

ANNUAL ACCOUNTS 2021/22

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 a 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.

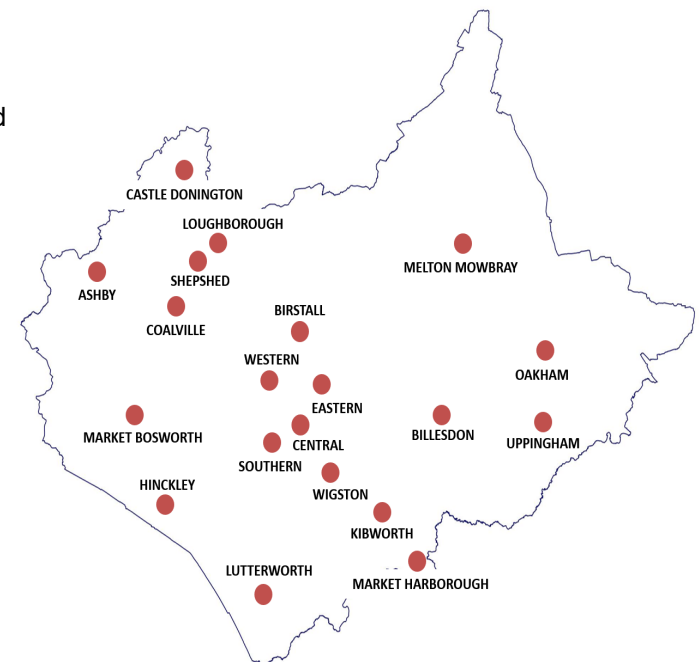
3. The Combined Fire Authority

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 600 staff; 471 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	2020/21	2021/22		2020/21	2021/22
Incidents			Fire Protection		
Fires	1,958	1,968	Fire safety audits	703	989
Road Traffic Collisions	568	707	Building regulations inspections	681	718
False Alarms	2,759	2,903	Fire safety concerns	420	583
Special Services	2,340	2,681	Specific inspections	155	194
	7,625	8,259	Desk based inspections	125	93
			Licensing consultations	183	290
			Fire safety advice requests	366	310
				2,633	3,177
Prevention			Enforcement		
Home fire safety checks	8,867	12,938	Prohibition notices	8	14
Smoke alarms fitted	1,167	3,546	Enforcement (formal) notices	23	36
	10,034	16,484	Action plans	56	126
			Deficiency notices	128	155
			Alteration notices	7	3
			Interim measures	15	29
				237	363

Incident numbers have started to return to pre-pandemic levels following the lifting of restrictions. Fire incidents remained very similar to last year, although they still remain low when measured against the previous 3 year average. There was a continued increase in 'special service' incidents, particularly assisting other agencies and effecting entry/exit.

Total Average response times:	2020/21	2021/22
Life Threatening Incidents	10 Mins 15 Secs	10 Mins 15 Secs
Non-Life Threatening Incidents	9 Mins 53 Secs	9 Mins 53 Secs

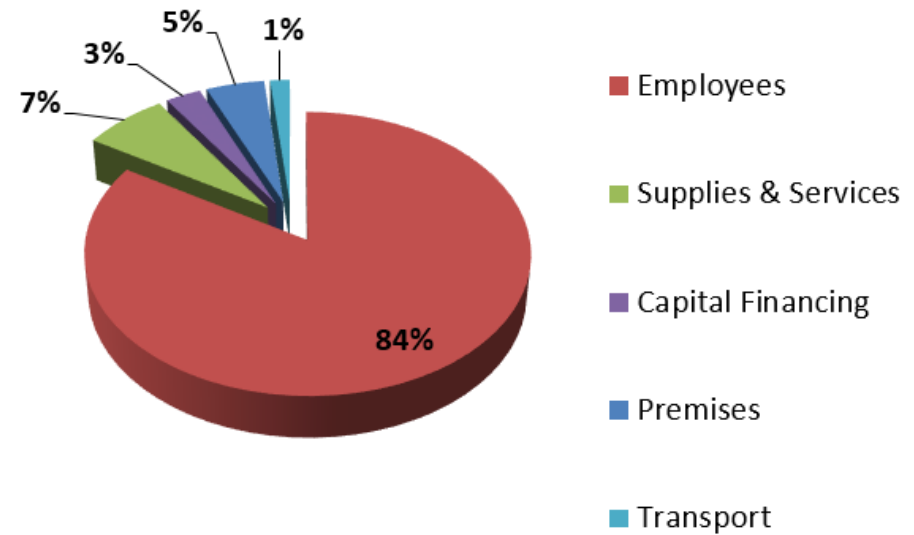
Narrative Statement (continued)

6. Financial Performance

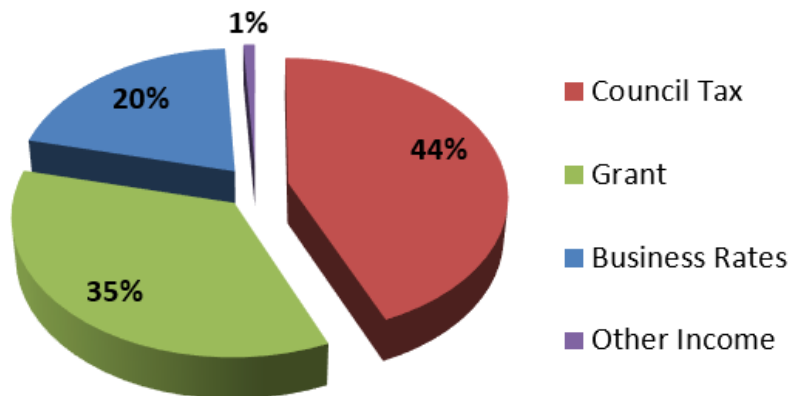
The budget for 2021/22 was set without knowing what level of funding would be available beyond 2021/22, nor the extent to which the COVID-19 pandemic and/or how a consequent of an economic downturn would impact us. Therefore it was positive to note the Fire Authority managed within its resources during 2021/22.

Net expenditure on provision of services was £40,257k in 2021/22 and £38,797k in 2020/21. The chart to the right sets out the spend by subjective description.

2021/22 Spend by Category



2021/22 Sources of Funding



The expenditure above is funded through various resources as demonstrated to the left: The Expenditure and Funding analysis in 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 was reported to the CFA on 27/07/2022.

Narrative Statement (continued)

7. Pension Liabilities

Local Government Pension Scheme (LGPS)

The CFA is a member of the Leicestershire local authority pension scheme. In common with most schemes, the CFA's share of the pension fund shows a significant deficit. This represents the difference between expected investment returns and the cost of providing benefits to scheme members which have been earned to date, whilst also taking account the contributions made by the CFA.



Firefighters Pensions

The CFA also recognises a significant liability in respect of the four statutory unfunded firefighter pension schemes. 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 38.

Narrative Statement (continued)

8. Net Assets

2021/22			2020/21 Restated		
Non-current asset (Property, plant & equipment) £53m Net current assets (debtors, creditors and cash) £19m	Long Term Liabilities pensions (£515m) Long Term Liabilities provisions and borrowing (£12m)	Funded by: Useable reserves £22m Unusable Reserves (£477m)	Non-current asset (Property, plant & equipment) £50m Net current assets (debtors, creditors and cash) £16m	Long Term Liabilities pensions (£521m) Long Term Liabilities provisions (£13m)	Funded by: Useable reserves £22m Unusable Reserves (£490m)
					
Net Liability 31st March 2022 £455m			Net Liability 31st March 2021 £468m		

Narrative Statement (continued)

9. Capital

Capital expenditure of £2.2M was incurred in 2021/22. Details of the spending can be seen in the table.

A number of projects initiated in 2021/22 are expected to continue into the next financial year, these include the purchase of an aerial ladder platform vehicle, purchase of 5 appliances, operational equipment and ICT purchases.

Capital Spend 2021-22		
Category	£000	Spend Includes:
Vehicles	1,678	4 new appliances, plus other operational and support vehicles
Firefighting Equipment	255	Minor equipment items
Property	199	Various works arising from condition surveys
ICT	117	Upgrades to support systems
Fire Control	17	Licensing Costs
Total	2,266	

Narrative Statement (continued)

10. Governance

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

11. Looking Ahead

The CFA has set a balanced budget for 2022/23. The Revenue and Capital programme for the following 3 years was reported to the CFA on 09/02/2022.

The local government finance settlement for 2022/23 allowed authorities in the lowest quartile to increase Band D taxes by £5 in 2022/23.

When setting the 2022/23 budget the CFA recognised the need to set a sustainable budget. However, it recognised the budget is going to come under increasing pressure due to future costs relating to the removal of the Day Crewing Shift system and potential inflationary impacts.

12. Conclusion

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)

13. 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 2022. 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 2021/22. 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) Statement** - 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.

I confirm that the accounts set out in this document were approved by the Authority at the meeting held on 30th November 2022.



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 give 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 31st March 2022.



Amy Oliver

TREASURER OF THE COMBINED FIRE AUTHORITY

Date: 30/11/2022

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 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the 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 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31st March 2022 and of the Authority's 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 2021/22.

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 Treasurer'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 Treasurer with respect to going concern are described in the relevant sections of this report.

Other information

The Treasurer is responsible for the other information. The other information comprises the 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 Treasurer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Treasurer 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 2021/22, and for being satisfied that they give a true and fair view. The Treasurer is also responsible for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Treasurer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 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 Treasurer 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 Accounts and Audit Regulations 2015 and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Treasurer'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 those charged with governance 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 those charged with governance 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 those charged with governance. 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 Treasurer'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 September 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Authority'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 2022.

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 December 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.

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 December 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 the 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 for the year ended 31 March 2021, and consequently conclude the audit and issue the certificate for that period;
- the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack for the year ended 31 March 2022; 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, Key Audit Partner

For and on behalf of Mazars LLP

The Corner,
Bank Chambers

26 Mosley Street

Newcastle Upon Tyne
NE1 1DF

Date: 30th November 2022

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 surplus in 2021/22 of £12,750k.

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)

2020/21			2021/22			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000	Note	£000	£000	£000
43,855	(5,058)	38,797	Combined Fire Authority	44,824	(4,567)	40,257
43,855	(5,058)	38,797	Cost of Services	44,824	(4,567)	40,257
	(100)	(100)	Other Operating Expenditure		(110)	(110)
11,198	(18)	11,180	Financing and Investment Income and Expenditure	13	10,939	(31)
	(45,602)	(45,602)	Taxation and Non-Specific Grant Income and Expenditure	14		(47,714)
55,053	(50,778)	4,275	(Surplus) or Deficit on Provision of Services		55,763	(52,422)
		181	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	25b		(2,263)
		39,997	Remeasurement of the Net Defined Benefit Liability	25d		(13,828)
		40,178	Other Comprehensive Income & Expenditure			(16,091)
		44,453	Total Comprehensive Income & Expenditure			(12,750)

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").

2021/22		General Fund Balance	Earmarked Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Note	£000	£000	£000	£000	£000
Note		24	11		25	
Balance at 31st March 2021 brought forward		(2,587)	(19,242)	(21,829)	489,756	467,927
Total Comprehensive Expenditure and Income		3,341	-	3,341	(16,091)	(12,750)
Adjustments between accounting basis & Funding basis under regulations	10	(3,666)	-	(3,666)	3,666	-
Transfers to/(from) Earmarked Reserves	11	(75)	75	-	-	-
Increase/(Decrease) in 2021/22		(400)	75	(325)	(12,425)	(12,750)
Balance at 31st March 2022 carried forward		(2,987)	(19,167)	(22,154)	477,331	455,177

Movement in Reserves Statement (continued)

2020/21 Restated		General Fund Balance	Earmarked Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Note	£000	£000	£000	£000	£000
Note		24	11		25	
Balance at 31st March 2020 brought forward		(2,147)	(13,142)	(15,289)	438,763	423,474
Total Comprehensive Expenditure and Income		4,275	-	4,275	40,178	44,453
Adjustments between accounting basis & Funding basis under regulations	10	(10,815)	-	(10,815)	10,815	-
Transfers to/(from) Earmarked Reserves	11	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)	489,756	467,927

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 23), 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 11, 24 & 25, and the change in the level of reserves is reconciled in the Movement in Reserves Statement, as outlined above.

2019/20	2020/21		2021/22
Restated 31st March 2020	Restated 31st March 2021		31st March 2022
£000	£000	Note	£000
50,771	49,640	Property, Plant & Equipment	16 53,098
107	131	Intangible Assets	17 146
50,878	49,771	Long Term Assets	53,244
390	402	Inventories	19 314
4,486	8,720	Short Term Debtors	20 8,373
13,303	13,177	Cash and Cash Equivalents	21 14,322
18,179	22,299	Current Assets	23,009
(1,369)	(1,431)	Short Term Borrowing	18a (1,229)
(4,872)	(4,944)	Short Term Creditors	22 (3,388)
(417)	(65)	Provisions (<1 year)	23 (26)
(6,658)	(6,440)	Current Liabilities	(4,643)
(429)	(530)	Provisions (>1 year)	23 (439)
(13,916)	(12,484)	Long Term Borrowing	18a (11,255)
(471,528)	(520,543)	Net Pensions Liability	25d (515,093)
(485,873)	(533,557)	Long Term Liabilities	(526,787)
(423,474)	(467,927)	Net Assets	(455,177)
		<u>Represented by:</u>	
(15,290)	(21,829)	Usable Reserves	24 (22,154)
438,764	489,756	Unusable Reserves	25a 477,331
423,474	467,927	Total Reserves	455,177

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.

2020/21		2021/22
£000		£000
	Note	
4,275	Net (surplus) or deficit on the provision of services	3,341
(6,951)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(8,183)
(2,676)	Net cash flows from Operating Activities	(4,842)
1,330	Net cash flows from Investing Activities	2,156
1,472	Net cash flows from Financing Activities	1,541
126	Net (increase) or decrease in cash and cash equivalents	(1,145)
13,303	Cash in hand, (overdraft) and cash equivalents at the beginning of the reporting period	13,177
13,177	Cash in hand, (overdraft) and cash equivalents at the end of the reporting period	14,322

Explanatory Notes To The Core Financial Statements

Note 1 Accounting Policies

Changes in Accounting Policies

Only minor amendments have been made to the 2021/22 accounting policies to provide users with greater clarity.

Accounting Policies for 2021/22

1. General Principles

The Statement of Accounts summarises the CFA's transactions for the 2021/22 financial year and its position at the year-end of the 31st March 2022. 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 2021/22 as applicable to Fire Authorities and the Service Reporting Code of Practice 2021/22 (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.

2. Recognition 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.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the 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)

4. 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.

5. 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.

6. 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)

7. 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 entitlement earned by the employee but not taken before the end of the 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 Services and reversed into the period when the entitlement is taken. To avoid an impact on balances this is reversed in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are payable as a result of a decision by the CFA to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

These costs are charged on an accruals basis to the appropriate service when the CFA is committed to the termination, or makes an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, the General Fund Balance is required to be charged, however this is adjusted (in line with regulations) in the Movement in Reserves Statement to reflect the cash paid rather than the liability incurred under accounting standards.

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 2022 and which Leicestershire County Council administer.
- Four Firefighters' pension schemes, for which the Government Actuary's Department (GAD) calculate the liability:
 - The Firefighters' Pension Scheme 1992
 - The Firefighters' Pension Scheme 2006
 - The Firefighters' Pension Scheme 2015
 - The Firefighters' Injury Benefit Scheme

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

- ~ receives employee and employer contributions and transfer values from other schemes, and
- ~ pays out benefits and transfer values to other schemes.

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

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

Note 1 Accounting Policies (continued)

Liabilities are discounted to their value at current prices, using a discount rate of 2.72% for the LGPS and 2.65% for the Firefighter's schemes.

The assets of the LGPS attributable to the CFA are included in the Balance Sheet at their fair value: The change in the pensions asset/liability is analysed into the following six components:

- 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 arising from current year decisions 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 – the net of the expected increase in the present value of liabilities over the year arising from the passage of time and the expected return on scheme assets discounted at the discount rate used for the liabilities. This is part of Financing & Investment Income & Expenditure.
- Gains/ Losses on settlements and curtailments – the results of actions to relieve the CFA of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services as part of Non-Distributed Costs.
- Re-measurements of the net defined benefit obligation – this is the change in the net pensions liability over the year attributable to changes in demographic and financial assumptions.
- Contributions paid to the Leicestershire County Council Pension Fund – cash paid as employer's contributions to the pension fund.

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.

8. Events After the Balance Sheet Date

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.

Note 1 Accounting Policies (continued)

9. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the CFA becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability.

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

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised Cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

10. 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.

11. 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.

12. 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 2021/22 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 29 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 34.

13. 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 1 Accounting Policies (continued)

14. 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, each element is 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.

CFA as Lessor

An agreement remains with East Midlands Ambulance Service (EMAS) for the occupation of an area within Headquarters & Coalville Fire Station.

CFA as Lessee

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).

15. Property Plant and Equipment

Assets that have a physical substance and are held for use in the provision of services, for rental to others, or for administrative purposes and that are expected to 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 all expenditure that is directly attributable to bringing the asset into working condition for its intended use. 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. 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 2022.

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

Impairment

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

Note 1 Accounting Policies (continued)

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

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

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

Disposals and 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. 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 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). Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

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.

16. Provisions, Contingent Liabilities and Contingent Assets

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.

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.

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.

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.

Both contingent assets & liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

17. Reserves

The CFA sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance.

Certain unusable 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 25.

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.

2021/22	Net Expenditure Charged to the General Fund Balance	Adjustments Between Accounting & Funding Basis	Net Expenditure on the Comprehensive Income & Expenditure Statement
	£000	£000	£000
Fire Authority	34,348	5,909	40,257
Net Cost of Services	34,348	5,909	40,257
Other Operating Expenditure	-	(110)	(110)
Financing and Investment Income and Expenditure	1,345	9,563	10,908
Taxation and Non-Specific Grant Income	(36,018)	(11,696)	(47,714)
(Surplus) or Deficit on Provision of Services	(325)	3,666	3,341
Movement in Balances	Usable Reserves		
Opening Balance	(21,829)		
Surplus or Deficit in the Year	(325)		
Closing Balance	(22,154)		

Note 2 Expenditure and Funding Analysis (continued)

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 3 Accounting Standards Issued But Not Yet Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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:

Annual Improvements to IFRS Standards 2018–2020 notes 3 changed standards. These are:

- **IFRS1 (First-time adoption)** - amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS.
- **IAS 37 (Onerous contracts)** - clarifies the intention of the standard.
- **IAS 41 (Agriculture)** - the amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

These changes are not envisaged to have a significant affect on our accounts when implemented from 1st April 2022.

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 2021/22. 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 2022 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 £51,935K (£5,935K LGPS and £46,000K Firefighters schemes). However, the assumptions interact in complex ways.

Note 6 Prior Period Adjustment

The Authority has been required to make a prior period adjustment in relation to Property, Plant and Equipment.

The adjustment relates to the services mobilising system which went operational in 2016/17 but had not been moved from Assets Under Construction.

The adjustment removes expenditure under Asset's Under Construction and transfers this to Intangible Assets. However, the intangible asset has been fully amortised and therefore the Net Book Value has remained the same after the restatement.

This has no effect on the Authority's financial position and is just an accounting adjustment. The effect on the Balance Sheet is shown in the table to the right.

The following supporting notes have also been restated as a result of the prior period adjustment:

- Note 16 - Property, Plant & Equipment
- Note 17 - Intangible Assets
- Note 25 - Unusable Reserves

	2019/20	2019/20		
		31st March 2020	31st March 2020	
		As Originally Stated	As Restated	Amount of Restatement
		£000	£000	£000
Property, Plant & Equipment	52,268	50,771		(1,497)
Intangible Assets	107	107		
Long Term Assets	52,375	50,878		(1,497)
Inventories	390	390		-
Short Term Debtors	4,486	4,486		-
Cash and Cash Equivalents	13,303	13,303		-
Current Assets	18,179	18,179		-
Short Term Borrowing	(1,369)	(1,369)		-
Short Term Creditors	(4,872)	(4,872)		-
Provisions (<1 year)	(417)	(417)		-
Current Liabilities	(6,658)	(6,658)		-
Provisions (>1 year)	(429)	(429)		-
Long Term Borrowing	(13,916)	(13,916)		-
Net Pensions Liability	(471,528)	(471,528)		-
Long Term Liabilities	(485,873)	(485,873)		-
Net Assets	(421,977)	(423,474)		(1,497)
<u>Represented by:</u>				
Usable Reserves	(15,290)	(15,290)		-
Unusable Reserves	437,267	438,764		1,497
Total Reserves	421,977	423,474		1,497

Note 7 Material Items of Income and Expense

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

Note 8 Events After the Balance Sheet Date

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

Note 9 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.

2021/22	Adjustments Between Accounting & Funding Basis					Net Expenditure Charged to the General Fund Balance
	Net Expenditure on the Comprehensive Income & Expenditure Statement	Adjustments for Capital Purposes	Adjustments for Defined Benefit Pensions	Other Adjustments	Total	
	£000	£000	£000	£000	£000	
Combined Fire Authority	40,257	1,100	(7,057)	48	(5,909)	34,348
Cost of Services	40,257	1,100	(7,057)	48	(5,909)	34,348
Other Operating Expenditure	(110)	110	-	-	110	-
Financing and Investment Income and Expenditure	10,908	824	(10,387)	-	(9,563)	1,345
Taxation and Non-Specific Grant Income	(47,714)	-	9,066	2,630	11,696	(36,018)
(Surplus) or Deficit on Provision of Services	3,341	2,034	(8,378)	2,678	(3,666)	(325)

Note 9 Note to the Expenditure and Funding Analysis (Continued)

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 9 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 10 Adjustments between Accounting Basis and Funding Basis under

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	2021/22	
	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	(2,164)	2,164
Revaluation losses on Property Plant and Equipment	1,108	(1,108)
Capital grants and contributions applied	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	110	(110)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account:		
Statutory provision for the financing of capital investment	824	(824)
Capital expenditure charged against the General Fund balance	2,156	(2,156)
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	(110)	110
Use of the Capital Receipts Reserve to finance new capital expenditure	110	(110)

Note 10 Adjustments between Accounting Basis and Funding Basis under Regulations

Adjustment Continued	2021/22	
	General Fund Balance	Movement in Unusable Reserves
	£000	£000
Adjustments primarily involving the Pensions Reserve:		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(22,641)	22,641
Employer's pensions contributions and direct payments to pensioners payable in the year	14,263	(14,263)
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	48	(48)
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	2,630	(2,630)
Total Adjustments	(3,666)	3,666

Note 10 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

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 10 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

Adjustment Continued	2020/21	
	General Fund Balance	Movement in Unusable Reserves
	£000	£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 11 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.

2021/22	Balance at 31st March 2021	Transfers In 2021/22	Transfers Out 2021/22	Balance at 31st March 2022
	£000	£000	£000	£000
Ill Health Retirement Reserve	(153)	-	153	-
Emergency Services Mobile Communications Programme Reserve	(326)	-	326	-
Capital Fund Reserve	(6,481)	(3,296)	2,172	(7,605)
Estates Strategy Reserve	(6,026)	(321)	-	(6,347)
Recruitment Over - Establishment Reserve	(400)	-	-	(400)
Budget Strategy & Covid 19 Reserve	(2,929)	(1,203)	1,400	(2,732)
Grenfell Reserve	(319)	(305)	224	(400)
ESN Infrastructure Reserve	(986)	-	66	(920)
Covid 19 - Deficit Reserve	(1,622)	(573)	1,432	(763)
Total Earmarked Reserves	(19,242)	(5,698)	5,773	(19,167)

*Covid-19 Deficit Reserve contains government grant received in relation to collection fund deficits that will be realised in future years.

Note 11 Movement in Earmarked Reserves (continued)

2020/21	Balance at 31st March 2021	Transfers In 2020/21	Transfers Out 2020/21	Balance at 31st March 2021
	£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)

Note 12 Other Operating Expenditure

	2020/21	2021/22
	£000	£000
Total (gains)/losses on the disposal of non-current assets	(100)	(110)
Total	(100)	(110)

Note 13 Financing and Investment Income & Expenditure

	2020/21	2021/22
	£000	£000
Interest payable and similar charges	590	552
Net interest on the defined benefit liability	10,608	10,387
Interest receivable	(18)	(31)
Total	11,180	10,908

Note 14 Taxation and Non-Specific Grant Income & Expenditure

	2020/21	2021/22
	£000	£000
Council Tax income	(20,644)	(23,026)
Non domestic rates	(9,351)	(10,353)
Pensions Top Up Grant	(7,929)	(9,066)
Non-ringfenced government grants	(7,646)	(5,269)
Capital grants and contributions	(32)	-
Total	(45,602)	(47,714)

Note 15 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.

	2020/21	2021/22
	£000	£000
Expenditure		
Employee Benefit Expenses	45,089	46,737
Other Services expenses	7,091	6,310
Depreciation, amortisation, impairment	2,283	2,164
Interest Payments	590	552
Total Expenditure	55,053	55,763
Income		
Fees, charges and other service income	(599)	(420)
Interest & Investment Income	(18)	(31)
Income from Council Tax, non domestic rates	(29,995)	(33,379)
Government grants & contributions	(20,066)	(18,482)
Gain on the disposal of assets	(100)	(110)
Total Income	(50,778)	(52,422)
Surplus or Deficit on Provision of Services	4,275	3,341

Note 16 Property, Plant and Equipment - Movement on Balances in 2021/22

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 2022 a total amount of £1,420k was contracted relating to the purchase of 5 new appliances. These commitments will be paid in 2022/23.

Valuation

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 2022.

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

Movements on Balances in 2021/22	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 2021	43,596	23,303	699	67,598
Additions	199	1,089	952	2,240
Revaluation				
Increases/(Decreases) recognised in the Revaluation Reserve	1,184	-	-	1,184
Revaluation				
Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	1,108	-	-	1,108
De-recognition – disposals	-	(5,449)	-	(5,449)
Transfers (to)/from In Construction	-	644	(644)	-
As at 31st March 2022	46,087	19,587	1,007	66,681

Note 16 Property, Plant and Equipment - Movement on Balances in 2021/22 (continued)

Movements on Balances in 2021/22	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 2021	95	17,863	-	17,958
Depreciation written out to the Revaluation Reserve	(1,079)	-	-	(1,079)
Depreciation Charge	1,016	1,137	-	2,153
De-recognition – disposals	-	(5,449)	-	(5,449)
As at 31st March 2022	32	13,551	-	13,583
Net Book Value as at 31st March 2022	46,055	6,036	1,007	53,098
As at 1st April 2021	43,501	5,440	699	49,640

Note 16 Property, Plant and Equipment - Movement on Balances in 2020/21

2020/21 Restated Comparative Movements	Land & Buildings	Vehicles, Plant, Furniture and Equipment	Restated Assets Under Construction	Restated Total Property, Plant & Equipment
	£000	£000	£000	£000
Cost or Valuation				
At 1st April 2020	44,672	23,325	82	68,079
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	699	67,598

Note 16 Property, Plant and Equipment - Movement on Balances in 2020/21 (continued)

2020/21 Restated Comparative Movements	Land & Buildings	Vehicles, Plant, Furniture and Equipment	Restated Assets Under Construction	Restated Total Property, Plant & 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	699	49,640
As at 1st April 2020	44,655	6,034	82	50,771

Note 17 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 2022 there are no contractual commitments for the acquisition of intangible assets.

	2020/21 Restated	2021/22
	£000	£000
Balance at 1st April		
Gross Carrying Amounts	1,740	1,784
Accumulated Amortisation	(1,633)	(1,653)
Net carrying amount at start of year	107	131
Additions (Purchases)	44	26
Reclassified from other asset classifications	-	-
Amortisation applied in Year	(20)	(11)
Gross Carrying Amount at 31st March	1,784	1,810
Accumulated Amortisation	(1,653)	(1,664)
Net Carrying Amount at 31st March	131	146

Note 18a Financial Instruments - Classifications

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

Category	Amount	Amount	Comment / Reference
	31st March 2021	31st March 2022	
	£000	£000	
Short Term Borrowing			
Amount in Balance Sheet	1,431	1,229	
Amounts covered in Note 18b:	1,431	1,229	
Long Term Borrowing			
Amount in Balance Sheet	12,484	11,255	
Amounts covered in Note 18b:	12,484	11,255	
Other Long Term Liabilities			
Amount in Balance Sheet	521,073	515,532	
Amounts not covered in Note 18:	530	439	
Liability related to defined benefit pension schemes	520,543	515,093	Note 38 - Defined Benefit Pensions

Note 18b 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 2021	31st March 2022	31st March 2021	31st March 2022
	£000	£000	£000	£000
- Cash (including bank accounts)			13,177	14,322
Total Cash and Cash Equivalents	-	-	13,177	14,322
Loans and receivables:				
- Trade receivables	-	-	155	34
Included in Debtors	-	-	155	34
Total Financial Assets	-	-	13,332	14,356

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

Financial Liabilities	Long Term		Short Term	
	31st March 2021	31st March 2022	31st March 2021	31st March 2022
	£000	£000	£000	£000
Loans at amortised cost:				
- Principal sum borrowed	12,137	11,137	1,091	1,000
Total Borrowing	12,137	11,137	1,091	1,000
Liabilities at amortised cost:				
- Finance leases	347	118	340	229
Total Other Liabilities	347	118	340	229
Total Borrowing & Other Liabilities:	12,484	11,255	1,431	1,229
Liabilities at amortised cost:				
- Trade payables	-	-	21	31
Included in Creditors	-	-	21	31
Total Financial Liabilities	12,484	11,255	1,452	1,260

Note 18c Financial Instruments - Gains and Losses

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	2021/22 Total	2020/21 Total
	£000	£000	£000	£000
Interest expense	552		552	590
Interest payable and similar charges	552	0	552	590
Interest income		(31)	(31)	(18)
Interest and investment income	0	(31)	(31)	(18)
Net (Gain)/Loss for the Year	552	(31)	521	572

Note 18d 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 2022 and the fair value reported in the 2021/22 accounts.

	31st March 2021		31st March 2022	
	Balance Sheet	Fair Value	Balance Sheet	Fair Value
	£000	£000	£000	£000
Assets for which fair value is not disclosed *	15,061	-	15,748	-
Total Financial Assets	15,061	-	15,748	-
Long-term investments				
Short-term debtors	1,884	-	1,426	-
Cash and cash equivalents	13,177	-	14,322	-
Total Financial Assets	15,061	-	15,748	-

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

Note 18d Financial Instruments - Fair Values (continued)

	31st March 2021		31st March 2022	
	Balance Sheet	Fair Value	Balance Sheet	Fair Value
	£000	£000	£000	£000
<i>Financial liabilities held at fair value:</i>				
<i>Financial liabilities held at amortised cost:</i>				
Long-term loans from PWLB	13,228	18,307	12,137	14,310
Lease payables	687	687	347	347
Total	13,915	18,994	12,484	14,657
Liabilities for which fair value is not disclosed*	521,848	-	516,649	-
Total Financial Liabilities	535,763	18,994	529,133	14,657
<i>Recorded on balance sheet as:</i>				
Short-term creditors	1,304	-	1,556	-
Short-term borrowing	1,431	-	1,229	-
Long-term borrowing	12,484	-	11,255	-
Other long-term liabilities	520,544	-	515,093	-
Total Financial Liabilities	535,763	-	529,133	-

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

Note 19 Inventories

The value of inventories as at 31st March:

	Balance at 31st March 2021	Balance at 31st March 2022
	£000	£000
Operational equipment	270	192
Vehicle Parts	61	75
Other	71	47
Total	402	314

Note 20 Debtors

Short-Term Debtors

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

Short-Term Debtors

	Balance at 31st March 2021	Balance at 31st March 2022
	£000	£000
Central Government bodies	5,538	4,398
Other Local Authorities	2,206	3,025
All Other	976	950
Total	8,720	8,373

Note 21 Cash and Cash Equivalents

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

	Balance at 31st March 2021	Balance at 31st March 2022
	£000	£000
Cash held by the CFA	32	13
Bank current accounts	20	20
Short-term investments	13,125	14,289
Total Cash and Cash Equivalents	13,177	14,322

Note 22 Creditors

The value of creditors as at 31st March:

	Balance at 31st March 2021	Balance at 31st March 2022
	£000	£000
Central Government bodies	1,025	505
Other Local Authorities	2,903	1,630
All Other	1,016	1,253
Total	4,944	3,388

Note 23 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

No pay award provision was required in 2021/22.

Business Rate appeals

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

	Insurance	Pay Award	Short Term Total	Business Rate Appeals	Long Term Total
	£000	£000	£000	£000	£000
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 1st April 2021	65	-	65	530	530
2021/22 Provisions/(Reductions)	(39)	-	(39)	(91)	(91)
Amounts used in 2021/22	-	-	-	-	-
Balance at 31st March 2022	26	-	26	439	439

Note 24 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	(2,587)	(400)	(2,987)	MIRS
Earmarked Reserves	(19,242)	75	(19,167)	Note 11
Total Usable Reserves	(21,829)	(325)	(22,154)	

Note 25a 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")

	Restated	
	31st March 2021	31st March 2022
	£000	£000
Revaluation Reserve	(11,448)	(13,392)
Capital Adjustment Account	(21,517)	(23,870)
Pensions Reserve	520,543	515,093
Collection Fund Adjustment Account	1,847	(783)
Accumulated Absences Account	331	283
Total Unusable Reserves	489,756	477,331

Note 25b 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.

	2020/21	2021/22
	£000	£000
Balance at 1st April	(11,955)	(11,448)
Upward revaluation of assets	(48)	(2,300)
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	229	37
(Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	181	(2,263)
Difference between fair value depreciation and historical cost depreciation	326	319
Balance at 31st March	(11,448)	(13,392)

Note 25c 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.

	2020/21 Restated	2021/22
	£000	£000
Balance at 1st April	(21,075)	(21,517)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation & impairment	2,263	2,153
Revaluation losses on Property, Plant and Equipment	74	(1,108)
Amortisation of intangible assets	20	11
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	-
	(18,715)	(20,461)
Adjusting amounts written out of the Revaluation Reserve	(326)	(319)
Net written out amount of the cost of non-current assets consumed in the year	(19,041)	(20,780)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(103)	(110)
Capital Grants, Contributions & Donated Assets credited to the Income and Expenditure Statement that have been applied to capital financing	(32)	-
Statutory provision for the financing of capital investment charged against the General Fund	(1,043)	(824)
Capital expenditure charged against the General Fund	(1,298)	(2,156)
Balance at 31st March	(21,517)	(23,870)

Note 25d 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.

	2020/21	2021/22
	£000	£000
Balance at 1st April	471,528	520,543
Remeasurement of the Net Defined Benefit Liability	39,997	(13,828)
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	22,146	22,641
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,128)	(14,263)
Balance at 31st March	520,543	515,093

Note 25e&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.

	2020/21	2021/22
	£000	£000
Balance at 1st April	(41)	1,847
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	1,888	(2,630)
Balance at 31st March	1,847	(783)

	2020/21	2021/22
	£000	£000
Balance at 1st April	306	331
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	(48)
Balance at 31st March	331	283

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 26 Cash Flow Statement - Operating Activities

	2020/21	2021/22
	£000	£000
Interest received	(18)	(31)
Interest paid	590	552
Net interest	572	521
The surplus on the provision of services has been adjusted for the following non-cash movements:		
	2020/21	2021/22
	£000	£000
Depreciation	(2,263)	(2,153)
Downward revaluations, impairment losses and reversal of prior year impairments	(74)	1,108
Amortisation	(20)	(11)
(Increase) / decrease in creditors	(72)	1,556
Increase / (decrease) in debtors	4,234	(347)
(Increase) / decrease in provisions	251	130
Increase / (decrease) in inventories	11	(88)
Movement in pension liability	(9,018)	(8,378)
Adjustments to net surplus deficit on the provisions of services for non cash movements Items classified elsewhere in the statement	(6,951)	(8,183)

Note 27 Cash Flow Statement Investment Activities

	2020/21	2021/22
	£000	£000
Purchase of property, plant and equipment and intangible assets	1,433	2,266
Proceeds from sale of property, plant and equipment and int assets	(103)	(110)
Net Cash Flows from Investing Activities	1,330	2,156

Note 28 Cash Flow Statement Financing Activities

	2020/21	2021/22
	£000	£000
Repayments of short and long-term borrowing	1,369	1,431
Other payments for financing activities	103	110
Net Cash Flows from Financing Activities	1,472	1,541

Note 29 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 2022.

For the year 2021/22, Forge Health Limited reported turnover of £137k and a post tax loss of £7k (turnover of £79k and post tax loss of £21k in 2020/21). As in 2020/21, no dividends were proposed or paid.

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.

	2020/21			2021/22		
	Turnover	Expenditure	(Surplus)/ Deficit	Turnover	Expenditure	(Surplus)/ Deficit
	£000	£000	£000	£000	£000	£000
Forge Health	(79)	100	21	(137)	144	7
Total	(79)	100	21	(137)	144	7

Note 30 Members' Allowances

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

	2020/21	2021/22
	£000	£000
Basic Allowance Payments	56	57
Special Responsibility Payments	19	19
General Expense Payments	-	-
Total	75	76

Note 31 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 2021/22, 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 2021/22 with comparative data from 2020/21 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 2021/22, which represents no change from 2020/21.

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)	2021/22	138	38	176
	2020/21	80	18	98
Assistant Chief Fire and Rescue Officer - Service Delivery (note 2)	2021/22	110	28	138
	2020/21	63	13	76
Assistant Chief Fire and Rescue Officer - Service Support (note 3)	2021/22	74	16	90
	2020/21	63	13	76
Assistant Chief Fire and Rescue Officer - Service Support (note 4)	2021/22	46	10	56
	2020/21	-	-	-

Notes:

- 1) The CFO started on 5th September 2020
- 2) The Assistant CFO - Service Delivery started on 5th September 2020
- 3) The Assistant CFO - Service Support started on 5th September 2020 and left the role on 30th November 2021
- 4) The New Assistant CFO - Service Support started on 1st November 2021

Note 31 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 to the right. In line with the relevant regulations, the table excludes the senior officers listed in the previous table.

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	
	2020/21	2021/22
50,000-54,999	23	27
55,000-59,999	22	32
60,000-64,999	6	12
65,000-69,999	1	4
70,000-74,999	1	-
75,000-79,999	1	1
80,000-84,999	-	2
Total	54	78

Note 32 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:

	2020/21	2021/22
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	35	35
	35	35

Note 33 Grant Income

The CFA credited the following grants to the CIES:

Revenue grants recognised in the year

	2020/21	2021/22
	£000	£000
Credited to Cost of Services		
Fire Pensions Grant	1,795	1,795
ESN Infrastructure Grant	1,061	-
New Dimensions Grant	850	851
Grenfell Grants	376	305
Firelink Grant	352	310
Other Grants	57	65
Total Credited to Cost of Services	4,491	3,326
Credited to Taxation & Non-Specific Grant Income		
Revenue Support Grant	4,318	4,342
Covid 19 Grant	951	72
Covid 19 Collection Fund Compensation Grants	2,377	854
Total Credited to Taxation & Non-Specific Grant Income	7,646	5,268
Total Recognised in Year	12,137	8,594

Note 34 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 central government departments is shown within Note 33 to the accounts.

Members

Members of the CFA have direct control over the CFA's financial and operating policies. The total of members' allowances paid in 2021/22 is shown in note 30. During 2021/22, 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 2021/22, no works and services were commissioned from companies in which officers declared an interest.

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 2021/22.

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 £401k were paid to FRIC in 2021/22 (£394k in 2020/21).

Note 35 Capital Expenditure and Capital Financing

The CFA had an opening capital financing requirement of £16,805k at the 1st April 2021 and a closing capital financing requirement of £15,981k at the 31st March 2022.

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 16 and 17).

	2020/21	2021/22
	£000	£000
Opening Capital Financing Requirement	17,848	16,805
Capital Investment		
Land and Buildings	90	199
Vehicles, Plant and Equipment	681	1,089
Assets In Construction	618	952
Intangibles	44	26
Total Capital Investment	1,433	2,266
Sources of Finance		
Capital Receipts	(103)	(110)
Grants	(32)	-
Sums set aside from revenue:		
Direct Revenue Contributions	(1,298)	(2,156)
MRP	(1,043)	(824)
Total Sources of Finance	(2,476)	(3,090)
Closing Capital Financing Requirement	16,805	15,981
Increase/(Decrease) in Capital Financing Requirement	(1,043)	(824)

Note 36 Leases

CFA as Lessee

Finance Leases

Finance lease rentals paid to lessors relating to 2021/22 totalled £363k (£661k 2020/21) of which £23k was interest and £340k was principal. All finance leases relate to Vehicles, Plant and Equipment and the net book value of these assets at the 31st March 2022 is £574k.

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March	31st March	31st March	31st March
	2021	2022	2021	2022
	£000	£000	£000	£000
Within one year	331	223	340	229
Within 2 to 5 years	319	117	322	118
Later than 5 years	22	-	25	-
Total	672	340	687	347

CFA as Lessor

Operating Leases

Operating lease rentals received relating to 2021/22 totalled £20k (£13k 2020/21). 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.

	31st March	31st March
	2021	2022
	£000	£000
Within one year	20	20
Within 2 to 5 years	79	75
Later than 5 years	54	38
Total	153	133

Note 37 Termination Benefits

The CFA did not terminate the contract of any employees in 2021/22. (2 employees costing £53k in 2020/21).

Band	Total number of exit packages by cost band	Total cost of exit 2020/21	Total number of exit packages by cost band	Total cost of exit 2021/22
£000	2020/21	£000	2021/22	£000
Compulsory				
0-20,000	-	-	-	-
20,001 - 40,000	-	-	-	-
Total Compulsory	-	-	-	-
Voluntary				
20,001 - 40,000	2	53	-	-
Total Voluntary	2	53	-	-

Note 38 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 38 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	2020/21	2021/22
	£000	£000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current service cost	1,347	2,274
Past service cost	11	-
Settlements and curtailments	-	-
Total Service Cost	1,358	2,274
Financing and Investment Income and Expenditure		
Expected return on scheme assets	-	-
Interest cost	278	407
Net Interest Cost	278	407
Total Post-employment Benefit charged to the (Surplus) or Deficit on the Provision of Services	1,636	2,681
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement		
Return on plan assets excluding amounts included in net interest	(5,642)	(4,143)
Actuarial (gains)/losses arising from changes in demographic assumptions	677	(281)
Actuarial (gains)/losses arising from changes in financial assumptions	12,775	(4,347)
Other Experience adjustments	(363)	113
Total remeasurements recognised in the Comprehensive Income and Expenditure Statement	7,447	(8,658)
Total post-employment Benefit charged to the Comprehensive Income and Expenditure statement	9,083	(5,977)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	(1,636)	(2,681)
Actual amount charged against the General Fund Balance for pensions in the year (Employers contributions paid to the scheme)	938	1,063
Total Movement in Reserves	(698)	(1,618)

Note 38 Defined Benefit Pension Schemes (continued)

2021/22	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					
<i>Cost of Services</i>					
Current service cost	420	30	9,300	230	9,980
Total Service Cost	420	30	9,300	230	9,980
Financing and Investment Income and Expenditure					
Interest cost	8,410	580	900	90	9,980
Net Interest cost	8,410	580	900	90	9,980
Total Post-employment Benefit charged to the (Surplus) or Deficit on the Provision of Services	8,830	610	10,200	320	19,960
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	(4,520)	(520)	(950)	(40)	(6,030)
Other Experience adjustments	(760)	(590)	2,430	(220)	860
Total remeasurements recognised in the Comprehensive Income and Expenditure Statement	(5,280)	(1,110)	1,480	(260)	(5,170)
Total post-employment Benefit charged to the Comprehensive Income and Expenditure statement	3,550	(500)	11,680	60	14,790
Movement in Reserves Statement					
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	(8,830)	(610)	(10,200)	(320)	(19,960)
Actual amount charged against the General Fund Balance for pensions in the year (Employers contributions paid to the scheme)	13,880	240	(1,040)	120	13,200
Total Movement in Reserves	5,050	(370)	(11,240)	(200)	(6,760)

Note 38 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					
<u>Cost of Services</u>					
Current service cost	1,150	30	8,770	230	10,180
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 38 Defined Benefit Pension Schemes (continued)

Pensions Assets and Liabilities Recognised in the Balance Sheet - LGPS

	2020/21	LGPS
		£000
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
	2021/22	
Present value of the defined benefit obligation		53,098
Fair value of plan assets		(40,125)
Net liability arising from defined benefit obligation		12,973

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

LGPS	2020/21	2021/22
	£000	£000
Opening fair value of scheme assets	27,879	34,661
Interest Income	646	731
	Remeasurement (gain)/loss:	
The return on plan assets, excluding the amount included in the net interest expense	5,642	4,143
Contributions from scheme employer	933	1,058
Contributions from employees into the scheme	260	290
Contributions in respect of unfunded benefits	5	5
Unfunded benefits paid	(5)	(5)
Benefits paid	(699)	(758)
Closing fair value of scheme assets	34,661	40,125

Note 38 Defined Benefit Pension Schemes (continued)

Reconciliation of Present Value of the Plan Liabilities - LGPS

	2020/21	2021/22
	£000	£000
Funded Liabilities	39,672	54,589
Unfunded Liabilities	75	85
Opening Balance at 1st April	39,747	54,674
Current service cost	1,347	2,274
Interest cost	924	1,138
Contributions from scheme participants	260	290
Remeasurement gain/(loss):		
Actuarial (gains)/losses arising from changes in demographic assumptions	677	(281)
Actuarial gains/losses arising from changes in financial assumptions	12,775	(4,347)
Other experience	(363)	113
Past service costs	11	-
Benefits paid	(699)	(758)
Unfunded benefits paid	(5)	(5)
Closing balance at the 31st March	54,674	53,098
Represented by:		
Funded Liabilities	54,599	53,013
Unfunded Liabilities	75	85
Closing balance at the 31st March	54,674	53,098

Note 38 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 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
Past service costs	-	-	-	-	-
Contributions by scheme participants	280	30	1,570	-	1,880
Remeasurement gain:					
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	(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
Current service costs (net of employee contributions)	420	30	9,300	230	9,980
Contributions by scheme participants	150	20	1,660	-	1,830
Remeasurement gain:					
Actuarial gains/losses arising from changes in financial assumptions	(4,520)	(520)	(950)	(40)	(6,030)
Other experience	(760)	(590)	2,430	(220)	860
Finance Interest cost	8,410	580	900	90	9,980
Benefits paid	(14,030)	(260)	(620)	(120)	(15,030)
Closing balance at the 31st March 2022	416,840	28,360	52,380	4,540	502,120

Note 38 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:

	2020/21		2021/22	
	Bid Values £000	Percentage of Total Assets	Bid Values £000	Percentage of Total Assets
Cash and Cash Equivalents				
All	1,038	3%	2,026	5%
<u>Quoted prices in active markets</u>				
Equity Securities				
Consumer	89	0%	47	0%
Manufacturing	26	0%	6	0%
Energy and Utilities	73	0%	58	0%
Financial Institutions	110	0%	81	0%
Health and Care	25	0%	33	0%
Information Technology	29	0%	17	0%
Other	251	1%	94	0%
Bonds				
UK Government	2,935	8%	2,014	5%
Other	449	1%	75	0%
Investment Fund and Unit Trusts				
Equities	13,921	40%	11,498	29%
Bonds	1,465	4%	-	0%
Hedge Funds	3	0%	-	0%
Other	7,053	20%	3,412	9%
Derivatives				
Foreign Exchange	-	0%	83	0%
<u>Quoted prices not in active markets</u>				
Property				
UK Property	2,591	7%	3,087	8%
Private Equity				
All	1,598	5%	2,683	7%
Investment Fund and Unit Trusts				
Equities	-	0%	6,976	17%
Bonds	-	0%	-	0%
UK Government	-	0%	-	0%
Hedge Funds	-	0%	-	0%
Commodities	1,226	4%	1,007	3%
Other	-	0%	4,830	12%
Infrastructure	1,823	5%	2,098	5%
Foreign Exchange	(44)	0%	-	0%
Total	34,661	100%	40,125	100%

Note 38 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	
	2020/21	2021/22	2020/21	2021/22
Mortality assumptions:				
Longevity at 65 for current pensioners (years):				
Men	21.7	21.5	21.4	21.5
Women	24.2	24.0	21.4	21.5
Longevity at 65 for future pensioners (years):				
Men	22.6	22.4	23.1	23.2
Women	25.9	25.7	23.1	23.2
Benefit entitlement assumptions:				
Rate of increase in salaries	3.3%	3.7%	4.2%	4.8%
Rate of increase in pensions	2.8%	3.2%	2.4%	3.0%
Rate for discounting scheme liabilities	2.1%	2.8%	2.0%	2.7%
Take-up of option to convert annual pension into retirement lump-sum – relating to service pre April 2008	50.0%	50.0%	-	-
Take-up of option to convert annual pension into retirement lump-sum – relating to service post April 2008	75.0%	75.0%	-	-
Rate of Inflation (firefighters schemes)	-	-	2.4%	3.0%

Note 38 Defined Benefit Pension Schemes (continued)

Impact on the Defined Benefit Obligation in the Plan/Scheme

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

	Change in Assumption	
	LGPS	Pension Schemes
	£000	£000
Longevity (change of 1 year)	2,124	18,000
Rate of increase in salaries (change of 0.5%)	805	8,000
Rate of increase in pensions (change of 0.5%)	5,085	37,000
Rate of discounting scheme liabilities (increase of 0.5%)	5,935	(46,000)

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 £12,973k. 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 by 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 38 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	2020/21	2021/22
	£000	£000
Balance at 1st April	39,747	54,674
Current service cost	1,347	2,274
Past service costs (including curtailments)	11	-
Interest cost	924	1,138
Contributions by scheme participants	260	290
Benefits paid	(704)	(763)
Remeasurements arising from changes in assumptions	13,089	(4,515)
Balance at 31st March	54,674	53,098

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

LGPS	2020/21	2021/22
	£000	£000
Balance at 1st April	27,879	34,661
Interest income	646	731
Contributions by scheme participants	260	290
Employer contributions	933	1,058
Benefits paid	(699)	(758)
Return on plan assets excluding amounts included in net interest	5,642	4,143
Balance at 31st March	34,661	40,125

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 39 Contingent Liabilities

As a result of the McCloud/Sargeant pensions age discrimination ruling, fire services are required to remedy pensions for the period 1 April 2015 to 31 March 2022. This will give firefighters the opportunity to revert to their legacy scheme over this 7 year period.

In addition, certain on-call firefighters employed between 2000 and 2006 will be given an opportunity to buy back their pension from the date they started their on-call role. This is known as the second options exercise, arising from a ruling under the Part-time Workers Regulations (the Matthews/ O'Brien judgement). At the current time there is uncertainty around what funding will be provided to pay for backdated employer pension contributions, tax, interest and potentially legal claims.

Note 40 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, 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 40 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 2022 were repaid to the CFA before the date the Statement of Accounts was authorised for issue where repayment was due in this period. There is no reason to doubt the credit quality of any of the customers amounts, whether current or past due for payment.

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

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

Loans and Receivables	1st April 2021	31st March 2022	Est. Maximum Exposure to Credit Risk	Historical Experience of Default
	£000	£000	£000	£000
Deposits with banks, financial institutions	880	1,834	0	0.00
Deposits with local authorities	12,265	12,475	0	0.00
Trade Debtors				
- not yet due for payment	52	16	0	0.00
- past due date for payment	103	18	0	0.00
Total	13,300	14,343	0	0

Note 40 Nature and Extent of Risks arising from Financial Instruments (continued)

The past due amount is analysed by age as follows:

	1st April 2021	31st March 2022
	£000	£000
Less than 1 month overdue	110	16
1-2 months overdue	11	0
2-6 months overdue	11	1
Over 6 months overdue	23	17
Total	155	34

Maturity Structure of Fixed Interest Rate Borrowing 2021/22

	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%

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:

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

Note 40 Nature and Extent of Risks arising from Financial Instruments (continued)

Market Risk

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

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

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

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

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

	£000
Additional interest receivable on variable rate investments (has a positive impact on the Surplus or Deficit on the Provision of Services)	137
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)	1,089

According to this assessment strategy, at the 31st March 2022, if interest rates had been 1% higher with all other variables held constant, the financial effects would be:

An average rate of 0.23% (£31k) was achieved for investments, therefore this is the maximum amount which could be lost

Pension Fund Statement

Firefighters' Pension Fund

Fund Account	2020/21	2021/22
	£000	£000
Income to the fund		
Contributions receivable:		
Fire authority contributions in relation to pensionable pay	(4,255)	(4,127)
Ill health contributions	(41)	(85)
Firefighters' contributions	(1,865)	(1,817)
Transfers in from other schemes	(2)	(66)
Income to the fund	(6,163)	(6,095)
Spending by the fund		
Benefits payable:		
Pensions	11,360	11,750
Commutation and lump-sum retirement benefits	2,594	3,200
Other payments	457	195
Payments To and On Behalf of Leavers	-	-
Transfers out to other schemes	-	-
Spending by the fund	14,411	15,145
Deficit for the year before top up grant receivable from Home Office	8,248	9,050
Top-up grant received	(4,684)	(5,561)
Net Grant Receivable	3,564	3,489

Firefighters' Pension fund net assets statement	31st March 2021	31st March 2022
	£000	£000
Net current assets and liabilities:		
Pensions top up grant receivable from Home Office	3,564	3,489
Net grant receivable	3,564	3,489

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 West Yorkshire Pension Fund. 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 Government Actuary's Department and the Home Office respectively. They are both 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 2022. These can be found in note 38 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 £502,120k as at the 31st March 2022 (£500,530k as at the 31st March 2021).

Final Statement & Glossary

CFA Annual Governance Statement 2021/22

1. Introduction

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

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

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

2. The Arrangements

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

We have the following codes and rules:

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

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

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

We monitor:

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

We are transparent in our decision making through:

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

CFA Annual Governance Statement 2021/22 (continued)

We are supported by:

- Leicester City Council who provide the position of Treasurer to make arrangements for the proper administration of the CFA's financial affairs
- Leicestershire County Council who provide the position of Monitoring Officer to maintain the constitution, ensure lawfulness and fairness in decision-making, 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 2021/22 (continued)

Follow Up of Issues Identified in 2020/21

Issue Identified	Action taken to date:
<p>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.</p>	<p>The CFA has a balanced budget for 2022/23. The local government finance settlement for 2022/23 allowed authorities in the lowest quartile to increase Band D taxes by £5 in 2022/23. The CFA approved the increase to lead to a more sustainable financial position for the future, including meeting the future costs expected from the removal of the Day Crewing shift system.</p>
<p>Covid-19 Pandemic - impact on the resources and services delivered.</p>	<p>The CFA monitored covid expenditure closely throughout the year. Covid grants awarded by central government throughout the year were sufficient to cover additional costs incurred as a direct result of the pandemic. Measures were put in place to minimise the impact to service delivery.</p>

CFA Annual Governance Statement 2021/22 (continued)

Issues Identified in 2021/22

Issue Identified	Action taken to date:
<p>Budget Strategy - There are no government spending plans beyond 2022/23.</p>	<p>The CFA will continue to monitor its finances closely during 2022/23. The overall local government finance settlement covers 2022/23 to 2024/25.</p>
<p>Construction cost inflation pressures — It is nationally documented that construction cost is increasing the cost of capital projects. There are several issues affecting construction prices such as:</p> <ul style="list-style-type: none"> • Covid 19, • Brexit effect on imported materials, • Ukraine invasion and economic sanctions against Russia. <p>All of the above are contributing to some extent to altering the construction cost landscape of materials.</p>	<p>The CFA will continue to monitor cost inflation pressures to consider the short & long term impacts to key capital schemes. In addition, increased projections for inflation will be built in future capital projects to reflect the current uncertainty in the market. Some additional funds have already been set aside for the construction of the new Learning & Development site from the 2021/22 revenue budget underspend.</p>

CFA Annual Governance Statement 2021/22 (continued)

Issues Identified in 2021/22 (Continued)



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

Issue Identified	Planned Action:
<p>Inflation & Supply Chain issues – in addition to the cost pressures being seen in relation to construction contracts, the CFA continues to see similar pressures impacting the revenue budgets etc. In particular, in relation to both utility bills and fuel prices. Higher than budgeted pay claims and awards are also a risk, together with any industrial action that may result.</p>	<p>The CFA will monitor these cost pressures closely during 2022/23 and identify ways to mitigate going forward. The CFA set aside additional funds for inflation as part of the 2022/23 budget setting process. In addition, will identify any pressures that need to be considered as part of the 2023/24 budget. The CFA has contingency arrangements for firefighter strike cover, however these could become a cost pressure.</p>
<p>Firefighters pensions remedy – All fire & rescue authorities could potentially see significant one-off cost pressures relating to the two firefighter pension schemes remedies that will allow firefighters to buy back pensions over a number of years.</p> <p>The two pensions remedies are:</p> <ul style="list-style-type: none"> • McCloud/ Sargeant • Matthews/ O'Brien <p>There is uncertainty around how much funding will be provided by central government to cover additional costs in relation to employer pension contributions, tax, interest and legal action.</p>	<p>The CFA will continue to monitor any developments with the Firefighters pensions remedy. Staffing resources have been put in place in order to address the additional workloads around pensions remedy. A regional pensions group has also been formed including Leicestershire, Derbyshire & Nottinghamshire fire & rescue services to monitor developments and actions that need taking. The Local Government Association delivers updates to all fire & rescue authorities on a fortnightly basis. The CFA will consider setting aside additional funds in 2023/24 once there is more clarity around the costs that will be ultimately borne by fire & rescue authorities.</p>

CFA Annual Governance Statement 2021/22 (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)	30/11/22 (Date)
 (Chief Fire and Rescue Officer)	30/11/22 (Date)
 (Treasurer)	30/11/22 (Date)

CFA Annual Governance Statement 2021/22 (continued)

The Combined Fire Authority had the following governance arrangements in place during 2021/22.

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:

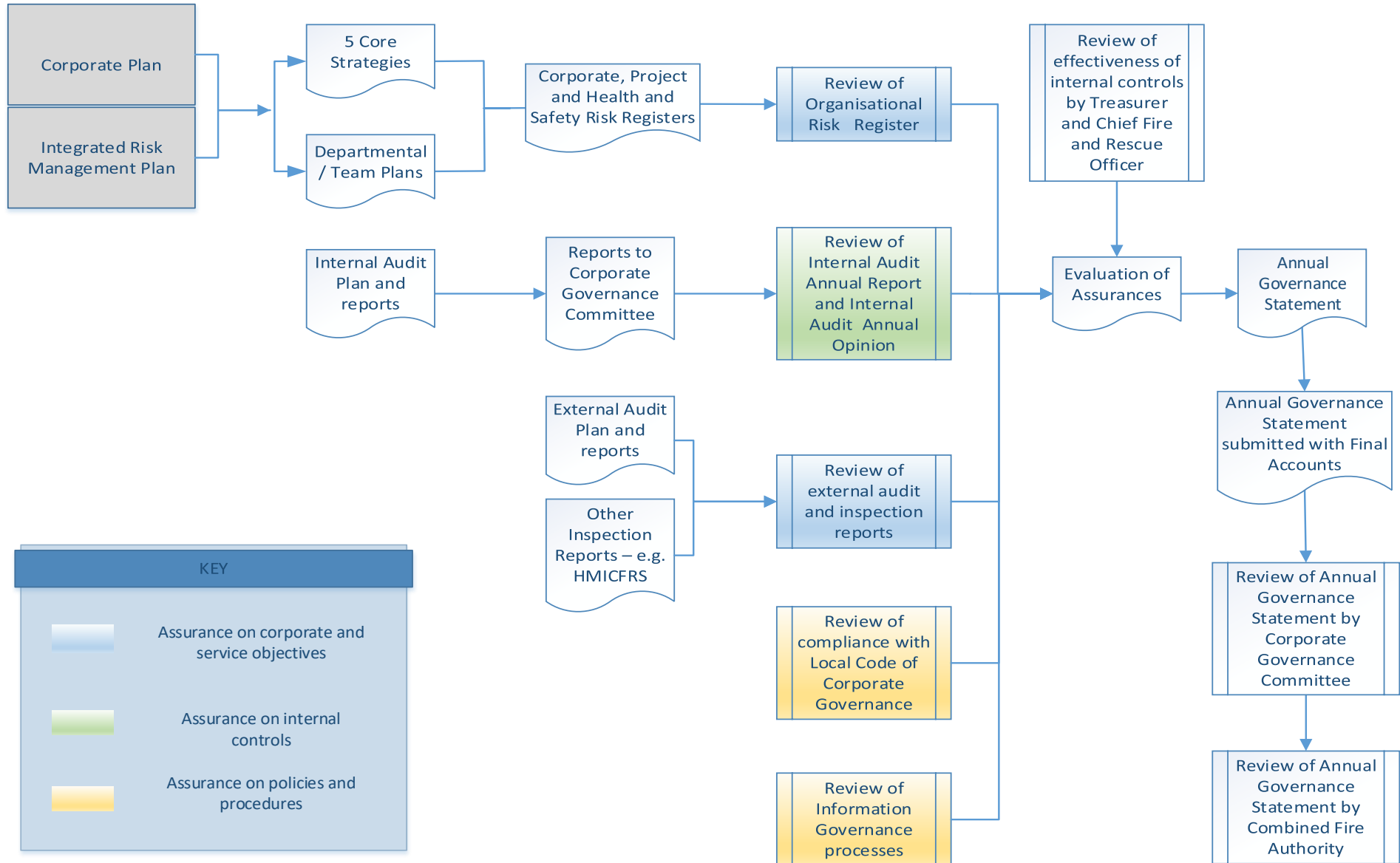
the effective governance and administration of Pension Schemes and compliance with any requirements imposed by the Pensions Regulator.

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 2021/22 (continued)

Governance Arrangements to inform the Annual Governance Statement



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.

Special Services

Incidents not relating to fires or road traffic collisions including the rescue of people and animals, gaining entry to properties and any other requests for assistance from other emergency services such as Leicestershire Police and The East Midlands Ambulance Service.

Note References

Note 1	Accounting Policies	Note 21	Cash and Cash Equivalents
Note 2	Expenditure and Funding Analysis	Note 22	Creditors
Note 3	Accounting standards issued but not yet adopted	Note 23	Provisions
Note 4	Critical judgments in applying accounting policies	Note 24	Usable Reserves
Note 5	Assumptions Made about the Future and other Major Sources of Estimation Uncertainty	Note 25	Unusable Reserves
Note 6	Prior Period Adjustment	Note 26	Cash Flow Statement - Operating Activities
Note 7	Material Items of Income and Expense	Note 27	Cash Flow Statement - Investing Activities
Note 8	Events After the Balance Sheet Date	Note 28	Cash Flow Statement - Financing Activities
Note 9	Note to the Expenditure and Funding Analysis	Note 29	Trading Operations
Note 10	Adjustments between Accounting Basis and Funding Basis under Regulations	Note 30	Members' Allowances
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Note 12	Other Operating Expenditure	Note 32	External Audit Costs
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Note 17	Intangible Assets	Note 37	Termination Benefits
Note 18	Financial Instruments	Note 38	Defined Benefit Pension Schemes
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