ANNUAL ACCOUNTS 2020/21

Leicestershire Fire & Rescue Service

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Introductory Statements

Narrative Statement

1. Foreword

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

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

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

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

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

2. Leicestershire Fire and Rescue Service

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

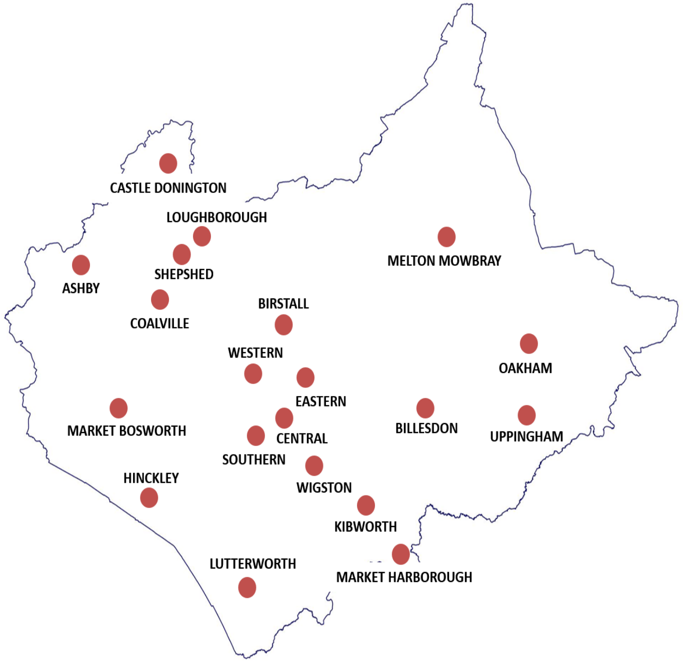
It has mix of urban, semi-rural and rural localities. The population is growing and ageing; at present it stands at just over 1.1 million people living in over 430,000 domestic properties. There are over 45,000 business premises.

3. The Combined Fire Authority

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

4. About Us

We have 20 fire stations throughout Leicester, Leicestershire and Rutland, as shown in the map, and a fleet of fire engines and other operational vehicles. We employ just over 700 staff; 576 are firefighters, and the remainder are non-firefighting staff. We attend and resolve over 8,000 emergency incidents each year: fires in buildings, complex rescue incidents involving road traffic collisions, hazardous materials, buildings collapsing and rescuing people trapped in water.



Narrative Statement (continued)

5. Performance/ Achievements

Performance	2019/20	2020/21		2019/20	2020/21
Incidents			**Fire Protection**		
Fires	2,079	1,958	Fire safety audits	381	703
Road Traffic Collisions	748	568	Building regulations inspections	790	681
False Alarms	2,994	2,759	Fire safety concerns	503	420
Special Services	2,720	2,340	Specific inspections	141	155
	8,541	**7,625**	Desk based inspections	43	125
			Licensing consultations	212	183
			Fire safety advice requests	349	366
				2,419	**2,633**
Prevention			**Enforcement**		
Home fire safety checks	7,274	8,867	Prohibition notices	18	8
Smoke alarms fitted	4720	1,167	Enforcement (formal) notices	36	23
	11,994	**10,034**	Action plans	81	56
			Deficiency notices	109	128
			Alteration notices	6	7
			Interim measures	18	15
				268	**237**

As a consequence of the pandemic the Service attended fewer incidents in 2020/21. In addition, the service was required to complete some activities differently to ensure we complied with the COVID-19 restrictions. This included completing a small number of Fire Safety Audits remotely and fitting fewer smoke alarms.

Total Average response times:	**2020/21**
Life Threatening Incidents	10 Mins 15 Secs
Non-Life Threatening Incidents	9 Mins 53 Secs

Narrative Statement (continued)

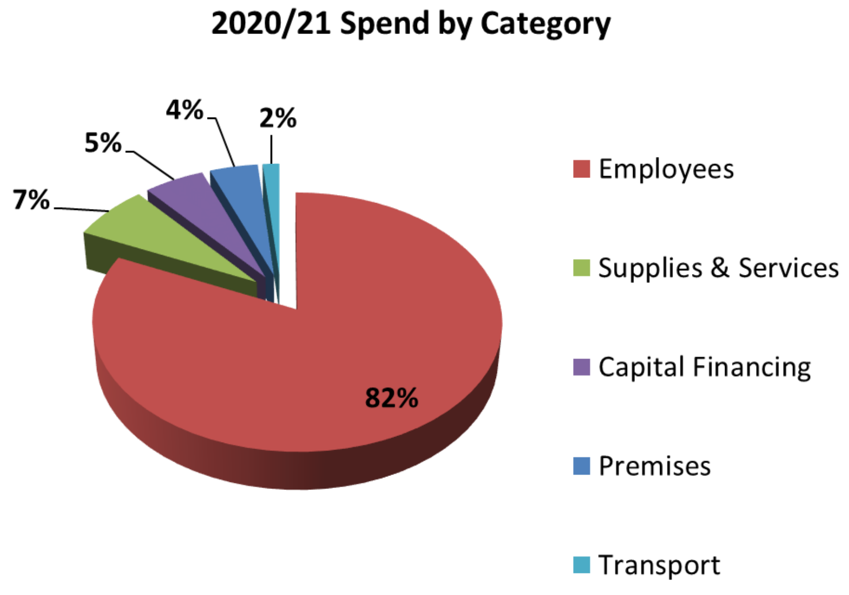
6. Financial Performance

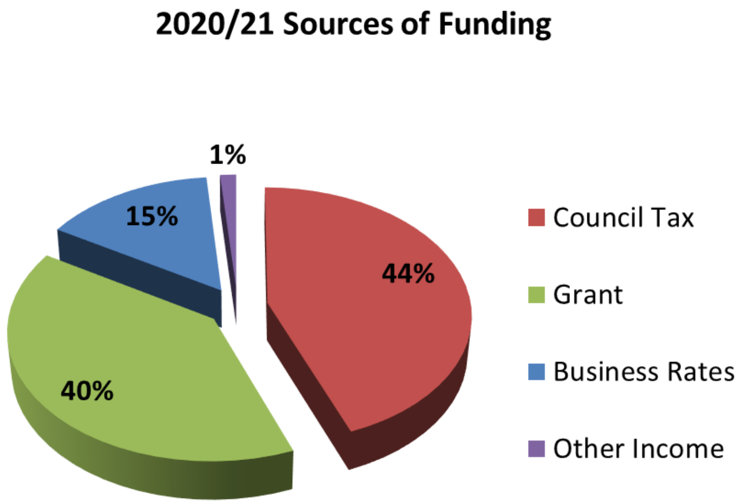
The budget for 2020/21 followed a decade of Government austerity. It was a short term budget set in anticipation of more detailed spending plans from Government for 2021/22 onwards.

Shortly after the budget was a greed a pandemic was declared. The outturn for 2020/21 has shown we managed to remain in our budget. Future planning has naturally been disrupted by the pandemic and we do not have Government plans for 2022/23.

It is anticipated that future spending cuts will be required by Government as it seeks to repair the damage done to national finances by the pandemic.

Net expenditure on provision of services was £37,846k in 2020/21 and £40,279k in 2019/20. The chart to the right sets out the spend by





The expenditure above is funded through various resources as demonstrated to the left: The Expenditure and Funding analysis as note 2 shows the relationship between the outturn position above and what is reported in the CFA's Comprehensive Income and Expenditure Statement. The CFA's Revenue Outturn report can be found on the following link: Revenue & Capital Outturn Report 2020-21

Narrative Statement (continued)

7. Pension Liabilities

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

The £20,013k liability (£11,868k in 2019/20) 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 £500,530K (£459,660k in 2019/20) is a result of this position. There is no requirement, or legal powers, for the CFA to fund this deficit, and any costs not financed by future levels of employee or employer contributions will be met by grant from the Home Office. More details on pensions can be found in note 37.

Narrative Statement (continued)

Non-current asset (Property, plant & equipment)
£51m

Net current assets (debtors, creditors and cash)
£16m

Long Term Liabilities pensions
(£520m)

Long Term Liabilities provisions and borrowing
(£13m)

Funded by: Useable reserves
£22m

Unusable Reserves
(£488m)

Net Liability 31st March 2021
£466m

Non-current asset (Property, plant & equipment)
£52m

Net current assets (debtors, creditors and cash)
£12m

Long Term Liabilities pensions
(£472m)

Long Term Liabilities provisions
(£14m)

Funded by: Useable reserves
£15m

Unusable Reserves
(£437m)

Net Liability 31st March 2020
£422m

Narrative Statement (continued)

9. Capital

The CFA had a budget of £4,887K for the 20/21 Capital programme.

The key projects initiated in 2020/21 expected to carry forward into 2021/22 are the purchase of an aerial ladder platform vehicle, purchase of 4 appliances, operational equipment and ICT purchases.

Capital Spend 2020-21		
Category	**£000**	**Spend Includes:**
Vehicles	1,045	4 new appliances, plus other operational and support vehicles
Firefighting Equipment	217	Minor equipment items
Property	90	Various works arising from condition survey
ICT	80	Upgrades to support systems
Total	**1,432**	

Narrative Statement (continued)

10. Governance

Details regarding the CFA governance arrangements can be found in the Annual Governance Statement (page 103) along with the significant risks facing the authority.

11. Looking Ahead

The CFA has set a balanced budget for 2021/22. Further detail on the CFA's long- term financial strategy can be found in the budget report;

Budget Strategy

The future financial outlook is going to be heavily contingent on the long-term consequences of the pandemic and the governments response. Although the additional grant funding for 2020/21 was sufficient, we do not know the impact the pandemic will have on the income available to the CFA in future years.

12. Conclusion

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

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

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

Narrative Statement (continued)

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

The Statement of Accounts sets out the CFA's income and expenditure for the year, at its financial position at 31 March 2021. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. This is based on International Financial Reporting Standards adopted for use in the public sector context.

The Core Statements are:

- The **Comprehensive Income and Expenditure (CIES)** - this shows the net cost of providing services. This statement is prepared on the accounting basis. The Expenditure and Funding Analysis compares the CIES with level of income and expenditure which are taken into account when setting the annual budget and council tax, since certain amounts are disregarded under statute.
- The **Movement in Reserves Statement** is a summary of the changes in the CFA's reserves over the course of the year. Reserves are divided into usable reserves which can be used to fund future expenditure and unusable reserves which are maintained to meet statutory responsibilities.
- The **Balance Sheet** shows the CFA's assets and liabilities at the year end. Net assets are matched by reserves which may be usable or unusable.
- The **Cash Flow Statement** shows the changes in cash and cash equivalents during the year and explains the reasons.

The Supplementary Financial Statements are:

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

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

Group Accounts Preparation:

The CFA operates a trading company named Forge Health Limited as a wholly owned subsidiary.

It is considered that the interests in Forge Health Limited are not material therefore group accounts are not presented.

Statement of Responsibilities for the Statement of Accounts

THE COMBINED FIRE AUTHORITY'S RESPONSIBILITIES

The Combined Fire Authority 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 on behalf of the CFA on the 2nd December 2021.

Cllr Nicholas Rushton - CHAIR OF THE COMBINED FIRE AUTHORITY

THE TREASURER'S RESPONSIBILITIES

The Treasurer is responsible for the preparation of the Combined fire Authority'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 for the financial position of the Combined Fire Authority as at the reporting date and of its income and expenditure for the year ended the 31st March 2021.

Alison Greenhill
TREASURER OF THE COMBINED FIRE AUTHORITY
Date: 02/12/2021

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

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

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Leicester, Leicestershire and Rutland Combined Fire Authority ("the Authority") for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Statement of Cash Flows, Firefighters' Pension Fund Statement and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31st March 2021 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer's with respect to going concern are described in the relevant sections of this report.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Chief Financial Officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Chief Financial Officer is also responsible for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. The Chief Financial Officer is responsible for assessing each year whether or not it is appropriate for the Authority to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Authority we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21) , the Local Government Finance Acts of 1988, 1992 and 2012 and the Local Audit and Accountability Act 2014 and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Chief Financial Officer’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to :

- discussing with management and the Combined Fire Authority the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Authority which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to :

- making enquiries of management and the Combined Fire Authority on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Combined Fire Authority. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Chief Financial Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

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

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Authority's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on the Authority's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities 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.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of Leicester, Leicestershire and Rutland Combined Fire Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Authority’s Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Gavin Barker
Director
For and on behalf of Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle Upon Tyne. NE1 1DF

3 December 2021

Core Financial Statements

Comprehensive Income and Expenditure Statement

The **Comprehensive Income and Expenditure Statement** shows the CFA's actual financial performance for the year on the accounting basis, measured in terms of the resources consumed and generated over the financial period under the relevant accounting standards. This statement is prepared on the accounting basis and shows a deficit in 2020/21 of £44,453k.

Total comprehensive income and expenditure includes various transactions which illustrate aspects of the CFA's financial position but do not impact on the 'bottom line' amounts chargeable to taxpayers, in particular deficits on the revaluation of pension liabilities and deficits on revaluation of property assets.

Comprehensive Income and Expenditure Statement (continued)

2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Expenditure £000		Note	2020/21 Gross Expenditure £000	2020/21 Gross Income £000	2020/21 Net Expenditure £000
43,996	(3,717)	40,279	Combined Fire Authority		43,855	(5,058)	38,797
43,996	**(3,717)**	**40,279**	**Cost of Services**		**43,855**	**(5,058)**	**38,797**
	(21)	(21)	Other Operating Expenditure	11		(100)	(100)
12,913	(72)	12,841	Financing and Investment Income and Expenditure	12	11,198	(18)	11,180
	(42,216)	(42,216)	Taxation and Non-Specific Grant Income and Expenditure	13		(45,602)	(45,602)
56,909	**(46,026)**	**10,883**	**(Surplus) or Deficit on Provision of Services**	**13**	**55,053**	**(50,778)**	**4,275**
		(641)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	24b			181
		(41,658)	Remeasurement of the Net Defined Benefit Liability	24d			39,997
		(42,299)	**Other Comprehensive Income & Expenditure**				**40,178**
		(31,416)	**Total Comprehensive Income & Expenditure**				**44,453**

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves which contain items that illustrate the difference between the authority's financial position under accounting standards ("the accounting basis") and the amount charged to the taxpayer for the year ("the funding basis").

2020/21	Note	General Fund Balance	Earmarked Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Note	£000	£000	£000	£000	£000
Note		**23**	**10**		**24**	
Balance at 31st March 2020 brought forward		**(2,147)**	**(13,142)**	**(15,289)**	**437,267**	**421,978**
Total Comprehensive Expenditure and Income		4,275		**4,275**	40,178	**44,453**
Adjustments between accounting basis & Funding basis under regulations	9	(10,815)		**(10,815)**	10,815	**-**
Transfers to/(from) Earmarked Reserves	10	6,100	(6,100)	**-**		**-**
Increase/(Decrease) in 2020/21		**(440)**	**(6,100)**	**(6,540)**	**50,993**	**44,453**
Balance at 31st March 2021 carried forward		**(2,587)**	**(19,242)**	**(21,829)**	**488,260**	**466,431**

Movement in Reserves Statement (continued)

2019/20	Note	General Fund Balance £000	Earmarked Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Note		23	10		24	
Balance at 31st March 2019 brought forward		**(2,612)**	**(12,448)**	**(15,060)**	**468,452**	**453,392**
Total Comprehensive Expenditure and Income		10,883	-	**10,883**	(42,299)	**(31,416)**
Adjustments between accounting basis & Funding basis under regulations	9	(11,114)	-	**(11,114)**	11,114	**-**
Transfers to/(from) Earmarked Reserves	10	693	(693)	**-**	-	**-**
Increase/(Decrease) in 2019/20		**462**	**(693)**	**(231)**	**(31,185)**	**(31,416)**
Balance at 31st March 2020 carried forward		**(2,150)**	**(13,141)**	**(15,291)**	**437,267**	**421,976**

Balance Sheet

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

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

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

31st March 2020 £000		Note	31st March 2021 £000
52,268	Property, Plant & Equipment	15	51,137
107	Intangible Assets	16	131
52,375	**Long Term Assets**		**51,268**
390	Inventories	18	402
4,486	Short Term Debtors	19	8,720
13,303	Cash and Cash Equivalents	20	13,177
18,179	**Current Assets**		**22,299**
(1,369)	Short Term Borrowing	17a	(1,431)
(4,872)	Short Term Creditors	21	(4,944)
(417)	Provisions (<1 year)	22	(65)
(6,658)	**Current Liabilities**		**(6,440)**
(429)	Provisions (>1 year)	22	(530)
(13,916)	Long Term Borrowing	17a	(12,484)
(471,528)	Net Pensions Liability	24d	(520,543)
(485,873)	**Long Term Liabilities**		**(533,557)**
(421,977)	**Net Assets**		**(466,430)**
	Represented by:		
(15,290)	Usable Reserves	23	(21,829)
437,267	Unusable Reserves	24a	488,259
421,977	**Total Reserves**		**466,430**

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.

2019/20 £000		Note	2020/21 £000
10,883	Net (surplus) or deficit on the provision of services		4,275
(17,286)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	25	(6,951)
(6,403)	**Net cash flows from Operating Activities**		**(2,676)**
3,013	Net cash flows from Investing Activities	26	1,330
558	Net cash flows from Financing Activities	27	1,472
(2,832)	**Net (increase) or decrease in cash and cash equivalents**		**126**
10,471	Cash in hand, (overdraft) and cash equivalents at the beginning of the reporting period		13,303
13,303	**Cash in hand, (overdraft) and cash equivalents at the end of the reporting period**		**13,177**

Explanatory Notes To The Core Financial Statements

Note 1 Accounting Policies

Changes in Accounting Policies

Only minor amendments have been made to the 2020/21 accounting policies to provide users with greater clarity.

Accounting Policies for 2020/21

General Principles

The Statement of Accounts summarises the CFA's transactions for the 2020/21 financial year and its position at the year-end of the 31st March 2021. The CFA is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as applicable to Fire Authorities and the Service Reporting Code of Practice 2020/21 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

Accruals of Income and Expenditure

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

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

Note 1 Accounting Policies (continued)

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

Prior year adjustments may arise as a result of a change in accounting policies or the need to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the CFA's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Charges to Revenue for Non-current Assets

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

Depreciation attributable to the assets used

Revaluation and impairment losses on assets where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

Amortisation of intangible assets.

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

Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

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

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

Note 1 Accounting Policies (continued)

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include wages, salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. provided cars) for current employees and are recognised as an expense for services in the year in which employees render service to the CFA. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the MIRS to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the CFA to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. These costs are charged on an accruals basis to the appropriate service segment at the earlier of when the CFA can no longer withdraw the offer of those benefits or when the CFA recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, the General Fund Balance is required to be charged with the amount payable by the CFA to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post - Employment Benefits

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

- The Local Government Pension Scheme (LGPS), for which Hymans Robertson calculate the liability as at the 31st March 2021 and which Leicestershire County Council administer.

- Four Firefighters' pension schemes, for which the Government Actuary's Department (GAD) calculate the liability:

- The Firefighters' Pension Scheme 1992
- The Firefighters' Pension Scheme 2006
- The Firefighters' Pension Scheme 2015
- The Firefighters' Injury Benefit Scheme

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

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

~ pays out benefits and transfer values to other schemes.

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 2% for the LGPS and 2% for the Firefighter's schemes.

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

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

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

Service cost comprising:

- current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the CIES to the services for which the employees worked

- past service costs - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the CIES

- net interest on the net defined benefit liability (asset) - i.e. net interest expense for the CFA - the change during the year in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset)

- charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the pension funds

- cash paid as employer's contributions to the pension fund in settlement of liabilities: not accounted for as an expense.

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

Discretionary Benefits

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

Note 1 Accounting Policies (continued)

Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.

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

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

Financial Instruments

<u>Financial Liabilities</u>

Financial liabilities are recognised on the Balance Sheet when the CFA becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

<u>Financial Assets</u>

Loans and Receivables

Loans and receivables (assets that have fixed or determinable payments but are not quoted in an active market) are recognised on the Balance Sheet when the CFA becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the investments that the CFA has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement. The amortised cost will include any interest accrued and not received as at the Balance Sheet date. Where the interest is fixed for the term of the investment then the actual interest rate has been used to calculate interest receivable as this is the same as the effective interest rate. There are no transaction costs relating to investments. Annual credits to the Financing and Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument.

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

Note 1 Accounting Policies (continued)

Government Grants and Contributions

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

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

Amounts recognised as due to the CFA are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the CFA as a result of past events, e.g. software licences, is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the CFA.

Intangible assets with an original cost in excess of £10k are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the CFA can be determined by reference to an active market. In practice, no intangible asset held by the CFA meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the CIES. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the CAA and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

Interests in Companies and Other Entities

The CFA has an interest in Forge Health Limited that has the status of a wholly owned subsidiary. An annual review in accordance with paragraph 9.1.1.7 of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 has been undertaken and it is considered that this interest is not material therefore Group Accounts are not prepared. The income, expenditure, assets and liabilities of Forge Health Limited are not included in the main statements of the CFA. Note 28 gives details.

The CFA is one of twelve members of the Fire Rescue Indemnity Company Limited (FRIC). The CFA's risk protection arrangements are provided through the pooled funds of the company. Further details of payments to FRIC are provided in Note 33.

Inventories

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

Joint Operations

Joint Operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

Leases

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

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

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

CFA as Lessor

The CFA has entered into agreement with both the East Midlands Ambulance Service (EMAS) & Leicestershire Constabulary to share some buildings. Accruals have been made for the estimated income. Further details can be found in Note 33.

CFA as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between;

- a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the CFA at the end of the lease period).

The CFA is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the CAA in the MIRS for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

Note 1 Accounting Policies (continued)

Overheads and Support Services

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

Property Plant and Equipment

Assets that have a physical substance and are held for use in the provision of services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided it is probable that the future economic benefits or service potential associated with the item will flow to the CFA and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) or is under a £5k de-minimus limit is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price

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

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

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

- offices and workshops - current value, determined as the amount that would be paid for the asset in its existing use

- fire stations - due to the specialised nature of the asset existing use value (EUV) cannot be assessed so it is held at depreciated replacement cost (DRC)

- assets under construction - depreciated historical cost

- all other assets - current value, determined as the amount that would be paid for the asset under EUV.

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

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

Assets included in the Balance Sheet at current value are revalued annually. The latest valuation exercise was carried out by Cameron Butler BLE (Hons) MRICS of FHP Property Consultants. The asset values used in the accounts are based on a certificate issued by FHP Property Consultants on all properties as at the 31st March 2021. Additions which are still under construction are included in the accounts at cost. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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

Note 1 Accounting Policies (continued)

Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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

Depreciation

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

Depreciation is calculated on the following bases:

- buildings - straight line allocation over the useful life of the property as estimated by the valuer.

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

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

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

Note 1 Accounting Policies (continued)

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

Provisions, Contingent Liabilities and Contingent Assets

(i) Provisions

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

For instance, the CFA may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES when the CFA has an obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less probable that a transfer of economic benefits will occur (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

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

Note 1 Accounting Policies (continued)

(ii) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

(iii) Contingent Assets

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

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

Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the CFA – these reserves are explained in note 24.

Value Added Tax

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

Note 2 Expenditure and Funding Analysis

The expenditure and funding analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the CFA in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. Income and expenditure accounted for under generally accepted accounting practices are presented more fully in the Comprehensive Income and Expenditure Statement.

2020/21	Net Expenditure Charged to the General Fund Balance	Adjustments Between Accounting & Funding Basis	Net Expenditure on the Comprehensive Income & Expenditure Statement
	£000	£000	£000
Fire Authority	31,374	7,423	38,797
Net Cost of Services	**31,374**	**7,423**	**38,797**
Other Operating Expenditure	-	(100)	(100)
Financing and Investment Income and Expenditure	1,615	9,565	11,180
Taxation and Non-Specific Grant Income	(39,529)	(6,073)	(45,602)
(Surplus) or Deficit on Provision of Services	**(6,540)**	**10,815**	**4,275**

Movement in Balances	Usable Reserves
Opening Balance	(15,289)
Surplus or Deficit in the Year	(6,540)
Closing Balance	**(21,829)**

Note 2 Expenditure and Funding Analysis (continued)

2019/20	Net Expenditure Charged to the General Fund Balance	Adjustments Between Accounting & Funding Basis	Net Expenditure on the Comprehensive Income & Expenditure Statement
	£000	£000	£000
Fire Authority	40,359	(81)	40,278
Net Cost of Services	**40,359**	**(81)**	**40,278**
Other Operating Expenditure	(21)	-	(21)
Financing and Investment Income and Expenditure	1,720	11,122	12,842
Taxation and Non-Specific Grant Income	(42,289)	73	(42,216)
(Surplus) or Deficit on Provision of Services	**(231)**	**11,114**	**10,883**

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

Note 3 Accounting Standards Issued But Not Yet Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

Definition of a Business: Amendments to IFRS 3 Business Combinations provides clarity on the definition of a business, we are not expecting this to affect our accounts when this is implemented from 1st April 2021.

Interest Rate Benchmark Reform phase 1 and phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Interest rate benchmark reform is expected to affect hedge accounting and therefore we are not expecting this to affect our accounts when this is implemented from 1st April 2021.

Note 4 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1 of this Statement of Accounts, the CFA has had to make certain judgements about complex transactions and/or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

a) Accounts prepared on a going concern basis

These accounts have been prepared on a going concern basis. The concept of a going concern assumes that an organisation, its functions and service will continue in operational existence for the foreseeable future. However, there is a high degree of uncertainty about future funding levels for local government and the future economic outlook. The CFA's management has used its judgement and determined that its financial strategy is robust and that this is not yet sufficient to affect the assumptions underpinning the strategy and the authority will continue as a going concern.

b) Forge Health

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 2020/21. As the interests are not considered material, group accounts are not presented.

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

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

The items in the CFA's Balance Sheet at 31st March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements by the actuary relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement rates, mortality rates and expected returns on pension fund assets. On behalf of the CFA, the Local Government Pension Scheme employs the Actuary, Hymans Robertson, and the Firefighter's Pension Schemes are valued by Government Actuary's Department (GAD). These actuaries provide expert advice on assumptions to be applied.	The effects in the net pensions liability of changes in the individual assumptions can be measured. For instance a 0.5% increase in the discount rate assumption would result in an increase in the pension liability £50,354K (£6,354K LGPS and £44,000K Firefighters schemes). However, the assumptions interact in complex ways.

Note 6 Material Items of Income and Expense

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

Note 7 Events After the Balance Sheet Date

There were no significant events at the time of publishing these accounts.

Note 8 Note to the Expenditure and Funding Analysis

The following tables provide reconciliations between the main adjustments to Net Expenditure Chargeable to the General Fund balance to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

		Adjustments Between Accounting & Funding Basis				
2020/21	**Net Expenditure on the Comprehensive Income & Expenditure Statement**	**Adjustments for Capital Purposes**	**Adjustments for Defined Benefit Pensions**	**Other Adjustments**	**Total**	**Net Expenditure Charged to the General Fund Balance**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Combined Fire Authority	38,797	(1,059)	(6,339)	(25)	(7,423)	31,374
Cost of Services	**38,797**	**(1,059)**	**(6,339)**	**(25)**	**(7,423)**	**31,374**
Other Operating Expenditure	(100)	100			100	-
Financing and Investment Income and Expenditure	11,180	1,043	(10,608)		(9,565)	1,615
Taxation and Non-Specific Grant Income	(45,602)	32	7,929	(1,888)	6,073	(39,529)
(Surplus) or Deficit on Provision of Services	**4,275**	**116**	**(9,018)**	**(1,913)**	**(10,815)**	**(6,540)**

Note 8 Note to the Expenditure and Funding Analysis (Continued)

		Adjustments Between Accounting & Funding Basis				
2019/20 Restated	**Net Expenditure on the Comprehensive Income & Expenditure Statement**	**Adjustments for Capital Purposes**	**Adjustments for Defined Benefit Pensions**	**Other Adjustments**	**Total**	**Net Expenditure Charged to the General Fund Balance**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Combined Fire Authority	40,279	425	(252)	(92)	81	40,360
Cost of Services	**40,279**	**425**	**(252)**	**(92)**	**81**	**40,360**
Other Operating Expenditure	(21)	-	-		-	(21)
Financing and Investment Income and Expenditure	12,841	1,168	(12,290)		- (11,122)	1,719
Taxation and Non-Specific Grant Income	(42,216)	-	-	(73)	(73)	(42,289)
(Surplus) or Deficit on Provision of Services	**10,883**	**1,593**	**(12,542)**	**(165)**	**(11,114)**	**(231)**

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

Adjustments for Capital Purposes

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

- **Other Operating Expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and Investment Income and Expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and Non-specific Grant Income and Expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions are satisfied in the year.

Net Change for Pensions Adjustments

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

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES.

Other Adjustments

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

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

Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations

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

General Fund Balance

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

Adjustment	2020/21	
	General Fund Balance	Movement in Unusable Reserves
	£000	£000
Adjustments primarily involving the Capital Adjustment Account:		
Reversal of items debited or credited to the Comprehensive Income and Expenditure Account:		
Charges for depreciation, impairment and amortisation of non-current assets	(2,283)	**2,283**
Revaluation losses on Property Plant and Equipment	(74)	**74**
Capital grants and contributions applied	32	**(32)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3)	**3**
Use of the Capital Receipts Reserve to finance new capital expenditure	103	**(103)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account:		
Statutory provision for the financing of capital investment	1,043	**(1,043)**
Capital expenditure charged against the General Fund balance	1,298	**(1,298)**
Adjustments primarily involving the Capital Receipts Reserve:		
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(103)	**103**
Use of the Capital Receipts Reserve to finance new capital expenditure	103	**(103)**

Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations

Adjustment Continued	2020/21 General Fund Balance £000	2020/21 Movement in Unusable Reserves £000
Adjustments primarily involving the Pensions Reserve:		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(22,146)	**22,146**
Employer's pensions contributions and direct payments to pensioners payable in the year	13,128	**(13,128)**
Adjustment primarily involving the Accumulated Absences Account:		
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(25)	**25**
Adjustment primarily involving the Collection Fund Adjustment Account:		
Amount by which Council Tax and NDR income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and NDR income calculated for the year in accordance with statutory requirements	(1,888)	**1,888**
Total Adjustments	**(10,815)**	**10,815**

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

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

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

Adjustment Continued	2019/20 General Fund Balance £000	2019/20 Movement in Unusable Reserves £000
Adjustments primarily involving the Pensions Reserve:		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(24,223)	**24,223**
Employer's pensions contributions and direct payments to pensioners payable in the year	11,681	**(11,681)**
Adjustment primarily involving the Accumulated Absences Account:		
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(92)	**92**
Adjustment primarily involving the Collection Fund Adjustment Account:		
Amount by which Council Tax and NDR income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and NDR income calculated for the year in accordance with statutory requirements	(73)	**73**
Total Adjustments	**(11,114)**	**11,114**

Note 10 Movement in Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans.

Additional information on the earmarked reserves can be found in the authority's outturn report.

2020/21	Balance at	Transfers In	Transfers Out	Balance at
	£000	£000	£000	£000
Insurance Reserve	(157)	-	157	-
Occupational Health Reserve	(29)	-	29	-
Ill Health Retirement Reserve	(153)	-	-	(153)
Relocation Reserve	(14)	-	14	-
Emergency Services Mobile Communications Programme Reserve	(326)	-	-	(326)
Management of Change Reserve	(1,219)	-	1,219	-
Capital Fund Reserve	(4,659)	(3,151)	1,329	(6,481)
Estates Strategy Reserve	(6,026)	-	-	(6,026)
Recruitment Over - Establishment Reserve	(400)	-	-	(400)
Budget Strategy & Covid 19 Reserve	(159)	(2,770)	-	(2,929)
Grenfell Reserve	-	(364)	45	(319)
ESN Infrastructure Reserve	-	(986)	-	(986)
Covid 19 - Deficit Reserve	-	(1,622)	-	(1,622)
Total Earmarked Reserves	**(13,142)**	**(8,893)**	**2,793**	**(19,242)**

*Covid-19 Collection Fund Compensation Grants reserve contains government grant received in relation to collection fund deficits that will be realised in 2021/22

Note 10 Movement in Earmarked Reserves (continued)

2019/20	Restated Balance at 31st March 2019	Transfers In 2019/20	Transfers Out 2019/20	Balance at 31st March 2020
	£000	£000	£000	£000
Insurance Reserve	(157)	-	-	(157)
Occupational Health Reserve	(29)	-	-	(29)
Ill Health Retirement Reserve	(153)	-	-	(153)
Relocation Reserve	(15)	-	-	(15)
Emergency Services Mobile Communications Programme Reserve	(326)	-	-	(326)
Management of Change Reserve	(491)	(728)	-	(1,219)
Capital Fund Reserve	(4,852)	(2,640)	2,833	(4,659)
Estates Strategy Reserve	(6,026)	-	-	(6,026)
Recruitment Over - Establishment Reserve	(400)	-	-	(400)
Budget Strategy & Covid 19 Reserve	-	(158)	-	(158)
Total Earmarked Reserves	**(12,449)**	**(3,526)**	**2,833**	**(13,142)**

Note 11 Other Operating Expenditure

	2019/20	2020/21
	£000	£000
Total (gains)/losses on the disposal of non-current assets	(21)	(100)
Total	**(21)**	**(100)**

Note 12 Financing and Investment Income & Expenditure

	2019/20	2020/21
	£000	£000
Interest payable and similar charges	623	590
Net interest on the defined benefit liability	12,290	10,608
Interest receivable	(103)	(18)
Fixed Asset Funding	-	-
Dividend Received	31	-
Total	**12,841**	**11,180**

Note 13 Taxation and Non-Specific Grant Income & Expenditure

	2019/20	2020/21
	£000	£000
Council Tax income	(21,584)	(20,644)
Non domestic rates	(14,059)	(9,351)
Pensions Top Up Grant	(6,573)	(7,929)
Non-ringfenced government grants	-	(7,646)
Capital grants and contributions	-	(32)
Total	**(42,216)**	**(45,602)**

Note 14 Expenditure and Income Analysed by Nature

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

	2019/20	2020/21
	£000	£000
Expenditure		
Employee Benefit Expenses	46,977	45,089
Other Services expenses	6,599	7,091
Depreciation, amortisation, impairment	2,710	2,283
Interest Payments	623	590
Total Expenditure	**56,909**	**55,053**
Income		
Fees, charges and other service income	(480)	(599)
Interest & Investment Income	(72)	(18)
Income from Council Tax, non domestic rates	(35,643)	(29,995)
Government grants & contributions	(9,810)	(20,066)
Gain on the disposal of assets	(21)	(100)
Total Income	**(46,026)**	**(50,778)**
Surplus or Deficit on Provision of Services	**10,883**	**4,275**

Note 15 Property, Plant and Equipment - Movement on Balances in 2020/21

Depreciation

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

- Land and Buildings - 5-65 years
- Vehicles, Plant, Furniture and Equipment - 5-15 years

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

Capital Commitments

As at 31st March 2021 a total amount of £495k was contracted relating to the purchase of 4 new appliances. These commitments will be paid in 2021/22.

Movements on Balances in 2020/21	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000
Cost or Valuation				
At 1st April 2020	44,672	23,325	1,579	**69,576**
Additions	90	681	618	**1,389**
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	(1,092)	-	-	**(1,092)**
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	(74)	-	-	**(74)**
De-recognition – disposals	-	(704)	-	**(704)**
Transfers (to)/from In Construction	-	1	(1)	**-**
As at 31st March 2021	**43,596**	**23,303**	**2,196**	**69,095**

Note 15 Property, Plant and Equipment - Movement on Balances in 2020/21 (continued)

Movements on Balances in 2020/21	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000
Accumulated Depreciation & Impairment				
At 1st April 2020	(17)	(17,291)	-	**(17,308)**
Depreciation written out to the Revaluation Reserve	912	-		**912**
Depreciation Charge	(990)	(1,273)	-	**(2,263)**
De-recognition – disposals	-	701		**701**
As at 31st March 2021	**(95)**	**(17,863)**	**-**	**(17,958)**
Net Book Value as at 31st March 2021	**43,501**	**5,440**	**2,196**	**51,137**
As at 1st April 2020	44,655	6,034	1,579	52,268

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

Assets included in the Balance Sheet at current value are revalued annually. The latest valuation exercise was carried out by Cameron Butler BLE (Hons) MRICS of FHP Property Consultants. The asset values used in the accounts are based on a certificate issued by FHP Property Consultants on all properties as at the 31st March 2021.

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

2019/20 Comparative Movements	Land & Buildings	Vehicles, Plant, Furniture and Equipment	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000
Cost or Valuation				
At 1st April 2019	43,935	20,902	2,444	**67,281**
Additions	155	2,622	27	**2,804**
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	637	-	-	**637**
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	(823)	-	-	**(823)**
De-recognition – disposals	-	(266)	-	**(266)**
Transfers (to)/from In Construction	768	67	(892)	**(57)**
As at 31st March 2020	**44,672**	**23,325**	**1,579**	**69,576**

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

2019/20 Comparative Movements	Land & Buildings	Vehicles, Plant, Furniture and Equipment	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000
Accumulated Depreciation & Impairment				
At 1st April 2019	(34)	(15,959)	-	**(15,993)**
Depreciation written out to the Revaluation Reserve	1,129	-	-	**1,129**
Depreciation Charge	(1,112)	(1,598)	-	**(2,710)**
De-recognition – disposals	-	266	-	**266**
As at 31st March 2020	**(17)**	**(17,291)**	**-**	**(17,308)**
Net Book Value as at 31st March 2020	**44,655**	**6,034**	**1,579**	**52,268**
As at 1st April 2019	43,901	4,943	2,444	51,288

Note 16 Intangible Assets

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

As at the 31st March 2021 there are no contractual commitments for the acquisition of intangible assets.

	2019/20 £000	2020/21 £000
Balance at 1st April		
Gross Carrying Amounts	136	243
Accumulated Amortisation	(136)	(136)
Net carrying amount at start of year	**-**	**107**
Additions (Purchases)	49	44
Reclassified from other asset classifications	58	-
Amortisation applied in Year	-	(20)
Gross Carrying Amount at 31st March	243	287
Accumulated Amortisation	(136)	(156)
Net Carrying Amount at 31st March	**107**	**131**

Note 17a Financial Instruments - Classifications

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

Category	Amount 31st March 2020 £000	Amount 31st March 2021 £000	Comment / Reference
Short Term Borrowing			
Amount in Balance Sheet	**1,369**	**1,431**	
Amounts covered in Note 17b:	1,369	1,431	
Long Term Borrowing			
Amount in Balance Sheet	**13,916**	**12,484**	
Amounts covered in Note 17b:	13,916	12,484	
Other Long Term Liabilities			
Amount in Balance Sheet	**471,957**	**521,073**	
Amounts not covered in Note 17:	429	530	
Liability related to defined benefit pension schemes	471,528	520,543	Note 37 - Defined Benefit Pensions

Note 17b Financial Instruments - Balances

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

Financial Assets	Long Term		Short Term	
	31st March 2020	31st March 2021	31st March 2020	31st March 2021
	£000	£000	£000	£000
- Cash (including bank accounts)			13,303	13,177
Total Cash and Cash Equivalents	**-**	**-**	**13,303**	**13,177**
Loans and receivables:				
- Trade receivables			18	155
Included in Debtors	**-**	**-**	**18**	**155**
Total Financial Assets	**-**	**-**	**13,321**	**13,332**

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

Financial Liabilities	Long Term		Short Term	
	31st March 2020	31st March 2021	31st March 2020	31st March 2021
	£000	£000	£000	£000
Loans at amortised cost:				
- Principal sum borrowed	13,229	12,137	750	1,091
Total Borrowing	**13,229**	**12,137**	**750**	**1,091**
Liabilities at amortised cost:				
- Finance leases	687	347	619	340
Total Other Liabilities	**687**	**347**	**619**	**340**
Total Borrowing & Other Liabilities	**13,916**	**12,484**	**1,369**	**1,431**
Liabilities at amortised cost:				
- Trade payables	-	-	-	21
Included in Creditors	**-**	**-**	**-**	**21**
Total Financial Liabilities	**13,916**	**12,484**	**1,369**	**1,452**

Note 17c Financial Instruments - Gains and Losses

	Age profile of Debtors	
	31st March 2020	31st March 2021
	£000	£000
Debtors		
- not yet due for payment	12	52
Past due analysis		
Less than 1 month overdue	3	58
1-2 months overdue	2	11
2-6 months overdue	-	11
Over 6 months overdue	30	23
Total trade debtors	**47**	**155**

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

	Financial Liabilities	Financial Assets		
	Amortised Cost	Loans & Receivables	2020/21 Total	2019/20 Total
	£000	£000	£000	£000
Interest expense	590		590	622
Interest payable and similar charges	590	**0**	**590**	**622**
Interest income		(18)	(18)	(103)
Interest and investment income	0	**(18)**	**(18)**	**(103)**
Net (Gain)/Loss for the Year	**590**	**(18)**	**572**	**519**

Note 17d Financial Instruments - Fair Values

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

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

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

The table shows the amounts held at 31st March 2021 and the fair value reported in the 2020/21 accounts.

	31st March 2020		31st March 2021	
	Balance Sheet	Fair Value	Balance Sheet	Fair Value
	£000	£000	£000	£000
Assets for which fair value is not disclosed *	14,286	-	15,061	-
Total Financial Assets	**14,286**	**-**	**15,061**	**-**
Long-term investments				
Short-term debtors	983	-	1,884	-
Cash and cash equivalents	13,303	-	13,177	-
Total Financial Assets	**14,286**	**-**	**15,061**	**-**

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

Note 17d Financial Instruments - Fair Values (continued)

	31st March 2020		31st March 2021	
	Balance Sheet	**Fair Value**	**Balance Sheet**	**Fair Value**
	£000	**£000**	**£000**	**£000**
Financial liabilities held at fair value:				
Forward contracts in counterparty's favour	-		-	
Financial liabilities held at amortised cost:				
Long-term loans from PWLB	13,978	17,599	13,228	18,307
Lease payables	1,306	1,306	687	687
Total	**15,284**	**18,905**	**13,915**	**18,994**
Liabilities for which fair value is not disclosed*	475,634	-	521,848	-
Total Financial Liabilities	**490,918**	**18,905**	**535,763**	**18,994**
Recorded on balance sheet as:				
Short-term creditors	1,236	-	1,304	-
Short-term borrowing	1,417	-	1,431	-
Long-term borrowing	13,957	-	12,484	-
Other long-term liabilities	474,308	-	520,544	-
Total Financial Liabilities	**490,918**	**-**	**535,763**	**-**

Note 18 Inventories

The value of inventories as at 31st March:

	Balance at 31st March 2020 £000	Balance at 31st March 2021 £000
Operational equipment	221	270
Vehicle Parts	91	61
Other	78	71
Total	**390**	**402**

Note 19 Debtors

Short-Term Debtors

The value of short-term debtors as at 31st March:

	Balance at 31st March 2020 £000	Balance at 31st March 2021 £000
Central Government bodies	2,223	5,538
Other Local Authorities	1,500	2,206
All Other	762	976
Total	**4,485**	**8,720**

Note 20 Cash and Cash Equivalents

The value of cash and cash equivalents as at 31st March:

	Balance at 31st March 2020	Balance at 31st March 2021
	£000	£000
Cash held by the CFA	46	32
Bank current accounts	12	20
Short-term investments	13,245	13,125
Total Cash and Cash Equivalents	**13,303**	**13,177**

Note 21 Creditors

The value of creditors as at 31st March:

	Balance at 31st March 2020	Balance at 31st March 2021
	£000	£000
Central Government bodies	2,828	1,025
Other Local Authorities	821	2,903
All Other	1,223	1,016
Total	**4,872**	**4,944**

Note 22 Provisions

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

Payment of Insurance Claims

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

Pay Award

The pay award provision that was previously set aside was determined to be no longer required and has been transferred out.

Business Rate appeals

A provision is also made for the CFA's share of any defaults on business rates. This is calculated by the Billing Authority's.

	Insurance	Pay Award	Short Term Total	Business Rate Appeals	Long Term Total
	£000	£000	£000	£000	£000
Balance at 1st April 2019	**70**	**352**	**422**	**475**	**475**
2019/20 Provisions/(Reductions)	-	-	-	(46)	(46)
Amounts used in 2019/20	(5)	-	(5)	-	-
Balance at 1st April 2020	**65**	**352**	**417**	**429**	**429**
2020/21 Provisions/(Reductions)	-	(352)	(352)	101	101
Amounts used in 2020/21	-	-	-	-	-
Balance at 31st March 2021	**65**	**-**	**65**	**530**	**530**

Note 23 Usable Reserves

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

	Opening Balance	Movement	Closing Balance	Supporting Note
	£000	£000	£000	
General Fund	(2,147)	(440)	(2,587)	MIRS and Narrative Statement
Earmarked Reserves	(13,142)	(6,100)	(19,242)	Note 10 and Narrative Statement
Total Usable Reserves	**(15,289)**	**(6,540)**	**(21,829)**	

Note 24a Unusable Reserves

Unusable reserves contain items that illustrate the difference between the Authority's financial position under accounting standards (the "accounting basis") and the amount charged to the taxpayer for the year (the "funding basis"

	31st March 2020	31st March 2021
	£000	£000
Revaluation Reserve	(11,955)	(11,448)
Capital Adjustment Account	(22,572)	(23,014)
Pensions Reserve	471,528	520,543
Collection Fund Adjustment Account	(41)	1,847
Accumulated Absences Account	306	331
Total Unusable Reserves	**437,266**	**488,259**

Note 24b Unusable Reserves (continued)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the CFA arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

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

	2019/20	2020/21
	£000	£000
Balance at 1st April	**(11,637)**	**(11,955)**
Upward revaluation of assets	(650)	(48)
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	9	229
(Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**(641)**	**181**
Difference between fair value depreciation and historical cost depreciation	323	326
Accumulated gains on assets sold or scrapped	-	-
Balance at 31st March	**(11,955)**	**(11,448)**

Note 24c Unusable Reserves (continued)

Capital Adjustment Account

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

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

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

	2019/20	2020/21
	£000	£000
Balance at 1st April	**(20,656)**	**(22,572)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation & impairment	2,710	2,263
Revaluation losses on Property, Plant and Equipment	(301)	74
Amortisation of intangible assets	-	20
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Income and Expenditure Statement	-	3
	(18,247)	**(20,212)**
Adjusting amounts written out of the Revaluation Reserve	(323)	(326)
Net written out amount of the cost of non-current assets consumed in the year	**(18,570)**	**(20,538)**
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(21)	(103)
Capital Grants, Contributions & Donated Assets credited to the Income and Expenditure Statement that have been applied to capital financing	-	(32)
Contribution from Police and Crime Commissioner towards Coalville extension project	-	-
Statutory provision for the financing of capital investment charged against the General Fund	(1,148)	(1,043)
Capital expenditure charged against the General Fund	(2,833)	(1,298)
Balance at 31st March	**(22,572)**	**(23,014)**

Note 24d Unusable Reserves (continued)

Pensions Reserve

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

	2019/20	2020/21
	£000	£000
Balance at 1st April	**500,644**	**471,528**
Remeasurement of the Net Defined Benefit Liability	(41,658)	39,997
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	24,223	22,146
Employer's pensions contributions and direct payments to pensioners payable in the year	(11,681)	(13,128)
Balance at 31st March	**471,528**	**520,543**

Note 24e&f Unusable Reserves (continued)

Collection Fund Adjustment Account

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

	2019/20	2020/21
	£000	£000
Balance at 1st April	**(114)**	**(41)**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	73	1,888
Balance at 31st March	**(41)**	**1,847**

	2019/20	2020/21
	£000	£000
Balance at 1st April	**214**	**306**
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	92	25
Balance at 31st March	**306**	**331**

Accumulated Absences Account

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

Note 25 Cash Flow Statement - Operating Activities

	2019/20	2020/21
	£000	£000
Interest received	(100)	(18)
Dividend received	-	
Interest paid	581	590
Net interest	**481**	**572**

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

	2019/20	2020/21
	£000	£000
Depreciation	(2,710)	(2,263)
Downward revaluations, impairment losses and reversal of prior year impairments	301	(74)
Amortisation	-	(20)
(Increase) / decrease in creditors	(297)	(72)
Increase / (decrease) in debtors	(2,107)	4,234
(Increase) / decrease in provisions	51	251
Increase / (decrease) in inventories	14	11
Movement in pension liability	(12,542)	(9,018)
Other non-cash items charged to the net surplus or deficit on the provision of services	4	
Adjustments to net surplus deficit on the provisions of services for non cash movements Items classified elsewhere in the statement	**(17,286)**	**(6,951)**

Note 26 Cash Flow Statement Investment Activities

	2019/20 £000	2020/21 £000
Purchase of property, plant and equipment and intangible assets	3,034	1,433
Proceeds from sale of property, plant and equipment and int assets	(21)	(103)
Net Cash Flows from Investing Activities	**3,013**	**1,330**

Note 27 Cash Flow Statement Financing Activities

	2019/20 £000	2020/21 £000
Repayments of short and long-term borrowing	558	1,369
Other payments for financing activities		103
Net Cash Flows from Financing Activities	**558**	**1,472**

Note 28 Trading Operations

Forge Health

The CFA operates a trading company named Forge Health Limited as a wholly owned subsidiary. Its main activity is the provision of occupational health services to the private and public sectors. The Company employs no members of staff but instead uses the CFA's staff (for which it pays a fee) and independent contractors to deliver its services. There are no non-current or intangible assets owned by the Company for the year ending 31st March 2021.

For the year 2020/21, Forge Health Limited reported turnover of £79k and a post tax loss of £21k (turnover of £161k and post tax loss of £11k in 2019/20). As in 2019/20, no dividends were proposed or paid due to the trading downturn as a result of the Covid-19 pandemic.

Note 33 of these accounts discloses the total transactions with Forge Health Limited and amounts due from/to at the year end.

The accounts of the Company are completed on the same financial year basis as the CFA and accounting policies are aligned. The accounts of the Company are not yet available. It is considered that the interests in Forge Health Limited are not material therefore group accounts are not presented.

	2019/20			2020/21		
	Turnover	Expenditure	(Surplus)/ Deficit	Turnover	Expenditure	(Surplus) / Deficit
	£000	£000	£000	£000	£000	£000
Forge Health	(161)	148	(13)	(79)	100	21
Total	**(161)**	**148**	**(13)**	**(79)**	**100**	**21**

Note 29 Members' Allowances

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

	2019/20	2020/21
	£000	£000
Basic Allowance Payments	55	56
Special Responsibility Payments	18	19
General Expense Payments	1	-
Total	**74**	**75**

Note 30 Officers' Remuneration

This note comprises two parts. The first discloses the remuneration of the CFA's most senior officers. The second part discloses the total number of 'higher paid' CFA officers whose remuneration exceeded £50k during 2020/21, shown in bands and excluding those senior officers in the first part.

Part 1 - Senior Employees' Remuneration

The table shows the amounts paid to the holders of senior posts in 2020/21 with comparative data from 2019/20 where applicable.

Senior employees are defined as certain statutory chief officer posts, those earning over £150k per annum and those earning less than this sum but reporting directly to the Chief Fire and Rescue Officer. There are two such officers, in 2020/21, which represents no change from 2019/20.

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

Post	Financial Year	Salary, Fees and Allowances	Pension Contributions	Total
		£000	£000	£000
Chief Fire Officer (note 1)	2020/21	74	22	**96**
	2019/20	134	49	**183**
Chief Fire Officer (note 2)	2020/21	80	18	**98**
	2019/20			**-**
Assistant Chief Fire and Rescue Officer - Service Delivery (note 3)	2020/21	44	13	**57**
	2019/20	83	17	**100**
Assistant Chief Fire and Rescue Officer - Service Delivery (note 4)	2020/21	63	13	**76**
	2019/20			**-**
Assistant Chief Fire and Rescue Officer - Service Support (note 5)	2020/21	91	34	**125**
	2019/20	107	40	**147**
Assistant Chief Fire and Rescue Officer - Service Support (note 6)	2020/21	63	13	**76**
	2019/20			**-**

Notes:

1) The CFO left on 4th September 2020

2) The new CFO started on 5th September 2020

3) The Assistant CFO - Service Delivery left the role on 4th September to become the new CFO

4) The new Assistant CFO - Service Delivery started on 5th September 2020

5) The Assistant CFO - Service Support left the role on 31 January 2021

6) The new Assistant CFO - Service Support started on 5th September 2020

Note 30 Officers' Remuneration (continued)

Part 2 - Higher Paid Employees

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

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

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

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

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

Remuneration Band £	Number of Employees 2019/20	2020/21
50,000-54,999	35	23
55,000-59,999	10	22
60,000-64,999	6	6
65,000-69,999	1	1
70,000-74,999	-	1
75,000-79,999	3	1
Total	**55**	**54**

Note 31 External Audit Costs

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

	2019/20	2020/21
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	23	23
Additional fees due to increased work undertaken	7	5
	30	**28**

Note 32 Grant Income

The CFA credited the following grants to the CIES:

Revenue grants recognised in the year

	2019/20	2020/21
	£000	£000
Credited to Cost of Services		
Fire Pensions Grant	1,795	1,795
ESN Infrastructure Grant	-	1,061
New Dimensions Grant	850	850
Grenfell Grants	-	376
Firelink Grant	336	352
Other Grants	7	57
Total Credited to Cost of Services	**2,988**	**4,491**
Credited to Taxation & Non-Specific Grant Income		
Revenue Support Grant	-	4,318
Covid 19 Grant	159	951
Covid 19 Collection Fund Compensation Grants	-	2,377
Total Credited to Taxation & Non-Specific Grant Income	**159**	**7,646**
Total Recognised in Year	**3,147**	**12,137**

Note 33 Related Parties

The CFA is required to disclose material transactions with related parties - bodies or individuals that have the potential to control, or to be controlled or influenced by the CFA. Disclosures of these transactions assesses the extent to which the CFA might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the CFA.

Central Government

The Home Office has significant influence on the general operation of the CFA - it is responsible for providing the statutory framework within which the CFA operates, provides a large proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the CFA has with other parties (e.g. council tax). Grants received from government departments are set out in Note 14. Income of £11,873k was received in 2020/21 (£9,720k in 2019/20). Expenditure with Central Government bodies totalled £547k in 2020/21 (£561k in 2019/20).

Members

Members of the CFA have direct control over the CFA's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in note 29. During 2020/21, no works and services were commissioned from companies in which members declared an interest.

Officers

Officers of the CFA have significant influence over the CFA's financial and operating policies. During 2020/21, no works and services were commissioned from companies in which officers declared an interest.

Other Public Bodies

Leicester City Council, Leicestershire County Council and Rutland County Council are statutory members to the CFA who also supply services to the CFA. In 2020/21, a total of £1,111k was spent with these partners (£1,059k in 2019/20). A total of £235k was owing to these partners at 31st March 2021 (£227k at 31st March 2020).

Entities Controlled or Significantly Influenced by the CFA

Forge Health Limited

The CFA has control of Forge Health Limited, a wholly owned subsidiary. No dividend is due for 2020/21.

Fire and Rescue Indemnity Company Limited

Twelve fire and rescue authorities, including Leicestershire, are members of the Fire and Rescue Indemnity Company Limited (FRIC). The CFA's risk protection arrangements are provided through the pooled funds of the company. Payments amounting to £394k were paid to FRIC in 2020/21 (£301k in 2019/20).

Note 34 Capital Expenditure and Capital Financing

The CFA had an opening capital financing requirement of £17,848k at the 1st April 2020 and a closing capital financing requirement of £16,805k at the 31st March 2021.

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

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

	2019/20 £000	2020/21 £000
Opening Capital Financing Requirement	**18,996**	**17,848**
Capital Investment		
Land and Buildings	155	90
Vehicles, Plant and Equipment	2,624	681
Assets In Construction	26	618
Intangibles	49	44
Total Capital Investment	**2,854**	**1,433**
Sources of Finance		
Capital Receipts	(21)	(103)
Grants	-	(32)
Sums set aside from revenue:		
Direct Revenue Contributions	(2,833)	(1,298)
MRP	(1,148)	(1,043)
Total Sources of Finance	**(4,002)**	**(2,476)**
Closing Capital Financing Requirement	**17,848**	**16,805**
Increase/(Decrease) in Capital Financing Requirement	**(1,148)**	**(1,043)**

Note 35 Leases

CFA as Lessee

Finance Leases

Finance lease rentals paid to lessors relating to 2020/21 totalled £661k (£616k 2019/20) of which £43k was interest and £619k was principal. All finance leases relate to Vehicles, Plant and Equipment and the net book value of these assets at the 31st March 2021 is £839k.

Finance Leases

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March 2020	31st March 2021	31st March 2020	31st March 2021
	£000	£000	£000	£000
Within one year	603	331	619	340
Within 2 to 5 years	634	319	637	322
Later than 5 years	42	22	50	25
Total	**1,279**	**672**	**1,306**	**687**

CFA as Lessor

Operating Leases

Operating lease rentals received relating to 2020/21 totalled £13k (£7k 2019/20). Part of Birstall HQ and Coalville station are leased to EMAS for £7k & £13K per annum respectively. Part of Coalville Station is leased to Leicestershire Police at a Peppercorn rent.

Operating Leases

	31st March 2020	31st March 2021
	£000	£000
Within one year	7	20
Within 2 to 5 years	35	79
Later than 5 years	10	54
Total	**52**	**153**

Note 36 Termination Benefits

The CFA terminated the contract of two employees in 2020/21, incurring costs of £53k (2 employees costing £10k in 2019/20).

Band	Total number of exit packages by cost band	Total cost of exit 2019/20	Total number of exit packages by cost band	Total cost of exit 2020/21
£000	**2019/20**	**£000**	**2020/21**	**£000**
Compulsory				
0-20,000	2	10		
20,001 - 40,000			-	-
Total Compulsory	**2**	**10**	**-**	**-**
Voluntary				
20,001 - 40,000	-	-	2	53
Total Voluntary	**-**	**-**	**2**	**53**

Note 37 Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

(i) Uniformed Firefighters

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

(ii) Control and Support Staff

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

Note 37 Defined Benefit Pension Schemes (continued)

Transactions Relating to Post-Employment Benefits– LGPS

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

Local Government Pension Scheme	2019/20	2020/21
	£000	£000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current service cost	1,703	1,347
Past service cost	-	11
Settlements and curtailments		
Total Service Cost	**1,703**	**1,358**
Financing and Investment Income and Expenditure		
Expected return on scheme assets		
Interest cost	420	278
Net Interest Cost	**420**	**278**
Total Post-employment Benefit charged to the (Surplus) or Deficit on the Provision of Services	**2,123**	**1,636**
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement		
Return on plan assets excluding amounts included in net interest	2,878	(5,642)
Actuarial (gains)/losses arising from changes in demographic assumptions	(1,548)	677
Actuarial (gains)/losses arising from changes in financial assumptions	(6,179)	12,775
Other Experience adjustments	(1,599)	(363)
Total remeasurements recognised in the Comprehensive Income and Expenditure Statement	**(6,448)**	**7,447**
Total post-employment Benefit charged to the Comprehensive Income and Expenditure statement	**(4,325)**	**9,083**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	(2,123)	(1,636)
Actual amount charged against the General Fund Balance for pensions in the year (Employers contributions paid to the scheme)	861	938
Total Movement in Reserves	**(1,262)**	**(698)**

Note 37 Defined Benefit Pension Schemes (continued)

2020/21	Firefighters' Pension Scheme 1992	Firefighters' Pension Scheme 2006	Firefighters' Pension Scheme 2015	Injury Benefit Scheme	Consolidated Firefighters Pension Schemes
	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement					
Cost of Services					
Current service cost	1,150	30	8,770	230	10,180
Past Service Cost					0
Total Service Cost	**1,150**	**30**	**8,770**	**230**	**10,180**
Financing and Investment Income and Expenditure					
Interest cost	8,870	580	780	100	10,330
Net Interest cost	**8,870**	**580**	**780**	**100**	**10,330**
Total Post-employment Benefit charged to the (Surplus) or Deficit on the Provision of Services	**10,020**	**610**	**9,550**	**330**	**20,510**
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement					
Actuarial (gains)/losses arising from changes in demographic assumptions					-
Actuarial (gains)/losses arising from changes in financial assumptions	37,420	4,200	6,000	280	47,900
Other Experience adjustments	(7,520)	(1,470)	(6,280)	(80)	(15,350)
Total remeasurements recognised in the Comprehensive Income and Expenditure Statement	**29,900**	**2,730**	**(280)**	**200**	**32,550**
Total post-employment Benefit charged to the Comprehensive Income and Expenditure statement	**39,920**	**3,340**	**9,270**	**530**	**53,060**
Movement in Reserves Statement					
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	(10,020)	(610)	(9,550)	(330)	(20,510)
Actual amount charged against the General Fund Balance for pensions in the year (Employers contributions paid to the scheme)	12,520	110	(560)	120	12,190
Total Movement in Reserves	**2,500**	**(500)**	**(10,110)**	**(210)**	**(8,320)**

Note 37 Defined Benefit Pension Schemes (continued)

2019/20	Firefighters' Pension Scheme 1992	Firefighters' Pension Scheme 2006	Firefighters' Pension Scheme 2015	Injury Benefit Scheme	Consolidated Firefighters Pension Schemes
	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement					
Cost of Services					
Current service cost	2,220	110	9,780	190	**12,300**
Past Service Year Cost	1,750	(1,950)	-	- -	**200**
Total Service Cost	**3,970**	**(1,840)**	**9,780**	**190**	**12,100**
Financing and Investment Income and Expenditure					
Interest cost	10,410	700	650	110	11,870
Net Interest cost	**10,410**	**700**	**650**	**110**	**11,870**
Total Post-employment Benefit charged to the (Surplus) or Deficit on the Provision of Services	**14,380 -**	**1,140**	**10,430**	**300**	**23,970**
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement					
Actuarial (gains)/losses arising from changes in demographic assumptions	(12,730)	(1,000)	(980)	(160)	(14,870)
Actuarial (gains)/losses arising from changes in financial assumptions	(15,410)	(1,800)	(1,200)	(90)	(18,500)
Other Experience adjustments	(3,360)	1,190	500	(170)	(1,840)
Total remeasurements recognised in the Comprehensive Income and Expenditure Statement	**(31,500)**	**(1,610)**	**(1,680)**	**(420)**	**(35,210)**
Total post-employment Benefit charged to the Comprehensive Income and Expenditure statement	**(17,120)**	**(2,750)**	**8,750**	**(120)**	**(11,240)**
Movement in Reserves Statement					
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	(14,380)	1,140	(10,430)	(300)	(23,970)
Actual amount charged against the General Fund Balance for pensions in the year (Employers contributions paid to the scheme)	989	54	3,204	-	4,247
Total Movement in Reserves	**(13,391)**	**1,194**	**(7,226)**	**(300)**	**(19,723)**

Note 37 Defined Benefit Pension Schemes (continued)

Pensions Assets and Liabilities Recognised in the Balance Sheet - LGPS

2019/20	LGPS
	£000
Present value of the defined benefit obligation	39,747
Fair value of plan assets	(27,879)
Net liability arising from defined benefit obligation	**11,868**
2020/21	
Present value of the defined benefit obligation	54,674
Fair value of plan assets	(34,661)
Net liability arising from defined benefit obligation	**20,013**

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

	2019/20	2020/21
	£000	£000
Opening fair value of scheme assets	29,654	27,879
Interest Income	718	646
Remeasurement (gain)/loss:		
The return on plan assets, excluding the amount included in the net interest expense	(2,878)	5,642
Contributions from scheme employer	856	933
Contributions from employees into the scheme	248	260
Contributions in respect of unfunded benefits	5	5
Unfunded benefits paid	(5)	(5)
Benefits paid	(719)	(699)
Closing fair value of scheme assets	**27,879**	**34,661**

Note 37 Defined Benefit Pension Schemes (continued)

Reconciliation of Present Value of the Plan Liabilities - LGPS

	2019/20	2020/21
	£000	£000
Funded Liabilities	46,624	39,672
Unfunded Liabilities	84	75
Opening Balance at 1st April	46,708	39,747
Current service cost	1,703	1,347
Interest cost	1,138	924
Contributions from scheme participants	248	260
Remeasurement gain/(loss):		
Actuarial (gains)/losses arising from changes in demographic assumptions	(1,548)	677
Actuarial gains/losses arising from changes in financial assumptions	(6,179)	12,775
Other experience	(1,599)	(363)
Past service costs	-	11
Benefits paid	(719)	(699)
Unfunded benefits paid	(5)	(5)
Closing balance at the 31st March	**39,747**	**54,674**
Represented by:		
Funded Liabilities	39,663	54,599
Unfunded Liabilities	84	75
Closing balance at the 31st March	**39,747**	**54,674**

Note 37 Defined Benefit Pension Schemes (continued)

Reconciliation of Present Value of the Scheme Liabilities - Firefighters Schemes

	Firefighters' Pension Scheme 1992	Firefighters' Pension Scheme 2006	Firefighters' Pension Scheme 2015	Injury Benefit Scheme	Consolidated Firefighters' Pension Schemes
	£000	£000	£000	£000	£000
Opening balance at the 1st April 2019	429,230	28,820	21,110	4,430	483,590
Current service costs (net of employee contributions)	1,820	60	8,360	190	10,430
Past service costs*	1,750	(1,950)	-	-	(200)
Contributions by scheme participants	400	50	1,420		1,870
Remeasurement gain:					
Actuarial gains/losses arising from changes in demographic assumptions	(12,730)	(1,000)	(980)	(160)	(14,870)
Actuarial gains/losses arising from changes in financial assumptions	(15,410)	(1,800)	(1,200)	(90)	(18,500)
Other experience	(3,360)	1,190	500	(170)	(1,840)
Finance Interest cost	10,410	700	650	110	11,870
Benefits paid	(12,340)	(200)	(30)	(120)	(12,690)
Closing balance at the 31st March 2020	**399,770**	**25,870**	**29,830**	**4,190**	**459,660**
Current service costs (net of employee contributions)	1,150	30	8,770	230	10,180
Contributions by scheme participants	280	30	1,570		1,880
Remeasurement gain:					
Actuarial gains/losses arising from changes in financial assumptions	37,420	4,200	6,000	280	47,900
Other experience	(7,520)	(1,470)	(6,280)	(80)	(15,350)
Finance Interest cost	8,870	580	780	100	10,330
Benefits paid	(12,800)	(140)	(1,010)	(120)	(14,070)
Closing balance at the 31st March 2021	**427,170**	**29,100**	**39,660**	**4,600**	**500,530**

*In the 2019/20 Statement of Accounts, the past service costs amount of (£1,950K) was reflected in the 2015 Scheme column in error.

Note 37 Defined Benefit Pension Schemes (continued)

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

	2019/20		2020/21	
	Bid Values £000	Percentage of Total Assets	Bid Values £000	Percentage of Total Assets
Cash and Cash Equivalents				
All	835	3%	1,038	3%
Quoted prices in active markets				
Equity Securities				
Consumer	71	0%	89	0%
Manufacturing	21	0%	26	0%
Energy and Utilities	59	0%	73	0%
Financial Institutions	89	0%	110	0%
Information Technology	24	0%	29	0%
Health and Care	21	0%	25	0%
Other	202	1%	251	1%
Bonds				
UK Government	2,356	8%	2,935	8%
Other	361	1%	449	1%
Investment Fund and Unit Trusts				
Equities	11,197	40%	13,921	40%
Bonds	1,178	4%	1,465	4%
Hedge Funds	2	0%	3	0%
Other	2,791	10%	7,053	20%
Derivatives				
Foreign Exchange	(35)	0%		0%
Quoted prices not in active markets				
Property				
UK Property	2,084	7%	2,591	7%
Private Equity				
All	1,286	5%	1,598	5%
Investment Fund and Unit Trusts				
Bonds	-	0%	-	0%
UK Government	4	0%	-	0%
Hedge Funds	-	0%	-	0%
Other	2,882	10%	-	0%
Commodities	986	4%	1,226	4%
Infrastructure	1,466	5%	1,823	5%
Foreign Exchange	-	0%	(44)	0%
Total	**27,879**	**100%**	**34,661**	**100%**

Note 37 Defined Benefit Pension Schemes (continued)

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The fund liabilities have been assessed by Hymans Robertson LLP for LGPS.

The Firefighter Pension Scheme has been assessed by the Government Actuary's Department (GAD).

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table. The sensitivity analyses overleaf have been determined based on reasonably possible changes of the assumptions occurring at the end of the year and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis overleaf did not change from those used in the previous year.

The main assumptions used by the actuary have been:

	LGPS		Fire Pension Scheme	
	2019/20	2020/21	2019/20	2020/21
Mortality assumptions:				
Longevity at 65 for current pensioners (years):				
Men	21.5	21.7	21.3	21.4
Women	23.8	24.2	21.3	21.4
Longevity at 65 for future pensioners (years):				
Men	22.2	22.6	23.0	23.1
Women	25.2	25.9	23.0	23.1
Benefit entitlement assumptions:				
Rate of increase in salaries	2.3%	3.3%	4.0%	4.2%
Rate of increase in pensions	1.8%	2.8%	2.0%	2.4%
Rate for discounting scheme liabilities	2.3%	2.1%	2.3%	2.0%
Take-up of option to convert annual pension into retirement lump-sum – relating to service pre April 2008	50.0%	50.0%	-	-
Take-up of option to convert annual pension into retirement lump-sum – relating to service post April 2008	75.0%	75.0%	-	-
Rate of Inflation (firefighters schemes)	-	-	2.0%	2.4%

Note 37 Defined Benefit Pension Schemes (continued)

Impact on the Defined Benefit Obligation in the Plan/Scheme

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

Opposite provides details on the impacts in relation to any changes in assumptions.

	Change in Assumption	
	LGPS	Fire Pension Schemes
	£000	£000
Longevity (change of 1 year)		17,000
Rate of increase in salaries (change of 0.5%)	881	8,000
Rate of increase in pensions (change of 0.5%)	5,326	39,000
Rate of discounting scheme liabilities (increase of 0.5%)	6,354	(44,000)

Impact on the CFA's Cash Flows

Local Government Pension Scheme

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The net liability on the Balance Sheet is £20,013K. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the local government scheme will be funded by increased contributions over the remaining working life of employees (i.e. Before payments fall due), as assessed but the scheme actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

Firefighters Pension Scheme

The Fire Pension scheme is unfunded schemes and therefore has 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.

Note 37 Defined Benefit Pension Schemes (continued)

Assets and Liabilities in Relation to Post-employment Benefits

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

LGPS	2019/20	2020/21
	£000	£000
Balance at 1st April	**46,708**	**39,747**
Current service cost	1,703	1,347
Past service costs (including curtailments)	-	11
Interest cost	1,138	924
Contributions by scheme participants	248	260
Benefits paid	(724)	(704)
Remeasurements arising from changes in assumptions	(9,326)	13,089
Balance at 31st March	**39,747**	**54,674**

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

LGPS	2019/20	2020/21
	£000	£000
Balance at 1st April	**29,654**	**27,879**
Interest income	718	646
Contributions by scheme participants	248	260
Employer contributions	856	933
Benefits paid	(719)	(699)
Return on plan assets excluding amounts included in net interest	(2,878)	5,642
Balance at 31st March	**27,879**	**34,661**

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

Note 38 Contingent Liabilities

The Fire Service has not identified any contingent liabilities in the 2020/21 accounts.

Note 39 Nature and Extent of Risks arising from Financial Instruments

The CFA's activities expose it to a variety of financial risks:

~ Credit risk - the possibility that other parties might fail to pay amounts due to the CFA

~ Liquidity risk - the possibility that the CFA might not have funds available to meet its commitments to make payments

~ Market risk - the possibility that financial loss might arise as a result of changes in, for example, interest rates

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

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

a) Credit Risk

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

Institutions will be not be used where there are any doubts about their security.

Invoices to customers for chargeable services are of relatively low value.

The following analysis summarises the CFA's potential maximum exposure to credit risk based on actual experience in terms of deposits and percentage of debt which has been written off as unrecoverable over the last three years in terms of debtors. All deposits shown on the Balance Sheet as at the 31st March 2021 were repaid to the CFA before the date the Statement of Accounts was authorised for issue where repayment was due in this period. There is no reason to doubt the credit quality of any of the customers amounts, whether current or past due for payment.

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

Investment Type	Minimum Credit Criteria / Sector Colour Band	Max % of total investments/ £ limit per institution	Max. Maturity Period
Money Market Funds	AAA	100%	Liquid
Local Authorities	N/A	100%	1 Year
Term Deposits With Bank and Building Societies	Blue	£5m	Up to 1 year
	Orange		Up to 1 year
	Red		Up to 6 months
	Green		Up to 3 months

Loans and Receivables	1st April 2020	31st March 2021	Est. Maximum Exposure to Credit Risk	Historical Experience of Default
	£000	£000	£000	£000
Deposits with banks, financial institutions	770	880	0	0.00
Deposits with local authorities	12,495	12,265	0	0.00
Trade Debtors				
- not yet due for payment	12	52	0	0.00
- past due date for payment	35	103	0	0.00
Total	**13,312**	**13,300**	**0**	**0**

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

The past due amount is analysed by age as follows:

	1st April 2020	31st March 2021
	£000	£000
Less than 1 month overdue	3	110
1-2 months overdue	2	11
2-6 months overdue	30	11
Over 6 months overdue	0	23
Total	**35**	**155**

Liquidity Risk

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

Maturity Structure of Fixed Interest Rate Borrowing 2020/21		
	Lower Limit	Upper Limit
Less than 1 year	0%	30%
12 months to 2 years	0%	30%
2 years to 5 years	0%	50%
5 years to 10 years	0%	70%
10 years and above	25%	100%

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

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

Market Risk

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

~ borrowings at fixed rates – the fair value of the liabilities borrowings will fall

~ investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise

~ investments at fixed rates – the fair value of the assets will fall.

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

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

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

According to this assessment strategy, at the 31st March 2021, 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)	132
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)	2,805

An average rate of 0.14% (£18k) was achieved for investments, therefore this is the maximum amount which could be lost.

Pension Fund Statement

Firefighters’ Pension Fund

Fund Account	2019/20	2020/21
	£000	£000
Income to the fund		
Contributions receivable:		
Fire authority contributions in relation to pensionable pay	(4,261)	(4,255)
Ill health contributions	(57)	(41)
Firefighters' contributions	(1,843)	(1,865)
Transfers in from other schemes	(70)	(2)
Income to the fund	**(6,231)**	**(6,163)**
Spending by the fund		
Benefits payable:		
Pensions	11,879	11,360
Commutation and lump-sum retirement benefits	1,523	2,594
Other payments	9	457
Payments To and On Behalf of Leavers	50	-
Transfers out to other schemes	-	-
Spending by the fund	**13,461**	**14,411**
Deficit for the year before top up grant receivable from Home Office	**7,230**	**8,248**
Top-up grant received	(5,140)	(4,684)
Net Grant Receivable	**2,090**	**3,564**

Firefighters' Pension fund net assets statement	31st March 2020	31st March 2021
	£000	£000
Net current assets and liabilities:		
Pensions top up grant receivable from Home Office	2,090	3,564
Net grant receivable	**2,090**	**3,564**

Pension Fund Statement (continued)

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

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

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

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

5. Employer's and employee contribution levels are based on percentages of pensionable pay set nationally by the DCLG and are subject to triennial revaluation by the Government Actuary's Department.

6. The pensions fund's accounts do not take account of liabilities to pay pensions and other benefits after the 31st March 2021. These can be found in note 37 in the notes to the accounts.

7. The accounts are prepared in accordance with the same code of practice and accounting policies as outlined in the Statement of Accounting policies starting on page 26.

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

9. The fund is in deficit by £500,530k as at the 31st March 2021 (£459,660k as at the 31st March 2020).

Final Statement & Glossary

CFA Annual Governance Statement 2020/21

1. Introduction

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

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

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

2. The Arrangements

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

We have the following codes and rules:

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

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

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

We monitor:

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

We are transparent in our decision making through:

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

We are supported by:

- Leicester City Council who provide the position of Treasurer to make arrangements for the proper administration of the CFA's financial affairs
- Leicestershire County Council who provide the position of Monitoring Officer to maintain the constitution, ensure lawfulness and fairness in decision-making, supporting members and development
- A staff intranet, which provides guidance and policy documentation
- Senior Management Team, Tactical Management Team, Project Boards and Project Teams led by senior, middle and supervisory managers to implement effective delivery of service priorities
- Support provided by specialist teams e.g Finance, IT, HR, Estates etc

We review processes and delivery throughout the year supported by:

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

3. Significant Governance Issues

The CFA's review of processes enables the identification of any areas of the CFA's activities where there are significant weaknesses in financial controls, governance arrangements or the management of risk. Overall from this year's work, it can be concluded that controls are operationally effective and that the authority's financial management arrangements conform to the governance requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer in Local Government'. This has been supported by the internal audit opinion which stated:

"The HoIAS gives reasonable assurance that overall the control environment was adequate and effective. Whilst there were isolated high risk rated weaknesses identified in some areas, controls to mitigate key risks are generally operating effectively. The HoIAS was on the whole satisfied with management's response to resolving identified issues and welcomed the Committee's support and engagement over them."

Risk management and internal control are a significant part of the governance framework and are designed to manage risk to a reasonable level. We cannot eliminate all risk of failure to achieve policies, aims and objectives however the above controls provide reasonable but not absolute assurance of effectiveness.

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

CFA Annual Governance Statement 2020/21 (continued)

Follow Up of Issues Identified in 2019/20

Issue Identified	Action taken to date:
Budget Strategy - the CFA's financial viability continues to be a key concern. In addition, we will need to plan for any long term impacts of Covid-19 on the CFA's budget.	The CFA has a balanced budget for 2021/22, although the Covid-19 pandemic has placed some uncertainty around future funding.
Covid-19 Pandemic - impact on the resources and services delivered.	Close monitoring and identification of any impacts associated with Covid 19 on the ability to deliver "Our Plan". It is noted for the short term some community based services have been suspended in accordance with government and NFCC guidance, however critical delivery of operational response and community safety activity remain in place, with innovative ideas to reach communities explored. The CFA received £1M of covid grant funding to cover income shortfalls & additional costs directly linked to covid.
Statement of Accounts - in the ISA260 for 2018/19 the External Auditors flagged areas of concern when the accounts were produced.	The Treasurer put a plan in place to support the Finance Team and assist with producing the 2019/20 Statement of Accounts. The auditors concluded that there were marked improvements in the production of the 2019/20 accounts with better quality working papers and supporting information underpinning the disclosures in the financial statements.

:

CFA Annual Governance Statement 2019-20 (continued)

Follow Up of Issues Identified in 2019/20 (continued)

Issue Identified	Action taken to date:
Regional Pensions Board – to move from a local pension board to a regional one with Nottinghamshire and Derbyshire Fire and Rescue Services.	A move towards a regional board is being kept under review. However, given that government approval will be required it is unlikely that a transition will take place in the immediate future.
Fire Service Reform - Fire Service is subject to a separate independent inspection regime (HMICFRS). Working standards are being established by a Professional Standards Body.	Continue to progress the improvement plan monitored by CGC. Await the impact of the working standards being developed and react accordingly. HMICFRS conducted a COVID -19 Inspection in November 2020. LFRS were praised by HMICFRS for being well prepared for the pandemic and being able to provide their core statutory functions throughout. The HMICFRS Spring 2021 data collection has also been submitted in the first quarter of 2021/22.

CFA Annual Governance Statement 2020/21 (continued)

Issues Identified in 2020/21

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

Issue Identified	Planned Action:
Budget Strategy - There are no government spending plans beyond 2021/22. We do not yet know the long term impacts of council tax and NNDR on our funding as a result of the pandemic.	The CFA will continue to monitor its finances closely during 2021/22.
Covid-19 Pandemic - impact on the resources and services delivered.	The CFA will continue to closely monitor and identify the potential impacts associated with Covid 19 on the ability to deliver "Our Plan".

CFA Annual Governance Statement 2020/21 (continued)

4. Conclusion

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

.... (Chair) 2/12/21 .... (Date)

.... (Chief Fire and Rescue Officer) 2/12/21 .... (Date)

.... (Treasurer) 02.12.21 .... (Date)

CFA Annual Governance Statement 2019-20 (continued)

The Combined Fire Authority had the following governance arrangements in place during 2020/21.

Appendix 1

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

Combined Fire Authority

- Provide leadership, develop and set policy

Decision making

- Decisions are recorded on the CFA's website

Risk management

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

Scrutiny and review

• Corporate Governance Committee:

Oversees the financial reporting process and ensures that an adequate risk management framework and control environment is in place.
Approves the Internal Audit Annual report and opinion.

• Employment Committee will make:
recommendations to the CFA on key
appointments of senior officers and will hear grievances and disciplinary proceedings against these officers.

• Pension Board ensures:

the effective governance and administration of Pension Schemes and compliance with any requirements imposed by the Pensions Regulator.

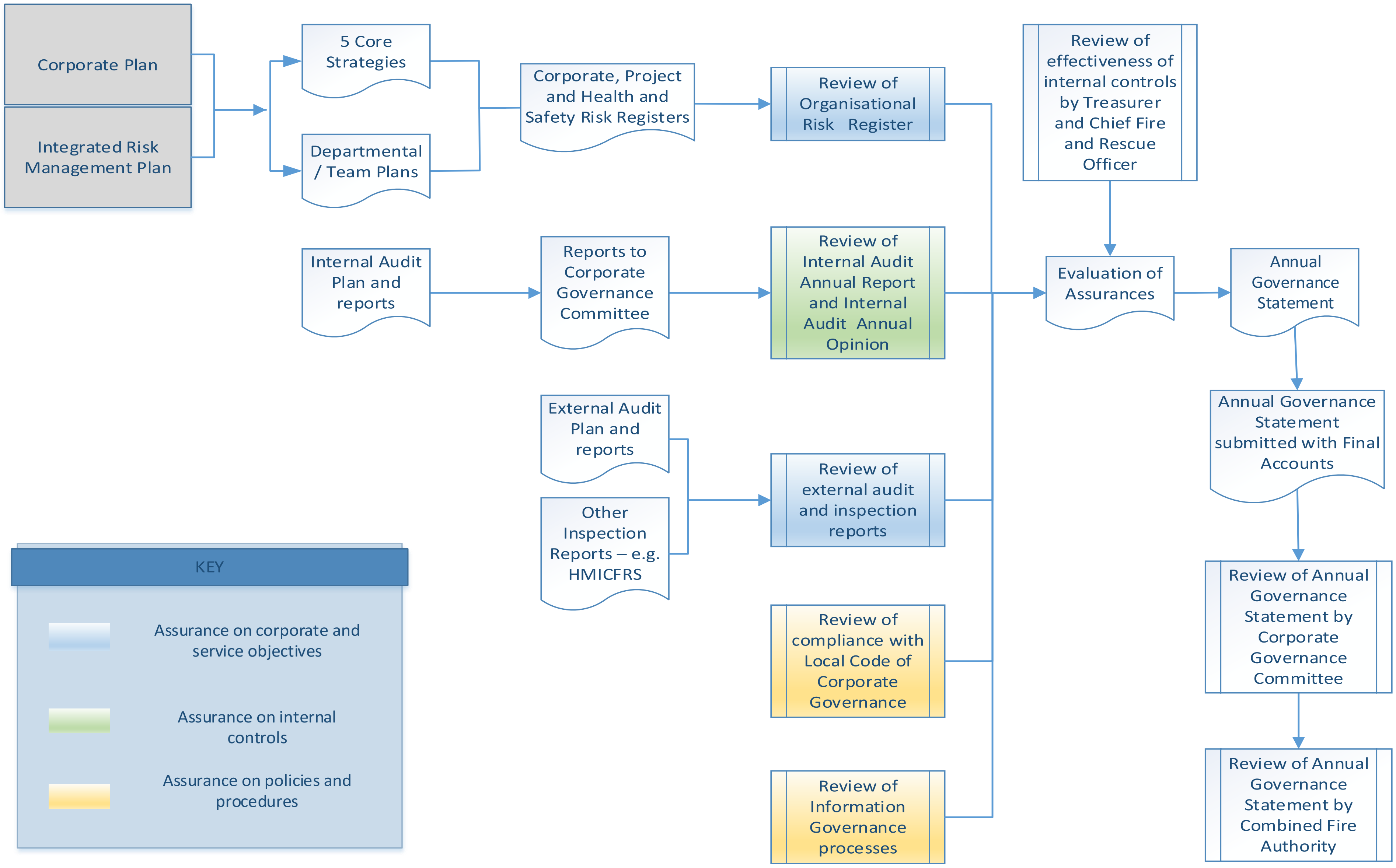
Senior Management Team

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

CFA Annual Governance Statement 2020/21 (continued)

Governance Arrangements to inform the Annual Governance Statement

Appendix 2



Glossary

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

Accruals

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

Amortisation

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

Capital Expenditure

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

Capital Receipts

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

Cash Equivalents

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Code of Practice on Local Authority Accounting (The Code)

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

Contingent Liability

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

Creditors

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

Debtors

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

Depreciation

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

Finance Lease

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

Financial Instrument

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

General Fund

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

Government Actuary's Department

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

Glossary (continued)

Impairment

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

Non– Current Assets

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

Operating Lease

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

Provision

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

Reserve

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

Revenue Expenditure and Income

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

Note References