

# Cheshire Fire Authority

## Statement of Accounts 2020 – 21



**Cheshire**  
Fire & Rescue Service

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# STATEMENT OF ACCOUNTS

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## NARRATIVE REPORT

### 1. Introduction

- 1.1 Welcome to the 2020-21 Cheshire Fire Authority Statement of Accounts. Cheshire Fire Authority (“the Authority”) is the publicly accountable body that manages the Fire and Rescue Service on behalf of local communities. The Authority is responsible for providing an efficient and effective fire and rescue service that protects the communities and infrastructure of Cheshire. The Authority consists of twenty-three elected Members appointed by Cheshire East Borough Council; Cheshire West and Chester Borough Council; Halton Borough Council; and Warrington Borough Council.
- 1.2 The Authority is dedicated to providing the communities of Cheshire with a fire and rescue service that is committed to saving lives, changing lives and protecting lives to achieve its vision of a Cheshire where there are no deaths, injuries or damage from fires and other emergencies.
- 1.3 The Chief Fire Officer and Chief Executive (CFO) and the Service Management Team lead Cheshire Fire and Rescue Service. The service operates from twenty-eight fire stations across Cheshire, staffed in a number of different ways to reflect local risks and demands. The Service also operates three community safety teams; three fire protection offices; a joint headquarters with Cheshire Constabulary; an operational training centre; Safety Central - the safety and life skills centre in Lymm; and fleet workshops at the Sadler Road site in Winsford.

### 2. Financial Statements

- 2.1 The accounts include a note called ‘The Expenditure and Funding Analysis’ which is shown on page 20 before the main financial statements. This note shows how annual expenditure is used and funded from Government grants, council tax and business rates by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision-making purposes between the Authority’s services and departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on page 22.
- 2.2 The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Authority. This is analysed into ‘usable reserves’ (i.e. those that can currently be used to fund expenditure or reduce local taxation) and other ‘unusable’ reserves (technical accounting adjustment accounts reflecting the difference between the outcome of applying proper accounting practices and the statutory requirements for funding expenditure within the public sector). It shows how the movements in year of the Authority’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. This Statement has a strong link to the Expenditure and Funding Analysis and Comprehensive Income and Expenditure Statement.

- 2.3 The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. It essentially captures the inflow and outflow of resources for the financial year up to 31<sup>st</sup> March, which have been received or incurred as part of the ordinary activities of the Authority. A key figure is the (Surplus)/ Deficit on Provision of Services for 2020-21 which shows a £5.1m deficit compared to a £10.2m deficit in 2019-20.
- 2.4 The Balance Sheet is a statement showing the Authority's assets and liabilities i.e. what is owned and what is owed as at 31<sup>st</sup> March. The net impact of this is funded by Reserves, which is the residual interest in the assets of the Authority after deducting all of the liabilities. The 'net worth' shows the net position for the Authority and is calculated by deducting total liabilities from total assets. This is £496m in 2020-21 (£424m 2019-20).
- 2.5 The final primary statement is the Cashflow Statement. This shows the changes in cash and cash equivalents of the Authority during the financial year. The statement shows how the Authority generates and uses cash by classifying cash flows as operating, investing and financing activities. The amount of net cashflows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to service delivery. Cashflows arising from financing activities are useful in predicting claims on future cashflows by providers of capital (i.e. borrowing) to the Authority.
- 2.6 During 2020-21, the Authority maintained an average cash balance of around £16m (2019-20 £25m) each month with fluctuations dependent on payroll and paying creditors versus when grants, precept, business rates and income is received. The main impact on these balances going forward is the funding of capital expenditure such as station refurbishment, vehicles, equipment and IT as agreed by the Authority. In March 2021, a PWLB loan for £4m was taken out with a maturity date of 30 September 2070.

### **3. Financial Performance 2020-21**

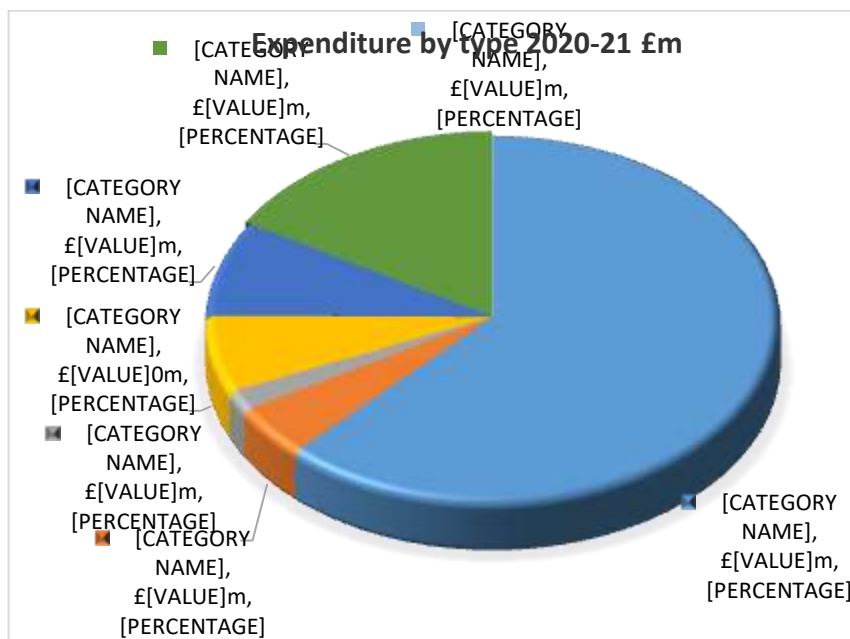
- 3.1 Where does the Fire Authority get its revenue funding from?
- 3.1.1. The Authority receives over half of its revenue funding from its share of the council tax (called the precept) which is collected by the four local authorities. The 2020-21 precept approved by the Authority increased by 1.99% (£79.29 compared to £77.74 in 2019-20 for a Band D property). In addition to the precept, the Authority receives its share of any surplus or deficits on the council tax collection funds. For 2020-21 this amounted to a deficit allocation (council tax only) of £0.3m (surplus allocation in 2019-20 of £0.2m).
- 3.1.2. The majority of the balance of revenue funding comes from the Government and the four local authorities in the form of the Settlement Funding Assessment. This can be broken down into two elements – Revenue Support Grant and Baseline Funding Level. Revenue Support Grant is determined by the Government and allocated based on a formula. Baseline Funding Level is the amount which the Government determines should be receivable by the Authority for its share of business rates as collected by the four local authorities. However, the amount of business rates due is not sufficient to meet the Baseline Funding Level so the Government also pays the Authority a 'top-up' grant to meet the shortfall.

3.1.3. The funding amounts for Cheshire Fire for 2020-21 were:

<b>Fire Authority's Funding 2020-21</b>	<b>£000</b>	<b>£000</b>	<b>%</b>
Council Tax		(30,141)	64.01
Council Tax – collection fund deficit		253	(0.54)
Revenue Support Grant	(3,991)		8.48
Business Rates	(4,462)		9.48
'Top-up' Grant	(5,190)		11.02
		(13,643)	
Business Rates – collection fund deficit		2,259	(4.80)
Business Rates – Section 31 Grant		(2,772)	5.89
Local Tax Income Guarantee/ compensation			
- council tax element	(113)		0.24
- business rates element	(150)		0.32
		(263)	
Appropriation to Collection Fund Adjustment Account			
- council tax element	(513)		1.09
- business rates element	(2,266)		4.81
		(2,779)	
<b>Total</b>		<b>(47,086)</b>	<b>100.00</b>

3.2 What does the Fire Authority spend its money on?

3.2.1. The majority of its expenditure relates to employee costs. The following chart shows a breakdown of what was actually spent by Cheshire Fire in 2020-21 by expenditure type.



3.2.2. On 12<sup>th</sup> February 2020 the Authority approved the 2020-21 revenue budget of £45m together with a capital programme of £14m. Budget monitoring reports have been presented to the Performance and Overview Committee on a quarterly basis focussing on the forecast outturn position and revisions to the overall budget in response to changes in-year.

3.2.3. At the end of the financial year the Authority's outturn was an underspend of £561k which has been transferred to the capital reserve. Details are shown in the table below.

Fire Authority's Service Area	2020-21 Budget £000	Actual £000	Reserve Funding £000	Revised Variance £000
Firefighting & Rescue Operations	28,832	29,385	52	605
Protection	2,045	1,792	145	(108)
Prevention	2,486	2,233	42	(211)
Support Services	10,251	9,391	771	(89)
Unitary Performance Groups	100	58	42	-
Finance resources	313	(1,890)	-	(2,203)
Contributions to/(from) provisions	-	(120)	-	(120)
Contributions to/(from) reserves	803	-	1,686	883
Funding	(44,830)	(47,086)	2,256	-
Rounding's	-	(1)	-	(1)
Qtr 1,2,3 surplus transferred to capital reserve			683	683
Qtr 4 Surplus transferred to capital reserve at year end			561	561
Cheshire Fire Total	-	(6,238)	6,238	-

3.2.4. The main reasons for variances were reported during the year to Performance and Overview Committee and final report also goes to the Fire Authority at its meeting in June 2021. Reasons for the last quarter; include higher pay costs, as the Service reemployed fifteen former operational officers and firefighters to provide operational resilience, during the pandemic. Additional overtime costs and on-call costs due to changes in the ways of operational working to minimise the possible chances of spreading Covid-19. Additional expenditure on personal protective equipment and cleaning products. One-off Covid-19 grant funding offset all these additional costs. 2020-21 has seen a number of projects delayed and the allocated funds transferred to reserves at year-end, until funds are spent in the new year; and then the funds will be transferred back out of reserves. There has been a similar situation with the funding received following the Grenfell Tower Inquiry, the Infrastructure Fund, the Building Risk Review Grant and the Protection Uplift Programme, work has started, plans developed with some costs now falling in 2021-22.

3.2.5. Covid-19 has limited, delayed and in some cases stopped a number of activities particularly at the beginning of 2020-21, reducing income but in some cases also lowering costs. These activities include corporate events, cadets, smoke alarms, training and travel; as well as some posts been held vacant until the situation improved, resulting in further savings.

3.2.6. The collection fund, has seen a deficit situation for both council tax and business rates due to Covid-19. The Authority has recognised an additional £1.98m for 2020-21 S31 grants from the Government as compensation for the loss of income (original budget was £0.78m); result of policy decisions taken by the Government during the pandemic. The pandemic impact on funding is not just on 2020-21 accounts, but is built into the 2021-22 budget and reflected in the Medium Term Financial Plan for the Authority.

3.2.7. The Authority holds a number of reserves in support of its transformational programmes, and to support the delivery of the Integrated Risk Management Plans (IRMPs). These are explained in detail within these accounts in Note 19, on page 59.

### 3.3 Capital

3.3.1. During 2020-21 the Fire Authority invested £12.1m on capital as follows:

Fire Authority's Capital Expenditure	2020-21 £000
Training Centre	4,220
Fire Station Builds & Modernisation Programme	6,924
Fire Houses	414
Fire Appliances	462
Other Vehicles	63
Equipment	40
<b>Total</b>	<b>12,123</b>

3.3.2. As well as the standard capital spending on fire appliances, support vehicles and equipment the new immersive operational training centre at the Sadler Road site in Winsford was completed and training has recommenced on site.

3.3.3. Year one of the fire station modernisation programme reached practical completion at Runcorn, Birchwood, Middlewich and Sandbach in 2020-21. Throughout the programme, the team has worked closely with station staff, architects and construction teams to create a working environment that is fit for a modern day fire and rescue service.

3.3.4. The design is bespoke to each fire station, and incorporates new community facilities with separate pedestrian access and self-contained welfare facilities that are separate to the operational areas of the fire station. The community rooms are fitted with new audio visual equipment, which will enable their use as training rooms for operational staff and provides a modern meeting facility. The fire station environment has benefitted in all areas, with new floor coverings, ceiling grids, internal doors and the painting and decorating of wall coverings throughout.

3.3.5. Many of the modernisation improvements have ensured the Service's commitment to supporting our communities' accessibility into the fire station environment, with ramped access, improved lighting and Disability Discrimination Act 1995 compliant washroom facilities. Environmental improvements have been included within the modernisation programme resulting in the increased thermal values in roof coverings, the installation of double glazed doors, windows and improvements to heating and lighting systems.





















3.3.6. Operational areas of the modernised fire stations have benefitted from the installation of a slip resistant flooring within the appliance bays, new appliance bay doors and improvements to locker rooms, personal protective equipment (PPE) storage and the addition of new furniture. The programme has further delivered a new gym extension at Middlewich and Sandbach Fire Stations, which now provides a purpose built environment for staff to exercise.

3.3.7. The multi-year programme of modernisation across the Service’s property portfolio continues with work having started at Northwich and Widnes fire stations in January 2021 as well as work commencing at Audlem and Holmes Chapel fire stations in March 2021.

3.3.8. The replacement fire station at Chester, on the site on St Anne Street was completed in 2020-21. Modern training facilities such as a new training tower, breathing apparatus building and road traffic collision training area, and is generally a better working environment for all staff based there. It is also more cost-effective to run and maintain, has improved accessibility, and houses improved community facilities.

**4. Non-financial Performance**

4.1 The risks facing Cheshire Fire and Rescue Service are diverse. A summary of the recent and predicted operational demand is shown below.

Current Operational Demand			Predicted Annual Future Operational Demand		
<small>*Based on average yearly demand between 2016/17 and 2019/20</small>			<small>*Based on predicted 4 year average from 2020/21 to 2023/24</small>		
	<b>8298</b>	Incidents Attended		<b>8081</b>	Incidents Attended
	<b>2681</b>	Fires		<b>2384</b>	Fires
	<b>3409</b>	False Alarms		<b>3041</b>	False Alarms
	<b>1854</b>	Other Special Service Incidents		<b>2293</b>	Other Special Service Incidents
	<b>354</b>	Road Traffic Collisions		<b>363</b>	Road Traffic Collisions
	<b>369</b>	Accidental Dwelling Fires		<b>322</b>	Accidental Dwelling Fires
	<b>1082</b>	Deliberate Fires		<b>918</b>	Deliberate Fires
	<b>173</b>	Fires in Non Domestic Premises		<b>154</b>	Fires in Non Domestic Premises
	<b>91</b>	Injuries in Accidental Dwelling Fires		<b>75</b>	Injuries in Accidental Dwelling Fires
	<b>31</b>	Of These Attended Hospital		<b>24</b>	Of These Attended Hospital



## 4.2 Collaborative working

- 4.2.1. During 2020-21 the Service continues to strengthen its collaborative working with other emergency services and organisations and undertook a number of initiatives to the benefit of the community.
- 4.2.2. Cheshire Fire and Rescue Service jointly worked with Cheshire Police and the county's Police and Crime Commissioner in December to crack down on drink/drug drivers as part of the Fatal 5 campaign. Firefighters raised awareness of the dangers of taking to the roads after drinking or taking drugs throughout the month in a bid to reduce the number of serious and fatal collisions.



- 4.2.3. Nantwich Fire Station held a virtual open day in October 2020 via the Nantwich Fire Station Facebook and Twitter accounts, due to Coronavirus restrictions. Nantwich residents were able to find out about the lifesaving work of their local firefighters. The virtual event included fascinating insights into being a firefighter, road traffic collision demonstrations and exploring the kit and appliances that are used.
- 4.2.4. Cheshire Fire and Rescue Service has provided more than 100 staff, trained by NHS colleagues, to administer the Covid-19 vaccination, as well as assist with other administrative and support duties. The fire service personnel have been working vaccination shifts around their existing workloads where possible and, in some cases volunteering in their own time.
- 4.2.5. The Service's Burn Awareness Week supports the National Burn Awareness Day and the SafeTea Campaign to help prevent burns and scalds. In partnership with the Children's Burns Trust, a Cheshire firefighter recorded a video, that tells the tale of the 'Family Oops' who learn all about the main causes of burns and scalds and about the right burns first aid.
- 4.2.6. Cheshire Fire Authority part-funded the fitting of potentially life-saving sprinklers throughout a housing providers biggest properties. Flats and communal areas at Churchill Mansions, a 12-story high-rise building in Runcorn, were fitted with sprinklers for protection from the danger of fire. The majority of the work to install sprinklers throughout the tower block in Cooper Street was completed by August and Halton Housing received a £36,000 grant from Cheshire Fire Authority to help pay for the retro-fitting project.

### 4.3 Other achievements

- 4.3.1. Cheshire's Chief Fire Officer and Chief Executive Mark Cashin received the Queen's Fire Service Medal after almost 31 years in fire and rescue. Mark Cashin was recognised in the 2020 Birthday Honours list for the profound contribution he has made to fire prevention, keeping people healthy and safe from fire.



- 4.3.2. Firefighters from across the United Kingdom took part in the first ever Cheshire Firefighter Challenge Virtual. The competition involved a course of eight challenges focused on firefighting activities and tested competitors' strengths and abilities, both physically and mentally.



- 4.3.3. Cheshire Fire and Rescue Service attended 134 incidents over a 24hr period in January 2021 due to extreme weather conditions attributed to Storm Christoph. A major incident was declared with all agencies and emergency services working together. Cheshire firefighters also worked alongside Lancashire Fire and Rescue Service supporting flood evacuations as part of a cross-border arrangement.
- 4.3.4. A team of Cheshire firefighters from White Watch crew at Widnes fire station raised funds for The Fire Fighters Charity and the Darby Rimmer MND Foundation by running a marathon in full firefighter kit without leaving the grounds of their fire station.

- 4.3.5. A team of firefighters at Penketh Fire Station Warrington raised more than £7,000 for charity by completing an exhausting 10-day challenge. The wholetime and on-call crews at Penketh Fire Station in Warrington set themselves the daunting task of cycling over 3,300 miles, this equates to the length of the UK coastline.



- 4.3.6. Macclesfield firefighters raised more than £4,000 by completing 24-hour Mount Everest challenge. All the money raised was for The Fire Fighters Charity, the UK's leading provider of services that enhance the quality of life for serving and retired fire service personnel and their families.
- 4.3.7. Over a four-week period Cheshire Fire and Rescue service attended almost 60 fires in gardens and on grassed areas across Cheshire, Halton and Warrington. These fires relate to either controlled burnings, which may have caused a nuisance, concern or fires that may have been started intentionally and got out of hand, and needed to be extinguished by firefighters.



- 4.3.8. Cheshire Fire Cadets who raised over £50,000 to help Nepalese school children before lock down vowed to continue their quest to secure enough money to finish building classrooms for village children in Nepal. Despite the setbacks of the coronavirus pandemic and monsoon season, the team is determined to plough on with the project which is in Kanku, a remote village in the Solukhumbu District in the Sagarmatha Zone of north-eastern Nepal.



4.3.9. Cheshire Fire and Rescue Service's state-of-the-art training centre in Sadler Road, Winsford was completed. The new facilities will immerse firefighters in real-life operational situations making them better equipped and skilled to keep the communities of Cheshire and surrounding areas safe. The centre will provide innovative technology and real-life scenario sets, ranging from serious motorway collisions to dealing with building fires and chemical incidents. The project was procured through the North West Construction Hub (NWCH) and was delivered on time and within budget.



4.3.10. Cheshire Fire and Rescue Service won the Emergency Services award in the Tyresafe Awards 2020. Tyresafe is a national charity promoting the importance of tyre safety for UK motorists. The Service was recognised for its new tyre safety prevention activity which has been incorporated into its Firefighter and Community Safety Apprenticeship Scheme during 2020. The tyre safety initiative aims to encourage a driver mentality to regularly self-test their tyres.



4.3.11. During 2020-21 the Chester Fire Station rebuild was completed. It boasts modern training facilities such as a new training tower and a road traffic collision training area. It is also more cost-effective to run and maintain, has improved accessibility, and houses improved community facilities. The new station is a 'zero carbon' building – making it one of the first fire stations in the country to use as much or even less energy than it produces through renewable energy sources.



4.3.12. Cheshire Fire Authority approved the restructure to the Senior Management Team in 2020-21. The Service Management Team now comprises the Chief Fire Officer, Deputy Chief and Assistant Chief Fire Officer, Director of Governance & Commissioning, Director of Transformation and Heads of Departments. Alex Waller was appointed as the Deputy Chief Fire Officer and took up his new post in April 2021. Paul Binyon was announced as Assistant Chief Fire Officer, and returned to Cheshire Fire to take up the post in May 2021.



## 5. Pension Liability

- 5.1 The Authority as a responsible employer encourages its employees to participate in a pension scheme. Firefighters have access to four schemes dependent upon when they joined. These are the 1992 Firefighter Pension Scheme; the 2006 Firefighter Pension Scheme; a modified version of the 2006 scheme; and the Firefighter Pension Scheme 2015. For non-firefighters, the Local Government Pension Scheme (LGPS) is available.
- 5.2 Under the International Accountings Standards (IAS19), the way in which pensions are reported within these accounts must reflect the full liability incurred for future pension costs in the year it is earned. Therefore, each year the value of the liability is calculated by the Authority's actuaries and is shown on the balance sheet as a long-term liability. The large pension liability shows what the Authority would owe if it had to pay all the pensions for all the existing and retired firefighters and staff in the pension schemes on 31<sup>st</sup> March. This would not happen as the actual payment of such pensions is made over many years and is funded by future contributions from firefighters and staff, together with Government funding.
- 5.3 Two employment tribunal cases were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1st April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1st April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.
- 5.4 The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27<sup>th</sup> June 2019, the Supreme Court denied the Government's request for an appeal in the case.

- 5.5 On 16th July 2020, the Government published a consultation on the proposed remedy to be applied to Firefighters' Pension Schemes and LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8th October 2020 and HMT published their response to their consultation on 4th February 2021, confirming their approach to remedying age discrimination, in line with their proposals. The liability calculations are updated to be in line with the agreed final remedy.

#### **Firefighters' Pension Schemes**

- 5.6 The final remedy will apply to those members that were in active service on or prior to 31<sup>st</sup> March 2012 and on or after 1st April 2015. At retirement, these members will be given a choice in which scheme they wish to accrue benefits over the remedy period, 1st April 2015 to 31<sup>st</sup> March 2022. To make that choice all members will be automatically defaulted to the legacy scheme during the remedy period and the reformed scheme benefits kept as an underpin. From 1<sup>st</sup> April 2022, everyone is assumed to accrue benefits in the career average revalued earnings (CARE) pension scheme.
- 5.7 Given the uncertainty in how members' benefits will accrue over the remedy period, due to future salary increases, preferences for early/late retirement over more pension, we have made assumptions in order to determine which scheme the member will choose to accrue benefits in at retirement.
- 5.8 We calculated the estimated present value of the benefits that would accrue over the remedy period under each member's legacy and the CARE scheme and determined that the member would choose the scheme that had the highest present value. Where retirement dates differed we applied early retirement factors to the CARE benefits to bring in line with the assumed retirement age of the legacy scheme. Where the member's legacy scheme retirement age is lower than 55 we have assumed that the member would remain in their legacy scheme. The effect of this adjustment to the McCloud allowance is a very slight reduction to the overall liability.

#### **LGPS**

- 5.9 The Scheme Advisory Board, with consent of the Ministry of Housing, Communities and Local Government (MHCLG), commissioned Government Actuary Department (GAD) to report on the possible impact of the McCloud/Sargeant judgement on LGPS liabilities, and in particular, those liabilities to be included in local authorities' accounts as at 31<sup>st</sup> March 2019. This followed an April 2019 CIPFA briefing note which said that local authorities should consider the materiality of the impact. This analysis was to be carried out on a "worst-case" basis, (i.e. what potential remedy would incur the highest increase in costs/liabilities). The results of this analysis are set out in GAD's report dated 10th June 2019.
- 5.10 Although GAD were asked to carry out their analysis on a "worst-case" basis, there are a number of other potential outcomes to the case which would potentially inflict less cost to the Employer. For example, the solution proposed by the Government would only apply the underpin to all members who were active on 31<sup>st</sup> March 2012. This would have less impact than GAD's scenario (which also includes any new joiners from 1st April 2012).

5.11 IAS19/FRS102 requires us to place a best estimate value on liabilities and costs. Consistent with the approach we adopted for the McCloud impact estimates made last year, we will adjust GAD's estimate to include only members that were active on 31<sup>st</sup> March 2012. This is in line with that proposed in the Government's consultation.

## **6. North West Fire Control (NWFC)**

6.1 NW Fire Control Limited is a company limited by guarantee which was incorporated in July 2007 and was established to operate a Regional Control Centre with the responsibility for Fire and Rescue Service mobilisation for the North West region.

6.2 During 2018/19 a further detailed assessment for Group Accounting requirements took place in respect of NWFC. This is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards (IFRS 10, 11 & 12). It was determined that the company is governed by Joint Control due to the fact that unanimous consent exists for key decisions and that each Authority (including Cheshire) has equal voting rights. Based on materiality – i.e. would it significantly change any individual balance within the accounts, the requirement for Cheshire Fire Authority to show their share of the joint operation in their accounts became necessary. Further details can be found in the NWFC note on page 70

6.3 These accounts include the Authority's 25% share of the results of North West Fire Control Limited, 2020-21 based on their unaudited accounts.

## **7. Coronavirus (Covid-19) pandemic**

7.1 During the coronavirus pandemic, the Authority's top priorities are to maintain the best service to the public, protect firefighters and staff and support the national response. It has been a challenging time as we all adapt to the developing situation relating to Covid-19 but we are continuing to work hard to ensure both your safety and minimal impact on our services.

7.2 To minimise the spread of Covid-19 we limited non-essential contact with the public to help control the spread of the virus and to ensure our firefighters are available to respond to emergencies.

7.3 Cheshire Fire have undertaken a huge amount of work in supporting our partner agencies to help our communities stay safe. This has included a wide range of activities to support both residents and our front-line colleagues, helping to keep people safe such as:

- Delivering prescription medicines to vulnerable residents.
- Using our FireBikes to help transport vital blood and tissue samples.
- Transporting food parcels to help those in need.
- Visits to support vulnerable residents who were "shielding".
- Aiding with pre-op Covid-19 swabs or tests
- Supporting the mass distribution of personal protection equipment to health and care colleagues.
- Helping our local authority partners identify extremely vulnerable people so that necessary support can be put in place.

- The Service has expanded its Safe and Well visits to incorporate a courtesy service that involves home visits to 'hard to reach' residents, giving assistance in booking or getting to a vaccination site.
  - The staffing of vaccination centres and aiding in the Cheshire vaccination programme.
- 7.4 The pandemic has also meant a significant change to how we operate as a service. We have introduced changes to many aspects of our day-to-day working practices to comply with social distancing and minimise the risk of infection to our staff, their families and the wider community. We have developed new ways to deliver some of our services, such as providing more telephone and online support for businesses through our Protection Department.
- 7.5 The Pandemic has meant the vast majority of support staff have worked from home since the end of March 2020. Whilst this has brought some challenges, as would be expected, it has worked well. The Authority has continued to serve the public throughout the pandemic. The majority of the costs (PPE; equipment; additional staff cost; cleaning materials; and staff welfare) and reduction of income has fallen into 2020-21. In terms of funding, the Government announced emergency local government funding for Covid-19 additional costs. Cheshire received £166,768 in 2019-20, then in 2020-21 £793,795 received in May 2020, an application bid for £407,825 and a further £125,676 awarded from Covid-19 contingency funding at the end of the year. Cheshire Fire submitted income support grant claims for 2020-21 for a total of £54,188.
- 7.6 The Government paid the S31 grants up-front for 2020-21 to support cashflow, in the early stages of the pandemic. The council tax funding was received in full for 2020-21. The collection funds for council tax and the Authority's share of these, are included in these accounts with both debtors and creditors based on the position as at 31<sup>st</sup> March 2021. The coronavirus pandemic has had a significant impact on collection performance, whereas in previous years there has often been a relatively healthy overall surplus, the estimated deficit position of £84k was built into the 2021-22 budget, agreed by the Fire Authority in February 2021.
- 7.7 The collection funds for business rates and the Authority's 1% share of these, are also included in these accounts, again with both debtors and creditors based on data as at 31<sup>st</sup> March 2021. The Government announced various support with business rates during the pandemic, these measures will see less NDR income for the Authority that will be offset by reimbursement from Central Government under S.31 grant. The Government also anticipated the deficits positions on business rates element of the collection, and amended secondary legislation to allow authorities to spread the deficits over three financial years 2021-22 to 2023-24. So Cheshire Fire's share is reflected in the Authority's 2021-22 budget and the MTFP.
- 7.8 The Autumn 2020 Spending Review contained proposals to compensate local authorities for 75% of their council tax and business rate losses due to the pandemic in 2020-21. In December 2020 the Government provided details of these arrangements which it called the Local Tax Income Guarantee.
- 7.9 The arrangements for calculating those council tax losses and business rate losses that are within the scope of the guarantee are complex and rely on data from local authorities, some of which will only be available in draft format at the end of the June 2021. As a result, the Government will provide final allocations of the grant that is likely to be distributed in September 2021.



7.10 In essence, the losses that are within scope are those that have arisen directly a result of the pandemic rather than losses which may have been expected to occur in a “normal” year. These statements of accounts include an accrual relating to the local tax income guarantee scheme, based on the draft NNDR3s and QRC4 council tax return. Any changes to the amount actually received, if any, will be reflected in next year’s accounts.

7.11 Similar to 2019-20, due to the Covid-19 epidemic causing the delay in the closedown deadline for 2020-21, actual investment return figures were able to be used for the Hymans report for asset values of funded LGPS pension schemes, unlike previous years where some estimates were used for accounting purposes at the year end. The IAS19 balance sheet total therefore is based on financial market values and future market expectation indicators as at 31st March 2021 to comply with the accounting standard. The financial markets at the accounting date will have taken into account Covid-19 risks (and opportunities) as one of many national and worldwide economic considerations. There has been no explicit additional allowance or adjustment made for Covid-19.

- Asset returns and values have followed the market movements prompted by the pandemic and lockdowns, among other factors, which will therefore affect the asset share value. Bond yields and inflation expectations have also followed market movements, which will therefore affect the obligations value.
- The key non-financial assumption made within the accounts is for life expectancy. However at this stage it is not possible to extrapolate the longer term impact of the higher death rate due to Covid-19 in 2020-21 on either future mortality or morbidity rates as the data is not yet available to make an evidence-based assessment on the pandemic’s impact on longer term expectations.

7.12 The Firefighters Pension Schemes are unfunded, which means there are no asset values to explicitly report. As such, no such approximations are made and there is no impact of the Covid-19 situation.

7.13 Covid-19 has slowed down progress on some of the capital projects due to impact on supplies and contractor’s workforce as well as the need to socially distance on project sites, but as yet not actually put a stop to any.

7.14 A further area where the pandemic could impact is the valuation of assets. In terms of assets, the financial instruments held are highly liquid and cash based and therefore unlikely to be directly impacted. For land and buildings the valuer has taken into account the impact of the pandemic as stated in Note 10.

## **8. Future Developments and Plans**

8.1 The Fire Authority approved Cheshire Fire Authority’s Integrated Risk Management Plan 2020-2024 (IRMP) in July 2020. The IRMP sets out the risks facing the communities of Cheshire, how the Authority will prevent and protect our communities from fire and other emergencies and our plans for providing emergency response.

8.2 The IRMP outlines plans for the future, which include:

<b>Prevention</b>	<ul style="list-style-type: none"> <li>• Extend Safe and Well home visits to focus interventions for a broader range of vulnerable people.</li> <li>• Work with public sector partners to create a strategic road safety plan that will have a real impact on reducing the number of people killed or seriously injured on our roads.</li> <li>• Develop targeted campaigns to raise awareness and protect our communities from the key causes of fire.</li> </ul>
<b>Protection</b>	<ul style="list-style-type: none"> <li>• Review our risk-based inspection programme.</li> <li>• Change our approach to how we manage heritage risks.</li> <li>• Launch a Service-wide campaign aimed at owners and occupiers of houses in multiple occupation.</li> <li>• Expand our 'Sprinklers Save Lives' campaign, promoting the use of sprinklers in business premises and high rise residential properties.</li> </ul>
<b>Response</b>	<ul style="list-style-type: none"> <li>• Replace Macclesfield aerial appliance with a Stinger or Scorpion vehicle.</li> <li>• Change the crewing system at Wilmslow Fire Station from nucleus to day crewing.</li> <li>• Move the second fire engine from Ellesmere Port to Powey Lane and move the current fire engine at Powey Lane back to Chester.</li> <li>• Provide Rapid Response Rescue Units on all primary on-call fire stations.</li> <li>• Review our water response provision, including potentially investing in a large water carrier which could be based at Ellesmere Port Fire Station.</li> <li>• Develop our wildfire capacity.</li> <li>• Review our specialist resources.</li> <li>• Review the need for new equipment to improve the effectiveness of our response.</li> </ul>

## STATEMENT OF RESPONSIBILITIES

### Responsibilities of Cheshire Fire Authority

Cheshire Fire Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In Cheshire Fire Authority that officer is the Treasurer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts

### Statement from Cheshire Fire Authority

I hereby approve the Statement of Accounts for Cheshire Fire Authority for the year ended 31<sup>st</sup> March 2021.

Councillor Bob Rudd  
Cheshire Fire Authority  
30<sup>th</sup> September 2021

### Responsibilities of the Treasurer to the Cheshire Fire Authority

The Treasurer is responsible for the preparation of the 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 of Practice').

In preparing this Statement of Accounts, the Treasurer has ensured that:

- Suitable accounting policies have been selected and applied consistently;
- Judgements and estimates made were reasonable and prudent; and
- The Code of Practice was complied with.

The Treasurer has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### The Treasurer's Certificate

I certify that the Statement of Accounts present a true and fair view of the financial position of Cheshire Fire Authority at the reporting date and its income and expenditure for the year ended 31<sup>st</sup> March 2021 and that events after this date and prior to the formal approval of the Accounts have been properly considered.

Allan Rainford  
Treasurer, Cheshire Fire Authority 30<sup>th</sup> September 2021

## EXPENDITURE AND FUNDING ANALYSIS NOTE 2020-21

	As reported for Resource Management £000	Adjust for Earmarked Reserve Movements £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis (a) £000	Net Expenditure Comprehensive Income and Expenditure Statement £000
Firefighting and Rescue operations	29,437	(52)	29,385	(2,583)	26,802
Protection	1,936	(144)	1,792	(157)	1,635
Prevention	2,277	(43)	2,234	(219)	2,015
Support Services	10,163	(891)	9,272	(46)	9,226
UPGs	100	(42)	58	-	58
Corporate / Finance resources	3,623	2,864	6,487	(5,306)	1,181
Actuarial pension cost - McCloud Judgement	-	-	-	-	-
<b>Net Cost of Services</b>	<b>47,536</b>	<b>1,692</b>	<b>49,228</b>	<b>(8,311)</b>	<b>40,917</b>
Net cost of service - 25% share of NWFC	-	(2)	(2)	52	50
Other Income & Expenditure	(47,536)	(2,622)	(50,158)	14,308	(35,850)
Other Income & Expenditure -25% share of NWFC	-	-	-	16	16
<b>(Surplus) or Deficit</b>	<b>-</b>	<b>(932)</b>	<b>(932)</b>	<b>6,065</b>	<b>5,133</b>
<b>Opening General Fund at 31 March 2020</b>			<b>(21,542)</b>		
<b>Less/Plus (Surplus) Deficit on General Fund in Year</b>	<b>Fire</b>	(930)			
	<b>NWFC (25%)</b>	(2)			
			<b>(932)</b>		
<b>Closing General Fund at 31 March 2021</b>			<b>(22,475)</b>		

(a) See Note 5, for further details on the adjustments between funding and accounting basis.  
This analysis is not a Primary Financial Statement and forms part of the Notes to the Accounts.

## EXPENDITURE AND FUNDING ANALYSIS NOTE 2019-20

	As reported for Resource Management £000	Adjust for Earmarked Reserve Movements £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis (a) £000	Net Expenditure Comprehensive Income and Expenditure Statement £000
Firefighting and Rescue operations	28,369	(317)	28,052	(1,283)	26,769
Protection	1,919	(22)	1,897	(78)	1,819
Prevention	2,131	(91)	2,040	(141)	1,899
Support Services	9,564	(283)	9,281	(26)	9,255
UPGs	100	(3)	97	-	97
Corporate / Finance resources	3,241	10,469	13,710	(12,724)	986
Actuarial pension cost - McCloud Judgement	-	-	-	(1,800)	(1,800)
<b>Net Cost of Services</b>	<b>45,324</b>	<b>9,753</b>	<b>55,077</b>	<b>(16,052)</b>	<b>39,025</b>
Net cost of service - 25% share of NWFC	-	(2)	(2)	122	120
Other Income & Expenditure	(45,324)	(166)	(45,490)	16,483	(29,007)
Other Income & Expenditure -25% share of NWFC	-	-	-	28	28
<b>(Surplus) or Deficit</b>	<b>-</b>	<b>9,585</b>	<b>9,585</b>	<b>581</b>	<b>10,166</b>
<b>Opening General Fund at 31 March 2019</b>			<b>(31,127)</b>		
<b>Less/Plus (Surplus) Deficit on General Fund in Year</b>	<b>Fire</b>	<b>9,587</b>			
	<b>NWFC (25%)</b>	<b>(2)</b>			
			<b>9,585</b>		
<b>Closing General Fund at 31 March 2020</b>			<b>(21,542)</b>		

(a) See Note 5, for further details on the adjustments between funding and accounting basis.  
This analysis is not a Primary Financial Statement and forms part of the Notes to the Accounts.

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2019-2020				2020-2021		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000	Note	£000	£000	£000
26,926	(157)	<b>26,769</b>		27,032	(230)	<b>26,802</b>
1,848	(29)	<b>1,819</b>		1,848	(213)	<b>1,635</b>
2,585	(686)	<b>1,899</b>		2,525	(510)	<b>2,015</b>
10,109	(854)	<b>9,255</b>		10,054	(828)	<b>9,226</b>
98	(1)	<b>97</b>		58	-	<b>58</b>
986	-	<b>986</b>		1,181	-	<b>1,181</b>
(1,800)	-	<b>(1,800)</b>		-	-	-
<b>40,752</b>	<b>(1,727)</b>	<b>39,025</b>		<b>42,698</b>	<b>(1,781)</b>	<b>40,917</b>
831	(711)	<b>120</b>		998	(948)	<b>50</b>
2,719	-	<b>2,719</b>		21	-	<b>21</b>
14,260	(244)	<b>14,016</b>		11,993	(49)	<b>11,944</b>
-	(45,714)	<b>(45,714)</b>	9	-	(47,799)	<b>(47,799)</b>
-	-	-	9	-	-	-
<b>58,562</b>	<b>(48,396)</b>	<b>10,166</b>		<b>55,710</b>	<b>(50,577)</b>	<b>5,133</b>
		(3,820)	10			(8,152)
		(77,283)	32			74,691
		<b>(81,103)</b>				<b>66,539</b>
		<b>(70,937)</b>				<b>71,672</b>

## MOVEMENT IN RESERVES STATEMENT 2020-21

	General Fund	Resource Centre Migs	Community Risk Reduction	UPGs	Capital Reserve	Total General Fund	(Usable) Capital Receipts	Total Usable Reserves	Pensions Reserve	Revaluation Reserve	Collection Fund Adjustment	Accumulated Absences	Capital Adjustment Account	Total Unusable Reserves	Total All Reserves	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Balance at 1 April 2020</b>	<b>(2,288)</b>	<b>(14,523)</b>	<b>(345)</b>	<b>(120)</b>	<b>(4,266)</b>	<b>(21,542)</b>	-	<b>(21,542)</b>	<b>522,587</b>	<b>(28,013)</b>	<b>(350)</b>	<b>599</b>	<b>(49,472)</b>	<b>445,351</b>	<b>423,809</b>	
Surplus/Deficit on provision of services	5,133	-	-	-	-	5,133	-	5,133	-	-	-	-	-	-	5,133	
<b>Other Comprehensive income and expenditure</b>	-	-	-	-	-	-	-	-	74,691	(8,152)	-	-	-	66,539	66,539	
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>5,133</b>	-	-	-	-	<b>5,133</b>	-	<b>5,133</b>	<b>74,691</b>	<b>(8,152)</b>	-	-	-	<b>66,539</b>	<b>71,672</b>	
<b>Adjustments between accounting basis &amp; funding basis under regulations:</b>																
• Depreciation etc.	(4,020)	-	-	-	-	(4,020)	-	(4,020)	-	976	-	-	3,044	4,020	-	
• Gain/loss on disposal	(720)	-	-	-	-	(720)	-	(720)	-	-	-	-	720	720	-	
• Revaluation gain/loss	(23)	-	-	-	-	(23)	-	(23)	-	-	-	-	23	23	-	
• Pension costs	(4,940)	-	-	-	-	(4,940)	-	(4,940)	4,940	-	-	-	-	4,940	-	
• Capital expenditure charged to revenue	5,306	-	-	-	-	5,306	-	5,306	-	-	-	-	(5,306)	(5,306)	-	
• Cash sale proceeds	699	-	-	-	-	699	(699)	-	-	-	-	-	-	-	-	
• Use of capital receipts	-	-	-	-	-	-	414	414	-	-	-	-	(414)	(414)	-	
• Use of capital grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
• Collection Fund	(2,779)	-	-	-	-	(2,779)	-	(2,779)	-	-	2,779	-	-	2,779	-	
• Accumulated Absences	(5)	-	-	-	-	(5)	-	(5)	-	-	-	5	-	5	-	
• Statutory provision for the repayment of debt (MRP)	416	-	-	-	-	416	-	416	-	-	-	-	(416)	(416)	-	
<b>Net increase/decrease before earmarked reserve transfers</b>	<b>(933)</b>	-	-	-	-	<b>(933)</b>	<b>(285)</b>	<b>(1,218)</b>	<b>79,631</b>	<b>(7,176)</b>	<b>2,779</b>	<b>5</b>	<b>(2,349)</b>	<b>72,890</b>	<b>71,672</b>	
Transfers to/from earmarked reserves	931	(3,868)	12	(42)	2,967	-	-	-	-	-	-	-	-	-	-	
(Increase)/Decrease in year	<b>(2)</b>	<b>(3,868)</b>	<b>12</b>	<b>(42)</b>	<b>2,967</b>	<b>(933)</b>	<b>(285)</b>	<b>(1,218)</b>	<b>79,631</b>	<b>(7,176)</b>	<b>2,779</b>	<b>5</b>	<b>(2,349)</b>	<b>72,890</b>	<b>71,672</b>	
<b>Balances at 31 March 2021</b>	<b>(2,290)</b>	<b>(18,391)</b>	<b>(333)</b>	<b>(162)</b>	<b>(1,299)</b>	<b>(22,475)</b>	<b>(285)</b>	<b>(22,760)</b>	<b>602,218</b>	<b>(35,189)</b>	<b>2,429</b>	<b>604</b>	<b>(51,821)</b>	<b>518,241</b>	<b>495,481</b>	

## MOVEMENT IN RESERVES STATEMENT 2019-20

	General Fund	Resource Centre Migs	Community Risk Reduction	UPGs	Capital Reserve	Total General Fund	(Usable) Capital Receipts	Total Usable Reserves	Pensions Reserve	Revaluation Reserve	Collection Fund Adjustment	Accumulated Absences	Capital Adjustment Account	Total Unusable Reserves	Total All Reserves	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Balance at 1 April 2019</b>	<b>(2,286)</b>	<b>(13,538)</b>	<b>(330)</b>	<b>(117)</b>	<b>(14,856)</b>	<b>(31,127)</b>	<b>(100)</b>	<b>(31,227)</b>	<b>591,752</b>	<b>(26,944)</b>	<b>(414)</b>	<b>547</b>	<b>(38,968)</b>	<b>525,973</b>	<b>494,746</b>	
Surplus/Deficit on provision of services	10,166	-	-	-	-	10,166	-	10,166	-	-	-	-	-	-	10,166	
<b>Other Comprehensive income and expenditure</b>	-	-	-	-	-	-	-	-	(77,283)	(3,820)	-	-	-	(81,103)	(81,103)	
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>10,166</b>	-	-	-	-	<b>10,166</b>	-	<b>10,166</b>	<b>(77,283)</b>	<b>(3,820)</b>	-	-	-	<b>(81,103)</b>	<b>(70,937)</b>	
<b>Adjustments between accounting basis &amp; funding basis under regulations:</b>																
• Depreciation etc.	(3,127)	-	-	-	-	(3,127)	-	(3,127)	-	2,751	-	-	376	3,127	-	
• Gain/loss on disposal	(2,738)	-	-	-	-	(2,738)	-	(2,738)	-	-	-	-	2,738	2,738	-	
• Revaluation gain/loss	329	-	-	-	-	329	-	329	-	-	-	-	(329)	(329)	-	
• Pension costs	(8,118)	-	-	-	-	(8,118)	-	(8,118)	8,118	-	-	-	-	8,118	-	
• Capital expenditure charged to revenue	12,724	-	-	-	-	12,724	-	12,724	-	-	-	-	(12,724)	(12,724)	-	
• Cash sale proceeds	19	-	-	-	-	19	(19)	-	-	-	-	-	-	-	-	
• Use of capital receipts	-	-	-	-	-	-	119	119	-	-	-	-	(119)	(119)	-	
• Collection Fund	(64)	-	-	-	-	(64)	-	(64)	-	-	64	-	-	64	-	
• Accumulated Absences	(52)	-	-	-	-	(52)	-	(52)	-	-	-	52	-	52	-	
• Statutory provision for the repayment of debt (MRP)	446	-	-	-	-	446	-	446	-	-	-	-	(446)	(446)	-	
<b>Net increase/decrease before earmarked reserve transfers</b>	<b>9,585</b>	-	-	-	-	<b>9,585</b>	<b>100</b>	<b>9,685</b>	<b>(69,165)</b>	<b>(1,069)</b>	<b>64</b>	<b>52</b>	<b>(10,504)</b>	<b>(80,622)</b>	<b>(70,937)</b>	
Transfers to/from earmarked reserves	(9,587)	(985)	(15)	(3)	10,590	-	-	-	-	-	-	-	-	-	-	
(Increase)/Decrease in year	<b>(2)</b>	<b>(985)</b>	<b>(15)</b>	<b>(3)</b>	<b>10,590</b>	<b>9,585</b>	<b>100</b>	<b>9,685</b>	<b>(69,165)</b>	<b>(1,069)</b>	<b>64</b>	<b>52</b>	<b>(10,504)</b>	<b>(80,622)</b>	<b>(70,937)</b>	
<b>Balances at 31 March 2020</b>	<b>(2,288)</b>	<b>(14,523)</b>	<b>(345)</b>	<b>(120)</b>	<b>(4,266)</b>	<b>(21,542)</b>	-	<b>(21,542)</b>	<b>522,587</b>	<b>(28,013)</b>	<b>(350)</b>	<b>599</b>	<b>(49,472)</b>	<b>445,351</b>	<b>423,809</b>	



## BALANCE SHEET

31 Mar 2020				31 Mar 2021	
£000	£000		Note	£000	£000
66,211		Land and Buildings	10	91,331	
6,932		Vehicles and Equipment	10	6,171	
10,190		Assets under Construction	10	2,062	
417		Intangible Assets	11	307	
	<b>83,750</b>	<b>Total Long-term Assets</b>			<b>99,871</b>
13,013		Short-term investments	12	7,002	
723		Inventories	14	819	
4,820		Short-term debtors	15	6,230	
1,904		Amount due from pension fund	Pension Fund	1,297	
875		Assets held for sale	13	155	
6,322		Cash and Cash Equivalents	16	6,985	
	<b>27,657</b>	<b>Total Current Assets</b>			<b>22,488</b>
	<b>111,407</b>	<b>Total Assets</b>			<b>122,359</b>
-		Short-term Borrowing	12	-	
(10,765)		Short-term Creditors	17	(9,745)	
(853)		Provisions	18	(867)	
	<b>(11,618)</b>	<b>Total Current Liabilities</b>			<b>(10,612)</b>
	<b>99,789</b>	<b>Total Assets less Current Liabilities</b>			<b>111,747</b>
(1,012)		Long-term borrowing	12	(5,012)	
(522,586)		Net Pension Liability (IAS 19)	0	(602,216)	
	<b>(523,598)</b>	<b>Total Long-term Liabilities</b>			<b>(607,228)</b>
	<b>(423,809)</b>	<b>Net Assets / (Liabilities)</b>			<b>(495,481)</b>
	<b>(21,542)</b>	<b>Usable reserves</b>	19		<b>(22,760)</b>
	<b>445,351</b>	<b>Unusable reserves</b>	20		<b>518,241</b>
	<b>423,809</b>	<b>Total Reserves</b>			<b>495,481</b>

These accounts replace the unaudited accounts that were issued on the 21<sup>st</sup> July 2021

Allan Rainford, Treasurer, Cheshire Fire Authority  
Date: 30<sup>th</sup> September 2021

## CASH FLOW STATEMENT

2019-20 £000		Note	2020-21 £000
<b>10,166</b>	<b>Net (surplus)/deficit on the provision of services</b>	CI&E	<b>5,133</b>
(15,285)	Adjustment to the net (surplus)/deficit on the provision of services for non-cash movements	21	(9,424)
6	Adjustment to for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	21	699
<b>(5,113)</b>	<b>Net cash flows from Operating Activities</b>		<b>(3,592)</b>
3,312	Investing Activities	21	6,929
893	Financing Activities	21	(4,000)
<b>(908)</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>(663)</b>
5,414	Cash and Cash Equivalents at the beginning of the reporting period	16	6,322
6,322	Cash and Cash Equivalents at the end of the reporting period	16	6,985
<b>(908)</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>(663)</b>

## FIREFIGHTER PENSION FUND

2019-20				2020-21			
£000	£000			£000	£000		
<b>Contributions receivable</b>							
Fire Authority contributions:							
(468)		1992 Firefighter Pension Scheme		(322)			
(136)		2006 Firefighter Pension Scheme <sup>1</sup>		(104)			
(4,177)		2015 Firefighter Pension Scheme		(4,578)			
	(4,781)				(5,004)		
	(25)	Pension abatement costs			(7)		
	(61)	Actuarial charges for early and ill health retirements			(150)		
	(4,867)				(5,161)		
Firefighters' contributions:							
(192)		1992 Firefighter Pension Scheme		(131)			
(87)		2006 Firefighter Pension Scheme <sup>1</sup>		(88)			
(1,851)		2015 Firefighter Pension Scheme		(2,033)			
	(2,130)				(2,252)		
	(123)	Transfers in from other pension funds			(91)		
	(7,120)	<b>Total amount receivable</b>			(7,504)		
<b>Benefits payable</b>							
13,678		Pensions		14,072			
2,107		Commutation of pensions and lump sum retirement benefits		2,070			
-		Lump sum death benefits		-			
	15,785	<b>Total benefits payable</b>			16,142		
	164	Transfers out to other schemes			-		
	-	Administrative expenses			-		
	15,949	<b>Total amount payable</b>			16,142		
	8,829	(Surplus)/Deficit for the year before 'Top-up' Government grant			8,638		
	(8,829)	'Top-up' Government grant			(8,638)		
	-	<b>Net amount for the year</b>			-		

### NET ASSETS STATEMENT

31 Mar 20			31 Mar 21
£000	Current Assets		
1,920	'Top-up' Government grant		1,329
-	Employee arrears		-
<b>Current Liabilities</b>			
-	Contributions received in advance		-
(16)	Benefits outstanding		(32)
(1,904)	Amount due to General Fund		(1,297)
-	<b>Net Assets</b>		-

Note <sup>1</sup> - these rows include the Modified Firefighter Pension Scheme  
For further details please see note 32 on page 73

## NOTES TO THE ACCOUNTS

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## NOTES TO THE ACCOUNTS

### 1. Accounting Policies

#### 1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2020-21 financial year and its position at the year end of 31<sup>st</sup> March 2021. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations (England) 2015 which state that accounts need 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 2019-20, supported by International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

These financial statements have been prepared under the historical cost convention, modified by the revaluation of certain categories of non-current assets and where material, financial instruments as determined by the relevant accounting standard.

In addition, this Statement of Accounts assumes the Fire Authority will continue in operational existence for the foreseeable future under the 'Going Concern' concept as a statutory body under legislation.

#### 1.2 Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Exceptions to this principle are immaterial items of income and expenditure such as cash income and some small elements of employee pay, which are recorded on a receipts and payments basis rather than being apportioned between financial years.

### **1.3 Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in one month 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 Authority's cash management.

### **1.4 Exceptional Items**

When items of income and expenditure are material and exceptional, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the Notes to the Accounts, depending on how significant the items are to the understanding of the Authority's financial performance.

### **1.5 Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors**

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

Items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature and/or size of the omission or misstatement judged in the surrounding circumstances.

### **1.6 Charges to Revenue for Non-Current Assets**

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

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- Amortisation of intangible fixed assets attributable to the service.

The Authority 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 Authority 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)], by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **1.7 Council Tax and Non-domestic Rates**

The four local authorities within Cheshire act as agents, collecting council tax and non-domestic rates on behalf of the major preceptors – including the Fire Authority. The authorities are required by statute to maintain a separate fund (called the Collection Fund) for the collection and distribution of amounts due in respect of council tax and non-domestic rates. Under the legislative framework for the Collection Fund, the local authorities, preceptors (including the Fire Authority) and central Government share proportionately the risks and rewards should the amount collected be more or less than predicted.

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

The Balance Sheet includes the Authority's share of the end of year balances held by the four local authorities in respect of council tax and non-domestic rates. It takes into account arrears, impairment allowances for doubtful debts, overpayments and prepayments together with appeals.

Where debtor balances for the above are identified as impaired because of likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## **1.8 Employee Benefits**

### **1.8.1 Benefits Payable during Employment**

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

### 1.8.2. Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement, at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

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

### 1.8.3. Post-Employment Benefits

Employees of the Authority are entitled to be members of the following pension schemes:

- The Local Government Pension Scheme, administered by Cheshire West and Chester Council
- The Firefighter Pension Scheme (1992)
- The New Firefighter Pension Scheme (2006)
- The New Firefighter Pension Scheme (2006) (Modified)
- The Firefighter Pension Scheme (2015)

These schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees work for the Authority.

#### The Local Government Pension Scheme for non-uniformed staff

All non-uniformed staff, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme, which is administered by Cheshire Pension Fund. The scheme, which is a funded, defined benefit statutory scheme, is administered by Cheshire West and Chester Council in accordance with the Public Service Pensions Act 2013 and applicable Local Government Pension Scheme Regulations.

In 2020-21 the Authority paid an employer's primary rate contribution of 19.1% of employees' pensionable pay into the Cheshire Pension Fund. All pension payments to eligible staff are met from this fund. The attributable assets of the scheme are measured at fair value. Assets are valued at bid value.

Employer contribution rates are reviewed every three years. With the last review undertaken in March 2019, which impacted from the beginning of 2020-21. Contributions are set at a level intended to balance pension liabilities with the Authority's share of the Fund's investment assets.



The liabilities of the Local Government Pension Scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method - an assessment of the future payments which 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 by current employees.

Liabilities are discounted to their value at current prices, using a discount rate, based on a "Hymans Robertson" corporate bond yield curve based on the constituents of the iBoxx AA corporate bond index.

#### The Firefighter Pension Schemes for uniformed staff

These are unfunded schemes, meaning that there are no investment assets built up to meet their liabilities. These liabilities now reside in a local pensions fund into which pension contributions are made and from which pensions are paid. An original scheme commenced in 1992. An additional scheme commenced in 2006 and a further Modified version of this scheme commenced in 2014. A further scheme commenced in 2015; the new Regulations (The Firefighter Pension Scheme (England) Regulations 2014) states that all current active members will move into the new scheme from 1 April 2015 unless they qualify for protections that allow them to remain in their current scheme. All four schemes are administered through one fund. In 2020-21 Authority paid an employer's contribution of 37.3% of employees' pensionable pay into the fund in respect of the 1992 and 2006 Modified Schemes, 27.4% in respect of the 2006 scheme and 28.8% in respect of the 2015 scheme. The balance on the local pensions account is funded by Government grant.

#### Firefighter Injury Scheme

Under the Firefighter Compensation Scheme (England) Order 2006, a firefighter receives an injury award where they have retired and are permanently disabled because of an injury received in the execution of their duty. Under IAS19 the Authority is required to account for contingent future injury benefits. The liability is based on an estimate of future benefits earned by members, and movements in this liability are treated in the same way as for the Firefighter Pension Schemes.

The impact of these four pension schemes and the Firefighter Injury Scheme is identified in the revenue account and balance sheet.

The change in net pension's liability is analysed into the following components:

- a) Service cost comprising:
  - Current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- Net interest on the net defined benefit liability (asset) i.e. net interest expense for the Authority - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- b) Re-measurements comprising:
- The return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- c) Contributions paid to the pension funds
- Cash paid as employer's contributions to the pension funds in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant Accounting Standards. In the Movement in Reserves Statement, 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 Authority 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 Local Government Pension Scheme.

### **1.9 Events after the Reporting Period**

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

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

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

## 1.10 Financial Instruments

### Financial Liabilities

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

The Authority's borrowings presented in the Balance Sheet is the outstanding principal repayable (plus any accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of charging the full effect of premiums and discounts to the Comprehensive Income and Expenditure Statement in the year in which they are incurred.

### 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 cash flow characteristics. These three main classes of financial assets are measured at:

- Amortised cost;
- Fair value through profit or loss (FVPL); and
- Fair value through other comprehensive income (FVCOI).

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified at amortised cost.

### Financial assets measured at amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and subsequently at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For any loan that the Authority makes, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### Expected credit loss model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

### Fair value through Profit or Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes a party to a contractual provision of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

For measuring assets and liabilities at fair value, the authority categorises the inputs to valuation techniques into 3 values as follows

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability

### **1.11 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 Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments and;
- The grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement 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 acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### **1.12 Heritage Assets**

Heritage assets are defined as tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. The Authority does not consider that any of its assets fall into the definition of a Heritage Asset.

### **1.13 Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority 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 Authority.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement with charges commencing in the year of acquisition. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore posted out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **1.14 Interests in Companies and Other Entities (Group Accounts)**

The Authority has an interest in NW Fire Control Ltd. Cheshire Fire Authority's 25% share is shown in the accounts. This is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards (IFRS 10, 11 & 12). See note 28 for more details.

During 2015-16 a company limited by guarantee, Safer Cheshire Limited, was established. There was no business activity in 2020-21. The company accounts consists of the donation of £5,000 from the Authority to the company in 2016-17 in respect of initial working capital.

### **1.15 Inventories and Long Term Contracts**

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

The Authority has no long term contracts.

### **1.16 Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

#### **The Authority as Lessee:**

##### Finance Leases

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

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 Comprehensive Income and Expenditure Statement).

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

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## Operating Leases

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

### **1.17 Overheads and Support Services**

The cost of overheads and support services are charged to the service segments in accordance with the Authority's arrangements for accountability and financial performance.

### **1.18 Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment (PPE).

#### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority 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) is charged as an expense as it is incurred. The Authority does not treat any expenditure under £10,000 as capital expenditure.

#### Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it was located.

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction - depreciated historical cost.
- Surplus assets – fair value.
- All other assets - current value, determined as the amount that would be paid for the asset in its existing use.

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 have short useful lives and/or low values, depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

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

### Impairment

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



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

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

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

### Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property. Useful lives for all firefighter dwellings and other buildings are 25 years.
- Vehicles, plant and equipment - straight-line allocation over the asset's useful life: appliances 13 to 20 years, and other vehicles and equipment 5 to 15 years, as advised in each case by a suitably qualified officer.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, 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 Capital Adjustment Account.

### Disposals and Non-Current Assets Held for Sale

When it becomes probable that an asset will be sold it is reclassified as an Asset held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets held for Sale.

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and credited to the Capital Receipts Reserve to be used only for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

All assets with a net present value of £nil (i.e. fully depreciated) will be reviewed annually and any unsubstantiated assets will be recorded as 'disposed of or scrapped'.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### Componentisation

The Authority is required under International Financial Reporting Standards to recognise the individual components of its non-current assets and depreciate them separately where necessary. The Authority can also apply a de minimis level below which assets are not considered to be material, and has set this level at £2m or approximately 5% of the total carrying value of assets in the Balance Sheet.

The Authority will take components to be significant if they represent at least 20% of the total cost of the asset. However, components only need to be recognised when they have different useful lives and/or depreciation methods.

## **1.19 Provisions, Contingent Liabilities and Contingent Assets**

### Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Provisions for business efficiency exit packages are charged to the appropriate service line in the Comprehensive Income and Expenditure, in the year that the Authority is committed to the new structure.

### Contingent Liabilities

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

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

### Contingent Assets

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

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

## **1.20 Reserves**

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement and employee benefits and do not represent usable resources for the Authority. These reserves are explained in the relevant policies.

## **1.21 VAT**

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

## **2. Accounting Standards that have been issued but have not yet been adopted**

The Code of Practice for Local Authority Accounting in the UK (the Code) requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted for the relevant financial year. The additional disclosures that will be required in the 2020-21 and 2021-22 financial statements in respect of accounting changes that are introduced in the 2021-22 Code are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The above changes have no impact on these accounts but will be reviewed during 2021-22 and any amendments required will be clearly shown in the 2021-22 Statement of Accounts.

IFRS 16 - Accounting treatment of Leases - The aim of the standard is to provide increased visibility of lease commitments and to ensure more consistent financial reporting of leased assets. The current distinction between assets held under finance leases which go on the balance sheet and assets held under operating leases which are expensed in the CIES will largely be removed with most leases now being classified as finance leases and put on the balance sheet. The standard was originally due to be implemented on 1<sup>st</sup> April 2020 i.e. for the 2020-21 Accounts but this was postponed for one year. Then, in December 2020, in light of Covid-19 pressures, the CIPFA LASAAC Local Authority Accounting Code Board agreed to defer the implementation of IFRS 16 Leases in the Code of Practice until the 2022-23 financial year. Under the new standard a right-of-use asset and lease liability will be recognised on the balance sheet. The depreciation of leased assets and interest on lease liabilities will go through the CIES. The process of collating information on leased assets is well underway. These are accounting changes and have no impact on the cost of leasing to the organisation.

## **3. 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 Authority 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 Authority's Balance Sheet at 31<sup>st</sup> March 2021 for which there is a significant risk of material adjustments in the forthcoming finance year are set out below.

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment (see Note 10)	Assets are depreciated over useful lives and are dependent on assumptions about the level of repairs & maintenance that will be incurred. The current economic climate makes it uncertain that the Authority will be able to sustain current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	Each 5% change in the value of Land & Buildings assets would have an impact of £4.6m on their Net Book Value at 31 <sup>st</sup> March 2021.
Pension Liability (see Note 32)	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement age, mortality rates and expected returns on pension fund assets.</p> <p>A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied for firefighter pensions and Cheshire West &amp; Chester Council provide information on the Local Government Pension Scheme.</p>	The effects on the net pension liability of changes in individual assumptions can be measured. Sensitivity analyses in respect of the Firefighter and Local Government Pension schemes are shown in Note 32, together with the monetary value that would result if they came to fruition.

The sensitivities regarding the principal assumptions used to measure the pension scheme liabilities are shown in Note 32.

#### 4. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Treasurer on the 30th September 2021. Events taking place after this date are not reflected within the financial statements or notes. Where events taking place prior to this date provided information about conditions existing at 31<sup>st</sup> March 2021, the figures in the financial statements and notes have been adjusted in all material respect to reflect the impact of this information.

## 5. Supporting information for the Expenditure and Funding Analysis note

Adjustments from General Fund (GF) to arrive at the Comprehensive Income & Expenditure Statement	Adjustments for Capital Purposes <sup>1</sup>	Net Change for the Pensions Adjustments	Other Differences <sup>2</sup>	Total Adjustments 2020-21
<b>2020-21</b>	£000	£000	£000	£000
Firefighting & rescue operations	3,477	(6,064)	4	(2,583)
Protection	211	(369)	1	(157)
Prevention	295	(514)	-	(219)
Support Services	59	(105)	-	(46)
UPGs	-	-	-	-
Corporate/Finance Resources	(5,306)	-	-	(5,306)
Actuarial pension cost - McCloud Judgement	-	-	-	-
<b>Net cost of services</b>	<b>(1,264)</b>	<b>(7,052)</b>	<b>5</b>	<b>(8,311)</b>
<b>NWFC 25%</b>	<b>-</b>	<b>52</b>	<b>-</b>	<b>52</b>
Other income & expenditure from the funding analysis	(395)	11,924	2,779	14,308
<b>NWFC 25%</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>16</b>
<b>Difference between GF surplus/ deficit and CIES surplus/ deficit</b>	<b>(1,659)</b>	<b>4,940</b>	<b>2,784</b>	<b>6,065</b>

Note <sup>1</sup> – in general this column contains depreciation, impairment and revaluation gains and losses. It also adjusts for profit/loss on asset disposals and capital grants. There are two items, minimum revenue provision and capital expenditure which are not chargeable under generally accepted accounting practices.

Note <sup>2</sup> – these include the timing differences relating to the cost of outstanding employee leave and variations in the amount chargeable for business rates and council tax under statute and the Code of Practice.

Adjustments from General Fund (GF) to arrive at the Comprehensive Income & Expenditure Statement	Adjustments for Capital Purposes <sup>1</sup>	Net Change for the Pensions Adjustments	Other Differences <sup>2</sup>	Total Adjustments 2019-20
<b>2019-20</b>	£000	£000	£000	£000
Firefighting & rescue operations	2,351	(3,678)	44	(1,283)
Protection	143	(225)	3	(79)
Prevention	259	(405)	5	(141)
Support Services	44	(70)	-	(26)
UPGs	-	-	-	-
Corporate/Finance Resources	(12,724)	-	-	(12,724)
Actuarial pension cost - McCloud Judgement	-	(1,800)	-	(1,800)
<b>Net cost of services</b>	<b>(9,927)</b>	<b>(6,178)</b>	<b>52</b>	<b>(16,053)</b>
<b>NWFC 25%</b>	<b>-</b>	<b>122</b>	<b>-</b>	<b>122</b>
Other income & expenditure from the funding analysis	2,273	14,146	64	16,483
<b>NWFC 25%</b>	<b>-</b>	<b>28</b>	<b>-</b>	<b>28</b>
<b>Difference between GF surplus/ deficit and CIES surplus/ deficit</b>	<b>(7,654)</b>	<b>8,118</b>	<b>116</b>	<b>580</b>

## 6. Expenditure and Income analysed by nature

2019-20		2020-21	
£000		£000	£000
Expenditure:			
30,104	Employee pay	32,850	
612	Other Employee expenses	463	
386	Pensions	601	
2,651	Premises	2,482	
1,117	Transport	985	
4,110	Supplies, Services & other expenses	3,700	
5,019	Agency & Contracted Services	4,609	
7,968	Net change for the Pension adjustments	4,872	
5,616	Capital Charges & Finance Resources	4,117	
128	Members' Allowances	137	
(9)	Provisions	(120)	
<b>57,702</b>	<b>Total Expenditure</b>	<b>54,696</b>	
859	25% NWFC expenditure	1,014	
<b>58,561</b>	<b>Total Financial reporting entity Expenditure</b>		<b>55,710</b>
Income:			
(1,531)	Fees & Other Service Income	(1,620)	
(31)	Sales	(17)	
(244)	Interest	(49)	
(45,878)	Government Grants & local taxation	(47,942)	
<b>(47,684)</b>	<b>Total Income</b>	<b>(49,628)</b>	
(711)	25% NWFC income	(949)	
<b>(48,395)</b>	<b>Total Financial reporting entity Income</b>		<b>(50,577)</b>
<b>10,166</b>	<b>Net (surplus)/deficit provisions of services</b>		<b>5,133</b>

## 7. Adjustment between Accounting Basis and Funding Basis under regulations

Please refer to the Movement in Reserves Statement for details on the adjustments that are made to the total Comprehensive Income and Expenditure Statement. The adjustments reflect items recognised by the Authority in year in accordance with proper accounting practice and are further analysed in the Expenditure and Funding Analysis on page 20.

## 8. Movement in Earmarked Reserves

For details on all earmarked reserves and any in-year movement, please refer to Note 19.

## 9. Notes to the Comprehensive Income and Expenditure Statement

Within the Comprehensive Income and Expenditure Statements there are three summary lines which are explained in more detail within the next two tables.

<b>Financing and Investment Income and Expenditure</b>	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
Interest and Investment Income	(49)	(244)
Interest Payable and Similar Charges	53	86
Pension Net Interest	11,940	14,174
<b>Total</b>	<b>11,944</b>	<b>14,016</b>

<b>Taxation and Non-Specific Grant Income</b>	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
Council Tax Income	(29,887)	(29,302)
Non-domestic Rates/Business Rates Retention Scheme	(7,392)	(9,527)
Non-specific Government Grants	(10,520)	(6,885)
Capital Grants and Contributions	-	-
	(47,799)	(45,714)
NWFC – taxation (25%)	-	-
<b>Total</b>	<b>(47,799)</b>	<b>(45,714)</b>

Note that council tax and non-domestic rates income has been adjusted to reflect the surpluses and deficits on Collection Fund accounts, as reflected in the Movement in Reserves Statement.



## 10. Property, Plant and Equipment

The following table shows the movement of assets classified as property, plant and equipment including work in progress (WIP).

2020-21	Cheshire Fire Authority				CFA Total	NWFC (25%)		NWFC Total	Financial reporting entity
	Land & Buildings	Vehicles	Plant & Equipment	Assets Under construction		Fixtures & Fittings	Computer equipment		TOTAL
<u>Cost or Valuation</u>	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2020	66,211	14,568	3,797	10,190	<b>94,766</b>	62	157	<b>219</b>	<b>94,985</b>
Additions	1,775	63	40	10,244	<b>12,122</b>	-	-	-	<b>12,122</b>
Revaluations: charged to reserve	5,564	-	-	-	<b>5,564</b>	-	-	-	<b>5,564</b>
Revaluations: charged to CIES	(591)	-	-	-	<b>(591)</b>	-	-	-	<b>(591)</b>
Disposals	-	(493)	(91)	-	<b>(584)</b>	-	-	-	<b>(584)</b>
Reclassifications	18,372	-	-	(18,372)	-	-	-	-	-
At 31 March 2021	91,331	14,138	3,746	2,062	<b>111,277</b>	62	157	<b>219</b>	<b>111,496</b>
<u>Depreciation</u>									
At 1 April 2020	-	(8,442)	(3,029)	-	<b>(11,471)</b>	(50)	(131)	<b>(181)</b>	<b>(11,652)</b>
Charge in year	(3,156)	(745)	(110)	-	<b>(4,011)</b>	(2)	(7)	<b>(9)</b>	<b>(4,020)</b>
Written out to reserve	2,587	-	-	-	<b>2,587</b>	-	-	-	<b>2,587</b>
Written out to CIES	569	-	-	-	<b>569</b>	-	-	-	<b>569</b>
Disposals	-	493	91	-	<b>584</b>	-	-	-	<b>584</b>
Reclassifications	-	-	-	-	-	-	-	-	-
At 31 March 2021	-	(8,694)	(3,048)	-	<b>(11,742)</b>	(52)	(138)	<b>(190)</b>	<b>(11,932)</b>
Net Book Value at 1 April 2020	66,211	6,126	768	10,190	<b>83,295</b>	12	26	<b>38</b>	<b>83,333</b>
Net Book Value at 31 March 2021	91,331	5,444	698	2,062	<b>99,535</b>	10	19	<b>29</b>	<b>99,564</b>

Note (a) see Asset held for sale note for more detail on page 57

## 10. Property, Plant and Equipment

The following table shows the movement of assets classified as property, plant and equipment including work in progress (WIP).

2019-20	Cheshire Fire Authority				CFA Total £000	NWFC (25%)		NWFC Total £000	Financial reporting entity
	Land & Buildings £000	Vehicles £000	Plant & Equipment £000	Assets Under construction £000		Fixtures & Fittings £000	Computer equipment £000		TOTAL £000
<u>Cost or Valuation</u>									
At 1 April 2019	65,590	13,487	3,942	1,309	<b>84,328</b>	62	157	<b>219</b>	<b>84,547</b>
Additions	2,258	1,302	100	9,184	<b>12,844</b>	-	-	-	<b>12,844</b>
Revaluations: charged to reserve	1,737	-	-	-	<b>1,737</b>	-	-	-	<b>1,737</b>
Revaluations: charged to CIES	219	-	-	-	<b>219</b>	-	-	-	<b>219</b>
Disposals	(2,718)	(524)	(245)	-	<b>(3,487)</b>	-	-	-	<b>(3,487)</b>
Reclassifications (a)	(875)	303	-	(303)	<b>(875)</b>	-	-	-	<b>(875)</b>
At 31 March 2020	66,211	14,568	3,797	10,190	<b>94,766</b>	62	157	<b>219</b>	<b>94,985</b>
<u>Depreciation</u>									
At 1 April 2019	-	(8,149)	(3,133)	-	<b>(11,282)</b>	(43)	(124)	<b>(167)</b>	<b>(11,449)</b>
Charge in year	(2,193)	(797)	(141)	-	<b>(3,131)</b>	(7)	(7)	<b>(14)</b>	<b>(3,145)</b>
Written out to reserve	2,083	-	-	-	<b>2,083</b>	-	-	-	<b>2,083</b>
Written out to CIES	110	-	-	-	<b>110</b>	-	-	-	<b>110</b>
Disposals	-	504	245	-	<b>749</b>	-	-	-	<b>749</b>
Reclassifications	-	-	-	-	-	-	-	-	-
At 31 March 2020	-	(8,442)	(3,029)	-	<b>(11,471)</b>	(50)	(131)	<b>(181)</b>	<b>(11,652)</b>
Net Book Value at 1 April 2019	65,590	5,338	809	1,309	<b>73,046</b>	19	33	<b>52</b>	<b>73,098</b>
Net Book Value at 31 March 2020	66,211	6,126	768	10,190	<b>83,295</b>	12	26	<b>38</b>	<b>83,333</b>

Note (a) see Asset held for sale note for more detail on page 57

## Revaluations

Assets included in the Balance Sheet are revalued at least every five years. The Fire Authority's property portfolio had a full valuation on 31<sup>st</sup> March 2019, with the next full valuation due 31<sup>st</sup> March 2024. The current valuations are reviewed annually by Edward Cottrell, MRICS of Cottrell Commercial with any significant variations reported within these accounts. The basis of the valuations is as follows:

- Day Crewed housing/ residential properties – Existing Use Value
- Fire Stations. Training Centre and Safety Centre – Depreciated Replacement Cost
- Surplus Assets – Fair Value

Surplus assets, measured for their economic benefits at fair value under IFRS13 – Fair Value Measurement. The Authority holds just over two acres of land next to Hallwood Link Road, Runcorn which it has deemed as a surplus asset. It is valued at £0.35m at 31<sup>st</sup> March 2021 (£0.35m March 2020).

The 2019 full valuation resulted in an overall net increase in asset values of £7m and subsequent annual reviews has led to further revaluation of Fire Stations, Sadler Road site and residential properties resulting in a further overall increases in asset values of £2m (March 2020) and £8m (March 2021).

Other non-current assets are valued at depreciated historical cost in line with the Authority's accounting policies.

## Capital Commitments

At 31<sup>st</sup> March 2021 the Authority had capital commitments of £2.971m (31<sup>st</sup> March 2020 £9.006m).

A replacement fire station in Crewe has been approved by the Authority but is currently in its design stage so is not a contractual commitment at this point. Works to refurbish Audlem, Holmes Chapel, Northwich and Widnes fire stations were in progress at 31<sup>st</sup> March 2021 following the completed modernisation of Birchwood, Runcorn, Sandbach and Middlewich fire stations during the year.

The appliance replacement programme had three new specialist pumping appliances in the build phase at 31<sup>st</sup> March 2021, delivery expected summer 2021, along with a further two chassis ordered. As part of the project for rapid response rescue units, eleven vehicles were ordered but not delivered at 31<sup>st</sup> March 2021, along with a replacement support vehicle.

These commitments are detailed as follows:	<b>31 March 21</b>	<b>31 March 20</b>
	<b>£000</b>	<b>£000</b>
New station build – Chester	-	3,438
New Operational Training Centre	-	3,922
Fire station modernisation programme	2,109	1,402
Residential properties modernisation programme	-	230
Appliance replacement programme	515	-
Specialist and Support vehicles	347	14
Total capital commitments	<u>2,971</u>	<u>9,006</u>

## 11. Intangible Assets

The Authority accounts for software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item in plant and equipment. The intangible assets reflect the purchased software and licences.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives generally assigned to the major software suites used by the Authority is five years. The movement on intangible assets during the year is as follows:

	2020-21			2019-20		
	CFA £000	NWFC (25%) £000	Total £000	CFA £000	NWFC (25%) £000	Total £000
<b>Carrying Amount</b>						
Balance at start of year	192	915	<b>1,107</b>	334	692	<b>1,026</b>
Reclassification	-	-	-	-	197	<b>197</b>
Additions	-	2	<b>2</b>	-	26	<b>26</b>
Disposals	-	-	-	(142)	-	<b>(142)</b>
Balance at end of year	<u>192</u>	<u>917</u>	<u><b>1,109</b></u>	<u>192</u>	<u>915</u>	<u><b>1,107</b></u>
<b>Amortisation</b>						
Balance at start of year	(165)	(525)	<b>(690)</b>	(298)	(423)	<b>(721)</b>
Charge for the year	(9)	(103)	<b>(112)</b>	(9)	(102)	<b>(111)</b>
Disposals	-	-	-	142	-	<b>142</b>
Balance at end of year	<u>(174)</u>	<u>(628)</u>	<u><b>(802)</b></u>	<u>(165)</u>	<u>(525)</u>	<u><b>(690)</b></u>
Net Book Value at 1 April	<u>27</u>	<u>390</u>	<u><b>417</b></u>	<u>36</u>	<u>269</u>	<u><b>305</b></u>
Net Book Value at 31 March	<u>18</u>	<u>289</u>	<u><b>307</b></u>	<u>27</u>	<u>390</u>	<u><b>417</b></u>

## 12. Financial Instruments

The definition of a financial instrument is “any contract that gives rise to a financial asset of one entity and a financial liability, or equity instrument of another entity”. The term ‘financial instrument’ covers both financial assets and liabilities. These range from straightforward debtors and creditors to more complex investments and borrowings. The following categories of financial instruments are carried in the Balance Sheet; current is deemed to be under one year and long-term over one year.

	Long-term		Current	
	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000
<b>Investments</b>				
- Investments	-	-	7,002	13,013
- Imprest and cash	-	-	6,985	6,322
<b>Total Investments</b>	<u>-</u>	<u>-</u>	<u><b>13,987</b></u>	<u><b>19,335</b></u>
<b>Debtors</b>				
- Debtors at amortised costs	-	-	1,511	559
- Plus items not classed as Financial Instruments	-	-	4,719	4,261
<b>Total Debtors</b>	<u>-</u>	<u>-</u>	<u><b>6,230</b></u>	<u><b>4,820</b></u>

**Borrowings**

Financial Liabilities at amortised costs				
- PWLB	(5,012)	(1,012)	-	-
<b>Total Borrowings</b>	<b>(5,012)</b>	<b>(1,012)</b>	-	-

**Creditors**

- Financial liabilities at amortised costs	-	-	(4,989)	(7,716)
- Plus items not classed as Financial Instruments	-	-	(4,756)	(3,049)
<b>Total Creditors</b>	-	-	<b>(9,745)</b>	<b>(10,765)</b>

**Income, Expense, Gains and Losses**

	Financial Liabilities at amortised costs £000	Financial Assets; Loans and Receivables £000	TOTAL £000
<b>2020-21</b>			
Interest Expense	(53)	-	(53)
Impairment losses (bad debt provision)	-	11	11
Total expense in Surplus/Deficit on the Provision of Services	<b>(53)</b>	<b>11</b>	<b>(42)</b>
Interest Income	-	49	49
Total income in Surplus/Deficit on the Provision of Services	-	<b>49</b>	<b>49</b>
Net Gain/(Loss) for the year	<b>(53)</b>	<b>60</b>	<b>7</b>

	Financial Liabilities at amortised costs £000	Financial Assets; Loans and Receivables £000	TOTAL £000
<b>2019-20</b>			
Interest Expense	(86)	-	(86)
Impairment losses (bad debt provision)	-	(6)	(6)
Total expense in Surplus/Deficit on the Provision of Services	<b>(86)</b>	<b>(6)</b>	<b>(92)</b>
Interest Income	-	244	244
Total income in Surplus/Deficit on the Provision of Services	-	<b>244</b>	<b>244</b>
Net Gain/(Loss) for the year	<b>(86)</b>	<b>238</b>	<b>152</b>

**Fair Values of Assets and Liabilities**

Financial assets and liabilities represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present values of the cash flows that will take place of the remaining term of the instrument, making the following assumptions:

- For PWLB, interest rates prevailing at 31<sup>st</sup> March 2021;

- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be an approximate to fair value; and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Liabilities	31 March 2021		31 March 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
PWLB	(5,012)	(5,135)	(1,012)	(1,238)
<b>TOTAL</b>	<b>(5,012)</b>	<b>(5,135)</b>	<b>(1,012)</b>	<b>(1,238)</b>

Short-term debtors and creditors are carried at cost with bank deposits and short-term investments also carried at cost as this is deemed a fair approximation of their value.

The Authority's activities in relation to financial instruments expose it to a variety of financial risks:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Authority.
- Liquidity Risk – the possibility that the Authority might not have funds available to meet its commitments and payments.
- Re-financing Risk – the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market Risk – the possibility that financial loss might arise for the Authority as a result of changes in measures such as interest rates, foreign exchange rates or stock market movements.

The Treasury Management Strategy is approved annually by the Fire Authority when it approves the budget. It includes a section on risks associated with Treasury Management and identifies the Head of Finance (Fire and Police) as being responsible for managing them. The overarching principle is to seek to maximise financial benefit from Treasury Management activities within a control framework which mitigate against the high risk attached to these activities. The Authority's principal objectives for investments are security first, liquidity next and finally yield.

### Credit Risk

Credit Risk arises from deposits with banks and financial institutions as well as credit exposure to the Authority's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category. It imposes a maximum sum of £10 million to be invested at any one time with any single institution or group.

The Fire Authority uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard & Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- credit Default Swaps to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit watches and credit overlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative standing of counterparties. These colour codes are used by the Authority to determine the suggested duration of investments.

As this methodology uses a wide range of information beyond basic credit ratings, it ensures that no one source of information is given undue credence. All ratings and colour codes are monitored weekly via Link's credit listings and in-between via business press.

Customers of goods and services are assessed taking into account their financial position, past experience and other factors to produce an individual credit limit in accordance with the parameters set by the Authority.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £7.0m (2019-20 £13.0m) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution. Recent experience has shown that it is rare for such organisations to be unable to meet their commitments. A risk of non-recovery applies to all of the Authority's deposits but no evidence exists at 31<sup>st</sup> March 2021 to indicate any material likelihood of this occurring.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets based on historic experience of default and non-collection and demonstrates that the risk is clearly not material at 31<sup>st</sup> March 2021:

	Amount at 31/03/2021 £000 <b>A</b>	Historical Risk of Default at 31/03/2021 % <b>B</b>	Estimated maximum exposure to default and uncollectability at 31/03/2021 £000 <b>(A x B)</b>
Deposits with banks and financial institutions	7,002	0.002	0.140

During 2020-21 there were no breaches of the approved credit limits set within the Annual Investment Strategy. The Authority does not expect any losses from non-performance by any of its counter-parties in relation to deposits but continues to invest in a prudent manner. The Authority does not generally allow credit for customers.

The level of debt held which is past its due date is analysed by age as follows:

Analysis of the Fire Authority's system debtors	31 March 2021 £000	31 March 2020 £000
Less than three months	181	269
Three to six months	1	-
Six months to one year	-	3
More than one year	12	16
<b>TOTAL</b>	<b>194</b>	<b>288</b>

### Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected cash demands occur the Authority has ready access to borrowings from the money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise the necessary funding to meet its commitments under financial instruments. Instead the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The Authority set limits on the proportion of its fixed rate borrowing maturing during specified periods. The maturity analysis of the current financial liabilities is as follows:

	31 March 2021 £000	31 March 2020 £000
Less than one year	-	-
Between one and two years	-	-
Between two and five years	893	893
Between five and ten years	119	119
Between ten and fifteen years	-	-
Between fifteen and twenty years	-	-
More than twenty years	4,000	-
<b>TOTAL</b>	<b>5,012</b>	<b>1,012</b>

The analysis above shows PWLB borrowing. All trade and other payables are due to be paid in less than one year. In March 2021 the authority took out a new loan with PWLB for £4m which matures in 2070-71.

### Market Risk

If interest rates had been 1% higher (with all other variables held constant), the financial effect would have been as follows:

	2020-21 £000
Daily average investment balance (average rate of interest 0.31%)	15,524
Additional interest assuming such rates were 1% higher than actual	155
Decrease in fair value of fixed rate borrowing liabilities (no impact on CIES)	1,552

The Authority aimed to minimise interest rate risk by working with its Treasury Management advisers during 2020-21, Link Asset Services to agree a strategy in relation to investment and debt portfolios which is reflected within the overall Treasury Management Strategy. The Authority's policy is to maximise the percentage of borrowings and investments at fixed rates as this provides cost certainty for budget purposes, especially in the current economic climate. In addition, the Authority has relatively small portfolios of loans and investments, which makes it more difficult to offset risk through a mixed portfolio.



The Authority does not have any investment in equity shares and is therefore, not exposed to price risk. The Authority has very low levels of transactions in foreign currencies and therefore has minimal exposure to exchange rate risk.

### 13. Assets held for sale (AHFS)

	2020-21		2019-20	
<u>Cost or Valuation</u>	£000	£000	£000	£000
At 1 April		875		-
Newly classified as AHFS:				
• Property, Plant and Equipment	-		875	
• Other Assets	-		-	
		<u>875</u>		<u>875</u>
Revaluations gains/(losses)		-		-
Impairment losses		-		-
Assets sold		(720)		-
At 31 March		<u>155</u>		<u>875</u>

At 31<sup>st</sup> March 2021, one of the day crewed houses was held as an asset held for sale (5 houses at 31<sup>st</sup> March 2020).

### 14. Inventories

	Workshops	Uniform	Firefighters & General	<b>TOTAL</b>
2020-21	£000	£000	£000	£000
Balance at 1 April 2020	71	580	72	723
Purchases in year	25	288	203	516
Distributed in year (expended)	(22)	(197)	(201)	(420)
Write-off in year	-	-	-	-
<b>Balance at 31 March 2021</b>	<b>74</b>	<b>671</b>	<b>74</b>	<b>819</b>

	Workshops	Uniform	Firefighters & General	<b>TOTAL</b>
2019-20	£000	£000	£000	£000
Balance at 1 April 2019	80	387	54	521
Purchases in year	29	609	265	903
Distributed in year (expended)	(31)	(416)	(247)	(694)
Write-off in year	(7)	-	-	(7)
<b>Balance at 31 March 2020</b>	<b>71</b>	<b>580</b>	<b>72</b>	<b>723</b>

**15. Debtors (Amounts due to the Authority)**

	31 Mar 21	31 Mar 20
	£000	£000
Central Government bodies	3,754	1,790
Other Local Authorities	194	924
NHS bodies	66	18
Other Entities and Individuals	448	497
Princes Trust related debtors	124	296
Collection Fund – Council Tax payers	1,253	1,100
Collection Fund – Business Rate payers	232	128
<b>Total for Cheshire Fire</b>	<b>6,071</b>	<b>4,753</b>
Cheshire Fire share of NWFC debtors (25%)	159	67
<b>Financial reporting entity Total</b>	<b>6,230</b>	<b>4,820</b>

**16. Cash and Cash Equivalent**

	31 Mar 21	31 Mar 20
	£000	£000
Cash held by the Authority	33	36
Bank Current Accounts	6,804	5,824
<b>Total for Cheshire Fire</b>	<b>6,837</b>	<b>5,860</b>
Cheshire Fire share of NWFC cash (25%)	148	462
<b>Financial reporting entity Total</b>	<b>6,985</b>	<b>6,322</b>

**17. Creditors (Amounts payable by the Authority)**

	31 Mar 21	31 Mar 20
	£000	£000
Central Government bodies	(1,909)	(2,321)
Other Local Authorities	(3,230)	(2,162)
Public Corporations	-	-
Other Entities and Individuals	(3,420)	(4,874)
Collection Fund – Council Tax payers	(557)	(475)
Collection Fund – Business Rate payers	(84)	(54)
<b>Total for Cheshire Fire</b>	<b>(9,200)</b>	<b>(9,886)</b>
Cheshire Fire share of NWFC creditors (25%)	(545)	(879)
<b>Financial reporting entity Total</b>	<b>(9,745)</b>	<b>(10,765)</b>

## 18. Provisions

The Authority is subject to the fluctuations of the business rates collection funds of the four unitary councils in Cheshire. A provision has been created to reflect the likely costs of a deficit on the funds and the Authority's share of the cost of business rate appeals. In 2019-20, the Authority had also identified likely costs in respect of termination payments, these costs materialised in 2020-21.

	Collection Fund £000	Termination costs £000	Total costs £000
Balance as at 1 April 2020	(733)	(120)	(853)
Additions to provision in year	(867)	-	(867)
Amounts used in year	-	-	-
Reduction to provision in year	733	120	853
<b>Balance as at 31 March 2021</b>	<b>(867)</b>	<b>-</b>	<b>(867)</b>

## 19. Usable Reserves

Usable reserves are those reserves that can be used to fund general expenditure or reduce local taxation. Usable reserves held by the Authority are set out below.

	31 Mar 21 £000	31 Mar 20 £000	31 Mar 19 £000
General Fund	(2,210)	(2,210)	(2,210)
Capital Receipts	(285)	-	(100)
<u>Earmarked Reserves</u>			
- Resource Centre Managers	(18,392)	(14,523)	(13,538)
- Community Risk Reductions	(333)	(345)	(330)
- Unitary Performance Groups	(162)	(120)	(117)
Capital Reserve	(1,299)	(4,266)	(14,856)
<b>TOTAL</b>	<b>(22,681)</b>	<b>(21,464)</b>	<b>(31,151)</b>
NWFC (25%) general fund balance	(79)	(78)	(76)
<b>Financial reporting entity Total</b>	<b>(22,760)</b>	<b>(21,542)</b>	<b>(31,227)</b>

**General Fund:** The general fund represents resources available to meet the potential financial consequences of the Authority's risk profile and other unforeseen circumstances. On a separate line, 25% of North West Fire Control Ltd is also shown.

**Capital Receipts:** Capital receipts holds the proceeds from the sale of fixed assets and can only be used to fund capital expenditure or repay debt.

**Resource Centre Managers:** This earmarked reserve is set aside to meet future identified commitments within the respective Resource Managers' areas.

**Community Risk Reduction:** This funding has been earmarked to support the cost of the Authority's home safety assessments and other community safety activities.

**Unitary Performance Groups:** This earmarked reserve is set aside for facilitating partner engagement in community safety activities.

**Capital Reserve:** This reserve is earmarked to fund future capital expenditure.

## 20. Unusable Reserves

The Authority also holds unusable reserves (technical accounting adjustment accounts reflecting the difference between the outcome of applying proper accounting practices and the statutory requirements for funding expenditure within the public sector). This note shows the movements in year.

	31 Mar 21	31 Mar 20	31 Mar 19
	£000	£000	£000
Revaluation Reserve	(35,189)	(28,013)	(26,944)
Capital Adjustment Account	(51,821)	(49,472)	(38,968)
Pensions Reserve	602,218	522,587	591,751
Collection Fund Adjustment Account	2,429	(350)	(414)
Accumulated Absences Account	604	599	547
<b>TOTAL</b>	<b>518,241</b>	<b>445,351</b>	<b>525,972</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its non-current assets. The balance is reduced when assets with accumulated gains are:

- Re-valued 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 1<sup>st</sup> April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2020-21	2019-20
	£000	£000
<b>Revaluation Reserve</b>		
Balance at 1 April	(28,013)	(26,944)
Upward revaluation of assets	(8,506)	(4,948)
Downward revaluation of assets and impairment losses	354	1,128
Difference between fair value depreciation & historical cost depreciation	976	2,751
<b>Balance at 31 March</b>	<b>(35,189)</b>	<b>(28,013)</b>

### 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 Comprehensive Income and Expenditure Statement (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 Authority as finance for the costs of acquisition, construction and subsequent costs.

The Capital Adjustment Account contains revaluation gains accumulated on Property, Plant and Equipment before 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains.

	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
<b>Capital Adjustment Account</b>		
Balance at 1 April	(49,472)	(38,968)
Charges for depreciation and impairment on non-current assets	4,011	3,118
Revaluation gains /(losses) on property, plant and equipment	23	(329)
Amortisation of intangible assets	9	9
Impact of disposal or sale of non-current assets	720	2,738
Adjusting amounts written out of the revaluation reserve	(976)	(2,751)
	<u>(45,685)</u>	<u>(36,183)</u>
Capital financing – charged against the General Fund	(5,306)	(12,724)
Capital financing – funding from Capital Grants and Contributions	-	-
Capital financing – charged against Capital Receipts	(414)	(119)
Capital financing – charged against Capital Grants – unapplied	-	-
Statutory provision for financing of capital expenditure (MRP)	(416)	(446)
<b>Balance at 31 March</b>	<u><b>(51,821)</b></u>	<u><b>(49,472)</b></u>

### 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 Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement 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 Authority 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 Authority 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.

	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
<b>Pensions Reserve</b>		
Balance at 1 April	522,587	591,751
Re-measurement of the net defined benefit liability/(asset)	74,691	(77,283)
Reversal of pension accounting entries in the CIES	20,344	22,568
Employer's pension contributions and payments to pensioners in year	(15,404)	(14,450)
<b>Balance at 31 March</b>	<u><b>602,218</b></u>	<u><b>522,587</b></u>

**Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement 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.

	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
<b>Collection Fund Adjustment Account</b>		
Balance at 1 April	(350)	(414)
Amount by which the council tax and non-domestic rates income credited to the CIES is different to the income calculated under statute.	2,779	64
<b>Balance at 31 March</b>	<b>2,429</b>	<b>(350)</b>

**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 at 31<sup>st</sup> March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
<b>Accumulated Absences Account</b>		
Balance at 1 April	599	547
Settlement or cancellation of accrual made at the end of the preceding year	(599)	(547)
Amounts accrued at the end of the current year	604	599
<b>Balance at 31 March</b>	<b>604</b>	<b>599</b>

**21. Notes to the Cash Flow Statement**

Cash Flow Statement - Operating Activities - adjustment for non-cash movements charged to the net (surplus)/deficit on the provision of services:

	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
Depreciation	(4,020)	(3,132)
Impairment and downward revaluation	(23)	329
Amortisation	(112)	(111)
Movement in impairment provision for bad debts	11	(6)
Movement in creditors	(505)	(1,066)
Movement in debtors	1,410	876
Movement in amount due from pension fund	(607)	(1,433)
Movement in stock/inventories	96	195
Movement in pension liability	(4,940)	(8,118)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(720)	(2,738)
Other non-cash items charged to the net surplus or deficit on the provision of services	(14)	(81)
<b>Total adjustment for non-cash movements</b>	<b>(9,424)</b>	<b>(15,285)</b>

The cash flows for operating activities include the following items:

	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
Interest received	49	244
Interest paid	(53)	(86)

Cash Flow Statement - Investment Activities

	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
Purchase of non-current assets	13,639	10,369
Purchase of short-term and long-term investments	12,989	52,962
Proceeds from sale of non-current assets	(699)	(19)
Proceeds from short-term and long-term investments	(19,000)	(60,000)
Other receipts from investing activities	-	-
<b>Net cash flows from investing activities</b>	<b>6,929</b>	<b>3,312</b>

Cash Flow Statement - Financing Activities

	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
Cash receipts of short-term and long-term borrowing	(4,000)	-
Cash payments for the reduction of the outstanding liabilities relating to finance leases	-	13
Repayment of short-term and long-term borrowing	-	880
<b>Net cash flows from financing activities</b>	<b>(4,000)</b>	<b>893</b>

Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:

	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
Reverse - Other receipts from investing activities	-	-
Reverse - Proceeds from sale of non-current assets	699	19
Reverse - Cash payments for the reduction of the outstanding liabilities relating to finance leases	-	(13)
<b>Total</b>	<b>699</b>	<b>6</b>

## 22. Members' Allowances

The Authority paid the following amounts to Members during the year:

	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
Members' allowances	139	130
Travel and subsistence, training and conferences	1	19
<b>Total</b>	<b>140</b>	<b>149</b>



**23. Officers' Remuneration**

	Dates in Post	Gross Annual Salary (a)	Salary and Allowances	Benefits in kind (b)	Compensation for loss of office	Pension Contribution	Total
<b>2020-21</b>		£	£	£	£	£	£
Chief Fire Officer and Chief Executive Mark Cashin	Full year	161,646	159,828	-	-	45,759	205,587
Assistant Chief Fire Officer (d) Gus O'Rourke	01/04/2020 - 26/03/2021	121,234	123,128	3,412	-	43,840	170,380
Assistant Chief Fire Officer (d) Alex Waller	Full year	121,234	120,108	4,555	-	34,319	158,982
Director of Governance and Commissioning	Full year	97,626	102,820	-	-	19,579	122,399
Director of Transformation	Full year	77,745	81,944	-	-	15,592	97,536
Treasurer (Section 151 Officer)	Full year	59,840	24,571	-	-	4,634	29,205
<b>Total 2020-21</b>			<b>612,399</b>	<b>7,967</b>	-	<b>163,723</b>	<b>784,089</b>
<b>2019-20</b>		£	£	£	£	£	£
Chief Fire Officer and Chief Executive - Mark Cashin	Full year	153,860	152,158	-	-	43,555	195,713
Assistant Chief Fire Officer (d) – Gus O'Rourke	Full year	115,395	114,350	1,854	-	42,307	158,511
Assistant Chief Fire Officer (d) – Alex Waller	Full year	115,395	114,350	2,226	-	32,652	149,228
Director of Governance and Commissioning	Full year	92,852	97,494	-	-	17,841	115,335
Director of Transformation	Full year	73,912	73,912	-	-	13,526	87,438
Treasurer (Section 151 Officer)	Full year	58,238	23,610	-	-	4,321	27,931
<b>Total 2019-20</b>			<b>575,874</b>	<b>4,080</b>	-	<b>154,202</b>	<b>734,156</b>

- Notes:
- a) Gross annualised salary represents the gross full time equivalent salary applicable to the post at 31<sup>st</sup> March, or when the person left post if earlier.
  - b) Benefits in kind consist of taxable benefits relating to car lease and mileage payments.
  - c) All members of the Leadership Team above are excluded from the remuneration banding figures shown on next page.
  - d) Officers are in different pension schemes.

Of the Authority's remaining employees, the following numbers received more than £50,000 remuneration for the year (excluding employer's pension contributions):

Remuneration Band	No of Employees	
	2020-21	2019-20
£50,000 - £54,999	26	18
£55,000 - £59,999	19	15
£60,000 - £64,999	11	4
£65,000 - £69,999	5	5
£70,000 - £74,999	3	1
£75,000 - £79,999	1	1
£80,000 - £84,999	2	1
£145,000 - £149,999	1*	-

\* includes redundancy

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

Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £
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<b>2020-21</b>				
£100,000 - £149,999	1	1	2	267,703
<b>Total</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>267,703</b>
Amounts provided for in CI&E in 2019-20 released in 2020-21			(1)	(120,000)
<b>Total cost included in 2020-21 CI&amp;E Statement</b>				<b>147,703</b>

<b>2019-20</b>				
<b>Total</b>	-	-	-	-
Amounts provided for in CI&E not included in bandings			1	120,000
<b>Total cost included in 2019-20 CI&amp;E Statement</b>				<b>120,000</b>

#### 24. Termination Benefits

During 2020-21 two members of staff received termination benefits. One was due to the end of a fixed term contract and the other an outcome of the senior management review (£268k). The formal agreement in 2019-20 to end a fixed term contract in 2020-21 resulted in a provision of £120k been created and released in 2020-21.

See Note 23 for the number of exit packages and total cost per band.

## 25. External Audit Costs

The Authority 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 Authority's external auditors:

		<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year.	2018-19	-	-	5
	2019-20	-	4	27
	2020-21	12	26	-
Total paid/ to be paid in financial year		<u>12</u>	<u>30</u>	<u>32</u>

Shown in the 2021-22 column, are £11,750 and in 2020-21 £3,000 of additional fees recommended but not paid as at 31<sup>st</sup> March 2021.

## 26. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement during the year:

	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
<b>Credited to Taxation and Non-Specific Grant Income and Expenditure</b>		
Revenue Support Grant	(3,991)	(3,927)
Business rates - central government top up grant	(5,190)	(5,106)
Business rates - levy account surplus	-	(32)
S31 grant - Business rates / NDR	(2,773)	(679)
Transparency grant	(8)	(8)
Fire Pension grant	(2,104)	(2,104)
Covid-19 emergency funding for local government	(1,327)	(167)
Tax income guarantee/ compensation scheme	(263)	-
Sales, Fees and Charges compensation grant	(54)	-
	<u>(15,710)</u>	<u>(12,023)</u>
<b>Credited to Services</b>		
Fire Revenue Grant - New Dimensions Fund	(6)	(6)
Fire Revenue Grant - FireLink	(178)	(163)
Grenfell Infrastructure Fund	(83)	-
Building Risk Review Fund	(60)	-
Protection Uplift Programme	(117)	-
Accreditation of Fire Protection Officers grant	(31)	-
Pension admin grant	(61)	-
Emergency Services Mobile Communications Programme (ESMCP)	(144)	(164)
Apprenticeship Levy	(86)	(80)
Other Grants	(12)	(3)
Donations	(6)	(21)
Other contributions	(13)	(49)
	<u>(797)</u>	<u>(486)</u>

## 27. Related Parties

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority 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 Authority.

### Central Government

Central Government has significant influence over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides a substantial part of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties.

Grants received from Government Departments are set out in Note 26, Grant Income.

The Authority has utilised the borrowing facilities operated by the Debt Management Office (PWLB loans).

### Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in the year is shown in Note 22 (Members' Allowances). There were no transactions during the year in which members were required to declare an interest.

### Officers

Mark Cashin, Chief Fire Officer and Chief Executive of Cheshire Fire is a Trustee for classroom in the clouds. Mark joined the team of Trustees in 2014. Mark has been integral in supporting the work of the Cheshire Fire Cadets and Fire Apprentices who have been magnificent in raising money to build very many classrooms in Nepal.

There were no other transactions during the year in which officers were required to declare an interest.

### Entities Controlled or Significantly Influenced by the Authority

The Authority was one of four Fire and Rescue Authorities that together set up NW Fire Control Limited (NWFC). NWFC is a company limited by guarantee which was incorporated in July 2007 and was established to operate a Regional Control Centre with the responsibility for Fire and Rescue Service mobilisation for the North West region. It has been determined that the company is governed by Joint Control due to the fact that unanimous consent exists for key decisions and that each Authority has equal voting rights. This joint arrangement has been deemed to be a Joint Operation as the parties have rights to the assets, and obligations for the liabilities relating to the arrangement. More details on NWFC can be found in the next note.

Safer Cheshire Limited, a company limited by guarantee, was established by the Authority on 15 December 2015, with the object of reducing accidental death, injury and harm by educating those most at risk about staying safe at home, on the road and in the community. An application to register this company with the Charity Commission has been unsuccessful. There was no activity in 2020-21, which leaves Safer Cheshire Limited with the donation of £5k from the Authority to the Company in respect of initial working capital.

## Firefighters Pension Fund

The Fire Authority administers the Firefighter Pensions Schemes. The account for the schemes is included in the Statement of Accounts. See note 32 for more details.

## Other Public Bodies (subject to common control by central government)

The Fire Authority consists of 23 members, who are nominated by the constituent local authorities (the unitary councils of Cheshire West and Chester, Cheshire East, Halton and Warrington). All transactions between the Authority and these authorities are included in the accounts. The principal transactions between the Authority and the constituent authorities are in respect of precept of council tax and the baseline funding (the Fire Authority's share of Business Rates raised in its four constituent authorities).

These are as follows:

<b>Billing Authority</b>	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
<b>[a] Council Tax</b>		
Cheshire East Council	(12,004)	(11,666)
Cheshire West and Chester Council	(9,720)	(9,577)
Halton Borough Council	(2,866)	(2,734)
Warrington Borough Council	(5,297)	(5,325)
<b>Total</b>	<b>(29,887)</b>	<b>(29,302)</b>

<b>Billing Authority</b>	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
<b>[b] Business Rates</b>		
Cheshire East Council	(706)	(1,357)
Cheshire West and Chester Council	(574)	(1,481)
Halton Borough Council	(371)	(516)
Warrington Borough Council	(552)	(1,035)
<b>Total</b>	<b>(2,203)</b>	<b>(4,389)</b>

Note that council tax / business rates income above; has been adjusted to reflect the surpluses and deficits on Collection Fund accounts, as reflected in the Movement in Reserves Statement.

As at 31<sup>st</sup> March the other local authorities net position due to Cheshire Fire was:

	<b>31 Mar 21</b>	<b>31 Mar 20</b>
	<b>£000</b>	<b>£000</b>
<b>Billing Authority</b>		
Cheshire East Council	592	202
Cheshire West and Chester Council	651	474
Halton Borough Council	18	149
Warrington Borough Council	413	167
<b>Total</b>	<b>1,674</b>	<b>992</b>

## 28. NW Fire Control Limited (NWFC)

NW Fire Control Limited is a company limited by guarantee which was incorporated in July 2007 and was established to operate a Regional Control Centre with the responsibility for Fire and Rescue Service mobilisation for the North West region.

During 2011-12 decisions were made about the future of the project following the closure of the National Project announced in December 2011 by the Fire Minister. The Company has four members which are Cheshire Fire Authority, Cumbria County Council, Greater Manchester Combined Authority and Lancashire Fire and Rescue Authority (FRAs). The liability of each member in the event of the company being wound up is limited and shall not exceed £1. Each member of the company has the right to appoint two directors. All directors have equal voting rights.

During May 2014 all four services transferred their Control Room functions into the regionalised service provided by NWFC. The cost of the service is charged out to the four FRAs on a pro rata basis and provided in accordance with a Service Level Agreement. The implementation phase continued to be funded by a section 31 grant from the Department for Communities and Local Government plus an ongoing grant to fund 66% of the lease costs for the building. The grant is paid to Greater Manchester Combined Authority as lead Authority for the North West region and released to the company as required. From 8 May 2017 Greater Manchester Fire and Rescue Service became the responsibility of the Greater Manchester Combined Authority. There have also been contributions to the project from the FRAs.

It was determined during 2018-19 that the company (NWFC) is governed by Joint Control due to the fact that unanimous consent exists for key decisions and that each Authority has equal voting rights. This joint arrangement has been deemed to be a Joint Operation as the parties have rights to the assets, and obligations for the liabilities relating to the arrangement. This is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards (IFRS 10, 11 & 12).

On the basis of materiality of the 25% share against the balances of Cheshire Fire Authority it has been determined that Cheshire Fire Authority's share of this joint operation are required to be reported, and are therefore included in these accounts.

Below shows the key information from the draft financial statements of NW Fire Control Ltd:

	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
Total Assets less Current Liabilities	317	311
Net Assets *	(6,722)	(2,349)
Profits/(deficit) before taxation	(262)	(594)
Profits/(deficit) after taxation	(262)	(594)

\*Net assets include £7.04m (£2.66m 2019-20) for the future pension liabilities under FRS17 reported by the Cheshire Pension Fund actuaries. All figures are shown net of VAT.

A small change was made between 2019-20 draft accounts and final accounts which is shown in the table below and has no impact on the figures reported in Cheshire Fire Authority's accounts.

	Draft 2019-20	Final 2019-20	Difference 100%	Difference 25%(CFA share)
	£	£	£	£
<b>CIES:</b>				
Taxation	(4)	1,208	1,212	303
Deficit	593,769	594,981	1,212	303
<b>Balance Sheet:</b>				
Creditors	(3,519,253)	(3,520,465)	(1,212)	(303)
Reserves	(2,349,144)	(2,350,356)	(1,212)	(303)

2020-21 transactions between Cheshire Fire Authority and NWFC include invoices raised by NWFC to Cheshire Fire Authority. Invoices for the control room service £867k (£841k 2019-20) the 2020-21 recharge includes additional costs due to Covid-19, offset by 50% reimbursement of costs relating to a network link; during 2020-21 there was no use of facilities in the NWFC building, so nil recharges (£3k 2019-20).

The NWFC company's 2019-20 financial statements can be obtained from Companies House, and the 2020-21 financial statements will be available by the 31<sup>st</sup> December 2021 (standard deadline for submission for the final audited 2020-21 accounts).

## 29. Fire and Rescue Indemnity Company Limited (FRIC)

The Fire Authority became a member of a mutual, the Fire and Rescue Indemnity Company Limited (FRIC), on 1<sup>st</sup> November 2015. Twelve other Fire Authorities are also members. The mutual provides discretionary protection against claims against the Authority and procures insurance cover on its behalf. Consideration has been given to the nature of the relationship the Authority has with the mutual. The Authority has no right to appoint directors to the board of the mutual, and the relationship is not therefore one of joint control. This means that under the Code of Practice on Local Authority Accounting in England and International Financial Reporting Standards 10, 11 and 12 no liability to complete group accounts in relation to the Authority and the mutual exists.

### 30. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed below.

	<b>2020-21</b>	<b>2019-20</b>
	<b>£000</b>	<b>£000</b>
<b>Opening Capital Financing Requirement</b>	6,806	7,252
<b>Capital Investment</b>		
Property, plant and equipment	12,122	12,844
Intangible assets	2	26
Revenue Expenditure Funded from Capital under Statute	-	-
<b>Sources of Finance</b>		
Capital receipts	(414)	(119)
Government grants and other contributions	-	-
<b>Sums set aside from revenue</b>		
Revenue contributions (Cheshire Fire)	(5,306)	(12,725)
Minimum revenue provision (MRP)	(416)	(446)
Revenue contributions (NWFC 25%)	(2)	(26)
<b>Closing Capital Financing Requirement</b>	<u>12,792</u>	<u>6,806</u>
<b>Explanation of movements in year</b>		
Increase/(decrease) in underlying need for borrowing (Supported)	(416)	(446)
Increase/(decrease) in underlying need for borrowing (Unsupported)	6,402	-
<b>Increase/(decrease) in Capital Financing Requirement</b>	<u>5,986</u>	<u>(446)</u>

### 31. Leases

#### Authority as Lessee

##### Finance Leases

The Fire Authority has no assets held under a finance lease.

##### Operating Leases

Expenditure on operating leases in 2020-21 totalled £259,285 (2019-20 £277,856). All expenditure on leases relates to vehicles.

The future minimum lease payments due in future years are as follows:

	31 Mar 21	31 Mar 20
	£000	£000
Not later than 1 year	(154)	(157)
Later than 1 year and not later than 5 years	(218)	(157)
<b>TOTAL</b>	<u>(372)</u>	<u>(314)</u>



## 32. Employee Benefits

### Defined Benefit Pension Schemes

#### Participation in Pension Schemes

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

The Fire Authority participates in five post-employment schemes:

- The Local Government Pension Scheme (LGPS) for non-uniformed staff, administered locally by Cheshire West and Chester Council. This is a funded defined benefit scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets. Up until 31<sup>st</sup> March 2014 this was a final salary scheme. Since 1<sup>st</sup> April 2014 this has changed to a LGPS benefit design career average revalued earning (CARE) scheme.
- There are four pension schemes for uniformed staff.

The original scheme commenced in 1992 with the funding arrangements for uniformed Firefighter pensions changing from 1<sup>st</sup> April 2006. Until that time, the net cost of pensions (principally on-going payments to pensioners and lump sum commutations) was met by the employer. The main source of income to offset the expenditure was the contribution made by employees.

With effect from 1<sup>st</sup> April 2006, a new Firefighter Pension Fund for each English Fire Authority was introduced. Firefighter and employer contributions are paid into a pension fund, from which pension payments are made. The fund is balanced to nil each year by receipt of top-up grant from Central Government if there is a deficit, or by paying over the surplus to Central Government. Details of the pension fund for 2020-21 are shown in the Pension Fund Statement. At this point members of the 1992 Scheme were given the choice of staying with their existing Scheme or transferring to the 2006 Scheme.

The new arrangements remove the annual volatility for Fire Authorities that resulted from fluctuations in firefighter retirements. However, there are still no investment assets nor do the Fund's financial statements take account of liabilities to pay pensions and other benefits due after the end of the financial year.

A third scheme was introduced in April 2014 which is a modified version of the 2006 scheme and is available for on-call firefighters now entitled to participate in a pension scheme from 2000 as a result of the decision to backdate part-time workers' rights.

The 1<sup>st</sup> April 2015 saw the introduction of a new 2015 scheme. The new Regulations (The Firefighter Pension Scheme (England) Regulations 2014) states that all current active members will move into the new scheme from 1<sup>st</sup> April 2015 unless they qualify for protections that allow them to remain in their current scheme.

All four Firefighter Pension Schemes are administered through one fund. These are unfunded schemes, meaning that there are no investment assets built up to meet the liabilities so that cash has to be generated to meet actual pension payments as they become due.

<b>FIREFIGHTER PENSION SCHEMES</b> <b>- pension contribution rates on pensionable pay</b>	Employee	Employer <sup>(a)</sup>
	%	%
1992 Firefighter Pension Scheme	11% - 17%	37.3%
2006 Firefighter Pension Scheme (modified)	11% - 17%	37.3%
2006 Firefighter Pension Scheme	8.5% - 12.5%	27.4%
2015 Firefighter Pension Scheme	11% - 14.5%	28.8%

- <sup>(a)</sup> The employers' contribution consists of amounts shown in table above, together with formula-based charges for the cost of ill-health and other early retirements.

## Local Government Pension Scheme assets comprised:

Local Government Pension Scheme	Cheshire Fire Fair value of scheme assets		NWFC (25%) Fair value of scheme assets	
	31 Mar 21 £000	31 Mar 20 £000	31 Mar 21 £000	31 Mar 20 £000
<b>Cash and cash equivalents:</b>				
• All	2,255.9	1,255.9	129.06	209.8
<b>Equity instruments: <i>by industry type</i></b>				
• Consumer	821.7	543.0		
• Manufacturing	984.4	435.8		
• Energy and utilities	42.1	63.3		
• Financial institutions	514.1	603.7		
• Health and care	365.4	262.9		
• Information technology	3,712.5	2,155.6		
• Other	339.2	155.5		
Sub-total equity	<b>6,779.4</b>	<b>4,219.8</b>	<b>1,484.2</b>	<b>996.6</b>
<b>Bonds: <i>by sector</i></b>				
• Corporate	-	-		
• Government	-	-		
• Other	-	-		
Sub-total bonds	-	-	<b>1,290.6</b>	<b>1,206.3</b>
<b>Property: <i>by type</i> *</b>				
• United Kingdom	3,595.7	3,438.4		
• Overseas	64.1	59.9		
Sub-total property	<b>3,659.8</b>	<b>3,498.3</b>	<b>322.6</b>	<b>209.8</b>
<b>Private equity:</b>				
• All	1,716.2	1,616.0		
Sub-total private equity	<b>1,716.2</b>	<b>1,616.0</b>	-	-
<b>Other investment funds:</b>				
• Equities	9,626.6	6,582.6		
• Bonds	21,314.6	19,079.1		
• Hedge Fund	3,112.2	4,901.9		
• Other	2,024.3	1,772.4		
Sub-total other investment funds	<b>36,077.7</b>	<b>32,336.0</b>	-	-
<b>Derivatives:</b>				
• All	-	-	-	-
<b>Total Assets</b>	<b>50,489.0</b>	<b>42,926.0</b>	<b>3,226.5</b>	<b>2,622.5</b>

\* Following RICS advice, due to global economic uncertainty caused by the Covid-19 pandemic, 2019-20 property asset valuations were provided on the basis of 'material valuation uncertainty'

### Transactions Relating to Post-employment benefits

The Authority recognises the cost of retirement benefits 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 we are required to make 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 Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme (NWFC-25%)		Local Government Pension Scheme (CFA)		Firefighter Pension Schemes (CFA)		Total for all Schemes	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
<b>Comprehensive Income &amp; Expenditure Statement (CIES)</b>								
Cost of Services:								
▫ Current Service Costs	179	236	1,320	1,758	6,830	8,200	8,329	10,194
▫ Past Service Costs	-	-	75	-	-	(1,800)	75	(1,800)
Financing & Investment Income & Expenditure:								
▫ Net interest expense	16	28	54	346	11,870	13,800	11,940	14,174
<b>Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>195</b>	<b>264</b>	<b>1,449</b>	<b>2,104</b>	<b>18,700</b>	<b>20,200</b>	<b>20,344</b>	<b>22,568</b>
<b>Other post-employment benefits charges to the CIES</b>								
Re-measurement of the net defined pension liability comprising:								
▫ Return on plan assets (excluding the amount included in the net interest expense)	(398)	5	(6,012)	5,846	-	-	(6,410)	5,851
▫ Actuarial gains and losses arising on changes in demographic assumptions	80	(301)	844	(1,990)	(280)	(17,800)	644	(20,091)
▫ Actuarial gains and losses arising on changes in financial assumptions	1,368	(162)	13,535	(4,532)	88,240	(50,000)	103,143	(54,694)
▫ Other experience	(23)	(91)	(563)	(12,258)	(22,100)	4,000	(22,686)	(8,349)
<b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>1,222</b>	<b>(285)</b>	<b>9,253</b>	<b>(10,830)</b>	<b>84,560</b>	<b>(43,600)</b>	<b>95,035</b>	<b>(54,715)</b>

	Local Government Pension Scheme (NWFC-25%)		Local Government Pension Scheme (CFA)		Firefighter Pension Schemes (CFA)		Total for all Schemes	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
	£000	£000	£000	£000	£000	£000	£000	£000

**Movement in Reserves Statement**

Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(195)	(264)	(1,449)	(2,104)	(18,700)	(20,200)	(20,344)	(22,568)
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**Actual amount charged against the General Fund Balance for pensions in the year:**

Employers' contributions payable to scheme (gross amount before the Authority's receipt of the Firefighter pension scheme top up grant)	127	114	1,317	736	13,960	13,600	15,404	14,450
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**Pensions Assets and Liabilities Recognised in the Balance Sheet:**

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme (NWFC-25%)		Local Government Pension Scheme (CFA)		Firefighter Pension Schemes (CFA)		Total for all Schemes	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
	£000	£000	£000	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	4,986	3,287	60,747	45,248	590,200	519,600	655,933	568,135
Fair value of plan assets	(3,228)	(2,624)	(50,489)	(42,926)	-	-	(53,717)	(45,550)
Sub-total	1,758	663	10,258	2,322	590,200	519,600	602,216	522,585
Other movements in the liability (asset)	-	-	-	-	-	-	-	-
<b>Net Liability arising from defined benefit obligation</b>	<b>1,758</b>	<b>663</b>	<b>10,258</b>	<b>2,322</b>	<b>590,200</b>	<b>519,600</b>	<b>602,216</b>	<b>522,585</b>

These accounts do contain adjustments for the McCloud remedy as it has a material impact on the value of the liability shown in the balance sheet.

**Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:**

	Local Government Pension Scheme (NWFC-25%)		Local Government Pension Scheme (CFA)		Firefighter Pension Schemes (CFA)		Total for all Schemes	
	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000
<b>Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:</b>								
<b>Opening fair value of scheme assets</b>	2,624	2,433	42,926	47,754	-	-	45,550	50,187
Interest income	62	62	993	1,147	-	-	1,055	1,209
Remeasurement gain/(loss):								
The return on plan assets, excluding the amount included in the net interest expense	398	(5)	6,012	(5,846)	-	-	6,410	(5,851)
Contributions from employer	127	114	1,317	736	13,960	13,600	15,404	14,450
Contributions from employees into the scheme	37	37	261	262	2,350	2,000	2,648	2,299
Benefits paid	(20)	(17)	(1,020)	(1,127)	(16,310)	(15,600)	(17,350)	(16,744)
<b>Closing fair value of scheme assets</b>	<b>3,228</b>	<b>2,624</b>	<b>50,489</b>	<b>42,926</b>	<b>-</b>	<b>-</b>	<b>53,717</b>	<b>45,550</b>

**Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):**

<b>Opening balance at 1 April</b>	3,287	3,495	45,248	61,642	519,600	576,800	568,135	641,937
Current service cost	179	236	1,320	1,758	6,830	8,200	8,329	10,194
Interest cost	78	90	1,047	1,493	11,870	13,800	12,995	15,383
Contributions by scheme participants	37	37	261	262	2,350	2,000	2,648	2,299
Remeasurement (gains) and losses:								
Actuarial gains/losses arising from changes in demographic assumptions	80	(301)	844	(1,990)	(280)	(17,800)	644	(20,091)
Actuarial gains/losses arising from changes in financial assumptions	1,368	(162)	13,535	(4,532)	88,240	(50,000)	103,143	(54,694)
other experience	(23)	(91)	(563)	(12,258)	(22,100)	4,000	(22,686)	(8,349)
Past service cost	-	-	75	-	-	(1,800)	75	(1,800)
Benefits paid	(20)	(17)	(1,020)	(1,127)	(16,310)	(15,600)	(17,350)	(16,744)
<b>Closing balance at 31 March</b>	<b>4,986</b>	<b>3,287</b>	<b>60,747</b>	<b>45,248</b>	<b>590,200</b>	<b>519,600</b>	<b>655,933</b>	<b>568,135</b>

The Liabilities shown on the Firefighter Pension Schemes include liabilities in respect of injury pensions. Of the £590.2m liability, £7.9m related to injury pensions (2019-20 £519.6m liability, £23.8m related to injury pensions).

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. In 2019-20 both the Local Government Pension Scheme and the Firefighter Pension Schemes were assessed by Hymans Robertson LLP, an independent firm of actuaries. In 2020-21 the Firefighter Pension Schemes were assessed by the Government Actuary's Department (GAD) and both of the LGPS schemes were assessed by Hymans. Estimates for the Local Government Pension Scheme are based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2019. The significant assumptions used by the actuary have been:

	Local Government Pension Scheme (NWFC)		Local Government Pension Scheme (CFA)		Firefighter Pension Schemes	
	2020-21 %	2019-20 %	2020-21 %	2019-20 %	2020-21 %	2019-20 %
<b>Long-term expected rate of return on assets in the scheme:</b>						
Equity investments	2.05	2.30	2.30	2.30	-	-
Bonds	2.05	2.30	2.30	2.30	-	-
Property	2.05	2.30	2.30	2.30	-	-
Cash	2.05	2.30	2.30	2.30	-	-
<b>Mortality assumptions:</b>						
	At age 65		At age 65		At age 65	At age 60
Longevity for current pensioners:						
▪ Men	21.4 years	21.2 years	21.4 years	21.2 years	21.4 years	26.4 years
▪ Women	24.0 years	23.6 years	24.0 years	23.6 years	21.4 years	28.5 years
Longevity for future pensioners:						
▪ Men	22.4 years	21.9 years	22.4 years	21.9 years	23.1 years	27.5 years
▪ Women	25.7 years	25.0 years	25.7 years	25.0 years	23.1 years	29.7 years
Rate of inflation (CPI)	2.80	1.80	2.85	1.90	2.40	1.90
Rate of increase in salaries	3.50	2.50	3.55	2.60	4.15	2.80
Rate of increase in pensions	2.80	1.80	2.85	1.90	2.40	1.90
Rate for discounting scheme liabilities	2.05	2.30	2.00	2.30	2.00	2.30

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

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

Change in financial assumptions at year ended 31 March 2021	Local Government Pension Scheme (NWFC)*		Local Government Pension Scheme (CFA)		Firefighter Pension Schemes	
	Approximate monetary amount (NWFC 25%) £000	Approximate increase to Employer Liability %	Approximate monetary amount £000	Approximate increase to Employer Liability %	Approximate monetary amount £000	Approximate increase to Employer Liability %
Longevity/ increase in member life expectancy (increase of 1 year)	150 to 249	3-5%	1,822 to 3,037	3-5%	20,000	3.5%
Rate of increase in salaries (increase by 0.5%)	378	2.0	399	1.0	8,000	1.5
Rate of increase in pensions (increase by 0.5%)	2,372	12.0	6,207	10.0	49,000	8.5
Rate for discounting scheme liabilities (decrease by 0.5%)	2,817	14.0	6,728	11.0	53,000	9.0

### Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Cheshire West and Chester Council, the administering body, has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the forthcoming years. Funding levels are monitored on an annual basis. The next triennial valuation is in 2022. The Authority anticipates to pay £764,000 expected contributions to the Local Government Pension scheme in 2021-22.



### **33. Contingent Assets and Liabilities**

As a result of the insolvency of a historic insurer, the Authority is aware of the possibility of future insurance claims which may lead to the Authority incurring liabilities which it is not possible to quantify.

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## GLOSSARY OF TERMS

### **ACCOUNTING POLICIES**

The specific principles, bases, conventions, rules and practices applied by the Authority in preparing and presenting financial statements.

### **ACCRUALS**

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

### **APPROPRIATIONS**

Amounts transferred to or from revenue or capital reserves.

### **BALANCE SHEET**

The Balance Sheet is fundamental to the understanding of the Authority's financial position at the year-end. It shows the Authority's balances and reserves, its long term indebtedness, and the non-current and current assets employed in the Authority's operations, together with summarised information on the non-current assets held.

### **BUDGET**

A statement defining in financial terms the Authority's plans over a specified period. The budget is prepared as part of the process of setting the precept.

### **CAPITAL ADJUSTMENT ACCOUNT**

Provides a balancing mechanism between the different rates at which assets are depreciated under the IFRS and are financed through the capital control systems.

### **CAPITAL EXPENDITURE**

Expenditure on the acquisition of non-current assets such as land, buildings, vehicles and equipment which are of long term value, or expenditure which adds to and not merely maintains the value of existing assets.

### **CAPITAL FINANCING COSTS**

Each service is charged with an annual capital charge to reflect the cost of non-current assets used in the provision of services.

### **CAPITAL FINANCING REQUIREMENT**

This measures the underlying need to borrow to finance capital expenditure.

### **CAPITAL RECEIPTS**

Money received from the sale of capital assets such as vehicles, which may be used to repay outstanding debt or to finance new assets.

### **CASH FLOW STATEMENT**

Summarises the inflows and outflows of cash transactions and links the opening and closing balance sheet with the Comprehensive Income and Expenditure Statement for the year.

### **COLLECTION FUND ADJUSTMENT ACCOUNT**

The collection fund adjustment account provides a mechanism for recognising the Authority's share of the Collection Fund surplus/deficits at year end.

### **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CI&E)**

The Comprehensive Income and Expenditure Statement reports the net cost of all of the activities of the Authority for the year and demonstrates how the cost has been funded by income from local taxpayers and grants from central government.

### **COMMUTATION**

This is where a member of the pension scheme gives up part of their pension in exchange for an immediate lump sum payment.

### **CORPORATE AND DEMOCRATIC CORE**

The corporate and democratic core is concerned with the costs of corporate policy making and member based activities. Other costs relate to the general running of the Authority including corporate management, public accountability and treasury management.

### **CORPORATE GOVERNANCE**

This is concerned with the Authority's accountability for the stewardship of resources, risk management, and relationship with the community. It also encompasses policies on whistle blowing, fraud and corruption.

### **COUNCIL TAX**

The means of raising money locally which pays for Fire Authority services. This is a property based tax where the amount levied depends on the valuation of each dwelling.

### **CREDITORS**

Amounts owed by the Authority for work done, goods received or services rendered, but for which payment has not been made at the balance sheet date.

### **CURRENT ASSETS**

Items from which the Authority derives a benefit but which will be consumed or realised during the next accounting period, e.g. stocks, debtors, and cash.

### **CURRENT LIABILITIES**

The sum of money owed by the Authority and due for payment during the next accounting period, e.g. short term borrowing and creditors.

### **DEBTORS**

Sums of money due to the Authority for work done, goods sold or services rendered but not received at the balance sheet date.

### **DEFERRED LIABILITY**

Amounts owed by the Authority for work done, goods received or services rendered, to be paid in predetermined instalments over more than one accounting period.

### **DEFINED BENEFIT SCHEME**

A pension or other retirement benefit scheme where the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

**DEPRECIATION**

The measure of the wearing out, consumption, or other reduction in the useful economic life of a non-current asset, whether arising from use, passage of time, technological obsolescence or changes in demand for the goods and services produced by the asset.

**ESTIMATION TECHNIQUES**

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique.

Estimation techniques include, for example:

- (a) Methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period.
- (b) Different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole, rather than individual balances.

**EXPENDITURE AND FUNDING ANALYSIS**

This links to the CIES and demonstrates how available funding has been used to provide services. This follows accounting practice and reports in accordance with the management reporting structure used for decision making purposes rather than legislative purposes.

**FINANCIAL INSTRUMENTS**

This is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another. The term covers both financial assets (e.g. loans receivable) and financial liabilities (e.g. borrowings).

**FINANCIAL REPORTING STANDARDS**

Documents issued by the Accounting Standards Board, setting out approved accounting treatment.

**FINANCE LEASE**

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment amounts to substantially all of the fair value of the leased asset.

**FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT**

Provides a balancing mechanism between the different rates at which discounts on the early repayment of debt are recognised under the SORP (statements of recommended practice) and are required by statute to be met from the general fund. It should be noted this reserve is matched by borrowings and investments within the Balance Sheet. They are not resources available to the Authority.

**FUNDED PENSION SCHEME**

A funded pension scheme is one in which the future liabilities for pension benefits are provided for by the accumulation of assets held externally to the employer's business.

**GOING CONCERN**

The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

**GOVERNMENT GRANTS**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority, in return for past or future compliance with certain conditions relating to the activities of the Authority.

**GROUP ACCOUNTS**

Accounts prepared on a group basis where Local Authorities have interests in other bodies which are material in aggregate.

**HERITAGE ASSETS**

Heritage Assets are defined as assets preserved in trust for future generations because of their cultural, environmental or historical associations, which have historical, artistic, scientific, geophysical or environmental qualities, and which are held and maintained by the Authority, principally for the contribution to knowledge and culture.

**IMPAIRMENT**

A reduction in the value of a non-current asset below its carrying amount on the balance sheet.

**INTANGIBLE ASSETS**

These are assets that have no physical substance, for example, the purchase of computer software licences.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

These are the accounting standards that were adopted for 2010-11 onwards. IFRS are designed as a common global language for financial reporting so that organisation's accounts are understandable and comparable across international boundaries.

**INTEGRATED RISK MANAGEMENT PLAN (IRMP)**

This is the Authority's annual plan which is based on the current year of a four year strategy. The Plan is premised on ensuring that the Authority recognises risk and manages its resources to reduce potential impact on the communities which it serves.

**INVENTORIES (formerly stocks)**

The amount of unused or unconsumed stocks held in expectation for future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

**LONG TERM BORROWING**

Loans that are raised with external bodies, for periods greater than one year.

**MEDIUM TERM FINANCIAL PLAN (MTFP)**

Budget plan for the Authority for the next few years.

**MINIMUM REVENUE PROVISION (MRP)**

This is the amount which should be set aside from revenue as provision for debt repayment.

**MOVEMENT IN RESERVES STATEMENT**

This statement shows the movement in year on the different reserves held and identifies both usable and unusable. It links in with the Comprehensive Income and Expenditure Statement through the impact of the surplus or deficit on provision of services on the General Fund.

**NET BOOK VALUE (NBV)**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current cost, less the cumulative amounts provided for depreciation and/or impairment.

**NET CURRENT REPLACEMENT COST**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

**NON CURRENT ASSETS**

Tangible assets yielding benefits to the Authority and its services for a period of more than one year.

**NON DISTRIBUTED COSTS**

Costs incurred by the Authority which are excluded from service costs. These include past service costs relating to changes in pension regulations, the costs associated with unused shares of ICT facilities, and impairment losses relating to assets under construction.

**NON-OPERATIONAL ASSETS**

Non-current assets held but not directly occupied, used or consumed in the delivery of services.

**OPERATIONAL ASSETS**

Non-current assets held and occupied, used or consumed by the Authority in the direct delivery of services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the Authority.

**OPERATING LEASES**

A lease other than a finance lease.

**PENSION FUND ACCOUNT**

The Fire and Rescue Authority is required to set up a separate fund from the rest of its operation for transactions relating to firefighter pension arrangements. The Authority has a formal responsibility for paying firefighter pensions. The fund is balanced to nil each year by the receipt of a pensions top-up grant from the Department for Communities and Local Government.

**PRECEPT**

An amount of money levied by one Authority (the precepting authority) which is collected by another Authority (the billing authority) as part of the council tax. The Fire Authority is the precepting Authority and the East Cheshire Borough Council, Cheshire West and Chester Council, Warrington Borough Council and Halton Borough Council are the billing authorities.

### **PRIOR PERIOD ADJUSTMENTS**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

### **PROVISIONS**

An amount set aside to provide for a liability, which is likely to be incurred, but the exact amount and date on which the liability is due is uncertain.

### **PUBLIC WORKS LOAN BOARD (PWLB)**

The Public Works Loan Board is an independent and unpaid statutory body. PWLB consider loan applications from local authorities and other prescribed bodies and, where loans are made collect the repayments.

### **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CIES.

### **REMUNERATION**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

### **RESERVES**

Amounts set aside to meet future obligations.

### **RETIREMENT BENEFITS**

All forms of consideration given by the Authority in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- (a) The Authority's decision to terminate an employee's employment before the normal retirement date.
- (b) An employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

### **REVALUATION RESERVE**

This reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation, from holding non-current assets.

### **REVENUE EXPENDITURE**

This is the day to day running costs the Authority incurs in providing the service. It is usually of a constantly recurring nature and produces no permanent asset.

### **REVENUE SUPPORT GRANT**

This is Government grant in aid of the Authority's services generally. It is based upon the Government's assessment of how much the Authority needs to spend in order to provide a standard level of service.

**RIGHT OF USE ASSET**

These are assets which are leased by the Authority who have control over their usage and are represented as the Authority's asset in the Balance Sheet.

**THE HOME OFFICE**

The Home Office is a ministerial department of the Her Majesty's Government of the United Kingdom, which, from 5 January 2016 is responsible for Fire and Rescue Policy. This was a role previously undertaken by the Department for Communities and Local Government (DCLG).

**UNFUNDED PENSION SCHEME**

A pension scheme in which liabilities for pension benefits are charged to the employer's revenue account in the year in which they arise and are not financed from investments held. The Authority operates such a scheme for its firefighters.



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## ANNUAL GOVERNANCE STATEMENT

### 1. Scope of Responsibilities

- 1.1 Governance comprises the systems, processes, culture and values by which the Cheshire Fire Authority (the Authority) and Cheshire Fire and Rescue Service (the Service) direct and manage together, along with the activity through which they account to and engage with the people of Cheshire.
- 1.2 The Authority covers the four unitary areas of Cheshire East, Cheshire West and Chester, Halton and Warrington. The Authority is a separate legal body, with the power to set council tax and to set its own policies and procedures, without seeking the approval of these local councils. Each council appoints a number of elected Members to serve on the Authority. As an Authority Member, councillors represent the whole of Cheshire and are not just required to act as the formal representatives of their own council. The Authority as the governing body ensures that the Service operates in a lawful, open, inclusive and honest manner; making sure public money is safeguarded, properly accounted for and spent wisely; and has effective arrangements in place to manage risk.
- 1.3 Production of an Annual Governance Statement is a requirement under the Accounts and Audit Regulations (England) 2015 and helps to ensure that a reliable system of internal controls can be demonstrated.

### 2. The Governance Framework

- 2.1 The Authority is responsible for ensuring that business is conducted in accordance with the law, with openness and engagement with stakeholders and that risk is managed through robust internal control and strong public finance management to deliver effective accountability. The Authority has a Constitution, which sets out the governance framework that will assist in enabling the Authority and the Service to fulfil their statutory obligations. The Constitution is reviewed on a regular basis to ensure it remains up to date and relevant taking into account local and national changes in the way fire and rescue services operate.
- 2.2 The Authority's Constitution:
  - Explains the Authority's decision-making arrangements;
  - Sets out the responsibilities of elected Members and officers; and
  - Contains details of rules and controls.
- 2.3 Full details of the Constitution can be found on the website ([www.cheshirefire.gov.uk](http://www.cheshirefire.gov.uk)).

2.4 The Governance Framework focuses on the Authority's strategic aims and objectives and includes:

### **Corporate**

- The organisation's vision and purpose which drive the service planning, delivery, risk, project and performance management frameworks
- The Integrated Risk Management Plan (IRMP)
- Consultation Engagement and Communications Strategies
- A published set of core values

### **Committee Structure and Member Scrutiny**

- The Authority's Constitution
- Established structure of Authority and Committee meetings, each with formal Terms of Reference (ToR)
- Scrutiny by Members e.g. Performance and Overview Committee responsible for thematic areas such as Finance, Equality & Diversity, Performance Management
- Crisis Management Plan – owned and scrutinised by Risk Management Board
- Local Code of Corporate Governance Action Plan reviewed by the Governance and Constitution Committee
- Published Anti-Fraud, Corruption, Whistle-blowing and Complaints policies and procedures
- Medium term financial forecasting and budget management processes
- Code of Conduct

### **Scrutiny and Reporting**

- Integrated Corporate and Financial planning processes with regular reporting
- Treasury Management Strategy
- Risk Management Board – responsible for championing an effective Risk Management Policy and Framework – regular review of Strategic Risk Register
- Performance and Programme Board – responsible for monitoring and reviewing organisational performance including the Corporate Performance Scorecard setting out the Authority's key indicators and scrutiny of key projects and programmes
- Service Management Team – strategic direction for the Authority's IT delivery
- Information Governance arrangements

### **People**




- Dynamic, intelligent training programme which is tailored to the development needs of the Authority's frontline staff
- Appraisal system and personal development programmes
- Established Health, Safety and Wellbeing policies – compliance Health, Safety and Wellbeing Committee
- Health, Safety and Wellbeing Committee review of fitness performance

- 2.5 For the purposes of financial reporting, the Authority has decided that the functions of an Audit Committee as those charged with governance, are exercised by the Authority meeting as a whole rather than this being delegated to an Audit Committee. Internal audit activity is considered by the Performance and Overview Committee.
- 2.6 The above paragraphs describe the arrangements in a normal year and were being followed until the outbreak of the Coronavirus pandemic. In response, the Government passed the Coronavirus Act 2020 on 25<sup>th</sup> March 2020 and introduced the 'lockdown' restrictions. Within this Act, provision was made for regulations to be issued to amend the legislation around authority meetings. These regulations - The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 – allowed meetings to be held virtually.
- 2.7 In response to the above, the Authority amended and supplemented its constitution to enable virtual meetings to take place. The first such meeting was the Fire Authority which took place in this way was on 1<sup>st</sup> July 2020 and this format of meetings continued for the rest of 2020-21.

### 3. Internal Financial Controls

- 3.1 The objective of the internal financial controls is to maintain sound and proper financial arrangements; to explain why safeguards and controls are important and necessary; to profile a framework for financial management, which will enable, wherever possible, managerial and financial responsibilities to be aligned, safeguarding all Members and officers.
- 3.2 The key documents that set out the internal financial controls are:
- Financial Regulations – as set out in the Constitution
  - Scheme of Delegation – as set out in the Constitution
  - Treasury Management Strategy – approved by the Authority each year which sets out the Annual Investment Strategy, Borrowing Strategy and the Minimum Revenue Provision Statement
  - Treasury Management Practices – which set out the detailed processes and practices to be followed in order to deliver the Treasury Management Strategy
- 3.3 In addition to the above, there are a series of governance checks and controls carried out through the Finance and HR teams to ensure financial systems are operating effectively. These are supported by periodic Internal and External Audit reviews to provide appropriate assurance to those charged with governance or with the production of action plans where necessary.
- 3.4 Further assurance is now provided through HM Inspectorate of Constabularies and Fire & Rescue Services (HMICFRS) which carried out its first annual assessment of fire and rescue services in 2018. This assessment examines the Service's effectiveness, efficiency and how well it looks after its people. It is designed to give the public information about how their local fire and rescue service is performing in several important areas, in a way that is

comparable with other services across England. The high-level ratings for the Service are shown below with further details available on the HMICFRS website ([www.justiceinspectors.gov.uk/hmicfrs](http://www.justiceinspectors.gov.uk/hmicfrs)).

	The extent to which the service is effective at keeping people safe and secure from fire and other risks is good.
	The extent to which the service is efficient at keeping people safe and secure from fire and other risks is good.
	The extent to which the service looks after its people requires improvement.

3.5 It should be noted, however, that significant progress has been made monitored through an action plan created in response to the areas for improvement contained in the report. A further inspection will be carried out in 2021-22.

3.6 During 2020-21 HMICFRS returned to their inspections, albeit under restricted and remote arrangements due to Covid. In August 2020, HMICFRS were commissioned by the Home Secretary to inspect how fire and rescue services in England were responding to the Covid-19 pandemic. In reporting its findings HMICFRS stated that the Service has effectively carried out its statutory functions during the pandemic. It was impressed by how the service looked after the welfare of its staff, and the additional support it gave to the community during the first phase of the pandemic.

**4. Good Governance in the Fire Service**

4.1 In 2016, CIPFA, in association with various groups including representation of fire and rescue services, issued best practice guidance on Delivering Good Governance. It sets out seven principles of good governance which are illustrated below:



- 4.2 The ethos of the above is for principles A and B to permeate the implementation of principles C to G. It also illustrates that good governance is dynamic and that an organisation as a whole should be committed to continually improving through a process of evaluation and review. Each principle is considered from the Authority's and Service's perspectives.
5. **Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law**
- 5.1 Core Values inspire and guide how teams behave. They set out a platform to guide our current and future activities and help achieve our organisational priorities. Staff were at the heart of the development of the Core Values through conferences, the staff engagement forum and staff survey. This engagement was vital to ensure the Core Values remain relevant so that the Service and individuals are able to identify with them.
- 5.2 As a result, the Core Values are:
- **Be inclusive** – by acting fairly, with integrity, respect and without prejudice
  - **Do the right thing** – by holding each other to account for ensuring high standards of professionalism in everything we do
  - **Act with compassion** – by being understanding and offering help to each other and to our communities with warmth, patience and kindness
  - **Make a difference** – by making an impact in our organisation and in our communities in whatever ways we can, for as many people as we can
- 5.3 The Director of Governance and Commissioning is the Authority's Monitoring Officer as set out in section 5 of the Local Government and Housing Act 1989, whose role is to advise on the rule of law and ensure decision making is legally sound. The Monitoring Officer is a qualified solicitor and is supported by the Joint Legal Services Team that includes a number of professionally qualified legal officers.
- 5.4 The Treasurer is the Authority's "Chief Financial Officer", as defined by CIPFA and as set out in section 151 of the Local Government Act 1972, whose role is to ensure the proper administration of the Authority's financial affairs. The Treasurer is a qualified accountant and is supported by the Head of Finance (who is also the Deputy S151 Officer) and by the Joint Finance Team that includes a number of professionally qualified finance officers.
- 5.5 The two Statutory Officers have collective meetings on a regular basis with the Chief Fire Officer and Chief Executive to ensure that robust governance arrangements are maintained and to consider potential future policy decisions, ensuring that these are consistent with available resources. These Statutory Officers, or their representatives, review all proposals that are to be submitted to meetings of the Authority and its various committees and these officers, or their representatives, attend such meetings.

## 6. **Principle B: Ensuring openness and comprehensive stakeholder engagement**

- 6.1 The Authority has a clear Consultation Strategy that sets out how and when it will consult with communities and other stakeholders. The Community Engagement Strategy includes guiding principles and explains how the Service will engage with its communities.
- 6.2 The Integrated Risk Management Plan (IRMP) sets out how the Authority intends to deliver the services over a period, and is widely consulted on before it is finalised and approved by the Authority. The IRMP sets out the rationale behind planned activity including current performance and forecasts. The IRMP essentially reviews the effectiveness of previous activity and highlights any areas of focus for the future. An annual action plan is created.
- 6.3 Consultation with stakeholders includes both staff and public events at various venues, a web-based questionnaire and consultation with stakeholders during which the proposed plans are put forward and feedback is requested. The results of consultation are published on the website and reported to Members before the IRMP is finalised and approved.
- 6.4 Working in partnership with others is a key part of the Authority's ethos. For example, the Blue Light Collaboration arrangement has brought together most of the back office and professional services, which support the Service and Cheshire Constabulary in a single, shared headquarters site at Clemonds Hey, Winsford. In addition, the Police and Crime Commissioner for Cheshire has the right to attend Authority meetings.
- 6.5 As part of the virtual meetings brought in as a response to the pandemic, members of the public are able to access Authority meetings remotely as they have been broadcasted.

## 7. **Principle C: Defining outcomes in terms of sustainable economic, social & environmental benefits**

- 7.1 The Service's vision is a Cheshire where there are no deaths, injuries or damage from fires and other emergencies. The Integrated Risk Management Plan (IRMP) explains the approach the Authority will take to support this vision, given the context in which the Service operates, and sets out the planned activity to deliver and achieve the intended outcomes.
- 7.2 The IRMP specifies which activity will take place in each year, what the result will be and when there may be an impact. Performance indicators are agreed, setting out the projected performance and reported to Members and the public in line with the approved corporate planning and reporting timelines. The Service approach to risk is explained in its risk management policy, which is reviewed at least every three years, and risks to key projects are outlined and managed through the project management framework.
- 7.3 A Medium Term Financial Plan (MTFP) is produced annually, reviewed regularly and updated as necessary setting out the financial assumptions and demands upon the Service to highlight budgetary pressures and set out options to address any funding shortfalls to ensure sustainability. The Plan is supplemented by a Capital Strategy and Reserves Strategy.
- 7.4 The financial sustainability of the Authority has largely remained unchanged as a result of the pandemic but the long term impact on funding is unknown and the MTFP will continue

to link vision and intent to funding scenarios, ensuring value for money is achieved within a balanced and sustainable budget.

## 8. Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

- 8.1 The Constitution sets out a decision making framework which ensures that all decisions are supported by all relevant information, including financial, legal and other appropriate professional advice, that available options are considered and that internal and external stakeholders are consulted. Decisions are formally recorded and published subject to confidentiality requirements.
- 8.2 Progress against planned activity and projects is monitored and risks are reviewed regularly and reported quarterly to Performance and Overview Committee. Quarterly reports also include performance against targets for Key Performance Indicators (KPIs) as well as financial and project delivery performance. If the circumstances in which the Service operates change, activity can be adapted accordingly. Decisions affecting service delivery are delegated to officers in order to ensure they are able to react to changing circumstances quickly.
- 8.3 KPIs are set as part of the planning process and reported on every quarter. A Corporate Scorecard is produced showing performance against each of the KPIs. The corporate scorecard is published on the public website and the annual report is produced detailing the activity and performance of the Service. The following is an extract from the scorecard.

### Protecting Local Communities

	Actual	Target	Q3 Year on Year	Q3 2019-20
Deaths in Primary Fires	2	0	↕	2
Injuries in Primary Fires	21	37	↕	30
Accidental dwelling fires	273	272	↕	241
- % starting in kitchens	137 (50%)		↕	134 (56%)
- % in homes with residents over pensionable age	56 (21%)		↕	42 (17%)
Deliberate fires (Primary and Secondary)	648	694	↕	725
Fires in Non Domestic Premises	97	121	↕	121
AFA's in Non Domestic Premises	340	376	↕	404

- 8.4 KPI data is generated from various internal systems and analysed by the Business Intelligence Team. The Team works closely with the Prevention, Protection and Service Delivery teams to provide data and analysis that highlights any current issues or emerging trends so that activity can be targeted and resources deployed effectively.
- 8.5 Budgets are prepared in accordance with the priorities set out in the IRMP and Medium Term Financial Plan which integrates and balances priorities, affordability and other resources. This ensures the budget process is all-inclusive, taking into account all costs of operations over the medium and long term.

8.6 Performance against budgets is monitored by the Performance and Programme and Budget Management Boards, which examine the progress against planned activity and spend against set budgets.

9. **Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it**

9.1 Workforce planning has a crucial role in ensuring the Service has the capacity to meet its obligations and fulfil its aims and objectives. Regular reviews, planning updates and analysis are reported to the Staffing Committee and action taken when issues are identified.

9.2 During 2020-21 the Service launched its updated People Strategy. One of the key priorities for the Service within the Strategy is to build upon its reputation for being a high performing, compassionate and inclusive employer and to create a culture where everyone feels they are treated fairly, enjoys their work in a welcoming and collaborative environment and recognises that their contributions are valued.

9.3 In order to support the delivery of this strategy the Service has adopted some underpinning principles, these are as follows:

- We trust our people to make decisions and will give them the skills and knowledge to do this.
- We understand the importance investing in the health and wellbeing of all of our staff.
- We will understand what our people do and will provide them with regular feedback to support and develop them, build confidence and challenge underperformance where necessary.
- We understand the importance of engaging staff in decisions and will listen and involve our people in improving our services and take account of their health and wellbeing.
- As leaders we will lead by example, articulating the behaviours and standards expected of the Service.
- We will continue to strive to be a reflective and inclusive organisation where opportunities, promotion and reward are based on merit.
- We want to be an Employer of Choice.
- Firefighter safety and the safety of everyone that works for us is important to us.
- We will provide clarity on the decision making levels, accountability and processes without unnecessary hierarchy, and empower operational staff to use operational discretion.
- We will focus on clear and consistent communication of key messages using a wide range of engagement methods.
- We will build trust between us all to allow constructive disagreement and challenge to be seen as part of a positive culture.



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**10. Principle F: Managing risks & performance through robust internal control and strong public financial management**

- 10.1 There is a Risk Management Policy and Practitioner Guide used throughout the Service which is applied to projects, programmes and some planned departmental activity. All strategic risks are reviewed quarterly by the risk owners and six monthly by the Risk Management Board (RMB).
- 10.2 There is a well-established network of Risk Champions who promote good practice and ensure that risk is considered locally as part of regular team meetings. This network gains some real value in sharing of best practice and acting as a 'peer group' in the management and maintenance of risk.
- 10.3 Members and officers at all levels of the Authority recognise that risk management is part of their day to day job. An owner is allocated to risks on the risk register and they are responsible for regularly reviewing and managing the risks to which they are assigned. Risk training is scheduled every two years and forms part of the Member development and induction programmes.
- 10.4 With the high level risks of the Pandemic and the speed with which changes were made in response to the virus, there was an increase in risk to officer safety; operational cover and provision; and the financial impact on the organisation. In response, the Authority set up a COVID-19 Group which initially met daily. This Group provides strategic direction and guidance and agrees policies to allow the organisation to deliver operational functions and those additional services that can safely be delivered during the pandemic.
- 10.5 Health and Safety risks are robustly managed via the Health and Safety Policies and Procedures and by the application of Standard Operating Procedures that are regularly reviewed and updated as necessary.
- 10.6 Within the strategic risk register, identified risks are scored based on both probability and level of impact, the outcome of which is rated using a Red, Amber and Green basis.
- 10.7 The Service's Performance and Programme Board (members of the Service Management Team) receives a quarterly review of performance against KPIs. The Board is responsible for monitoring and reviewing progress against performance targets and ensuring that action is taken wherever possible if targets are not being met. The performance reviews are also reported to the Performance and Overview Committee.
- 10.8 Financial performance is also reported to the Performance and Overview Committee on a quarterly basis. Budget Managers are provided with detailed information monthly and all financial activity is subject to audit. The Director of Internal Audit provides an annual assurance statement together with the External Auditor's Annual Audit Letter both of which are published together with the Statement of Accounts on the website.
- 10.9 The use and disclosure of personal data is governed in the United Kingdom by the Data Protection Act 2018 (the Act) and the General Data Protection Regulation (GDPR). The Service ensures that all personal data is handled in accordance with the Act.

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**11. Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability**

- 11.1 The Corporate Communications Strategy sets out the approach the Service will take to communicating with the public and other stakeholders. It recognises the need for different approaches for different audiences and the increased use of social media as a communications tool.
- 11.2 The Service's website includes details of performance, strategies, plans, financial statements and Annual Report. The Annual Report highlights key challenges and achievements from the year and includes performance and financial information set out in a simple but informative way. Members and Service Management Team agree the report before it is published.
- 11.3 The process for assessing the Authority against this framework is agreed by the Governance and Constitution Committee. Evidence is reviewed yearly and an action plan is maintained highlighting areas for improvement. Progress against the action plan is reported to the Service Management Team and to Governance and Constitution Committee. The framework and the evidence supporting the assessment is included in the annual Statement of Assurance. Internal Audit review the assessment and evidence against at least two of the sections of the Code of Corporate Governance Framework each year and make recommendations for improvement accordingly.
- 11.4 As a public service organisation, the Fire Authority will use public funds prudently and apply the highest standards of conduct throughout the organisation. Under the remit of the Governance and Constitution Committee, the Authority has an Anti-Fraud Policy and Whistleblowing Policy and Procedure (Confidential Reporting) in support of this aim.
- 11.5 External assurance in terms of accountability is provided by both Internal and External Audit, HMICFRS reviews and partner reviews of collaborations. The Head of Internal Audit carries out their role in accordance with guidance issued in the CIPFA Statement on the role of the head of internal audit (2010). The Head of Internal Audit's Opinion and the overall opinion for the period 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021 provides Substantial Assurance, that that there is a good system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently.

**12. Review of Effectiveness**

- 12.1 As part of the on-going governance roles, each of the above principles is reviewed and evidence sourced to show effectiveness in terms of communications, actions, policies and procedures. This evidence is scrutinised and challenged by the Treasurer together with the Director of Governance and Commissioning.
- 12.2 These statutory roles have the responsibility to ensure the Authority has a sound system of governance (incorporating the system of internal control) and as such maintain the Authority's Code of Governance including financial regulations.

### 12.3 Report on Areas for Action during 2020-21

Within the 2019-20 Annual Governance Statement, the review of effectiveness identified three areas where further action was required. The following re-visits the actions and reports on the outcome in 2020-21.

**Coronavirus** - The Service has, like all organisations, been significantly impacted by the pandemic. A robust recovery plan was to be created, which would be communicated and delivered as appropriate. The Medium Term Financial Plan needed to be updated regularly as the financial scenario becomes clearer.

UPDATE: The Covid-19 Community Support Management Team (C19 CSMT) was established in March 2020, to co-ordinate the support our Service is providing to local authority, NHS and voluntary sector partners during the pandemic. Additional funding has been received in year to support the immediate costs together with grants recognising the impact on funding from council tax and business rates.

**Nationally-led Change** - HMICFRS inspections and events like the Grenfell Tower tragedy have created an interest in fire and rescue services and an impetus for change. The Service Management Team will monitor developments and allocate responsibility to appropriate officers. The teams that are impacted will be suitably resourced in order to respond effectively.

UPDATE: In response to The Grenfell Tower Inquiry: Phase 1 Report, a cross department High-rise Working Group was established within the Service in February 2020 to deliver the relevant requirements of the High Rise Action Plan. In addition, a regional working group has been established in order to ensure that work carried out in relation to The Phase 1 Report recommendations is completed in a joined up manner. This is managed through the North West Region Operational Convergence Group.

**Collaborations** - To complete the actions contained in the action plan and embed the practices that are required in order to support the effective delivery of activities carried out through collaboration.

UPDATE: SMT considered and agreed the process for the monitoring, evaluating and reviewing activities associated with some of the key collaborations. This is an ongoing action which will be reported as part of the annual cycle.

### 12.4 Areas for Action in 2021-22

The governance framework, internal controls and application of the principles have been reviewed during 2020/21 with the following areas highlighted as risks together with the mitigating actions required.

**Coronavirus** – In response to the Government’s proposals over removing restrictions, the Authority has produced its own Roadmap to Recovery linking in with the dates and changes as they are announced nationally. Work continues within our communities to support the vaccination programme and other vital covid work alongside our partners such as the NHS.

Action: Continue to monitor and respond to the pandemic, including health and safety together with the financial impact in the short, medium and longer term.

**Governance** – As stated within the Home Secretary’s Written Statement made on 16<sup>th</sup> March 2021, a consultative White Paper on fire reform will be launched in 2021. The paper will include:

- Consulting on whether to mandate the transfer of fire and rescue functions to the Police, Fire and Crime Commissioner model across England where boundaries are coterminous, unless there is an option to transfer fire governance directly to an elected Mayor.
- Consulting on how to address coterminosity challenges, including in the South West.
- Legislating to create operational independence for Chief Fire Officers and to clearly separate and delineate strategic and operational planning for fire and rescue.
- Considering options to clarify the legal entities within the PFCC model.

Action: Review and respond to the White Paper when published.

**HMICFRS Inspections** – The Service received its first inspection in July 2018 as part of the first round of independent inspections to be undertaken into every FRS across England. The second round inspection was due last year. However, HMICFRS suspended all inspection work in March 2020 due to the Covid-19 pandemic. This inspection has now taken place and the outcome report is due later in the year.

Action: To provide a response to the inspection report and produce an action plan should any areas of improvement be identified.

### 13. Summary

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

#### Signed

Cllr Bob Rudd  
Chair of Fire Authority

Mark Cashin  
Chief Fire Officer and Chief Executive

Andrew Leadbetter  
Director of Governance and Commissioning

On behalf of the Members of Cheshire Fire Authority and officers of Cheshire Fire and Rescue Service.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHESHIRE FIRE AUTHORITY

### Opinion on financial statements

We have audited the financial statements of Cheshire Fire Authority (the 'Authority') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies and also include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and notes to the financial statements. The notes to the financial statements include the Expenditure and Funding Analysis note. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' 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

We are responsible for concluding on the appropriateness of the Treasurer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Treasurer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020)

on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

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.

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.

The responsibilities of the Treasurer with respect to going concern are described in the 'Responsibilities of the Authority, the Treasurer and Those Charged with Governance for the financial statements' section 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

#### Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

#### Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### Responsibilities of the Authority, the Treasurer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, the Authority is required to 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 this authority, that officer is the Treasurer. 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 2020/21, for being satisfied that they give a true and fair view, and 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.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Authority is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

### 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.

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

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003. We also identified the following additional regulatory frameworks in respect of the firefighters pension fund, the Public Service Pensions Act 2013, the Firefighters' Pension Scheme (England) Regulations 2014 and the Firefighters' Pension Scheme (England) Order 2006..
- We enquired of senior officers and the Authority, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit] and the Authority, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - non-routine journal entries, and key accounting estimates around the valuation of land and buildings and the pension liability.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Treasurer has in place to prevent and detect fraud;
  - journal entry testing, with a focus on non-routine transactions;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings and the pension liability;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.



- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

## Report on other legal and regulatory requirements – 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 – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority’s arrangements in our Auditor’s Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor’s report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

#### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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 the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied 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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Cheshire Fire Authority for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report.
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 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 Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Green, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

30 September 2021