | | | 38,193 |
| **Other Comprehensive Income and Expenditure** | | | | **38,359** |
| **Total Comprehensive Income and Expenditure** | | | | **48,766** |

| | Note | 2013/14 | | |
|---|---|---|---|---|
| | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure of Continuing Operations £000 |
| Community Fire Safety | | 4,771 | (292) | 4,479 |
| Firefighting and Rescue Operations | | 35,755 | (1,948) | 33,807 |
| Fire Service Emergency Planning and Civil | | 568 | (34) | 534 |
| Corporate and democratic core | | 774 | (36) | 738 |
| Non distributed costs | | 6 | 0 | 6 |
| **Cost of services** | | **41,874** | **(2,310)** | **39,564** |
| Other operating expenditure | 8 | 0 | (82) | (82) |
| Financing and investment income and expenditure | 9 | 16,334 | (94) | 16,240 |
| Taxation and non-specific grant income and expenditure | 10 | 93 | (38,063) | (37,970) |
| Deficit on the provision of services | | | | 17,752 |
| **Items that will not be reclassified to the Deficit on the Provision of Services** | | | | |
| Surplus on revaluation of Property, Plant and Equipment assets | 6 | | | (3,627) |
| Actuarial gains on pension assets/liabilities | 6 | | | (15,950) |
| **Other Comprehensive Income and Expenditure** | | | | (19,577) |
| **Total Comprehensive Income and Expenditure** | | | | (1,825) |

## BALANCE SHEET

This statement sets out the value of assets and liabilities of the CFA as at the 31st March 2014. The net assets of the CFA (assets less liabilities) are matched by the reserves held by the CFA. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the CFA may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the CFA is not able to use to provide services. This category of reserves include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

| | Note | 31st March 2013 £000 | 31st March 2014 £000 |
|---|---|---|---|
| Property, Plant and Equipment | 11 | 41,033 | 45,624 |
| Intangible Assets | 12 | 31 | 18 |
| **Long Term Assets** | | **41,064** | **45,642** |
| Short Term Investments | 17 | 2,342 | 4,385 |
| Assets Held for Sale | 18 | 167 | 0 |
| Inventories | 19 | 253 | 255 |
| Short Term Debtors | 20 | 6,888 | 5,933 |
| Cash and Cash Equivalents | 17 | 1 | 1,086 |
| **Current Assets** | | **9,651** | **11,659** |
| Short Term Borrowing | 17 | (782) | (1,925) |
| Short Term Creditors | 21 | (6,712) | (5,191) |
| Current Liabilities | | **(7,494)** | **(7,116)** |
| Long Term Borrowing | 17 | (16,423) | (21,418) |
| Net Pensions Liability | 32 | (362,351) | (362,447) |
| Provisions | 22 | (52) | (100) |
| Long Term Liabilities | | **(378,826)** | **(383,965)** |
| **Net Liabilities** | | **(335,605)** | **(333,780)** |
| <u>Financed by:</u> | | | |
| General Fund | | 4,432 | 4,131 |
| Earmarked General Fund Reserves | 7 | 906 | 1,492 |
| Total Usable Reserves | | **5,338** | **5,623** |
| Pension Reserve | 6 | (362,351) | (362,447) |
| Revaluation Reserve | 6 | 4,188 | 7,815 |
| Capital Adjustment Account | 6 | 17,244 | 15,232 |
| Collection Fund Adjustment Account | 6 | 71 | 195 |
| Accumulated Absences Account | 6 | (95) | (198) |
| Total Unusable Reserves | | **(340,943)** | **(339,403)** |
| **Total Reserves** | | **(335,605)** | **(333,780)** |

The financial statements on pages 11 to 44 were authorised for issue on the 25th September 2014 by the Treasurer of the Combined Fire Authority.

## CASH FLOW STATEMENT

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

| | | 2012/13 (restated) | | 2013/14 | |
|---|---|---|---|---|---|
| | Note | £000 | £000 | £000 | £000 |
| Deficit on the provision of services | | 10,407 | | 17,752 | |
| Adjustment to net deficit on the provision of services for non-cash movement | 35 | (13,029) | | (22,104) | |
| Net Cash flows from Operating Activities | | | | | |
| Adjustments for items included in the net deficit on the provision of services that are investing and financing activities | 35 | 1,402 | | 1,049 | |
| **Net cash flows from Operating Activities** | | | (1,220) | | (3,303) |
| Investing Activities | 37 | | 4,780 | | 8,222 |
| Financing Activities | 38 | | (3,581) | | (6,004) |
| Net increase in cash and cash equivalents | | | (21) | | (1,085) |
| **Cash and cash equivalents at the beginning of the reporting period** | 39 | | (20) | | 1 |
| **Cash and cash equivalents at the end of the reporting period** | 39 | | 1 | | 1,086 |

# NOTES TO THE ACCOUNTS

1 **Accounting Policies**

1.1 **General principles**

The accounts have been prepared with reference to:
The objective of providing information about the financial position, performance and cash flows in a way that meets the 'common needs of most users'.
The objective of showing the results of the stewardship and accountability of elected members and management for the resources entrusted to them;
The following underlying assumptions:
– Accruals basis
– Going concern basis
The following qualitative characteristics:
– Understandability
– Relevance
– Materiality
– Reliability
– Compliance
The accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2013/14, as applicable to Fire Authorities. The accounting convention adopted is historical cost modified by the revaluation of property assets.
Accounting policies have been applied consistently throughout these accounts.

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.

1.3 **Allocation of support services cost**

The CFA purchases certain financial services from Leicestershire County Council. The cost of these services and in-house provision is presented in line with the Service Reporting Code of Practice and have been apportioned pro-rata to other expenditure on the major activities and corporate management.

1.4 **Basis of charges for depreciation and amortisation**

Vehicles and items of plant and equipment with an original cost of less than £5k are not included in the asset register and therefore are not subject to depreciation.

**Depreciation/amortisation**

Where depreciation/amortisation is provided for, assets are depreciated/amortised using the straight line method over the following periods:

- **Buildings** - The useful economic life of each asset as determined as part of the revaluation process.

- **Vehicles, plant, furniture and equipment** - estimated useful economic life (ranging from 5 to 15 years).

- **Intangible assets** - up to 5 years.

- **Assets under construction** - no depreciation or amortisation is charged whilst an asset is under construction.

Depreciation/amortisation is included in the CIES within firefighting and rescue operations under cost of services.

It is the policy of the CFA to write off accumulated depreciation on an asset when it is revalued.

1.5 **Basis of debtors included in the accounts**

The necessity for a provision for doubtful debts is considered every year. At the 31st March 2014 no provision has been made relating to debts as the level of debt overdue by 121 days is not material. Additionally, there is no evidence of impairment and historical evidence is that recent debts have been paid in full.

1.6 **Capital Receipts**

Proceeds from the sale of property, plant and equipment are initially credited to the CIES and are then transferred from the General Fund to the Usable Capital Receipts Reserve, via the MIRS, with the exception of proceeds from the sale of vehicles and equipment of less than £6k which are retained in the General Fund.

1.7 **Cash and Cash Equivalents**

Cash and cash equivalents are represented by cash in hand and deposits with financial institutions repayable without penalty on demand and where earning interest is not the prime consideration.
In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the CFA's cash management.

1.8 **Charges to Revenue for Non-current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:
– depreciation attributable to the assets used by the relevant service
– revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
– amortisation of intangible assets attributable to the service.

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 either 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 (MRP or loans fund principal), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.9 **Collection fund adjustment account**

The CFA is a precepting authority which levies a precept on the collection fund of billing Authorities, namely:
Blaby District Council
Charnwood Borough Council
Harborough District Council
Hinckley and Bosworth Borough Council
Leicester City Council
Melton Borough Council
North West Leicestershire District Council
Oadby and Wigston Borough Council
Rutland County Council

Billing Authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and, from 2013/14 following the implementation of the Local Government Finance Bill, business rates. The funds key features relevant to accounting for council tax and business rates in the core financial statements are:

a) Billing Authorities collect and distribute council tax and business rate income on behalf of the major preceptors and itself.

b) The income for the year credited to the CFA's CIES is accrued income for the year. Each billing authority, however, may only release council tax and business rates from the collection fund to the CFA in accordance with the regulations. The collection fund adjustment account records the difference between this income as recognised in the CIES and the amount calculated in accordance with regulations.

1.10 **Contingent Liabilities**

Contingent liabilities are:

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
A present obligation that arises from past events but is not recognised because it is not probable that a transfer of economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

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

1.11 **Employee Benefits**

(i) Post-employment Benefits

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

- The Local Government Pension Scheme, for which Hymans Robertson calculate the liability as at the 31st March 2014 and which Leicestershire County Council administer.
- Three Firefighters' pension schemes, for which the Government Actuary's Department (GAD) calculate the liability. These schemes do not have the usual type of pension fund found in the private sector which uses investments to help meet scheme liabilities. The CFA is required to maintain a firefighters' pension fund which:
  – receives employee and employer contributions and transfer values from other schemes, and
  – pays out benefits and transfer values to other schemes.

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

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

The liabilities attributable to the CFA are included in the Balance Sheet on an actuarial basis using the projected unit credit 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 4.3% for the LGPS and 4.4% for the firefighter's schemes.

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

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

The movement on the pensions asset/liability is analysed into the following constituents:

Service cost comprising:
- current service cost - the increase in the present value of a defined benefit obligation (liabilities) resulting from employee service in the current period.
- past service costs - the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the CFA in the number of employees covered by a plan).

Net interest on the net defined benefit liability (asset) - the change during the period in the net defined liability (asset) that arises from the passage of time.

Remeasurements of the net defined benefit liability (asset) comprising:
- actuarial gains and losses – changes in the present value of the defined benefit obligation arising from: a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and b) the effects of changes in actuarial assumptions.
- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset).

Contributions by scheme participants - the increase in scheme liabilities and assets due to payments made into the scheme by employees (where increased contribution increases pensions due to the employee in the future).
Contributions by the employer - the increase in scheme assets due to payments made into the scheme by the employer.
Benefits paid - payments to discharge liabilities directly to pensioners.

(ii) Benefits Payable During Employment

During employment, employees receive short term benefits. Those payable include: wages and salaries, paid annual leave, paid sick leave and non-monetary benefits (e.g. provided cars). For current employees these are recognised as an expense for services in the year in which the employees render service to the CFA. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is based on wage and salary rates applicable in the following financial year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out in the Movement in Reserves so that revenue is charged in the financial year in which the holiday absence occurs.

(iii) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the CFA to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the appropriate service in the CIES when the CFA is demonstrably committed to the termination of employment of an officer or group of officers or to making an offer to encourage voluntary redundancy.

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

(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 decision to make the award and accounted for using the same policies as are applied to the pension scheme.

## 1.12 Events After the Reporting Period

The Statement of Accounts was authorised for issue by the Treasurer on the 30th June 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at the 31st March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 1.13 Financial Instruments

Financial liabilities/ loans and receivables 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/credits to the Financing and Investment Income and Expenditure line in the CIES for interest payable/receivable are based on the carrying amount of the liability/asset, 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 instruments to the amount at which it was originally recognised. For most of the loans that the CFA has made, the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

## 1.14 Government Grants and Contributions

Grants are accounted for on an accruals basis when there is reasonable assurance that they will be received. Grants received where conditions have not been satisfied are shown in the Balance Sheet as Creditors. When all conditions attached to the grant are satisfied, income is recognised within the CIES on the relevant service line (attributable revenue grants and contributions) or in Taxation and Non-specific Grant Income and Expenditure (non-ring fenced revenue grants and all capital grants). Capital grants recognised in this way are then reversed out of the General Fund via the MIRS. Capital grants not yet used to finance expenditure are shown in the Capital Grants Unapplied Reserve. When the grant is applied to expenditure it is transferred to the Capital Adjustment Account. The transfer is reported in the MIRS.

## 1.15 Group Accounts

The financial statements contain information about the CFA as an individual entity only. The statements do not contain consolidated financial information as the parent of a group. In accordance with paragraph 9.1.1.6 of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2013/14, the CFA has not prepared consolidated financial statements, as after an annual review it is considered that its interests in subsidiary undertakings are not material.

## 1.16 Heritage Assets

Heritage assets are those which are maintained principally for their contribution to knowledge or culture. Where these are held, the Code requires Authorities to recognise them where information is available on their value, or where the cost of obtaining this valuation is commensurate with the benefits to the users of the financial statements. The CFA holds artwork believed to be worth approximately £15k. Valuation has not been sought, nor the items added to the Balance Sheet as the value of the items is not considered substantially material to justify this.

## 1.17 Income Recognition

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

Interest receivable on investments is accounted for on the basis of the effective interest rate rather than the cash flows fixed or determined by the contract.

Where revenue has been recognised but cash has not been received a debtor 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.

1.18 **Intangible Assets**

Intangible assets are assets that do not have a physical form, e.g. software licences, are measured at historical cost for all assets with an original cost in excess of £10k and amortised over their useful economic lives. The assets are valued at cost less accumulated depreciation. Where an intangible asset acquisition forms part of a larger asset acquisition the intangible part will be accounted for separately, even if it is less than £10,000.

1.19 **Inventories**

Inventories are measured at the lower of cost or net realisable value. Stocked items are assigned a cost using a first in, first out method (FIFO).

1.20 **Investments**

Investments are shown at the lower of cost and net realisable value.

1.21 **Leases**

(i) Lease rentals payable under operating leases, which are used to acquire vehicles or equipment as an alternative to capital financing, are not capitalised and rentals are charged to the CIES in the financial year to which they relate.

(ii) Finance Leases are capitalised in the balance sheet at fair value and depreciated over the life of the lease on a straight line method, the depreciation being charged to the CIES. A matching liability for the capitalised amount is created in the Balance Sheet when the asset is capitalised to recognise the obligation to pay the lessor. This liability is reduced over the estimated useful life of the asset.

1.22 **Non-Current Assets Held for Sale**

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

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

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

1.23 **Overheads**

The expenditure of services within CIES include a charge for all support services provided by the central departments of the CFA, other than the direct costs of members and their support, which are disclosed separately in the CIES within Corporate and Democratic Core. These charges are based upon a split of work undertaken.

1.24 **Prior Period Adjustments**

Prior period adjustments may arise as a result in a charge of accounting policies or to correct a material error. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.25 **Property, Plant and Equipment**

All expenditure on the acquisition and/or improvement of non-current assets is capitalised provided that the asset yields a benefit to the CFA for a period of more than a year and is over a £5k de-minimus limit.

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

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

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

(i) **Land and Buildings**

This category of asset is included in the Balance Sheet at open market value for existing use, or where, due to the specialised nature of the asset this could not be assessed, at depreciated replacement cost. The remaining average life of all buildings as at the 31st March 2014 is 29 years. Valuation is carried out every year. The latest valuation exercise was carried out by Cameron Butler BLE (Hons) MRICS of FHP Property Consultants.

The asset values used in the accounts are based on a certificate issued by FHP Property Consultants on all properties as at the 31st March 2014. Additions since the 1st April 2013 which are still under construction are included in the accounts at cost.

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

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

1.26 **Provisions**

Provisions are recognised when the CFA has a present obligation as a result of a past event, it is probable that a transfer of economics benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of 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.

1.27 **Redemption of external debt**

The CFA finances a proportion of its capital investment by raising loans. In accordance with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) the General Fund has been charged with an amount that is sufficient to redeem outstanding debt as specified in the medium term financial plan. The sum set aside each year is called the Minimum Revenue Provision (MRP).

The CFA's borrowing strategy allows debt rescheduling opportunities where advantageous.

1.28 **Reserves**

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

Unusable 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 6.

1.29 **Value Added Tax (VAT)**

VAT incorporated in the CIES is limited to irrecoverable sums.

**2 Accounting Standards that have been issued but not yet Adopted**

For 2013/14 the following accounting policy changes that need to be reported relate to:

- IFRS 13 Fair Value Measurement (May 2011)
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements (as amended in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)
- IAS 32 Financial Instruments: Presentation
- Annual Improvements to IFRSs 2009 – 2011 Cycle.

**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 statement of 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 2013/14. As the interests are not considered material, group accounts are not presented.
d) that no contracts held by the CFA hold embedded leases
e) that no major legal claims are in progress which could result in claims of a material value by or from the CFA.

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

The Statement of Accounts contains estimated figures that are based in 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 31st March 2014 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. If budgets for these repairs and maintenance were cut due to funding limitations, the anticipated lives may not be realised. Significant assumptions are applied by the valuer in estimating the fair value and remaining useful lives of land and buildings. | If the lives of the asset are reduced, this will have an impact on levels of depreciation and carrying value of assets will fall. It is estimated that the annual depreciation charge for all properties would increase by £19k 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 £325k 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 pensions 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 would have an increase in the pension liability of £38.8m (£3.6m LGPS and £35.2m firefighters schemes). |
| Arrears | At 31st March 2014, the CFA had a balance of trade debtors of £180k. A review of all balances over 121 days outstanding found no evidence to conclude that any unrecoverable debts were material. For this reason, no impairment of doubtful debts is proposed at this time. | If all outstanding debt over 121 days became irrecoverable, a charge of £2k would be made to the revenue budget. |

**5 Adjustments between Accounting Basis and Funding Basis under Regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure that are specified by statutory provisions as being available to the CFA to meet future capital and revenue expenditure.

| | 2012/13 | | 2013/14 | |
|---|---|---|---|---|
| | **Usable Reserves General Fund Balance** | **Movement in Unusable Reserves** | **Usable Reserves General Fund Balance** | **Movement in Unusable Reserves** |
| **Adjustments primarily involving the Capital Adjustment** | **£000** | **£000** | **£000** | **£000** |
| <u>Reversal of items debited or credited to the CIES</u> | | | | |
| Charges for depreciation of non-current assets | (1,722) | 1,722 | (2,014) | 2,014 |
| Difference between fair value and historical cost depreciation | 0 | 0 | 110 | (110) |
| Revaluation Gains/(Losses) of Property, Plant and Equipment | 17 | (17) | (4,408) | 4,408 |
| Amortisation of Intangible assets | (12) | 12 | (13) | 13 |
| Capital grants and contributions applied | 2,396 | (2,396) | 1,552 | (1,552) |
| Capital Receipts applied | 0 | 0 | 1,313 | (1,313) |
| Other movement: | | | | |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 20 | (20) | (1,069) | 1,069 |
| Amounts of current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 0 | 0 | (162) | 162 |
| <u>Insertion of items not debited or credited to the CIES</u> | | | | |
| Statutory provision for the financing of capital investment | 1,047 | (1,047) | 1,414 | (1,414) |
| Capital expenditure charged to the General Fund Balance | 4,170 | (4,170) | 1,265 | (1,265) |
| Revenue Income credited to Capital | (7) | 7 | 0 | 0 |
| **Adjustments primarily involving the Pensions Reserve:** | | | | |
| Reversal of items relating to retirement benefits debited or credited to CIES | (15,159) | 15,159 | (15,606) | 15,606 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 1,088 | (1,088) | (440) | 440 |
| **Adjustments primarily involving the Collection Fund Adjustment Account:** | | | | |
| Amount by which council tax and non-domestic rating income credited to the CIES is different from council tax and non-domestic income calculated for the year in accordance with statutory requirements | 5 | (5) | 124 | (124) |
| **Adjustments primarily involving the Accumulating Absences Account:** | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements | 12 | (12) | (103) | 103 |
| **Total Adjustments** | (8,145) | 8,145 | (18,037) | 18,037 |

## 6 Unusable Reserves

### 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.
Changes have been made in the way pensions are disclosed under IAS19 (2011 amendments). This introduces the new terms 'Service Cost' and 'remeasurement of the net defined liability/(asset)'. The financial impact of this change results in a difference of £87k in 2012/13 which affects this pension reserve note, note 5, note 9, note 32, note 35, note 40 and all main statements.

| Pensions Reserve | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| **Balance at 1st April** | (310,087) | (362,351) |
| Remeasurements of the net defined benefit liability/(asset) | (38,193) | 15,960 |
| Reversal of items relating to retirement benefits debited or credited to the surplus/deficit on the provision of services in the Comprehensive Income and Expenditure Statement | (15,159) | (15,606) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 1,088 | (440) |
| **Balance at 31st March** | (362,351) | (362,447) |

CAPITAL RESERVES

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

### Revaluation Reserve

The reserve started on the 1st April 2007 with a nil balance and represents gains in asset valuations recognised since that date as a result of revaluation of non-current assets. Where there is a revaluation reduction as a result of change in fair value, then the reduction in value is taken first through the revaluation reserve up to the amount of accumulated gains for that asset and thereafter through the CIES. If an impairment loss on any asset is charged to the CIES but had a revaluation gain in the reserve, an amount up to the value of the loss is transferred to the Capital Adjustment Account. Any revaluation gains in the reserve for assets that are disposed or decommissioned is transferred to the Capital Adjustment Account. Additional depreciation for the revalued amount above historical cost is transferred each year to the Capital Adjustment Account.

| Revaluation Reserve | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| **Balance at 1st April** | 4,354 | 4,188 |
| Upward revaluation of assets and impairment | 68 | 3,874 |
| Downward revaluation of assets and impairment losses | (112) | (113) |
| Net revaluation movement | (44) | 3,761 |
| Write out of revaluation reserve on disposal | 0 | (24) |
| Difference between fair value and historical cost depreciation | (122) | (110) |
| Movement to CIES | (166) | 3,627 |
| **Balance at 31st March** | 4,188 | 7,815 |

### Capital Adjustment Account

The Capital Adjustment Account replaced the Capital Financing Account from the 1st April 2007. Balances as at the 31st March 2014 represent the combined balances of the Capital Financing Account and Fixed Asset Restatement Account. This account represents amounts set aside from revenue resources or capital receipts, which have been used to finance expenditure on non-current assets, or for the repayment of external loans and other capital financing transactions.

| Capital Adjustment Account | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| **Balance at 1st April** | 11,335 | 17,244 |
| ***Reversal of items relating to capital expenditure debited or credited to the CIES*** | | |
| Charges for depreciation of non-current assets | (1,722) | (2,014) |
| Difference between fair value and historical cost depreciation | 0 | 110 |
| Charges for amortisation of intangible assets | (12) | (13) |
| Net revaluation differences in surplus/deficit on the provision of services | 17 | (4,408) |
| Disposal of non-current asset | 20 | (1,069) |
| Disposal of asset held for sale | 0 | (162) |
| Capital financing applied in year: | | |
| Capital grants credited to CIES that have been applied to capital financing | 2,396 | 1,552 |
| Statutory provision for the financing of capital investment charged against the general fund | 1,047 | 1,414 |
| Use of Capital Receipt | 0 | 1,313 |
| Capital expenditure charged against the general fund balance | 4,170 | 1,265 |
| Revenue Income credited to Capital | (7) | 0 |
| **Balance at 31st March** | 17,244 | 15,232 |

**Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and National Domestic Rates (NDR) income in the CIES as it falls due from council tax and non-domestic rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. Changes have been made in the way non-domestic rates are accounted for which have been represented in the notes for 2013/14.

| Collection Fund Adjustment Account | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| **Balance at 1st April** | 66 | 71 |
| Amounts 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 | 5 | 124 |
| **Balance at 31st March** | 71 | 195 |

**Accumulating Absences Adjustment Account**

Accumulating absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the CFA. The most significant and material element is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the CFA is required to accrue for any annual leave earned but not taken at the 31st March each year.

The Government has issued regulations that mean Local Authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Adjustment Account until the benefits are used.

| Accumulating Absences Adjustment Account | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| **Balance at 1st April** | (107) | (95) |
| 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 | 12 | (103) |
| **Balance at 31st March** | (95) | (198) |

### 7 Transfers to/ from Earmarked General Fund Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/14.

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

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

(ii) **Occupational Health reserve**
Created for the purpose of investing in reducing absence, early retirements, employee retention and vocational rehabilitation.

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

(iv) **IRMP reserve**
Created to help with one off costs in implementing the Integrated Risk Management Plan (IRMP).

(v) **Ill health retirement reserve**
Created to help finance any DCLG imposed penalties for early retirements caused through ill health.

(vi) **Relocation reserve**
Created to meet any costs associated with the employment of new employees where relocation expenses are appropriate.

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

(viii) **Mutual insurance reserve**
These funds have been maintained to cover possible costs incurred as a consequence of belonging to an insurance consortium.

(ix) **Purchased vehicle reserve**
A replacement fund for 5 officers' cars which are purchased and not leased.

(x) **Training rig reserve**
This has been created to provide a capital contribution towards the Urban Search and Rescue (USAR) Training Rig which is due to be completed in 2014/15.

(xi) **Emergency Services Mobile Communications Programme (ESMCP) reserve**
This has been created to provide a contingency for the mobile communications programme.

Movements in these reserves for the period 1st April 2012 to 31st March 2014 are as follow:

| | Balance at 1st April 2012 £000 | Transfers out 2012/13 £000 | Transfers in 2012/13 £000 | Balance at 31st March 2013 £000 |
|---|---|---|---|---|
| Insurance reserve | 163 | 152 | 0 | 11 |
| Occupational Health reserve | 40 | 0 | 0 | 40 |
| Arson reserve | 58 | 40 | 0 | 18 |
| IRMP reserve | 439 | 24 | 0 | 415 |
| Ill health retirement reserve | 172 | 0 | 0 | 172 |
| Relocation reserve | 26 | 0 | 0 | 26 |
| Part time workers reserve | 200 | 130 | 0 | 70 |
| Mutual insurance reserve | 75 | 0 | 0 | 75 |
| Purchased vehicle reserve | 30 | 0 | 10 | 40 |
| Training rig reserve | 39 | 0 | 0 | 39 |
| TOTAL | 1,242 | 346 | 10 | 906 |
| Net Movement | | | | 336 |

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

**8 Other Operating Expenditure**

| | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| Gains on the disposal of non-current assets | (11) | (82) |

**9 Financing and Investment Income and Expenditure**

| | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| Interest payable and similar charges | 612 | 728 |
| Pensions interest cost and expected return on pensions assets | 15,159 | 15,606 |
| Dividend received | (33) | (64) |
| Interest receivable | (107) | (30) |
| TOTAL | 15,631 | 16,240 |

**10 Taxation and Non Specific Grant Income and Expenditure**

| | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| Council tax income | (17,675) | (16,786) |
| Non domestic rates income and expenditure | (18,507) | (7,804) |
| Non-ring fenced government grants | (359) | (11,828) |
| Capital grant | (2,396) | (1,552) |
| TOTAL | (38,937) | (37,970) |

## 11 Movement on Property, Plant and Equipment

| | 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 2012 | 20,780 | 16,799 | 1,651 | 39,230 |
| Additions | 71 | 1,218 | 11,749 | 13,038 |
| Revaluation (decreases)/increases recognised in the revaluation reserve | (1) | 0 | 45 | 44 |
| Revaluation decreases recognised in the surplus/deficit on the provision of services | (321) | 0 | (311) | (632) |
| Derecognition - disposals | 0 | (455) | 0 | (455) |
| Transfers | (1,808) | 195 | 1,435 | (178) |
| **As at 31st March 2013** | **18,721** | **17,757** | **14,569** | **51,047** |
| Accumulated Depreciation and Impairment | | | | |
| As at 1st April 2012 | 0 | 9,189 | 0 | 9,189 |
| Depreciation Charge for Year: | | | | |
| Depreciation credited to the revaluation reserve | (138) | 0 | 16 | (122) |
| Depreciation charged to the surplus/deficit on the provision of services | 495 | 1,227 | 0 | 1,722 |
| Derecognition - disposals | 0 | (435) | 0 | (435) |
| Transfers | (138) | 32 | 95 | (11) |
| Write back of accumulated depreciation on revaluation | (219) | 0 | (110) | (329) |
| **As at 31st March 2013** | **0** | **10,013** | **1** | **10,014** |

| | Land and Buildings £000 | Vehicles, Plant and Equipment £000 | Assets under Construction £000 | Total Property, Plant and Equipment £000 |
|---|---|---|---|---|
| Cost or Valuation | | | | |
| As at 1st April 2013 | 18,721 | 17,757 | 14,569 | 51,047 |
| Additions | 2,385 | 1,812 | 4,119 | 8,316 |
| Revaluation (decreases)/increases recognised in the revaluation reserve | 3,202 | 0 | 0 | 3,202 |
| Revaluation decreases recognised in the surplus/deficit on the provision of services | (4,406) | 0 | 0 | (4,406) |
| Derecognition - disposals | (1,050) | (259) | 0 | (1,309) |
| Transfers | 12,635 | 897 | (13,532) | 0 |
| **As at 31st March 2014** | **31,485** | **20,207** | **5,156** | **56,848** |
| Accumulated Depreciation and Impairment | | | | |
| As at 1st April 2013 | 0 | 10,013 | 1 | 10,014 |
| Depreciation Charge for Year: | | | | |
| Depreciation credited to the revaluation reserve | (559) | 0 | 0 | (559) |
| Depreciation charged to the surplus/deficit on the provision of services | 607 | 1,402 | 0 | 2,009 |
| Derecognition - disposals | (26) | (214) | 0 | (240) |
| Transfers | 0 | 1 | (1) | 0 |
| Write back of accumulated depreciation on revaluation | 0 | 0 | 0 | 0 |
| **As at 31st March 2014** | **22** | **11,202** | **0** | **11,224** |
| Net Book value: | | | | |
| As at 31st March 2013 | 18,721 | 7,744 | 14,568 | 41,033 |
| As at 31st March 2014 | 31,463 | 9,005 | 5,156 | 45,624 |

Included in the opening cost or valuation figure are finance lease assets of £8,423k for vehicles, plant and equipment. Opening depreciation on these assets was £2,985k. After additions of £1,507k and £814k depreciation for the year, the net book value of these assets at the 31st March 2014 is £6,121k.

Asset remaining lives have been reviewed and no alterations have been considered necessary for these accounts. There are several existing buildings that have undergone significant refurbishment in 2013/14 and their respective increase in remaining life will be adjusted for in 2014/15.

A total amount of £4,359k is currently contracted for property and vehicles and is expected to be paid in 2014/15. The majority of this (£2,705k) is in respect of property developments.

The Headquarters at Glenfield were sold in 2013/14 with the full capital receipt received in January 2014. The new Headquarters and Fire Station at Birstall became operational in April 2013. Although our policy is to depreciate in the first full financial year of an assets life, due to the material value of these new assets, these premises have been depreciated by £158k in 2013/14. The revaluation of Headquarters has resulted in a charge of £3,577k being applied to the Comprehensive Income and Expenditure Statement.

**12 Movement of Intangible Assets**

| | 31st March 2013 £000 | 31st March 2014 £000 |
|---|---|---|
| Cost or Valuation | | |
| As at 1st April | 132 | 136 |
| Additions | 4 | 0 |
| **As at 31st March** | **136** | **136** |
| Accumulated Depreciation and Impairment | | |
| As at 1st April | 93 | 105 |
| Amortisation Charge for Year: | | |
| Amortisation charged to the surplus/deficit on the provision of services | 12 | 13 |
| **As at 31st March** | **105** | **118** |
| Net Book value | 31 | 18 |

As at the 31st March 2014 there are no contractual commitments for the acquisition of intangible assets.

**13 Details of Capital Expenditure**

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

| | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| Land and buildings | 71 | 2,385 |
| Vehicles, plant and equipment | 1,218 | 1,812 |
| Software licences | 4 | 0 |
| Assets in construction | 11,749 | 4,119 |
| TOTAL | 13,042 | 8,316 |

This includes property, plant and equipment and intangible assets (Notes 11 and 12).

**14 Financing of Capital Expenditure**

Capital expenditure was financed as follows:

| | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| Prudential Borrowing | 5,677 | 2,794 |
| Capital receipts | 77 | 1,261 |
| General fund | 4,077 | 1,265 |
| Income and expenditure | 93 | 0 |
| Finance lease | 722 | 1,442 |
| Finance lease not commenced in year | 0 | 2 |
| Grant | 2,396 | 1,552 |
| TOTAL | 13,042 | 8,316 |

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 in 2011/12, 2012/13 and 2013/14. The Senior Management Team have decided not to proceed with the capital build intended by the grant and discussions on retaining the grant are on-going with the Department for Communities and Local Government. The remainder of the grant funding is carried over into 2014/15 and is shown as a creditor in the accounts.

The CFA had an opening capital financing requirement of £19,478k at the 1st April 2013 and a closing capital financing requirement of £22,594k at the 31st March 2014.

**15 Details of Assets owned by the CFA**

| | 31st March 2013 Number | 31st March 2014 Number |
|---|---|---|
| **Buildings** | | |
| Fire stations | 20 | 20 |
| Fire headquarters | 1 | 1 |
| Control centre | 1 | 1 |
| Training unit | 1 | 1 |
| | | |
| **Vehicles & Equipment (owned)** | | |
| Operational vehicles | 26 | 21 |
| Non-operational vehicles | 20 | 20 |
| **Vehicles & Equipment (leased)** | | |
| Operational vehicles | 40 | 47 |

**16 Finance Lease Assets owned by the CFA**

Finance lease rentals paid to lessors relating to 2013/14 totalled £1,197k (£878k 2012/13) of which £284k was interest and £913k was principal. All finance leases relate to Vehicles, Plant and Equipment and the net book value of these assets at the 31st March 2014 is £8,121k.

| **Principal and interest obligations under Finance Leases payable:** | **Within 1 year £000** | **1-5 years £000** | **Over 5 years £000** |
|---|---|---|---|
| **2012/13** | | | |
| Minimum lease payments | 1,020 | 3,627 | 1,945 |
| Difference due to timing of cash flows | (33) | (387) | (426) |
| Present value | 987 | 3,240 | 1,519 |
| **2013/14** | | | |
| Minimum lease payments | 1,184 | 4,012 | 1,966 |
| Difference due to timing of cash flows | (42) | (463) | (460) |
| Present value | 1,142 | 3,549 | 1,506 |

**17 Financial Instruments**

**a) Categories of Financial Instruments**

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

| **Included in:** | **31st March 2013** | | **31st March 2014** | |
|---|---|---|---|---|
| | **Long-Term £000** | **Short-Term £000** | **Long-Term £000** | **Short-Term £000** |
| **- Investments** | | | | |
| Loans and receivables at fair value | 0 | 2,342 | 0 | 4,385 |
| **- Cash and Cash Equivalents** | | | | |
| Bank balance | 0 | 1 | 0 | 1,086 |
| **- Debtors** | | | | |
| Financial assets carried at contract cost | 0 | 4,096 | 0 | 2,920 |
| TOTAL ASSETS | **0** | **6,439** | **0** | **8,391** |
| **- Borrowings** | | | | |
| Financial liabilities (i.e. borrowings) at amortised cost | (11,228) | 0 | (15,728) | (1,000) |
| **- Creditors** | | | | |
| Financial liabilities carried at contract amount | 0 | (3,161) | 0 | (3,010) |
| **- Other Liabilities** | | | | |
| Finance leases | (5,195) | (782) | (5,690) | (925) |
| TOTAL LIABILITIES | **(16,423)** | **(3,943)** | **(21,418)** | **(4,935)** |
| NET TOTAL | (16,423) | 2,496 | (21,418) | 3,456 |

**b) Maturity of Long-Term Borrowings and Other Liabilities**

| | 31st March 2013 £000 | 31st March 2014 £000 |
|---|---|---|
| Between 1 and 2 years | (2,644) | (3,091) |
| Between 2 and 5 years | (3,869) | (2,793) |
| Between 5 and 10 years | (3,437) | (4,306) |
| Over 10 years | (6,473) | (11,228) |
| TOTAL | (16,423) | (21,418) |

PWLB interest of £136k (2012/13 £99k) has been accrued in the accounts but not included in short term borrowing.

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

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

– PWLB debt; estimated interest rates at the 31st March 2014 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 2013 | | 31st March 2014 | |
|---|---|---|---|---|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| Financial Liabilities | 20,725 | 22,102 | 26,353 | 26,815 |
| Financial Assets | 6,798 | 6,811 | 8,391 | 8,833 |

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

**c) Exposure to Risk**

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

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

Credit Risk

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

| | Minimum Credit Criteria / Sector Colour Band | Max % of total investments/ £ limit per institution | Max. Maturity Period |
|---|---|---|---|
| Debt Management Account Deposit Facility – UK Government | N/A | 100% | 6 months |
| UK Government gilts | UK sovereign rating | 100% | 1 year |
| UK Government Treasury bills | 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<br>Orange<br>Red<br>Green | £5m | Up to 1 year<br>Up to 1 year<br>Up to 6 Months<br>Up to 3 months |
| Certificates of deposit or corporate bonds with banks and building societies | Blue<br>Orange<br>Red<br>Green | £1m | Up to 1 year<br>Up to 1 year<br>Up to 6 Months<br>Up to 3 months |

Institutions will be removed from the list where there are any doubts about their security.
Invoices to customers for chargeable services are of relatively low value. The CFA actively pursues outstanding debt through the in-house legal services department.
The following analysis summarises the CFA's potential maximum exposure to credit risk based on actual experience in terms of deposits and percentage of debt which has been written off as unrecoverable over the last three years in terms of debtors. All deposits shown on the Balance Sheet as at the 31st March 2014 were repaid to the CFA before the date the Statement of Accounts was authorised for issue (30th June 2014) 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 2013 £000 | 31st March 2014 £000 | Est. Maximum Exposure to Credit Risk £000 | Historical Experience of Default % |
|---|---|---|---|---|
| Deposits with banks and financial institutions | 2,343 | 5,471 | 0 | 0.00 |
| Trade debtors: | | | | |
| - not yet due for payment | 79 | 177 | 0 | 0.00 |
| - past due date for payment | 10 | 3 | 0 | 0.02 |
| TOTAL | 2,432 | 5,651 | 0 | |

The past due amount is analysed by age as follows:

| | 1st April 2013 £000 | 31st March 2014 £000 |
|---|---|---|
| Less than 1 month overdue | 0 | 0 |
| 1-2 months overdue | 8 | 1 |
| 2-6 months overdue | 0 | 0 |
| 6-12 months overdue | 0 | 0 |
| Over 1 year overdue | 2 | 2 |
| TOTAL | 10 | 3 |

Liquidity Risk

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

Maturity of Borrowing:

| Maturity Structure of fixed interest rate borrowing 2013/14 | Lower Limit | Upper Limit |
|---|---|---|
| Under 12 months | 0% | 30% |
| 12 months to 2 years | 0% | 30% |
| 2 years to 5 years | 0% | 50% |
| 5 years to 10 years | 0% | 70% |
| 10 years and above | 25% | 100% |

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

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

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

Market Risk

The CFA is exposed to risk in terms of its exposure to interest rate movements on its borrowing and investments. Movements in interest rates have a complex impact. For instance, a rise in interest rates would have the following effects:
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

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

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

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

According to this assessment strategy, at the 31st March 2014, 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) | 51 |
| 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) | (167) |

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

**18 Assets Held for Sale**

Syston fire station was sold in 2013/14 and a capital receipt of £250k was received in December 2013. A gain on disposal of £88k was realised. The following values related to this property.

| | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| Cost or Valuation | | |
| As at 1st April | 0 | 167 |
| Transfers | 178 | 0 |
| Revaluation decrease | (11) | 0 |
| Disposals | 0 | (167) |
| **As at 31st March** | **167** | **0** |
| Accumulated Depreciation and Impairment | | |
| As at 1st April | 0 | 0 |
| Transfers | 10 | 0 |
| Depreciation | 0 | 5 |
| Write back of accumulated depreciation | (10) | (5) |
| **As at 31st March** | **0** | **0** |
| Net Book value as at 31st March | 167 | 0 |

## 19 Inventories

| | 31st March 2013 £000 | 31st March 2014 £000 |
|---|---|---|
| Operational equipment | 136 | 109 |
| Vehicle parts | 57 | 61 |
| Other | 60 | 85 |
| TOTAL | 253 | 255 |

Inventory valued at £367k (£326k 2012/13) was utilised in 2013/14.

## 20 Debtors

| | 31st March 2013 £000 | 31st March 2014 £000 |
|---|---|---|
| Short-Term Debtors: | | |
| - Central government bodies | 2,792 | 3,013 |
| - Other local authorities | 2,897 | 765 |
| - All other | 1,199 | 2,155 |
| TOTAL | 6,888 | 5,933 |

## 21 Creditors

| | 31st March 2013 £000 | 31st March 2014 £000 |
|---|---|---|
| Central government | 3,551 | 2,181 |
| Other local authorities | 1,466 | 1,241 |
| All other | 1,695 | 1,769 |
| TOTAL | 6,712 | 5,191 |

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

## 22 Provisions Movements during the Year

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

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

Movements in the provision are as follows:

| | Balance as at 31st March 2013 £000 | Expenditure 2013/14 £000 | Amount transferred in 2013/14 £000 | Balance as at 31st March 2014 £000 |
|---|---|---|---|---|
| Insurance provision | 52 | 0 | 48 | 100 |

## 23 Officers' Emoluments

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

| 2012/13 | Chief Officer £000 | Director of Organisational Development £000 | Director of Community Safety £000 | Director of Finance and Corporate Risk £000 |
|---|---|---|---|---|
| Salary | 86 | 117 | 107 | 89 |
| Benefits in Kind | 0 | 2 | 1 | 1 |
| Total Remuneration excluding pensions contribution | 86 | 119 | 108 | 90 |
| Pension Contribution | 10 | 25 | 23 | 13 |
| Total Remuneration including pensions contribution | 96 | 144 | 131 | 103 |

| 2013/14 | Chief Officer £000 | Director of Community Safety £000 | Director of Finance and Corporate Risk £000 |
|---|---|---|---|
| Salary | 87 | 92 | 84 |
| Benefits in Kind | 0 | 0 | 6 |
| Total Remuneration excluding pensions contribution | 87 | 92 | 90 |
| Pension Contribution | 0 | 16 | 7 |
| Total Remuneration including pensions contribution | 87 | 108 | 97 |

During the year the number of officers and support staff who received remuneration in excess of £50k including those shown above were:

| Salary Bands | Number of Employees 2012/13 | Number of Employees 2013/14 |
|---|---|---|
| £50,000 - £54,999 | 23 | 18 |
| £55,000 - £59,999 | 8 | 8 |
| £60,000 - £64,999 | 1 | 5 |
| £65,000 - £69,999 | 0 | 2 |
| £70,000 - £74,999 | 3 | 0 |
| £75,000 - £79,999 | 0 | 3 |
| £80,000 - £84,999 | 0 | 1 |
| £85,000 - £89,999 | 2 | 1 |
| £90,000 - £94,999 | 0 | 1 |
| £105,000 - £109,999 | 1 | 0 |
| £115,000 - £119,999 | 1 | 0 |
| | 39 | 39 |

## 24 Exit packages

The following compulsory termination benefits have been paid:

| | Number of Packages 2012/13 £000 | Total Amount 2012/13 £000 | Number of Packages 2013/14 £000 | Total Amount 2013/14 £000 |
|---|---|---|---|---|
| £0 - £20,000 | 8 | 25 | 0 | 0 |

There were no voluntary redundancies in this period.

## 25 Provisions for Repayment for External Loans

The CFA is required by statue to set aside a minimum revenue provision for the redemption of debt. In its Medium Term Financial Plan 2013/16 the CFA has stated its intention to provide 4% of the capital financing requirement as a minimum revenue provision. In addition, in respect of any unsupported borrowing the asset life method will be used, basing an MRP provision on the estimated life of assets in accordance with DCLG guidance. The total amount of this provision is detailed below:

| | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| Minimum Revenue Provision | 1,047 | 1,414 |

## 26 Operating Leases

Operating lease rentals paid to lessors in the year totalled £195k (2012/13 £219k). As at the 31st March 2014 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:

| | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| Within 1 year | 186 | 98 |
| 1-5 years | 193 | 152 |
| Over 5 years | 51 | 26 |
| TOTAL | 430 | 276 |

## 27 Members' Allowance

Sums paid are shown below:

| | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| Members' allowances | 68 | 67 |

## 28 Related Parties

The CFA is required to disclose material transactions with related parties, bodies or individuals that have the potential to exert control, or be controlled or influenced by the CFA.

DCLG has effective control of the general operations of the CFA. It is responsible for providing the statutory framework within which the CFA operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the CFA has with other parties (e.g. council tax).

From the information currently available, there were no material transactions with related parties other than those disclosed below:

| | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| Due to: | | |
| Leicestershire County Council - Local partner/Supplier of service | 114 | 100 |
| DCLG - Firelink | 66 | 67 |
| Due from | | |
| Forge Health Limited - Wholly owned subsidiary | (33) | (64) |
| DCLG :- | | |
| Pensions reimbursement | (1,841) | (1,048) |
| Funding | 0 | (10) |
| Net balance with related parties at 31st March | (1,694) | (955) |

| | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| Expenditure | | |
| Local Partners | | |
| Leicestershire County Council | 259 | 419 |
| Leicester City Council | 12 | 10 |
| Rutland County Council | 0 | 1 |
| Firelink provider | | |
| DCLG | 646 | 390 |
| Income | | |
| Local Partners | | |
| Leicester City Council | (2) | 0 |
| Wholly owned subsidiary | | |
| Forge Health Limited | (33) | (64) |
| Government Grant | | |
| DCLG: | | |
| Revenue Grant | (1,214) | (1,231) |
| Transparency Code Set-up | 0 | (3) |
| Small Business Enterprise PR | 0 | (95) |
| Capitalisation Provision Redistribution | 0 | (62) |
| Council Tax Support Scheme | (27) | (27) |
| Funding | | |
| Pensions reimbursement | (5,891) | (6,800) |
| Net transactions with related parties for year | (6,250) | (7,462) |

**29 Audit Costs**

The CFA incurred the following fees relating to external audit, statutory inspection and other services:

| | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| Fees payable to the appointed auditor, PricewaterhouseCoopers LLP with regard to external audit services under Section 5 of the Audit Commission Act 1998 | 42 | 39 |
| Fees in respect of other services provided by the appointed auditor | | |
| VAT Helpline | 0 | 2 |
| VAT training | 0 | 4 |
| Employment Taxes | 8 | 22 |
| TOTAL | 50 | 67 |

**30 Forge Health Limited**

The CFA operates a trading company 'Forge Health Limited' as a wholly owned subsidiary. Its main activity is the provision of occupational health services to the private and public sectors. For the year 2013/14, Forge Health Limited reported a post tax profit of £64k (£33k in 2012/13) and this sum is proposed by the Company to be wholly paid as dividend to the CFA. Note 28 of these statements discloses the total transactions with Forge Health Limited and amounts due from/to at the year end. The financial statements 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.

**31 Grants Received**

Revenue grants received by the CFA from DCLG were as follows:

| | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| Fire Revenue Grant | 1,214 | 1,231 |
| Council Tax Support Scheme | 27 | 27 |
| Small Business Rate relief | 0 | 95 |
| Transparency code set up | 0 | 3 |
| Capitalisation Provision Redistribution Grant | 0 | 62 |
| TOTAL | 1,241 | 1,418 |

Capital grant of £1,049k (£1,402k in 2012/13) was received from the DCLG for Capital Expenditure and was utilised fully in the financial year. The £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. £129k of this was spent by Derbyshire in 2012/13 and £504k in 2013/14. The cost of this work and the use of the grant, has been incorporated into these accounts.

**32 Defined Benefit Pensions Schemes**

**Participation in Pension Schemes**

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

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

**(i) Uniformed Firefighters**

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

**(ii) Control and Support Staff**

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

**Transactions Relating to Post-employment Benefits**

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

| Comprehensive Income and Expenditure Statement | Local Government Pension Scheme 2012/13 £000 | Local Government Pension Scheme 2013/14 £000 |
|---|---|---|
| **Cost of Services** | | |
| – current service cost | 759 | 942 |
| **Financing and Investment Income and Expenditure** | | |
| – net interest expense | 289 | 376 |
| **Total Post-employment Benefit charged to the Surplus or Deficit on the Provision of Services** | **1,048** | **1,318** |
| **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) | 1,322 | 270 |
| – actuarial gains and losses arising on changes in demographic assumptions | 0 | 672 |
| – actuarial gains and losses arising on changes in financial assumptions | (3,199) | 557 |
| – other | 24 | 911 |
| **Total Post-employment Benefit Charged to the CIES** | **(1,853)** | **2,410** |
| **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 | (1,048) | (1,318) |
| **Actual amount charged against the General Fund Balance for pensions in the year:** | | |
| – employers contributions payable to scheme | (627) | (632) |

| 2012/13<br>Comprehensive Income and Expenditure Statement | Firefighters' 1992 Pension Scheme £000 | Injury Benefit Scheme £000 | Firefighters' 2006 Pension Scheme £000 |
|---|---|---|---|
| **Cost of Services** | | | |
| – current service costs | 6,270 | 600 | 1,830 |
| **Financing and Investment Income and Expenditure** | | | |
| – net interest expense | 13,770 | 750 | 350 |
| **Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services** | **20,040** | **1,350** | **2,180** |
| **Other Post-employment Benefit Charged to the CIES** | | | |
| Remeasurement of the net defined benefit liability comprising: | | | |
| – actuarial gains and losses arising on changes in demographic assumptions | 36,760 | 0 | 1,800 |
| – actuarial gains and losses arising on changes in financial assumptions | (30) | 4,200 | 0 |
| – other | (4,220) | (2,240) | 70 |
| **Total Post-employment Benefit Charged to the CIES** | **32,510** | **1,960** | **1,870** |
| **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 | (20,040) | (1,350) | (2,180) |
| **Actual amount charged against the General Fund Balance for pensions in the year:** | | | |
| – employers contributions payable to scheme | (2,327) | 0 | (462) |

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

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

| | Firefighters' 1992 Pension Scheme £000 | Injury Benefit Scheme £000 | Firefighters' 2006 Pension Scheme £000 | Total £000 |
|---|---|---|---|---|
| Opening balance at the 1st April 2012 | 282,850 | 16,040 | 6,250 | 304,140 |
| Current service costs (net of employee contributions) | 5,000 | 600 | 1,460 | 7,060 |
| Contributions by scheme participants | 1,270 | 0 | 370 | 1,640 |
| Pension transfers in | 0 | 0 | 150 | 150 |
| Remeasurement loss/(gain) | | | | 0 |
| - Changes in demographic assumptions | 36,760 | 0 | 1,800 | 38,560 |
| - Changes in financial assumptions | (30) | 4,200 | 0 | 4,170 |
| - Other experience | (4,220) | (2,240) | 70 | (6,390) |
| Finance interest cost | 13,770 | 750 | 350 | 14,870 |
| Benefits paid | (9,970) | (100) | 0 | (10,070) |
| Closing balance at the 31st March 2013 | 325,430 | 18,250 | 10,450 | 354,130 |
| Current service costs (net of employee contributions) | 6,100 | 810 | 2,040 | 8,950 |
| Past service costs | 0 | 10 | 0 | 10 |
| Contributions by scheme participants | 1,420 | 0 | 450 | 1,870 |
| Remeasurement gain | | | | |
| - Changes in demographic assumptions | (7,710) | (2,130) | (1,020) | (10,860) |
| - Changes in financial assumptions | (180) | 0 | (20) | (200) |
| - Other experience | (5,820) | (1,390) | (90) | (7,300) |
| Finance interest cost | 13,930 | 800 | 500 | 15,230 |
| Benefits paid | (10,580) | (120) | 0 | (10,700) |
| Closing balance at the 31st March 2014 | 322,590 | 18,230 | 12,310 | 351,130 |

**Reconciliation of present value of the scheme liabilities - LGPS**

| | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| Funded Liabilities | | 24,374 |
| Unfunded Liabilities | | 78 |
| Opening balance at the 1st April | 19,666 | 24,452 |
| Current service cost | 759 | 942 |
| Interest cost | 959 | 1,116 |
| Contributions by scheme participants | 282 | 269 |
| Remeasurement gain/(loss): | | |
| Changes in demographic assumptions | 0 | 672 |
| Changes in financial assumptions | 3,199 | 557 |
| Other experience | (24) | 911 |
| Benefits paid | (385) | (426) |
| Unfunded benefits paid | (4) | (4) |
| Funded Liabilities | 24,374 | 28,408 |
| Unfunded Liabilities | 78 | 81 |
| Closing balance at the 31st March | 24,452 | 28,489 |

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

| | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| Opening balance at the 1st April | 13,719 | 16,231 |
| Interest income | 670 | 740 |
| Remeasurement (gain)/loss: | | |
| The return on plan assets, excluding the amount included in the net interest expense | 1,322 | (270) |
| Employer contributions | 623 | 628 |
| Contributions by scheme participants | 282 | 269 |
| Contributions in respect of unfunded benefits | 4 | 4 |
| Unfunded benefits paid | (4) | (4) |
| Benefits paid | (385) | (426) |
| Closing balance at the 31st March | 16,231 | 17,172 |

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

| | LGPS £000 |
|---|---|
| As at 31st March 2013 | |
| Present value of the defined benefit obligation | 24,452 |
| Fair value of plan assets | (16,231) |
| Net liability arising from defined benefit obligation | 8,221 |
| As at 31st March 2014 | |
| Present value of the defined benefit obligation | 28,489 |
| Fair value of plan assets | (17,172) |
| Net liability arising from defined benefit obligation | 11,317 |

**Local Government Pension Scheme assets comprised:**

| | Year ended 31st March 2013 £000 | Year ended 31st March 2013 % | Year ended 31st March 2014 £000 | Year ended 31st March 2014 % |
|---|---|---|---|---|
| Cash and cash equivalents | 368 | 2.3% | 390 | 2.3% |
| | | | | |
| Quoted prices in active markets | | | | |
| Equity Securities | | | | |
| Other | 596 | 3.7% | 631 | 3.7% |
| Bonds | | | | |
| UK Government | 201 | 1.2% | 212 | 1.2% |
| Other | 1161 | 7.2% | 1228 | 7.2% |
| Investment Funds and Unit Trusts | | | | |
| Equities | 8183 | 50.4% | 8658 | 50.4% |
| Bonds | 555 | 3.4% | 587 | 3.4% |
| Hedge Funds | 535 | 3.3% | 566 | 3.3% |
| Commodities | 436 | 2.7% | 461 | 2.7% |
| Other | 842 | 5.2% | 890 | 5.2% |
| Quoted prices not in active markets | | | | |
| Property | | | | |
| UK Property | 1517 | 9.3% | 1605 | 9.3% |
| Private Equity | | | | |
| All | 637 | 3.9% | 674 | 3.9% |
| Investment Funds and Unit Trusts | | | | |
| Bonds | 514 | 3.2% | 543 | 3.2% |
| Hedge Funds | 19 | 0.1% | 21 | 0.1% |
| Commodities | 299 | 1.8% | 316 | 1.8% |
| Infrastructure | 368 | 2.3% | 390 | 2.3% |
| Total Assets | 16,231 | 100.0% | 17,172 | 100% |

**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 28th March 2014.

The significant assumptions used by the actuaries have been:

| | 2012/13 | | 2013/14 | |
|---|---|---|---|---|
| | LGPS | Fire Pension Scheme | LGPS | Fire Pension Scheme |
| **Mortality assumptions:** | | | | |
| Longevity in years of current pensioners at 65: | | | | |
| Men | 20.9 | 23.5 | 22.2 | 23.5 |
| Women | 23.3 | 25.4 | 24.3 | 25.5 |
| Longevity in years at 65 for future pensioners currently aged 45: | | | | |
| Men | 23.3 | 26.7 | 24.2 | 26.6 |
| Women | 25.6 | 28.4 | 26.6 | 28.6 |
| **Other assumptions:** | | | | |
| Rate of Inflation | 2.8% | 2.5% | 2.8% | 2.5% |
| Rate of increase in pensions | 2.8% | 2.5% | 2.8% | 2.5% |
| Rate of increase in salaries | 5.1% | 4.7% | 4.6% | 4.5% |
| Rate for discounting scheme liabilities | 4.5% | 4.3% | 4.3% | 4.4% |

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

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

| | Change in Assumption | |
|---|---|---|
| | LGPS £000 | Fire Pension Schemes £000 |
| Longevity (change of 1 year) | 655 | 5,700 |
| Rate of increase in salaries (change of 0.5%) | 1,606 | 6,100 |
| Rate of increase in pensions (change of 0.5%) | 1,933 | 29,100 |
| Rate of discounting scheme liabilities (change of 0.5%) | 3,626 | 35,200 |

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 31st March 2016.
No such strategy exists for the Fire Pension schemes as they are unfunded schemes and therefore have no target funding level. The methodology for calculating employer contribution rates to the Fire Pensions Schemes for the 2012 valuation is set out in 'The Public Services (Valuations and Employer Cost Cap) Directions 2014.

## 33 Collection Fund Adjustment Account

The Collection fund adjustment account represents the CFA's share of the collection fund surplus/deficit held by each Council Tax billing CFA within Leicester, Leicestershire & Rutland. From 2013/14 the collection fund also holds balances for Non-Domestic rates (NDR), due to the responsibility for collection and distribution of these regionally having been passed out from central government. No 2013/14 comparators have been provided. The breakdown of the figure on the CFA's Balance Sheet is as follows:

| 2012/13 | Council Tax Collection Fund Heading | | | | |
|---|---|---|---|---|---|
| | Council Tax arrears | Impairment Allowance for bad/doubtful debts | Council Tax over and pre-payments | Collection Fund Deficit/ (Surplus) | Cash |
| | £000 | £000 | £000 | £000 | £000 |
| Blaby District Council | 105 | (31) | (10) | (24) | (40) |
| Charnwood Borough Council | 160 | (62) | (52) | 10 | (56) |
| Harborough District Council | 81 | (21) | (20) | (7) | (33) |
| Hinckley & Bosworth Borough Council | 54 | (16) | (25) | 3 | (16) |
| Leicester City Council | 362 | (162) | (63) | (35) | (102) |
| Melton Borough Council | 78 | (8) | (15) | 8 | (65) |
| Oadby & Wigston Borough Council | 28 | (9) | (12) | (9) | 2 |
| North West Leics District Council | 85 | (48) | (25) | (11) | 0 |
| Rutland County Council | 18 | (3) | (6) | (6) | (3) |
| Total | 971 | (359) | (228) | (71) | (313) |

| 2012/13 | Business Rates Collection Fund Heading | | | |
|---|---|---|---|---|
| | Business Ratepayer arrears | Allowance for non-collection | Business Ratepayer over and pre-payments | Cash |
| | £000 | £000 | £000 | £000 |
| Blaby District Council | 20 | (4) | (7) | (9) |
| Charnwood Borough Council | 7 | (1) | (5) | (1) |
| Harborough District Council | 5 | (5) | (1) | 1 |
| Hinckley & Bosworth Borough Council | 4 | 0 | (2) | (2) |
| Leicester City Council | 53 | (22) | (14) | (17) |
| Melton Borough Council | 6 | (1) | 0 | (5) |
| Oadby & Wigston Borough Council | 5 | (1) | (3) | (1) |
| North West Leics District Council | 10 | (5) | (13) | 8 |
| Rutland County Council | - | - | - | - |
| Total | 110 | (39) | (45) | (26) |

| 2013/14 | Council Tax Collection Fund Heading | | | | |
|---|---|---|---|---|---|
| | Council Tax arrears | Impairment Allowance for bad/doubtful debts | Council Tax over and pre-payments | Collection Fund (Surplus)/ Deficit | Cash |
| | £000 | £000 | £000 | £000 | £000 |
| Blaby District Council | 108 | (32) | (29) | (26) | (19) |
| Charnwood Borough Council | 174 | (68) | (52) | (22) | (32) |
| Harborough District Council | 83 | (23) | (34) | (9) | (17) |
| Hinckley & Bosworth Borough Council | 69 | (21) | (33) | (17) | 2 |
| Leicester City Council | 427 | (214) | (77) | (135) | (1) |
| Melton Borough Council | 93 | (8) | (18) | 2 | (69) |
| Oadby & Wigston Borough Council | 34 | (11) | (15) | (26) | 18 |
| North West Leics District Council | 97 | (57) | (30) | (35) | 25 |
| Rutland County Council | 16 | (3) | (7) | (20) | 12 |
| Total | 1,101 | (437) | (295) | (288) | (81) |

| 2013/14 | Business Rates Collection Fund Heading | | | | | |
|---|---|---|---|---|---|---|
| | Business Ratepayer arrears | Allowance for non-collection | Business Ratepayer over and pre-payments | Provision for Appeals | Collection Fund (Surplus)/ Deficit | Cash |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Blaby District Council | 10 | (3) | (5) | (27) | 19 | 6 |
| Charnwood Borough Council | 11 | (2) | (6) | (17) | 32 | (18) |
| Harborough District Council | 6 | (1) | (5) | (5) | (7) | 12 |
| Hinckley & Bosworth Borough Council | 7 | 0 | (5) | (6) | 1 | 3 |
| Leicester City Council | 74 | (28) | (13) | (73) | 30 | 10 |
| Melton Borough Council | 8 | (2) | (4) | (4) | 6 | (4) |
| Oadby & Wigston Borough Council | 6 | (2) | (4) | (5) | 4 | 1 |
| North West Leics District Council | 16 | (8) | (15) | (34) | 4 | 37 |
| Rutland County Council | 1 | (1) | 0 | (4) | 4 | 0 |
| Total | 139 | (47) | (57) | (175) | 93 | 47 |

The CFA's collection fund adjustment account therefore has a surplus of £195k at the 31st March 2014 (£71k 2012/13).

## 34 Contingent Liabilities

<u>Pensionable Pay - Retained Duty System Element of Day-Staffing Pay</u>

An employment tribunal case has been brought on behalf of retained firefighters to seek redress under the part-time workers' regulations. This tribunal has judged that retained firefighters will be able to buy back pensionable service within the Firefighters Pension Scheme 1992 for the period from the 1st July 2000 to the 5th April 2006. The legislation which will enable this is not yet in place and it has not yet been determined whether the employers' pension contributions will be funded by Fire Authorities or by Central Government. This is a national issue and the costs are potentially very high across the country but will depend upon the level of take up by retained firefighters.

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

| | Restated 2012/13 | | 2013/14 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:** | | | | |
| Pension liability | (14,071) | | (16,046) | |
| Depreciation | (1,722) | | (2,014) | |
| Amortisation | (12) | | (13) | |
| Impairment and downward revaluation | 17 | | (4,408) | |
| Accumulating absence adjustment account | 12 | | 103 | |
| Collection fund adjustment account | 0 | | (215) | |
| Write out of revaluation reserve on disposal | 0 | | 24 | |
| Net gain on disposal | 0 | | 82 | |
| Creditors | 803 | | 2,952 | |
| Debtors | 2,012 | | (2,635) | |
| Provisions | (51) | | 48 | |
| Inventories | (5) | | 2 | |
| Other items | (12) | | 16 | |
| **Adjustments to net surplus deficit on the provisions of services for non cash movements items classified elsewhere in the statement:** | | (13,029) | | (22,104) |
| Capital grant received | | 1,402 | | 1,049 |
| **Total adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities** | | 1,402 | | 1,049 |

## 36 Operating Activities

| | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| **The cash flows from operating activities include the following items:** | | |
| Interest received | (95) | (37) |
| Dividend received | (57) | (33) |
| Interest paid | 396 | 559 |

## 37 Investing Activities

| | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| Purchase of property, plant and equipment and intangible assets | 12,513 | 8,489 |
| Purchase of short and long term investments | 984 | 4,043 |
| Proceeds from the sale of short and long term investments | (7,313) | (2,001) |
| Proceeds from the sale of property, plant and equipment | 31 | (1,260) |
| Capital grants and contributions | (1,402) | (1,049) |
| Deposit received for sale of property | (53) | 0 |
| **Net Cash Flow from Investing Activities** | 4,760 | 8,222 |

## 38 Financing Activities

| | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| Cash receipts from short term and long term borrowing including sale and leaseback | (4,796) | (6,942) |
| Repayments of short term and long term borrowing | 1,235 | 938 |
| **Net Cash Flow from Financing Activities** | (3,561) | (6,004) |

**39 Cash and Cash Equivalents**

| | 2012/13<br>£000 | 2013/14<br>£000 |
|---|---|---|
| Investments held for liquidity purposes | 9 | 1,083 |
| Petty cash and credit card balances | (8) | 3 |
| | 1 | 1,086 |

**40 Segmental Analysis**

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

| | Actual<br>£000 | Not reported in Management Accounts<br>£000 | Not included in CIES<br>£000 | TOTAL<br>£000 |
|---|---|---|---|---|
| **Restated 2012/13** | | | | |
| Employee expenses | 28,209 | (12) | 0 | 28,197 |
| Pension costs calculated in accordance with IAS19 | 0 | 14,071 | 0 | 14,071 |
| Other service expenses* | 12,419 | (144) | (5,114) | 7,161 |
| Depreciation, revaluation losses to CIES, amortisation and impairment | 0 | 1,801 | 0 | 1,801 |
| Interest payments | 612 | 0 | 0 | 612 |
| Gain on disposal of non-current assets | 0 | (11) | 0 | (11) |
| **Expenditure** | **41,240** | **15,618** | **(5,114)** | **51,831** |
| Fees, charges and other income | (1,106) | 0 | 0 | (1,106) |
| Interest and investment income | (140) | 0 | 0 | (140) |
| Income from council tax | (17,675) | 0 | 0 | (17,675) |
| Government grants and contributions | (20,107) | (2,396) | 0 | (22,503) |
| **Income** | **(39,028)** | **(2,396)** | **0** | **(41,424)** |
| **Deficit on the Provision of Services** | | | | **10,407** |
| **2013/14** | | | | |
| Employee expenses | 28,621 | 104 | 0 | 28,725 |
| Pension costs calculated in accordance with IAS19 | 0 | 16,046 | 0 | 16,046 |
| Other service expenses* | 9,039 | 0 | (2,679) | 6,360 |
| Depreciation, revaluation losses to CIES, amortisation and impairment | 0 | 6,324 | 0 | 6,324 |
| Write out of revaluation reserve on disposal | 0 | 25 | | 25 |
| Expenditure from non-domestic rates | 0 | 93 | 0 | 93 |
| Interest payments | 728 | 0 | 0 | 728 |
| **Expenditure** | **38,388** | **22,592** | **(2,679)** | **58,301** |
| Fees, charges and other income | (892) | 0 | 0 | (892) |
| Interest and investment income | (94) | 0 | 0 | (94) |
| Income from council tax | (16,574) | (212) | 0 | (16,786) |
| Income from non-domestic rates | (7,896) | | 0 | (7,896) |
| Gain on disposal of non-current assets | 0 | (82) | 0 | (82) |
| Government grants and contributions | (13,247) | (1,552) | 0 | (14,799) |
| **Income** | **(38,703)** | **(1,846)** | **0** | **(40,549)** |
| **Deficit on the Provision of Services** | | | | **17,752** |

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

## PENSION FUND STATEMENT

### Firefighters' Pension Fund

| Fund Account | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| **Income to the fund** | | |
| **Contributions receivable:** | | |
| - from employer | | |
| - normal contributions | (2,792) | (2,807) |
| - ill health contributions | (3) | (18) |
| - from members | (1,644) | (1,870) |
| **Transfers in:** | | |
| - individual transfers in from other schemes | (158) | 0 |
| **Income to the fund** | **(4,597)** | **(4,695)** |
| **Spending by the fund** | | |
| **Benefits payable:** | | |
| - Pension payments | 7,587 | 8,189 |
| - Death Benefits | 0 | 86 |
| - Commutation of pensions and lump-sum retirement benefits | 2,665 | 2,454 |
| **Payments To and On Behalf of Leavers** | | |
| - individual transfers out to other schemes | 97 | (27) |
| **Spending by the fund** | **10,349** | **10,702** |
| **Deficit for the year before top up grant receivable from DCLG** | **5,752** | **6,007** |
| - Top-up grant received | (3,911) | (4,959) |
| **Surplus for the Year** | **1,841** | **1,048** |

| Firefighters' Pension fund net assets statement | 2012/13 £000 | 2013/14 £000 |
|---|---|---|
| **Net current assets and liabilities:** | | |
| - pensions top up grant receivable from DCLG | 1,841 | 1,048 |

## NOTES TO THE FIREFIGHTERS' PENSION FUND STATEMENT

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

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

3. It is these employer contributions (rather than the net cost of pensions) that are replaced in the CIES.

4. The Government has determined that this account is deemed a pension fund separate from the CIES and is thus reported on separately. There are no assets in this scheme and the difference between income and expenditure is met by direct government funding to balance the account to nil each year, and therefore there is no surplus or deficit on this fund to impact on overall CFA reserves.

5. The pensions fund's financial statements do not take account of liabilities to pay pensions and other benefits after the 31st March 2014. These can be found in note 32 in the notes to the accounts.

6. The accounts are prepared in accordance with the same code of practice and accounting policies as outlined in the Statement of Accounting policies starting on page 15.

7. Any Government funding payable is paid in two instalments, 80% of the estimated annual amount in July and any further surplus or deficit settled with DCLG following audit of the accounts for the year.

8. The fund is in deficit by £351.130m as at the 31st March 2014 (£354.130m as at the 31st March 2013).

# GLOSSARY OF TERMS

1. **Accruals**

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

2. **Amortisation**

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

3. **Capital Expenditure**

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

4. **Capital Receipts**

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

5. **Cash Equivalents**

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

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

   The principle accountancy body dealing with Local Government finance.

7. **Corporate and Democratic Core**

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

8. **Corporate Management**

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

9. **Creditors**

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

10. **Debtors**

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

11. **Depreciation**

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

**12. Government Actuary's Department**

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

**13. Long Term Borrowing**

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

**14. Non-current Assets**

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

**15. Non Distributed Costs**

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

**16. Operating Leases**

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

**17. Provision**

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

**18. Reserve**

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

**19. Revenue Expenditure**

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