Statement of Accounts
2015/16

Contents

Narrative Statement

Introduction

The purpose of the Narrative Statement is to provide the reader with a broad understanding of the Authority's financial performance for the year ended 31 March 2016, by clearly explaining the Authority's funding position, and how this funding is spent in order to deliver the priorities as set out within the Corporate Safety Plan. In addition, the Narrative Statement also provides further information to the reader about economy, efficiency and the effective use of resources by the Authority during the financial year.

The Statement of Accounts sets out the financial activities of the Authority for the year ended 31 March 2016 and includes comparative figures for the previous year. The Statement of Accounts have been prepared in accordance with the accounting principles contained within the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and International Financial Reporting Standards (IFRS). The Code of Practice and relevant guidance notes specifies the principles and practices of accounting required to give a "true and fair" view of the financial position and transactions of the Authority.

Background

Stoke on Trent and Staffordshire Fire and Rescue Authority is responsible for the finances of Staffordshire Fire and Rescue Service (SFRS) with a net revenue budget of £41.0m approved for 2015/16. The Authority is a combined authority under the Fire and Rescue Services Act and is responsible for providing its services to a population of just over 1.1 million people in the City of Stoke on Trent and the County of Staffordshire and attends over 8,000 emergency incidents per year. The focus during the last 15 years have been on prevention and fire safety with approximately 30,000 home fire risk checks being undertaken every year in addition to many other prevent related activities. This continued focus on prevention has significantly reduced the demand for our acute services and consequently the number of people who die or who are injured by fire has dropped dramatically during this time to the lowest level ever recorded in 2015/16.

Around 2500 of the Home Fire Risk Checks completed this year were enhanced "safe and well" visits that have been supported though funding provided by Public Health England, with a key objective to prevent falls, improve the uptake of flu immunisations, prevention of cold homes and of social isolation by direct intervention, and ultimately reducing the acute demand placed upon the health service and Accident and Emergency Departments. This activity all supports the clear strategy contained within our Corporate Safety Plan predicated upon prevention being better and importantly cheaper than cure and also helps build stronger, more resilient communities.

The Authority manages its affairs to ensure that proper arrangements are in place for delivering value for money through; securing financial resilience and challenging how it secures economy, efficiency and effectiveness. It is imperative that the Authority continues to play a leading role in the communities that it serves and through the continued provision of a high quality service will ensure that Staffordshire remains one of the safest places to be.

Accounting Statements

The Statement of Accounts is published to present fairly the financial position and transactions of the Authority in a fair and transparent manner. Its format is prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA). A glossary to explain some of the technical terms is included at the back of this report.

The main statements consist of:

- **Statement of Responsibilities for the Statement of Accounts** which sets out the responsibilities of the Authority and the Treasurer for the accounts;
- **Annual Governance Statement** which assesses the adequacy of the Authority's governance arrangements and identifies where improvements can be made;
- **Statement of Accounting Policies** which sets out the basis for recognising, measuring and disclosing transactions in the accounts;
- **Comprehensive Income and Expenditure Statement** which summarises income and expenditure on the Authority's services during 2015/16; and presents all the recognised gains and losses of the Authority during 2015/16;
- **Movement in Reserves Statement** which reconciles the Income and Expenditure Account with General Fund Balances taking into account contributions to reserves committed for future expenditure;
- **Balance Sheet** which sets out the Authority's financial position as at 31 March 2016;
- **Cash Flow Statement** which summarises the inflows and outflows of cash in the year.

Where the funding came from

Revenue Expenditure 2015/16

The Revenue Budget was approved by the Fire and Rescue Authority on 16 February 2015 and was set at £41.027 million. Revenue expenditure consists of the day-to-day running costs of the Authority, such as employee costs, pension costs, premises, transport, income and financing costs. The 2015/16 Outturn position is summarised below and the details of how this expenditure has been funded during the year:

Revenue Expenditure Outturn 2015/16	Budget £m	Actual £m	Variance £m
Employee Costs	27.2	27.1	(0.1)
Indirect Employee Costs	2.0	1.8	(0.2)
Premises	2.7	2.7	
Transport	1.0	0.9	(0.1)
Supplies & Services	4.5	4.7	0.2
Unitary charge and other running costs	2.8	2.5	(0.3)
Income	(0.8)	(0.8)	
Capital Financing	2.3	3.2	0.9
Transfers from/to Reserves	(0.7)	(1.1)	(0.4)
Total	41.0	41.0	0.0

Precept (Council Tax)	22.8
Business Rates	8.7
Revenue Support Grant	9.5
Total	41.0

Revenue Expenditure and the General Reserve

The Authority is required to prepare the accounts within the framework published by the Chartered Institute of Public Finance and Accountancy (CIPFA), the International Financial Reporting Standards (IFRS) and the Government, the results of which are a deficit for the year of £12.998m (2014/15 was a deficit of £17.446m). However, this includes pensions and depreciation costs which are not chargeable to tax payers (nationally and locally) and the final position for the financial year is set out in the following table:

Reserves	Actual £m
General Reserves	
General Reserves balance 1 April 2015	1.9
Break Even for the Year	
General Reserves balance 31 March 2016	**1.9**
Other (useable) Reserves	
Other Reserves balance 1 April 2015	9.1
Net movement for the year (nil)	
Other (useable) Reserves balance 31 March 2016	**9.1**

This means that the General Reserve brought forward from 2014/15 remains at £1.9 million at the end March 2016, this reserve is held to allow for any unexpected or emergency events that are considered to be medium or high risk by the Authority.

The Other (Useable) Reserve has remained unchanged in year at £9.1 million and forms an integral and important part of the overall financial strategy and future security for this Authority as incorporated within the approved Medium Term Financial Strategy (MTFS) and Reserves Strategy. Reserves have been earmarked to support the Authority during the ongoing severe austerity measures that have been imposed by Government during the last four years that has seen settlement funding reduced for this Authority by around £5.9 million. Future capital commitments (e.g. replacement of Aerial Ladder Platform) and vehicle replacement programme will also be supported by this reserve and in addition it will provide resilience for potential future contingent liabilities (see note 37). The Reserves balance is forecast to reduce to around £2 million by 2020 in line with this approved reserves strategy.

Capital Expenditure

During 2015/16 the Authority spent £1.5 million on capital projects, summarised as follows:

Capital Expenditure Outturn 2015/16	Actual £m	Actual %
Land and Buildings	0.6	41%
Vehicles, Plant and Equipment	0.3	22%
Information Technology	0.3	17%
Risk Reduction Equipment	0.3	20%
Total Capital Expenditure	**1.5**	**100%**

The capital programme outturn for 2015/16 of £1.5 million was significantly reduced in year for the fourth consecutive year, again this reduction has been in response to funding reductions and removal of any capital maintenance grant funding by Central Government.

All capital expenditure for the last three years has been fully funded through a combination of direct revenue contribution, capital grants received and also asset sales. No additional borrowing has been required and when taking into account the provisions made for repayment of debt the overall gross debt position (Capital Financing Requirement excluding PFI) for the Authority has reduced by £1.3m in year and £4m during the last three years. This action has improved the long term financial position for the Authority and demonstrates a commitment to deliver ongoing efficiency as a result of effective financial planning.

Land and buildings included £0.2m for the committed expenditure on the two transformational funding projects that are discussed in more detail below. A further £0.4m has been spent on minor building enhancements including site security improvements works at headquarters in Stone.

The capital expenditure in year was financed from three sources: £1.0m in year revenue contribution, £0.2m from government grants and £0.3m from the disposal of land at Ashley (replacement station built at Loggerheads as part of the second Private Finance Initiative programme (PFI2).

Pensions

Accounting standards require the full cost of pension benefits as they are earned to be reported in the accounts. The impact of this requirement on the accounts is significant with the total balance sheet liability for pensions amounting to £379 million and this is the main reason for the excess of £339 million worth of liabilities over assets. The amounts included within the balance sheet reflects an estimate of the total pension liability and incorporates a number of assumptions that change over time. This liability does not affect the Authority's ability to continue as a going concern as it refers to future liabilities that will be met by future contributions.

The firefighter pension schemes are unfunded defined benefit schemes and any deficit on the scheme is met by Central Government through the Home Office and a top-up payment is received by the Authority annually to cover any shortfall.

The year on year reduction in total pension liability (c.£59 million) incorporated into the Statement of Accounts for 2015/16 is primarily associated with the impact of fund valuation mainly through changes in financial assumptions that included a small increase in the discount rate (0.25%) used by the actuary within the valuation of the Firefighter and Local Government pension schemes and also short term restrictions on future pay increases (increases limited to 1%) have also been assumed to 2020. See Firefighters Pension Fund Note 40 for further information.

Financial Position

The Authority have a strong track record of delivering the level of savings required during the past few years due to the impact of the Government's ongoing austerity agenda. Up to 31 March 2015 cuts of around £4.0 million had already been imposed mainly through lower Revenue Support Grant (RSG). Despite this reduction we have demonstrated the best performance in recorded history in terms of fire related deaths and injuries. Our transformation journey started ahead of the budget reductions to ensure that we considered our changes systematically. A reduction in funding has not resulted in a reduced service but in a fire and rescue service that is smarter and uses resources more intelligently.

In 2015/16 further cuts in settlement funding of £1.75 million were incorporated into the revenue budget as part of the approved Medium Term Financial Strategy (MTFS) which incorporated anticipated savings of £5.7 million required by 2020. In response to the significant financial challenges for 2015/16 and beyond a number of proposals were issued for consultation in the early part of 2015. Our Community Safety Options demonstrated the way in which we combine prevention, protection and response activities to make our communities safer, whilst meeting the challenge of reduced public sector funding. They also reflected the changing demands and risks placed upon the Service today. The communities of Stoke-on-Trent and Staffordshire, and our staff, were consulted on a number of principles including the use of different vehicles and crewing methods, changing crewing to reflect times of peak and low demand, working more closely with neighbouring fire and rescue services and the removal and relocation of some emergency response vehicles and equipment. In July 2015 the Fire and Rescue Authority approved a number of these options that will deliver a full year saving of £1.1 million during 2016/17 now that they have been fully implemented.

The approval of the Community Safety Options during the year in addition to the impact of tight budgetary control and vacancy control management has resulted in the target savings for 2015/16 being exceed, which has facilitated to direct funding contribution to capital spend in year.

A number of detailed work streams continue to be developed that form part of our savings pipeline for 2016/17 and beyond. These include; pay options for our Retained Duty System, integration with partners, the

Staffordshire Efficient Response Options SERO project including Incident Response Team trials and also work on our next Community Safety Options proposals.

The savings pipeline must therefore continue to be developed in order to deliver this significant level of cost reduction through new, innovative and intelligent ways of working, and savings plans for the four years to 2020 will be published in the Autumn of 2016. The Authority remain firmly committed to achieving this unprecedented level of savings without compromising community or firefighter safety and protecting as many livelihoods as possible within the Service.

Private Finance Initiative (PFI)

In July 2013, the Authority achieved financial close on the second PFI project, with £45m of PFI Credits secured. This funding is enabling ten stations to be rebuilt across the county at Longton, Burton upon Trent, Lichfield, Leek, Chase Terrace, Penkridge, Kinver, Rugeley, Stone and Codsall and to build a brand new station at Loggerheads which has replaced the current station at Ashley.

As at 31 March 2016, all eleven Community Fire Stations had been completed and handed over to the Authority by Blue^3 consortium, formed through a partnership between Kier and Calderpeel. Of these new stations five were commissioned in 2015/16 at Lichfield, Burton, Penkridge, Codsall and Leek, and all have been incorporated within the fixed asset additions of £16m for the year (see note 8).

This second phase of PFI was in addition to the first PFI project that was secured in 2006 to build three brand new fire stations and rebuild seven existing stations.

All twenty one stations have a clear community focus and community groups are encouraged to use the facilities at the stations. The new stations are all equipped with hi-tech operational facilities and have space for more community safety activities such as Student Firefighter courses. All of the new stations also incorporate dedicated rooms and amenities for the benefit of community groups', while most of the stations have fitness equipment that can be used by supervised groups.

The Authority receives £7m in funding annually from central government, which currently supports around 70% of the unitary charge payable for both PFI projects. This funding is fixed for the 25-year period of each PFI.

Community use

The Authority has 28 community fire stations across the County of Staffordshire all of which have some space made available, free of charge, to community groups and partners for activities which support the priorities of Staffordshire Strategic Partnership. The policy to provide facilities to the communities of Stoke on Trent and Staffordshire is underpinned by the county-wide strategic partnership objectives that "Staffordshire will have a thriving economy" and "Staffordshire will be a safe, healthy and aspirational place to live".
The application process ensures that groups run by the community for the benefit of the community and to date the community use is exceeding our expectations, with over 700 bookings per month, allowing the Service to fully engage and better understand the needs of our communities. Community stations are providing a meeting place for different groups, charities and public sector organisations across the country ranging from Staffordshire Police, the NHS, Citizens Advice Bureau and housing associations to music for the Turkish community, creative writing, community crafters and gardening.

Transformational Funding

During 2014 the Authority submitted two bids and were successful in securing £5.1m in capital funding for two asset and community based development projects, as follows:

Biddulph - provision of joint Fire and Ambulance Community Station

Stafford (Beaconside) – Provision of Joint Fire and Ambulance Services Community Station with integral Safer Communities Centre, which is also referred to as a ‘life skills centre’. Safety centres are exciting and realistic indoor townscapes that include life-like scenarios such as a street scene, road crossing, car, water scene, railway, house, shop and much more. These scenarios enable centres to deliver practical, interactive, scenario-based education to children and adults in safety, citizenship and life skills.

Both exciting projects have been in the design stage during 2015/16 which has involved extensive discussion with partners, and the creation of a governance board for the life skill centre, and will provide a very important role within the communities served, not only providing safer communities but also influencing and improving social, economic and health outcomes within Staffordshire and Stoke on Trent.

Both projects are due to commence construction during 2016/17.

Community Interest Company

Following the completion of the PFI1 project in 2011 the Authority established a Community Interest Company (CIC). The company is known as The Stoke on Trent & Staffordshire Safer Communities Community Interest Company. It was formed in partnership between public, private and voluntary sector with the primary purpose of providing opportunities to improve the health, safety, social and economic wellbeing of the communities of Stoke-on-Trent and Staffordshire. Its vision is to support active citizenship and financial sustainability through social enterprise and income generation.

The CIC is in its infancy and the financial position of the company is not material in terms of the overall financial position of the Authority therefore their figures do not form part of the Authority’s Statement of Accounts. However, the position of the CIC might be of interest to the user and further details about the company’s trading results can be found in notes 30 and 31.

Future Outlook

The Prime Minister confirmed in January 2016 that ministerial responsibility for fire and rescue policy would transfer to the Home Office from the Department for Communities and Local Government, in order to support a radical transformation of how the police and fire and rescue services work together.

The move being part of the government’s manifesto commitment to deliver greater joint working between the police and fire service, to pave the way for improvement in local fire and policing by providing clear leadership, supporting greater collaboration, improve national resilience, and deliver value for money for taxpayers. It was also to allow the government to share good practice more effectively on areas such as procurement and prevention. The Police and Crime Bill was introduced into the House of Commons in February 2016 and is expected to achieve royal assent by the end of 2016 and will place a duty on police, fire and ambulance services to collaborate and enable Police and Crime Commissioners (PCCs) to take on responsibility for fire and rescue services, where a local case is made.

A pro-active approach to collaboration and integration has been adopted by the Authority which has already led to collaboration with Staffordshire Police in departments such as Occupational Health, Driver Training, Supplies as well as Transport and Engineering. The latter has seen the development of the workshop site at Trentham Lakes into a combined Joint Emergency Transport Service and by March 2016 both fleets were being serviced and repaired at this site. The need to be more efficient has seen the move to a shared Fire Control with West Midlands Fire Service and created a desire to investigate the potential for shared police and ambulance stations in addition to the two projects supported by the transformational funding grant. There is also a strong desire to explore collaboration and integration across other areas, not limited to blue light organisations. A team has been established to investigate this potential with all our main partners during 2016 and a governance board established to oversee this important workstream.

The Authority continues to face significant financial challenges with funding reductions announced by Government as part of the 2016/17 settlement. The Authority have also been offered the opportunity to accept a four-year settlement that will see settlement funding cuts of around £4.0m imposed by 2019/20. This settlement will be considered by the Authority in early Autumn 2016 alongside the publication of robust and transparent efficiency plan should the settlement be accepted.

The Authority has set a balanced budget for 2016/17 at £40.5m, and incorporates the settlement funding reduction imposed by Central Government of £1.4m for 2016/17. The Corporate Safety Plan sets out the focus for the Authority up to 2017, and is supported by the approved Medium Term Financial Strategy and a strategy for the use of reserves up to 2020.

The Authority recognises that the longer term financial stability of the Service, and the protection and safety of firefighters and the communities served by this Authority, relies upon the delivery of significant future savings through the implementation of changing service delivery models, focusing resources on risks and priorities through intelligence led, risk based decisions, and collaboration and integration with partner organisations'. Continued strong financial performance, intelligent use of resources and reserves will ensure that the Authority is well equipped to make the important decisions that will be required during the next few years.

These Accounts are due to be approved by the Audit Committee on the 27th July 2016.

David Greensmith ACMA CGMA
Director of Finance, Assets and Resources, Section 151 Officer, Treasurer to the Authority
Date: 27th July 2016

Audit Certificate

Independent Auditor's report to the Members of Stoke on Trent and Staffordshire Fire and Rescue Authority

We have audited the financial statements of Stoke and Staffordshire Fire and Rescue Authority (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 8. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act 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 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.

Respective responsibilities of the Director of Finance Assets and Resources and auditor

As explained more fully in the Statement of the Statement of the Director of Finance Assets and Resources Responsibilities, the Director of Finance Assets and Resources 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance Assets and Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

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

We are required under Section 20(1)(c) of the Act 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.

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects *the Authority* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

…………………………………………

James A Cook
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building
20 Colmore Circus
Birmingham B4 6AT

Date: 27th July 2016

Statement of Responsibilities

The Authority's 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. For this authority, the responsibility of Chief Financial Officer is allocated to the Director of Finance, Assets and Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

Chairman's Certificate

I certify that the 2015/16 Statement of Accounts for Stoke on Trent and Staffordshire Fire and Rescue Authority were approved by the Audit Committee on 27th July 2016.

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Mr P R Davies
Chairman of the Audit Committee

Date: 27th July 2016

The Director of Finance, Assets and Resources Responsibilities

The Director of Finance, Assets and Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper accounting practices as set out in CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

The Director of Finance, Assets and Resources is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2016.

In preparing this statement of accounts, the Director of Finance, Assets and Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the local authority Code of Practice.

The Director of Finance, Assets and Resources has also:

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

The Director of Finance, Assets and Resources' Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Stoke on Trent and Staffordshire Fire and Rescue Authority as at 31 March 2016 and the income and expenditure for the year ending 31 March 2016.

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David Greensmith ACMA CGMA
Director of Finance, Assets and Resources, Section 151 Officer, Treasurer to the Authority

Date: 27th July 2016

Annual Governance Statement

Scope of Responsibility

The Authority is responsible for ensuring that:

- Business is conducted in accordance with the law and proper standards,
- Public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging these overall responsibilities, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Authority has approved and adopted an updated Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework “Delivering Good Governance in Local Government”. Copies of the Code can be obtained from the Secretary to the Authority.

This statement explains how the Authority has complied with the Code and also meets the requirements of Regulation 6(1)(a) of the Accounts and Audit(England) Regulations 2015 that requires Stoke on Trent and Staffordshire Fire and Rescue Authority to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published statement of accounts. Regulation 6(1)(b) requires that the statement is an Annual Governance Statement.

The Purpose of the Governance Framework

The Governance Framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Governance Framework has been in place at the Authority for the year ended 31st March 2016 and up to the date of approval of the 2015/16 Statement of Accounts.

The Governance Framework

The Authority’s Governance Framework is made up of many systems, policies, procedures and operations. The key elements are as follows:

<u>Stoke-on-Trent and Staffordshire Corporate Safety Plan 2014-2017</u>

The Authority has consolidated the IRMP (Integrated Risk Management Plan) and the Strategic Plan into one document called the Corporate Safety Plan that has established our Corporate Aims and Objectives for the three years to 2016/17. This Plan was approved by the Strategy and Resources Committee on 3rd March 2014, and sets out the objectives and strategic priorities of the Authority based on extensive consultation with all stakeholders, and fulfills the requirements of the Fire & Rescue Service National Framework Document.

Performance Management

A well established and robust performance management system is in place throughout the Authority with regular performance monitoring being carried out by Directors'.

A detailed Resource Control Report is published internally on a monthly basis and incorporates all of the key information expected as part of a commercially focused set of Management Accounts. The Resource Control Report closely monitors the performance of the Authority and achievement of actual savings realised through its robust transformation programme. A newsletter style finance update is also issued on a monthly basis and is available to all staff within the Service.

Detailed financial reports are presented to, and scrutinised by Members of the Authority's Strategy and Resources Committee on a quarterly basis. The reports include full details of performance against budget for the key reporting areas namely; revenue, capital, cash and delivery of efficiencies and savings.

As part of its corporate planning the Authority sets out the key performance indicators both quantitative and qualitative that measure the delivery of its strategic objectives. Achievements against these key performance indicators are reported monthly to the Service Delivery Board and regular monitoring reports are sent to the Scrutiny and Performance Committee. Performance reports inform resource allocation decisions.

Framework

The framework for running the Authority and Service are embodied in various statutes, standing orders, financial regulations, scheme of delegation, and there are Codes of Conduct for both Members and staff. These are regularly reviewed and induction and training are provided where appropriate. The Authority has Terms of Reference for its Committees which are reviewed annually by the full Authority.

There are a range of policies including anti fraud and corruption, anti money laundering and a confidential reporting code (whistle-blowing) which are all reviewed and updated as appropriate.

The Authority has a robust process for risk management and business continuity with strategic risks that are linked into corporate objectives. Risk Management including controls assurance was subject to internal audit during the year with a substantial assurance rating being achieved.

A vision for transforming the future of Staffordshire Fire and Rescue Service has been published within the Staffordshire Fire 2020 document. The Statement of Assurance for 2014/15 has also been published, a document that supports the governance framework in place within the Authority.

The Authority has well established methods of communication with various stakeholders and continues to invest in an effective communications team to ensure key messages are received by staff and our communities.

Review of Effectiveness

The review of the effectiveness of internal control is informed by the work of Directors who have responsibility for the development and maintenance of the internal control environment, as well as the Authority's Monitoring Officer, Internal Audit and Managers who have day to day responsibility for ensuring the Governance Framework is functioning properly. Additional comments are made by external audit and other review agencies and inspectorates.

The Service Delivery Board, the Service Management Board, the Authority and its Committees have maintained their governance by setting the budget for 2015/16 and approving the Medium Term Financial Strategy upto 2019/20. During the financial year they have received, reviewed and scrutinised reports. Performance delivery and budget management have been kept under regular review and where appropriate remedial action and resource reallocation has been instigated. The Authority held a number of Member Development Workshops throughout the year to ensure that all Members were kept fully up to date with current issues affecting the Service, therefore maximising the effectiveness of Members and importantly their contribution to development and improvement of the Service.

Throughout the year Internal Audit has carried out a range of planned reviews of systems and internal controls across the Service. During 2015/16, thirteen audit reviews were undertaken and Table 1 summarises the systems coverage against the Audit Plan and associated opinions:

Table 1

	Opinion			
System Description	**Substantial**	**Satisfactory**	**Limited**	**Consultancy**
National Fraud Initiative				√
Risk Management Including Controls Assurance	√			
Proactive Counter Fraud & Corruption Work Programme – Fraud Risk Assessment/Fraud Checklists		√		
Innovation & Efficiency Strategy		√		
Bank Account Reconciliation	√			
General Ledger	√			
Firefighter Pensions Administration		√		
Retained Firefighters – Compensation Payments	√			
Payroll Processing Procedures	√			
Purchasing Card System	√			
Project Management – Fire Transformation Fund	√			
PFI~2 Contract Monitoring Arrangements	√			
Fire Computer Audit - SFRS Firewatch Resource Management System Project Review		√		
Total Audits Delivered (13)	**8**	**4**	**0**	**1**

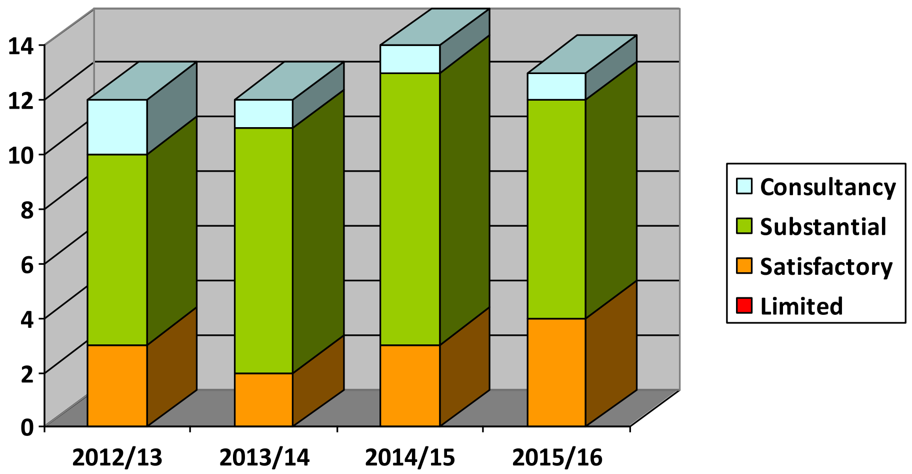
In addition to the above, a fraud awareness session was undertaken during 2015/16 for Members' of the Audit Committee to provide an overview of fraud risks affecting Fire Authorities and "Issue five" of the Fraudwatch Newsletter was produced and communicated across the Service.

The opinions for the reviews completed have all been positive in that substantial assurance has been given to eight audits and satisfactory assurance for a further four audits. For the remaining review, no opinion was given due to the nature of the work undertaken.

Two high level recommendations were made in the previous year, 2014/15. The first was made during the review on the control of mobile devices and related to the need to reiterate to holders of mobile phones/devices the requirements contained in the mobile devices policy. The second, high level audit recommendation was made as part of the review of firefighter pensions administration in 2014/15 and related to the need to ensure that lump sum pension payments were approved in accordance with scheme of delegated authority. Testing carried out as part of the 2015/16 firefighter pensions administration audit found that this recommendation has now been satisfactorily implemented.

In relation to the planned internal audit work completed during 2015/16, no high level recommendations have been made.

A comparison of the internal audit opinions issued year on year is shown in the chart below and demonstrates that on a consistent basis there is a high number of audit reviews that are resulting in a substantial opinion in relation to the system and application of internal controls.



Overall Opinion on the Control Environment

Current Methodology

The UK PSIAS requires that the Head of Internal Audit (HIA) must deliver an annual internal audit opinion on the overall internal control environment of the Authority. The methodology for formulating this opinion is set out within the Internal Audit Strategy which was approved by the Audit Committee on 3rd March 2015.

Each separate category of audit work is assessed against a benchmark of achieving a score of at least 90% of the total number of audits performed being awarded an opinion of "satisfactory or above" within each category. For reasons of simplicity, each category attracts equal weighting and a simple pass/fail assessment is used to differentiate the overall opinion between "Substantial, Satisfactory and Limited" as illustrated below:

Overall Opinion Level	**No of categories achieving the 90% benchmark**
Substantial Assurance	5 out of the 5 categories
Satisfactory Assurance	3 or 4 out of the 5 categories
Limited Assurance	3 and below out of the 5 categories

Calculation of the 2015/16 Overall Assessment

Audit category	**% awarded an opinion of at least Satisfactory**	**Pass/Fail**
(1) Systems Audits	100%	Pass
(2) Counter Fraud & Corruption	100%	Pass
(3) Compliance Audits	N/A – None carried out in 2015/16	N/A
(4) Special Investigations	100% (no losses/no control environment issues)	Pass
(5) Consultancy Reviews (excluding NFI exercise)	N/A – None carried out in 2015/16	N/A
Overall Total		**3 out of 3 categories**

Based on the above, a **"substantial"** assurance opinion on the overall adequacy and effectiveness of Stoke on Trent and Staffordshire Fire and Rescue Authority's governance, risk and control framework (i.e. the control environment) has been given for the 2015/16 financial year.

Performance Against the UK Public Sector Internal Audit Standards

The UK PSIAS came into force on 1st April 2013 with the aim of promoting further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. A Local Government Application Note was also developed by CIPFA to provide further explanation and practical guidance on how to apply the standards within Local Government organisations including Fire Authorities.

The UK PSIAS include a number of requirements including a specific requirement to maintain a quality assurance and improvement programme (QAIP), which is designed to assess the efficiency and effectiveness of internal audit as well as identify opportunities for improvement. There are three key elements to the QAIP:

- **On-going and periodic internal assessment** – Ongoing and periodic assessment of the entire spectrum of audit and consulting work performed by the internal audit activity. Periodic assessments should be undertaken by other officers of the organisation who have sufficient knowledge of internal audit practices.
- **Five-yearly external assessment** – External assessments of internal audit should be undertaken every five years. The assessment should to be performed by qualified and independent assessors or assessment teams that are external to the organisation. They can be undertaken as a full external evaluation or a self-assessment with independent external validation.
- **Improvement programme** - If the assessments' results indicate areas for improvement, the HIA will implement the improvements through the QAIP.

Annually, a self–assessment is carried out against the UK PSIAS and CIPFA Local Government Application Note. The HIA has carried out the self-assessment exercise against the standards for 2015/16, the results of which are summarised below. It can be seen that 90% of the standards are deemed to be fully in place.

Process/control In-Place	Process/control Partially In Place	Process/control Not In Place	Process/control Not Applicable
278 (90%)	15 (5%)	12 (4%)	4 (1%)

For those areas of partial/non-compliance a detailed action plan has been produced, although none of these are considered to significantly affect the effectiveness of Internal Audit. The key areas where improvements were identified as part of the June 2015 self-assessment have been actioned and progressed during 2015/16. A number of areas of non-conformance were highlighted as part of this year's self-assessment which will not involve any further action.

The work undertaken by the Internal Audit Section during 2015/16 and reported within the Annual Outturn Report has been performed in accordance with PSIAS. In relation to the above, there are no impairments or restrictions in scope which prohibit the CIA from delivering the annual Head of Internal Audit opinion for 2015/16.

Compliance with Key Performance Targets

Key Performance results for the Internal Audit Section (as defined within the Audit Strategy) show that set targets have been exceeded.

Description	**Target %**	**2013/14 %**	**2014/15 %**	**2015/16 %**
Reports issued to draft report stage:				
➢ Systems Audits	**90**	100	100	100
➢ Compliance audits	**90**	N/A	N/A	N/A
Average score for Quality Questionnaires from clients is equal to or exceeds the 'good' standard:				
➢ System audits	**90**	100	100	100
➢ Compliance audits	**90**	N/A	N/A	N/A

External Audit

On 24 November 2015 the Strategy and Resources Committee considered the Annual Audit Letter for 2014/15, issued by Grant Thornton who provide the external audit service to the Authority.

Grant Thornton reported that on the basis of their work, and having regard to the guidance on the specified criteria published by the Audit Commission, they were satisfied that in all significant respects the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Organisational Structure

The organisational structure for 2016/17 has undergone some significant changes following the retirement of Peter Dartford in April 2016 with Rebecca Bryant appointed as Chief Fire Officer/Chief Executive to succeed Mr Dartford. The Director for Response, Rob Barber, has subsequently been appointed as Deputy Chief Fire Officer/Deputy Chief Executive to support The Chief Fire Officer in her new role. The appointments were both confirmed following a rigorous recruitment process undertaken by the Authority.

Future Governance Arrangements

As discussed within the Future Outlook section of the Narrative Statement the responsibility for the Fire and Rescue Service moved to the Home Office in January 2016 and with the introduction of the Police and Crime Bill this may result in some changes to the governance arrangements that exist within Stoke-on-Trent and Staffordshire Fire and Rescue Authority during 2016/17 and beyond. The Home Secretary has announced a reform agenda that incorporates accountability, workforce reform, efficiency, effectiveness and achieving value for money for the taxpayer. New models of governance, a more diverse workforce, new approaches to collaboration and the introduction of a new inspection regime will all be aspects of this reform programme that will be fully supported by both the Authority and the Fire and Rescue Service.

…………………………………….
S Sweeney
Chair of Stoke on Trent and
Staffordshire Fire and Rescue Authority

Date: 27th July 2016

…………………………………….
R Bryant
Chief Fire Officer / Chief Executive

Date: 27th July 2016

……………………………………..
D Greensmith ACMA CGMA
Director of Finance, Assets and Resources /Section 151 Officer /Treasurer to the Authority

Date: 27th July 2016

Statement of Main Accounting Policies

1. General Principles

The Statement of Accounts have been prepared in accordance with proper accounting principles contained within the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the International Financial Reporting Standards (IFRS).

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

2. Property, Plant and Equipment

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment (PP&E) has been capitalised provided it yields benefit to the Authority for more than one year. Capital expenditure enhances the value, usage or life of an asset.

PP&E valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). The Authority revalues its entire land and building portfolio sufficiently regularly, as a minimum every five years. At the end of every year values are reviewed and any significant changes are treated appropriately.

Revaluation gains are taken to the revaluation reserve and revaluation losses are written off against any balance on the revaluation reserve for that asset or to the Comprehensive Income and Expenditure account if the balance on the revaluation reserve is less than the loss.

PP&E are classified into the groupings required by the Code of Practice on Local Authority Accounting and valued on the following basis:

- Land is included in the balance sheet at net current replacement cost.
- Properties where there is evidence of Market Value are valued at Open Market Value for Existing Use. Specialised properties, where there is no evidence of market value, are valued at Depreciated Replacement Cost.
- Plant and Equipment is measured at the purchase price and any attributable costs.

The Authority has a de-minimus of £10,000.

Component accounting

From the 1st April 2010 the Authority has adopted component accounting, as set out in IAS 16 – Property, Plant & Equipment. The Authority has componentised all Property, Plant and Equipment where the components have a distinctly different economic life. This enables PP&E to be accurately and fairly included in the Authority's Comprehensive Income and Expenditure Statement (CIES) so that the depreciation charge properly reflects the consumption of the asset.

Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts have been grouped together.

Where a component of an existing asset has to be de-recognised and the component amount is not known, then an estimate using a reasonable basis has been used. The component calculation is established using the replacement cost of the component, indexed back to the original component's inception and adjusted for any subsequent depreciation and impairment.

Any surpluses arising on the initial valuation of fixed assets have been credited to the Capital Adjustment Account. Surpluses arising on revaluation are credited to the Revaluation Reserve.

3. Intangible Assets

The Authority defines intangible assets as identifiable non-monetary asset without physical substance; as per IAS 38. The intangible assets (e.g. computer software) are measured at cost.

4. Basis of Charge for the use of Assets

A depreciation charge is reflected in the CIES and is calculated on all PP&E and Intangible assets according to the following policy:-

- A charge is made for all fixed assets with a finite useful life. This charge is calculated using the straight line method.
- Land is not normally depreciated.
- Buildings are depreciated in accordance with IAS 16 – Property, Plant and Equipment. According to the most recent valuation report, all buildings have an asset life of 60 years and are depreciated on a straight line basis over this period.
- Operational vehicles, plant and equipment have an asset life between 5 and 10 years. Fire appliances have an asset life of between 11 and 15 years. Both classes are depreciated on a straight line basis over these periods.
- Information technology assets have an asset life of 3-5 years and are depreciated on a straight line basis over this period.
- Newly acquired assets are depreciated from the year following acquisition. Assets in the course of construction are not depreciated until used.
- Intangible assets are amortised over their economic life (between 3 and 10 years).

5. Revenue Provision for the Repayment of Debt

In accordance with the requirements of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 the Authority is required to calculate a 'prudent' level for the repayment of debt. This is achieved through 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. This charge is calculated as follows:

- For capital expenditure incurred before 1st April 2008 or which in the future is supported capital expenditure, the Minimum Revenue Provision (MRP) policy is to set aside a provision equal to 4% of the previous year's Capital Financing Requirement.
- From 1st April 2008 for all unsupported borrowing, excluding finance leases, the MRP policy uses the Asset Life Method i.e. MRP will be an annual charge based on the estimated life of the assets. The provision is set aside in the year following the capital expenditure.
- MRP is also charged against Private finance Initiatives. The capital element of repayments is being used as a proxy for the PFI MRP.

6. Leasing Charges

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.

During 2015/16 the Authority held finance leases under the definition of IAS 17 Leases. Leases are accounted for in accordance with IAS 17, operating leases are not capitalised and rentals are charged directly to the CIES in the year to which they relate. Finance leases are capitalised with transactions reflected on the

Balance Sheet as fixed assets and deferred liabilities and through the CIES as interest payable and similar charges.

7. Non current assets held for sale

Non-current assets are reclassified as an Asset Held for Sale where it is probable that the carrying amount of the asset will be recovered through a sale transaction rather than through its continual use.

The asset is revalued and carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

8. Capital Receipts

Capital receipts from the disposal of assets are treated in accordance with the provisions of the Local Government Act 2003.

9. Inventories

Workshop, Fuel and Stores inventories are maintained, and where material, are shown in the Balance Sheet. The workshop inventory is valued at the lower of cost or net realisable value. The stores' inventory is valued at First In First Out (FIFO) and the fuel is valued at cost. Other immaterial inventories, e.g. stationery, are fully charged to the CIES in the year of purchase.

The Authority does not currently provide for obsolescence or loss in value since amounts written off remain fairly constant and therefore equate to an annual provision.

10. Debtors and Creditors

The Accounts have been prepared on an accruals basis and provision for sums due to or owed by the Authority is included in the accounts where the cash has not actually been received or paid during the year. Income has only been included in the accounts when it can be realised with reasonable certainty. Proper allowance is made for known losses or liabilities where these are material and can be reasonably estimated otherwise these are disclosed by way of note as contingent liabilities.

11. Pensions

The disclosure requirements are included in the main financial statements as notes to the accounts in accordance with CIPFA recommended practice and IAS 19 – Employee Benefits.

Types of pension schemes

The Authority participates in two different pension schemes, which meet the needs of employees.

a) Firefighters

   This scheme is unfunded and the charge to the accounts represents the Authority's (as employer) contribution to the fund for the year.

b) Other Pensionable Employees

   Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The pension costs that are charged to the Authority's accounts in respect of these employees are equal to the contributions paid to the funded pension scheme for these employees.

In accordance with IAS 19 the authority recognises the cost of retirement benefits within the Net Cost of Services, when they are earned, rather than when benefits are actually paid as pensions. However the charge to be made to the Council Tax, via the precepts, is based on the amount payable in the year. The difference is reversed out in the General Fund.

12. Interest on Balances

During the year surplus money was invested and the interest earned credited to the Comprehensive Income and Expenditure Statement.

13. Government Grants and Contributions

Government grants and contributions are recognised in the CIES when conditions attached to the grant or contribution has been satisfied. Government Grants and contributions that have not been satisfied are carried in the Balance Sheet as creditors. Where capital grants are credited to the CIES they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant is yet to be used to finance capital it is held on the Capital Grant Unapplied reserve. When it has been used it is transferred to the Capital Adjustment Account.

14. Changes in Accounting Policies

The Authority has reviewed its accounting policies in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors which sets out the principles to be adopted and disclosures that are required within the Statement of Accounts. Any appropriate changes have been applied.

15. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The amount of borrowings presented in the Balance Sheet is the outstanding principal repayable, and interest charged to the CIES is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure in the CIES in the year of repurchase/settlement.

However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts are charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

16. Financial Assets

Financial assets are recognised when the Authority becomes party to a financial instrument contract and are de-recognised when the contractual rights have expired.

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to CIES is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the CIES.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the CIES.

17. Fair Value Measurement

The Authority measures some of its non-financial assets, such as some of its financial instruments, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act their economic best interest.

The authority used valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, 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

18. Collection Fund Adjustment Account

The Council Tax and the non-domestic rates income included in the CIES will show the accrued income for the year. The difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is held in the Collection Fund Adjustment Account and included as a reconciling item in the 'Adjustments between accounting basis and funding basis under regulations' reconciliation.

The Authority's Balance Sheet shows the proportion of surplus/deficit of the Billing Authorities Collection Fund in the Debtors/Creditors balance. The Authority also shows the attributable share of the impairment allowance for doubtful debts and a provision for non-domestic rates appeals.

19. Private Finance Initiative (PFI)

PFI transactions are treated in the Authority's accounts in accordance with latest recommended practice of Control of Assets (IFRIC12 – Service concession arrangements).

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI scheme and the ownership of the fixed assets will pass to the Authority at the end of the contract for no additional charge, the Authority carries the fixed assets used under the contract on the Balance Sheet.

Fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year (known as Unitary Charges) are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the CIES
- Finance costs – an interest charge of an agreed % on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the CIES
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the CIES
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- Lifecycle replacement costs (regular planned refurbishments) – debited to the relevant service in the CIES

20. Employee Benefits – Accumulating Compensating Absences

A review of the cost of holiday entitlements (in the form of annual leave, lieu time and flexi-time) earned by employees but not taken before the year-end which employees can carry forward into the next year. If the value is of a significant amount an accrual is charged to the CIES.

21. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

22. Reserves

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

The Authority holds the following Usable Reserves:

- **General Reserve** – a risk assessment of the pressures likely to face the Authority is undertaken, and the current balance on this reserve represents those identified high and medium risks, in proportion to the probability of their occurrence.

- **Earmarked Reserves Revenue Grants** – the balance held represents grants received which have no outstanding conditions but have not been fully utilised in the year; the grant is fully recognised in the CIES.

- **Capital Grants Unapplied** – the balance held represents grants received and fully recognised in the CIES but have not been applied to an acquisition.

- **Civil Contingency Reserve** – this reserve is made up of budgeted contributions and unspent balances from previous years. It is held as a contingency to cover unexpected occurrences.

- **Other Reserve** – the balance held represents invest to save and efficiency drive targets to fund initiatives as part of our Business Transformation Programme, other future projects or future uncertainties in funding. It is made up of budgeted contributions and planned efficiency savings from previous years.

The Authority holds the following Unusable Reserves:

- **Collection Fund Adjustment Account** – the balance held represents the accrued council tax income presented in the CIES.
- **Capital Adjustment Account** – the balance held represents the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.
- **Pension 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.
- **Revaluation Reserve** – contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment, and Intangible Assets.

23. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice for Local Authorities 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a single function democratic organisation.
- Non Distributed Costs – the costs of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

24. Heritage Assets

The Authority holds a number of heritage assets. The assets are held in secure locations, either Fire Stations or the local City Museum.

The assets are appropriately and sensitively preserved and insured 20% above the valuation. The Authority does not seek to acquire assets of this nature, and has no intention of disposing of the assets currently held.

The assets have been valued by an independent specialist based on current open market sale value.
Due to the value of the assets held they are not recognised in the balance sheet in accordance with the code.

25. Accounting Standards That Have Been Issued But Not Yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom has introduced several changes in accounting policies that need to be disclosed. 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.

- **Amendments to IAS 19 Employee Benefits**
  Employee Contributions of the Defined Benefit Plans
- **IFRS 11 Joint Arrangements**
  Accounting for Acquisitions of Interests in Joint Operations
- **IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets**
  Clarification of acceptable methods of depreciation and amortisation

- **Amendments to IAS 1 Presentation of financial Statements**
  Disclosure initiative

- **Annual Improvements to IFRS (2010 - 2012 cycle and 2012 - 2014 cycle):**
  The International Accounting Standards Board's (IASB) annual improvements project provides a streamlined process for dealing efficiently with a collection of amendments to IFRSs. The primary objective is to enhance the quality of standards by amending existing IFRSs to clarify guidance and wording or correct minor oversights.

- **The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.**

- **The changes to the format of the Pension Fund Account and the Net Assets Statement.**

26. Events After the Reporting Period

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

- **Adjusting Events**
  Those events that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

- **Non-adjusting Events**
  Those events 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 either their estimated financial effect or a statement that such an estimate cannot be made reliably.

27. Accrued Revenue Income and Expenditure

The revenue accounts are maintained on an accruals basis. Expenditure is charged to the revenue accounts in the period in which goods and services are received and fall due, similarly, income is credited in the period in which it falls due, regardless of the timing of cash payments or receipts. The exception to the accruals basis is where the amounts involved are not material.

Interest due to or from third parties in relation to loans and investments, is accrued in full at the year-end.

Provision is made for the impairment of debts in the General Fund.

Where Income and Expenditure have been recognised but cash has not been received or paid, a Debtor or Creditor for the relevant amount is recognised on the Balance Sheet. Where debts may not be settled and it is likely that collection of such debt is doubtful, the balance of the debt is written down and a charge is made to revenue for the income that may not be collectable.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

2015/16	Note	General Fund (GF) Balance £'000	Earmarked GF Reserves £'000	Capital Receipts Reserve £'000	TOTAL USABLE RESERVES £'000	UNUSABLE RESERVES £'000	TOTAL AUTHORITY RESERVES £'000
Balance as at 31 March 2015		1,906	13,638	0	**15,544**	(423,173)	**(407,629)**
Movement in reserves during 2015/16							
Surplus or (deficit) on provision of services		(12,998)			**(12,998)**	**0**	**(12,998)**
Other Comprehensive Income & Expenditure					**0**	**81,532**	**81,532**
Total Comprehensive Income & Expenditure		(12,998)	0	0	**(12,998)**	**81,532**	**68,534**
Adjustments between accounting basis & funding basis under regulations	1	14,451	0	0	**14,451**	(14,451)	**0**
Net Increase / (Decrease) before Transfers to Earmarked Reserves		1,453	0	0	**1,453**	**67,081**	**68,534**
Transfers (To) / From Earmarked Reserves		(1,453)	1,453	0	**0**	**0**	**0**
Increase / (Decrease) in year		0	1,453	0	**1,453**	67,081	**68,534**
Balance as at 31 March 2016 c/f		1,906	15,091	0	**16,997**	(356,092)	**(339,095)**

2014/15	Note	General Fund (GF) Balance £'000	Earmarked GF Reserves £'000	Capital Receipts Reserve £'000	TOTAL USABLE RESERVES £'000	UNUSABLE RESERVES £'000	TOTAL AUTHORITY RESERVES £'000
Balance as at 31 March 2014		1,906	11,623	0	**13,529**	(386,389)	**(372,860)**
Movement in reserves during 2014/15							
Surplus or (deficit) on provision of services		(17,446)			**(17,446)**	0	**(17,446)**
Other Comprehensive Income & Expenditure					**0**	(17,323)	**(17,323)**
Total Comprehensive Income & Expenditure		**(17,446)**	**0**	**0**	**(17,446)**	(17,323)	**(34,769)**
Adjustments between accounting basis & funding basis under regulations	1	19,461	0	0	**19,461**	(19,461)	**0**
Net Increase / (Decrease) before Transfers to Earmarked Reserves		**2,015**	**0**	**0**	**2,015**	(36,784)	**(34,769)**
Transfers (To) / From Earmarked Reserves		(2,015)	2,015	0	**0**	0	**0**
Increase / (Decrease) in year		0	2,015	0	**2,015**	(36,784)	**(34,769)**
Balance as at 31 March 2015 c/f		**1,906**	**13,638**	**0**	**15,544**	**(423,173)**	**(407,629)**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing service in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

The Authority raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2014/15 Gross Expenditure £,000	2014/15 Gross Income £,000	2014/15 Net Expenditure £,000		2015/16 Gross Expenditure £,000	2015/16 Gross Income £,000	2015/16 Net Expenditure £,000	Note
11,484	(1,043)	10,441	Community Safety	12,170	(1,133)	11,037	
39,460	(3,777)	35,683	Fire Fighting & Rescue Operations	39,100	(3,471)	35,629	
603	(695)	(92)	Fire Service Emergency Planning	583	(699)	(116)	
6,936	0	6,936	Management & Support Services	7,475	0	7,475	
(6,936)	0	(6,936)	- Recharged to service areas	(7,475)	0	(7,475)	
219	0	219	Corporate and Democratic Core	214	0	214	
51,766	**(5,515)**	**46,251**	**Net Cost of Services**	**52,067**	**(5,303)**	**46,764**	
		307	Other Operating Expenditure			208	5
		20,230	Financing and Investment Income and Expenditure			15,780	6
		(49,342)	Taxation and Non-Specific Grant Income			(49,754)	7
		17,446	**(Surplus) / Deficit on Provision of Services**			**12,998**	1
		(416)	(Surplus) / Deficit on revaluation of non-current assets			(12,767)	8
		17,739	Remeasurements of the net defined benefit liability			(68,765)	40
		17,323	**Other Comprehensive Income and Expenditure**			**(81,532)**	
		34,769	**Total Comprehensive Income and Expenditure**			**(68,534)**	

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

2014/15 £,000		2015/16 £,000	Note
101,958	Property, Plant & Equipment	123,663	8
281	Intangible Assets	208	10
102,239	**Long Term Assets**	**123,871**	
496	Inventories	495	13
2,101	Short Term Debtors	4,082	14
11,051	Cash & Cash Equivalents	15,501	15
386	Assets held for sales (<1yr)	0	16
14,035	**Current Assets**	**20,078**	
(875)	Bank overdraft	(772)	15
(92)	Short Term Borrowing	(594)	12
(6,477)	Short Term Creditors	(5,318)	17
(51)	Grants Receipts in Advance	(4,981)	29
(7,495)	**Current Liabilities**	**(11,665)**	
(20,550)	Long Term Borrowings	(20,050)	12
(57,865)	Other Long Term Liabilities	(71,967)	34
(437,993)	Pension liability	(379,362)	40
(516,408)	**Long Term Liabilities**	**(471,379)**	
(407,629)	**NET ASSETS**	**(339,095)**	
15,544	Usable Reserves	16,997	18
(423,173)	Unusable Reserves	(356,092)	19
(407,629)	**TOTAL RESERVES**	**(339,095)**	

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by the 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 the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2014/15 £'000		2015/16 £'000	Note
17,446	**Net Deficit on the Provision of Services**	**12,998**	
(25,184)	Adjustments net deficit on the provision of services for non-cash movements	(15,682)	22
1,462	Adjustments for items included in the net deficit on the provision of services that are investing or financing activities	529	23
(6,276)	**Net Cash flows from operating activities**	**(2,155)**	
288	Net cash flows from Investing Activities	(4,005)	20
1,416	Net cash flows from Financing Activities	1,607	21
(4,572)	**Net (increase) or decrease in cash and cash equivalents**	**(4,553)**	
5,604	Cash and Cash equivalents and bank overdraft at the beginning of the reporting period	10,176	15
10,176	Cash and Cash equivalents and bank overdraft at the end of the reporting period	14,729	15

Notes to the Core Financial Statements

1. Adjustments between accounting basis and funding basis
2. Authorisation of accounts for issue
3. Critical judgements in applying accounting policies
4. Assumptions made about the future and other major sources of estimation uncertainty
5. Other operating expenditure
6. Financing and investing income and expenditure
7. Taxation and non-specific grant income
8. Property, plant and equipment
9. Details of assets owned
10. Intangible assets
11. Heritage assets
12. Financial instruments
13. Inventories
14. Amounts owed to the Authority by debtors
15. Cash and cash equivalents
16. Assets held for sale
17. Amounts owed by the Authority to creditors
18. Usable reserves
19. Unusable reserves
20. Cash flow statement – investing activities
21. Cash flow statement – financing activities
22. Cash flow statement – adjustments for non-cash movements
23. Cash flow statement – adjustments for items included in the net deficit that are investing or financing activities
24. Amounts reported for resource allocation decisions
25. Agency and Income expenditure
26. Members allowances
27. Officers' remuneration
28. External audit costs
29. Grant income
30. Related party transactions
31. Interest in Companies
32. Capital expenditure and capital financing
33. Minimum Revenue Provision
34. Other long term liabilities
35. Leases
36. Private Finance Initiatives
37. Contingent Liabilities
38. Termination benefits
39. Events after the reporting period
40. Pension schemes
41. Pension liability

1. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2015/16	General Fund (GF) Balance £'000	Earmarked Other GF Reserves £'000	CCU Reserves £'000	Earmarked grant GF Reserves £'000	Capital Receipts Reserve £'000	TOTAL MOVEMENT IN UNUSABLE RESERVES £'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CIES):						
Charges for depreciation and revaluation of non-current assets	(6,631)					**6,631**
Revaluation losses on Property Plant and Equipment	(1,579)					**1,579**
Amortisation of intangible assets	(76)					**76**
Capital grants & contributions applied	182					**(182)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(550)					**550**
Insertion of items not debited or credited to the CIES:						
Statutory provision for the financing of capital investment	2,923					**(2,923)**
Direct Revenue Financing of Capital	970					**(970)**
Adjustments primarily involving the Capital Receipts Reserve:						**0**
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	342				(342)	**0**
use of the Capital Receipts Reserve to finance new capital expenditure					342	**(342)**
Adjustments primarily involving the Pension Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	(22,768)					**22,768**
Government firefighter grant	7,807					**(7,807)**
Employer's pensions contributions and direct payments to pensioners payable in the year	4,828					**(4,828)**
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	101					**(101)**
	(14,451)	**0**	**0**	**0**	**0**	**14,451**
Transfer to/from earmarked reserves	1,453	0	(116)	(1,337)		**0**
TOTAL ADJUSTMENTS	**(12,998)**	**0**	**(116)**	**(1,337)**	**0**	**14,451**

2014/15	General Fund (GF) Balance	Earmarked Other GF Reserves	CCU Reserves	Earmarked grant GF Reserves	TOTAL MOVEMENT IN UNUSABLE RESERVES
	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CIES):					
Charges for depreciation and impairment of non-current assets	(4,999)				**4,999**
Revaluation losses on Property Plant and Equipment	(2,105)				**2,105**
Amortisation of intangible assets	(63)				**63**
Capital grants & contributions applied	1,144				**(1,144)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(307)				**307**
Insertion of items not debited or credited to the CIES:					
Statutory provision for the financing of capital investment	1,957				**(1,957)**
Direct Revenue Financing of Capital	632				**(632)**
Adjustments primarily involving the Pension Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES	(26,363)				**26,363**
Government firefighter grant	5,904				**(5,904)**
Employer's pensions contributions and direct payments to pensioners payable in the year	4,577				**(4,577)**
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	162				**(162)**
	(19,461)	**0**	**0**	**0**	**19,461**
Transfer to/form earmarked reserves	2,015	(659)	(92)	(1,264)	**0**
TOTAL ADJUSTMENTS	**(17,446)**	**(659)**	**(92)**	**(1,264)**	**19,461**

2. AUTHORISATION OF ACCOUNTS FOR ISSUE

These financial statements replace the unaudited financial statements certified by David Greensmith, Director of Finance, Assets & Resources on 1st June 2016. Events after the balance sheet date have been considered up to the 27th July 2016, in preparing the accounts.

In line with statutory requirements the accounts and supporting documentation were made available for public inspection for a period of 30 working days from 6th June until 15th July 2016.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in the Accounts, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

No Residual Value of Assets –

The Authority assumes that the residual value of plant and equipment will be nil when they are de-commissioned, as the assets are held to provide a service rather than for resale at the end of their useful life. The Authority has determined that the amounts received when assets are decommissioned are negligible and depend on the market demand for the assets at the time of disposal.

Government funding –

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be significantly impaired as a result of a need to close facilities and reduce levels of service provision.

Property Value –

In order to satisfy The Code of Practice, which explicitly states that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period', the five remaining PFI2 stations that became operational in 2015/16 received a full valuation on 31st March 2016 in addition to the remaining land and properties which have undergone a valuation assessment on 31st March 2016. All the stations are classed as a specialised building using the Depreciated Replacement Cost (DRC) method.

The Trentham Lakes Workshop is also classed as a specialised building as it is a purpose built structure to accommodate the larger appliances and the Aerial Ladder Platforms including large bays, floor channels for the larger vehicles and specialist lifting gear integral to the building for the removal of the appliance equipment and strip downs. In view of this Trentham Lakes Worskhop is valued under the DRC method.

PFI scheme –

The authority is deemed to control the services provided under the outsourced agreements to rebuilt and maintain 21 fire stations under the PFI1 and PFI2 schemes across Stoke-on-Trent and Staffordshire. The authority is also deemed to control the residual value of assets used in these arrangements at the end of the agreements. The accounting policies for PFI schemes have been applied to these arrangements and the assets are recognised as Property, Plant and Equipment on the authority's balance sheet.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts sometimes contain 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 31st March 2016 for which there is a risk of a material adjustment in the following financial year are:

Pension Liability

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 ages, mortality rates and expected returns on pension fund assets. The Government Actuary's Department (GAD) and Hymans Robertson provide the Authority with expert advice about the assumptions to be applied (Note 40).

The effect of the net pensions liability of changes in individual assumptions can be measured. For instance, all other factors remaining equal, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £41million.

Property, Plant & Equipment

The Authority's assets are depreciated over the useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

Fair Value Measurement

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the Discounted Cash Flow model).

The authority used the Discounted Cash Flow Model to measure the fair value of the PFI Liabilities using observable data (i.e. PWLB Borrowing rates). For the financial assets the fair value is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payment in the future in today's terms. The discount rate used in the calculation is equal to the current rate in relation to the same instrument from a comparable lender.

5. OTHER OPERATING EXPENDITURE

The loss on disposal of £208,000 includes a loss of £57,000 for the sale of Ashley Fire Station, a minor loss on operational equipment and a number of smaller losses as a result of replacement of building assets i.e. control room roof at HQ, replacement of doors at Learning & Development.

2014/15 £,000		2015/16 £,000
307	Loss on disposal of fixed assets	208
307		**208**

6. FINANCING AND INVESTING INCOME AND EXPENDITURE

2014/15 £,000		2015/16 £,000
875	Interest payable on debt	877
26	Interest payable on finance leases	10
3,183	Interest payable on PFI1 Unitary payments	3,121
(2,313)	Grant for interest on PFI1 payments	(2,157)
299	Interest payable on PFI2 Unitary payments	1,473
(202)	Grant for interest on PFI2 payments	(1,837)
663	Interest payable on PFI1 - model revised March 2014	0
17,735	Net interest on the net defined benefit liability	14,356
(36)	Investment Interest Income	(63)
20,230		**15,780**

7. TAXATION AND NON-SPECIFIC GRANT INCOME

2014/15 £,000		2015/16 £,000
(1,144)	Recognised capital grants and contributions	(182)
(343)	Recognised revenue grants and contributions	(262)
(22,126)	Council Tax	(22,840)
(8,618)	Non-domestic rates redistribution	(8,794)
(11,138)	Revenue Support Grant	(9,472)
(246)	Compensatory Funding	(293)
165	Non-domestic rates adjustment	(87)
12	Small business rates relief	(17)
(5,904)	Gain on pension grant	(7,807)
(49,342)		**(49,754)**

8. PROPERTY, PLANT AND EQUIPMENT

Movements in 2015/16

	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	**Total Property, Plant and Equipment £000**	PFI assets included in PP&E £000
Value at 1 April 2015	94,728	24,819	575	120,122	56,437
- Additions	16,297	996	19	17,312	15,955
- Disposals	(2,576)	(2,383)		(4,959)	
- Revaluations	5,367			5,367	291
- Transfers	353	222	(575)	0	
Gross Book Value at 31 March 2016	**114,169**	**23,654**	**19**	**137,842**	**72,683**
Depreciation:					
- Cumulative net to 31 March 2015	(5,174)	(12,990)	0	(18,164)	(4,189)
- Disposals	2,434	2,360		4,794	
- On revaluations	5,822			5,822	
- For the Year	(3,260)	(3,371)		(6,631)	(1,770)
- Reclassification of assets to assets held for sale				0	
Depreciation at 31 March 2016	**(178)**	**(14,001)**	**0**	**(14,179)**	**(5,959)**
Net Book Value at 31 March 2016	**113,991**	**9,653**	**19**	**123,663**	**66,724**

Movements in 2014/15

	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	**Total Property, Plant and Equipment £000**	PFI assets included in PP&E £000
Value at 1 April 2014	**80,698**	**25,558**	**744**	**107,000**	**41,392**
- Additions	17,409	1,078	241	18,728	17,045
- Donated Assets		52		52	
- Disposals	(1,328)	(2,234)		(3,562)	
- Revaluations	(1,689)			(1,689)	(2,000)
- Reclassification of assets to assets held for sale	(431)	24		(407)	
- Transfers	69	341	(410)	0	
Gross Book Value at 31 March 2015	**94,728**	**24,819**	**575**	**120,122**	**56,437**
Depreciation:					
- Cumulative net to 31 March 2014	(3,692)	(12,725)	0	(16,417)	(2,972)
- Disposals	1,268	1,963		3,231	
- For the Year	(2,773)	(2,226)		(4,999)	(1,217)
- Reclassification of assets to assets held for sale	23	(2)		21	
Depreciation at 31 March 2015	**(5,174)**	**(12,990)**	0	**(18,164)**	**(4,189)**
Net Book Value at 31 March 2015	**89,554**	**11,829**	**575**	**101,958**	**52,248**

Depreciation

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

- Buildings – 60 years
- Components of buildings – 10-25 years
- Appliances and appliance equipment – 10-15 years
- Vehicles – 5 years
- Furniture, plant and equipment – 10-20 years

Capital Commitments

At 31 March 2016 there is contractually committed capital expenditure of £142,000 to be incurred in 2016/17. £60,000 of this relates to building works, £81,000 relates to ICT equipment and the remaining £1,000 relates to the purchase of operational equipment.

Valuation of non-current assets

In 2013/14 the Authority engaged Cameron Butler BLE (Hons) MRICS, of FHP Property Consultants to value the entire land and buildings portfolio, with the exception of the eleven PFI2 stations, to ensure all assets held on the Balance Sheet comply with as per IAS16 by being revalued sufficiently regularly. In 2014/15 the six PFI2 stations that are operational had been valued. The remaining five PFI2 stations and Trentham Lakes Workshop were valued in 2015/16 and in addition a desk top analysis, based on the Build-Cost Indices, has been performed to the remaining land and buildings portfolio in 2015/16. As this resulted in a significant increase the revaluation has been applied to 2015/16 accounts.

The revaluation has resulted in an upward revaluation of £12,767,000 and impairment charged to the Comprehensive Income and Expenditure Statement of £1,579,000.

The valuations have all been carried out in accordance with the Royal Institute of Chartered Surveyors' current Appraisal and Valuation Standards manual. The sources and assumptions made when producing the valuations are set out in the valuation certificates and reports.

9. DETAILS OF ASSETS OWNED BY THE FIRE AUTHORITY

During the year two vehicles were disposed of and seven vehicles were purchased, being six fleet cars and one transporter lorry.

Due to the progress being made on the PFI2 project the remaining five stations became fully operational in 2015/16. The stations being Lichfield, Burton, Penkridge, Codsall and Leek.

Ashley Fire Station has been sold in 2015/16, see note 16.

31-Mar-15		31-Mar-16
1	Fire Headquarters	1
33	Fire Stations	33
1	Workshops	1
192	Vehicles	197
1	Asset Held for Sale - Fire Station	0

10. INTANGIBLE ASSETS

The Authority accounts for its 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 of Property, Plant and Equipment. The intangible assets include both purchased licences and general software.

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 assigned to the software are:

2014/15 £,000		2015/16 £,000
47	3 years	33
234	5 years	175
0	10 years	0
281		**208**

The carrying amount of intangible assets is amortised on a straight-line basis. The movements during the year are as follows:

2014/15 £,000		2015/16 £,000
649	Gross Book Value at 1 April	684
40	- Additions	3
(5)	- Disposals	(60)
(345)	- Cumulative amortisation to 31 March	(403)
5	- Amortisation on disposals	60
(63)	- Amortisation for the year	(76)
281	Net Book Value at 31 March	**208**

11. HERITAGE ASSETS

The Authority currently owns two heritage vehicles and a collection of memorabilia which is held around the County. The Authority also displays one heritage vehicle at Newcastle Fire Station which is owned by the Newcastle Brampton Museum.

Of the two heritage assets owned, one is a Leyland Ajax pump escape 1939, one of the last open topped Leyland machines to leave the production line, and the second is a Merryweather horse drawn steam pump fire engine c1894, currently being displayed at The Potteries Museum and Art Gallery, Stoke-on-Trent. The value of the vehicles has been determined as £15,000 and £30,000 respectively.

The assets have been independently valued by an external specialist, John Holland FRICS FAAV of Thimbleby & Shorland, Reading. The values were based on current open market sale value as at 31 March 2012.

The Authority does not seek to acquire assets of this nature, and has no intention of disposing of the assets currently held. Due to the value of the heritage assets held they have not been recognised in the Balance Sheet in accordance with the Code.

12. FINANCIAL INSTRUMENTS

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement are made up as follows:

	Financial Liabilities	Financial Assets		
	measured at amortised cost £000	Loans and receivables £000	Available-for-sale assets £000	TOTAL £000
Interest expense	(5,481)	0	0	(5,481)
Losses on derecognition	0	0	0	0
Impairment losses	0	0	0	0
Total Expense in Deficit on the Provision of Services	**(5,481)**	**0**	**0**	**(5,481)**
Interest income	0	63	0	63
Gains on derecognition	0	0	0	0
Total Income in Deficit on the Provision of Services	**0**	**63**	**0**	**63**
Gains/Losses on revaluation	0	0	0	0
Net Gain/ (loss) for the year	**(5,481)**	**63**	**0**	**(5,418)**

Categories of financial instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31-Mar-15 £'000	31-Mar-16 £'000	31-Mar-15 £'000	31-Mar-16 £'000
Investments				
Loans and receivables	0	0	11,050	15,500
Available-for-sale financial assets	0	0	0	0
Unquoted equity investment at cost	0	0	0	0
Financial assets at fair value through profit & loss	0	0	0	0
Total investments	**0**	**0**	**11,050**	**15,500**
Debtors				
Loans and receivables	0	0	954	1,827
Financial assets carried at contract amounts			0	0
Total Debtors	**0**	**0**	**954**	**1,827**
Borrowings				
Financial liabilities at amortised costs	20,550	20,050	875	1,272
Financial liabilities at fair value through profit and loss	0	0	0	0
Total Borrowings	**20,550**	**20,050**	**875**	**1,272**
Other Long Term Liabilities				
PFI 1 liabilities	41,480	40,275	1,126	1,205
PFI 2 liabilities	16,226	31,611	754	797
Finance lease liabilities	159	81	75	77
Total Other Long Term Liabilities	**57,865**	**71,967**	**1,955**	**2,079**
Creditors				
Financial liabilities at amortised costs	0	0	3,894	2,084
Financial liabilities at contract amount	0	0	0	0
Total Creditors	**0**	**0**	**3,894**	**2,084**

The loans and receivables at 31st March 2016 include £580,000 for the workshop enhancements that has been recharged to the Staffordshire Police at year end.

Fair Values of Assets and Liabilities

Financial liabilities, financial assets 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 value of the cash flows that will take place over the remaining term of the instruments.

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

For financial assets the fair value is determined by calculating the Net Present Value of future cashflows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the calculation is equal to the current rate in relation to the same instrument from a comparable lender. The Authority's investments are all at fixed rates and have therefore been calculated using the comparable fixed deposit rates as at 31 March 2016.

The fair value of the PFI Liabilities are calculated using PWLB borrowing rates. The fair value is higher than the carrying amount because the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This does not affect future payments made under the PFI scheme.

The summary portfolio position of financial assets and financial liabilities as at 31 March 2016 is as follows:

	Nominal/ Principal		Fair Value	
	31-Mar-15 £'000	31-Mar-16 £'000	31-Mar-15 £'000	31-Mar-16 £'000
Financial Assets				
Cash	0	0	0	0
Fixed Term Deposits	8,800	12,500	8,800	12,500
Money Market Funds	2,250	3,000	2,250	3,000
Debtors	954	1,827	954	1,827
Total	**12,004**	**17,327**	**12,004**	**17,327**
Financial Liabilities				
Market Loans - LOBO	1,000	1,000	1,230	1,525
PWLB Maturity Loans	19,550	19,550	24,205	24,876
Creditors	3,894	2,084	3,894	2,084
Bank Overdraft	875	772	875	772
Total	**25,319**	**23,406**	**30,204**	**29,257**
Other Liabilities				
PFI 1	42,606	41,480	59,508	55,007
PFI 2	16,980	32,408	48,261	45,622
Finance Lease	234	158	234	158
	59,820	**74,046**	**108,003**	**100,787**

The authority used valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, 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

The valuation hierarchy of financial instruments that were carried at fair value for 2015/16 was:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets at fair value				
Cash	0			0
Fixed Term Deposits	12,500			12,500
Money Market Funds	3,000			3,000
Debtors	1,827			1,827
Total	**17,327**	**0**	**0**	**17,327**
Financial Liabilities at fair value				0
Market Loans - LOBO	1,525			1,525
PWLB Maturity Loans		24,876		24,876
Creditors	2,084			2,084
Bank Overdraft	772			772
Total	**4,381**	**24,876**	**0**	**29,257**
Other Liabilities				
PFI 1	55,007			55,007
PFI 2	45,622			45,622
Finance Lease	158			158
	100,787	**0**	**0**	**100,787**

The valuation hierarchy of financial instruments that were carried at fair value for 2014/15 was:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets at fair value				
Cash	0			0
Fixed Term Deposits	8,800			8,800
Money Market Funds	2,250			2,250
Debtors	954			954
Total	**12,004**	**0**	**0**	**12,004**
Financial Liabilities at fair value				0
Market Loans - LOBO	1,230			1,230
PWLB Maturity Loans		24,205		24,205
Creditors	3,894			3,894
Bank Overdraft	875			875
Total	**5,999**	**24,205**	**0**	**30,204**
Other Liabilities				
PFI 1	59,508			59,508
PFI 2	48,261			48,261
Finance Lease	234			234
	108,003	**0**	**0**	**108,003**

Nature and extent of risks arising from financial instruments

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

- **Credit risk** – the possibility that other parties might fail to pay amounts due to the authority.
- **Liquidity risk** – the possibility that the authority might not have the funds available to meet its commitments to make payments
- **Market risk** – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates

The risks in relation to the Fire Authority are detailed below:

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers.

The authority does not generally allow credit for customers, such that £1,083,000 of the £4,082,000 debtors' balance is past its due date for payment. Of the £1,083,000 debtors, £580,000 is due from the Staffordshire Police for the workshop enhancements that has been recharged at year end.

The past due amount can be analysed by age as follows:

	£000
Aged as follows:	
Less than three months	1,075
Three to six months	8
Six months to one year	0
More than one year	0
	1,083

Liquidity risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. As the authority has ready access to borrowings, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Authority has the following debt liabilities on its balance sheet.

	31-Mar-15 £'000	31-Mar-16 £'000
Source of Loan		
Market Loans - LOBO	1,000	1,000
PWLB Maturity Loans	19,550	19,550
	20,550	**20,550**
Analysis of Maturity		
Less than one year	0	500
Between one and two years	500	500
Between two and five years	2,500	2,500
More than five years	17,550	17,050
	20,550	**20,550**

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

Market risk

The authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. However all its long term borrowing is on fixed rate contracts.

During 2015/16, if interest rates had been 1% higher with all other variables held constant, the impact on the CIES would be an increase in interest of c.£173,000.

13. INVENTORIES

The value of inventories included in the balance sheet for 2015/16 is £495,000 (£496,000 in 2014/15), as follows:

	Stores HQ		Stores Workshop		Fuel		Total	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	**2014/15**	**2015/16**
Balance outstanding at start of the year	361	369	71	60	71	67	503	**496**
Purchases	498	586	37	28	316	276	851	**890**
Recognised as an expense in the year	(490)	(556)	(48)	(38)	(320)	(297)	(858)	**(891)**
Balance outstanding at end of the year	369	399	60	50	67	46	496	**495**

14. AMOUNTS OWED TO THE AUTHORITY BY DEBTORS

31-Mar-15 £,000		31-Mar-16 £,000
704	General Debtors	1,343
250	Payments in Advance	485
0	FF Government Top-up Grant	1,092
1,147	Council Tax Billing Authority	1,162
2,101		**4,082**

The general debtors figure is net of a provision for bad and doubtful debts of £2,234 (£1,668 in 2014/15). This provision ensures that sufficient resources are available should unpaid debtor accounts be deemed unrecoverable. The adequacy of this provision is reviewed annually. The general debtors figure also includes VAT at £245,000 and the Cycle Scheme at £12,000.

The Fire Fighter Government Top-up Grant has a balance due from DCLG of £1,092,000 which will be settled in the grant provision of 2016/17. In 2014/15 there was a surplus of the funds received of £305,000 which is presented with the Authority’s creditors.

In addition the Authority also accounts for a proportionate share of the risks that the council tax and non-domestic rates collected by the billing authorities have incurred, being £1,162,000 (£1,147,000 in 2014/15). This includes a provision for doubtful debts for council tax of £1,303,000 (£1,139,000 in 2014/15) and non-domestic rates of £101,000 (£98,000 in 2014/15) in addition to an appeal provision for non-domestic rates of £406,000 (£400,000 in 2014/15). These calculations are based on the policies of the billing authorities.

The Debtors can be further analysed as follows:

31-Mar-15 £,000		31-Mar-16 £,000
284	Central government bodies	1,337
1,147	Other local authorities	2,152
670	Other entities and individuals	593
2,101		**4,082**

15. CASH AND CASH EQUIVALENTS

The Cash and Cash Equivalents include temporary investments of £15,500,000 (£11,050,000 2014/15) as disclosed in note 12.

The cash in hand represents petty cash of £1,000 (£1,000 in 2014/15) which is held at various locations.

The cash book balance of £772,000 overdrawn (£875,000 overdrawn in 2014/15) takes account of cheques yet to be presented to the Authority's bank for payment at 31 March 2016 and is held in Current Liabilities.

16. ASSETS HELD FOR SALE

Ashley Fire Station, that satisfied the criteria for Assets Held for Sale, was sold during 2015/16. The sale incurred a Loss on Disposal of £57,000.

17. AMOUNTS OWED BY THE AUTHORITY TO CREDITORS

31-Mar-15 £,000		31-Mar-16 £,000
1,757	General Creditors	903
1,689	Accruals	1,677
771	Council Tax Billing Authority	657
51	Receipts in advance	4,981
1,880	PFI liability	2,003
305	FF Government Top-up Grant	0
75	Finance Lease liability	78
6,528		**10,299**

The general creditors figure includes the supplier creditor accounts at £181,000 (£991,000 2014/15) and Payroll HMRC at £590,000 (£613,000 2014/15).

Receipts in Advance includes a government transformation grant received in 2015/16 for £5,138,000. During the year £181,000 has been utilised with the balance committed in 2016/17. Due to the grant conditions it is held as a liability and not a reserve.

The Authority also accounts for a proportionate share of the rewards that the council tax and non-domestic rates collected by the billing authorities have incurred being £657,000 (£771,000 2014/15).

The creditors can be further analysed as follows:

31-Mar-15 £,000		31-Mar-16 £,000
968	Central government bodies	5,571
771	Other local authorities	657
4,789	Other entities and individuals	4,071
6,528		**10,299**

18. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserve Statement.

31-Mar-15 £,000		31-Mar-16 £,000
1,906	General Fund (1)	1,906
1,906	**General Fund**	**1,906**
581	Earmarked reserves - grants	633
3,782	Earmarked reserves - PFI grant	5,067
168	CCU Reserve	284
9,107	Other Reserves (2)	9,107
13,638	**Earmarked Reserves**	**15,091**
15,544	**Total Usable Reserves**	**16,997**

(1) General Reserves - held to protect against any spate or emergency conditions which may arise. The level held is based on a risk assessment.

(2) Other Reserves – held to fund transformation initiatives, invest to save and is utilised against non-recurring revenue spend. It is generated from budgeted contributions and planned efficiency savings from previous years.

Earmarked Reserves

The resources are available to meet future costs on specific projects.

2015/16	Opening balance £'000	Transfers from £'000	Transfers to £'000	movement in year £'000	Closing balance £'000
Invest to save	8,548	(554)	484	(70)	8,478
PFI unitary charge reserve	3,781	(5,759)	7,044	1,285	5,066
Civil contingencies unit	169	(10)	125	115	284
Earmarked reserves PFI2	251	0	0	0	251
PFI1 contingency reserve	307	(221)	292	71	378
Earmarked grants:	0				
- New Dimensions Grant	124	(93)	120	27	151
- Enhanced logistic support project	130	(73)	76	3	133
- Transparency code set up	8		8	8	16
- Small business rates relief	255	(245)	245	0	255
- Tenants smoke alarms	0	(44)	45	1	1
- Public Health England	0	(9)	9	0	0
- Partnership Income	65	(114)	127	13	78
	13,638	**(7,122)**	**8,575**	**1,453**	**15,091**

2014/15	Opening balance £'000	Transfers from £'000	Transfers to £'000	movement in year £'000	Closing balance £'000
Invest to save	7,878	(138)	808	670	8,548
PFI1 unitary charge reserve	2,613	(4,397)	5,565	1,168	3,781
Civil contingencies unit	77		92	92	169
Earmarked reserves PFI2	462	(211)		(211)	251
PFI1 contingency reserve	107		200	200	307
Earmarked grants:				0	
- New Dimensions Grant	100	(98)	122	24	124
- Enhanced logistic support project	71	(16)	75	59	130
- Transparency code set up	3		5	5	8
- Small business rates relief	84	(105)	276	171	255
- Localising council tax transitional fund	6	(6)		(6)	0
- New Burden council tax reform grant	22	(22)		(22)	0
- Partnership Income	200	(204)	69	(135)	65
	11,623	**(5,197)**	**7,212**	**2,015**	**13,638**

19. UNUSABLE RESERVES

31-Mar-15 £,000		31-Mar-16 £,000	Note
12,624	Revaluation Reserve	24,556	
1,809	Capital Adjustment Account	(1,775)	
(437,993)	Pensions Reserve	(379,362)	40
387	Collection Fund Adjustment Account	489	
(423,173)		**(356,092)**	

Revaluation Reserve

The Revaluation Reserve contains revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated in the balance on the Capital Adjustment Account.

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment, and Intangible Assets. The balance is reduced when assets with accumulated gains are:

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

The balance on the Revaluation Reserve is accounted for on an individual asset basis.

2014/15 £,000		2015/16 £,000	£,000
13,709	Balance as at 1 April		12,624
416	Upward revaluation of assets	12,797	
(743)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	(30)	
(327)	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		12,767
(758)	Different between fair value depreciation and historical cost depreciation	(754)	
0	Accumulated gains on assets sold or scrapped	(81)	
(758)	**Amount written off to the Capital Adjustment Account**		(835)
12,624	**Balance as at 31 March**		**24,556**

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 enhancement of those assets under statutory provisions.

The account is debited with the costs of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement.

The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

As the Authority did not inherit debt from the County Council the depreciation charged to the Income and Expenditure Account is greater than the revenue provision for repayment of debt.

2014/15 £,000		2015/16 £,000	£,000
4,051	Balance as at 1 April		1,809
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(4,999)	Charges for depreciation and impairments of non-current assets	(6,631)	
(2,105)	Revaluation losses on Property, Plant and Equipment	(1,579)	
(63)	Amortisation of intangible assets	(76)	
(307)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(550)	
(7,474)			(8,836)
1,500	Adjusting amounts written out of the Revaluation Reserve		835
(1,923)	**Net written out amount of the cost of non-current assets consumed in the year**		**(6,192)**
	Capital financing applied in the year:		
0	Use of the Capital Receipts Reserve to finance new capital expenditure	342	
1,144	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	181	
632	Direct revenue contributions	970	
1,416	Lease payments	1,607	
(788)	Lease payments PFI1 model revised	0	
1,328	Statutory provision for the financing of capital investment charged against the General Fund	1,317	4,417
1,809	**Balance at 31 March**		**(1,775)**

Collection Fund Adjustment Account

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

The following table presents the movements in the CFAA:

31-Mar-15 £,000		31-Mar-16 £,000
225	Balance as at 1 April	387
328	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	14
(166)	Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	88
387		**489**

20. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for investing activities include the following items:

2014/15 £,000		2015/16 £,000
1,775	Purchase of property, plant and equipment and intangible assets	1,481
0	Proceeds from the sale of property, plant and equipment and intangible assets	(348)
(1,487)	Other receipts from investing activities	(5,138)
288	**Cash outflows from Investing Activities**	**(4,005)**

21. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for financing activities include the following items:

2014/15 £,000		2015/16 £,000
0	Other receipts from financing activities	0
300	Cash Payments for the reduction of the outstanding liabilities relating to finance leases	75
1,116	Cash Payments for the reduction of the outstanding liabilities relating to PFI contracts	1,532
1,416	**Cash outflows from Financing Activities**	**1,607**

22. CASH FLOW STATEMENT – ADJUSTMENTS FOR NON-CASH MOVEMENTS

2014/15 £,000		2015/16 £,000
(7,166)	PPE movements (depreciation, impairment, amortisation)	(8,286)
(1,041)	Movement in current assets (debtors, creditors, stock)	3,289
(17,735)	Movement in Pension Liability	(10,133)
0	Carrying amount of Non current assets sold	(552)
758	Other non-cash movements	0
(25,184)	**Other Non-cash movements**	**(15,682)**

23. CASH FLOW STATEMENT – ADJUSTMENTS FOR ITEMS INCLUDED IN THE NET DEFICIT THAT ARE INVESTING OR FINANCING ACTIVITIES

2014/15 £,000		2015/16 £,000
1,487	Purchase of short-term and long-term investments	181
0	Proceeds from the sale of property, plant and equipment and intangible assets	348
(25)	Proceeds from short-term and long-term investments	0
1,462	**Adjust for items included in the net deficit on the provision of services that are investing or financing activitites**	**529**

24. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

During 2015/16 the Authority presented the financial position on a monthly basis to the Service Delivery Board and the Strategy and Resources Committee on a quarterly basis. In addition a monthly set of management accounts, called the Resource Control report and a finance publication, was produced and was available to all staff via the intranet. The management reports were analysed at Directorate level and all budget holders within each directorate were provided with monthly reports and had access to the live system to enable ad-hoc reporting and monitoring.

The Authority's budget is split into a 'recurring budget' and a 'non recurring budget'. The distinction being that the non-recurring are externally funded projects or those funded by reserves. Therefore, the non-recurring budget would usually be cost neutral.

The Authority financial report for 31 March 2016 is as follows:

SUMMARY REVENUE (All Directorates) 2015/16

	Annual Budget			YTD Actual			YTD Variance		
	Recurring £000	Non-Recurring £000	Total Budget £000	Recurring £000	Non-Recurring £000	Total £000	Recurring £000	Non-Recurring £000	Total £000
Pay									
Pay Costs	27,556	618	28,174	26,402	695	27,097	1,154	(77)	1,077
Other Employee Costs	1,985	0	1,985	1,783	25	1,808	202	(25)	177
Efficiency Savings	(1,000)	0	(1,000)	0	0	0	(1,000)	0	(1,000)
	28,541	**618**	**29,159**	**28,185**	**720**	**28,905**	**356**	**(102)**	**254**
Non Pay									
Premises Costs	2,746	0	2,746	2,566	169	2,735	180	(169)	11
Transport Costs	950	4	954	880	34	914	70	(30)	40
Supplies & Services Costs	5,053	52	5,105	4,498	138	4,636	555	(86)	469
Unitary Charge	2,442	0	2,442	2,442	0	2,442	0	0	0
Other Running Costs	393	0	393	266	8	274	127	(8)	119
Efficiency Savings	(600)	0	(600)	0	0	0	(600)	0	(600)
	10,984	**56**	**11,040**	**10,652**	**349**	**11,001**	**332**	**(293)**	**39**
Income									
Income - general	(560)	(141)	(701)	(1,146)	(320)	(1,466)	586	179	765
Grant Released	0	(109)	(109)	0	(166)	(166)	0	57	57
Interest received	(34)	0	(34)	(62)	0	(62)	28	0	28
	(594)	**(250)**	**(844)**	**(1,208)**	**(486)**	**(1,694)**	**614**	**236**	**850**
Capital Charges	2,332	0	2,332	2,314	0	2,314	18	0	18
Total before Use of Reserves	**41,263**	**424**	**41,687**	**39,943**	**583**	**40,526**	**1,320**	**(159)**	**1,161**
Less Use of Reserves	(235)	(424)	(659)	(235)	(487)	(722)	0	63	63
Transfer to Reserves	0	0	0	0	0	0	0	0	0
Total Revenue Budget	**41,028**	**0**	**41,028**	**39,708**	**96**	**39,804**	**1,320**	**(96)**	**1,224**
Settlement Funding	18,203	0	18,203						
Council Tax	22,825	0	22,825						
Total Financing	**41,028**	**0**	**41,028**						

Reconciliation of Net Cost of Services in Comprehensive Income and Expenditure Statement

	£000
Management Accounts Revenue position presented	39,804
Add services not included in the main analysis	0
Add amounts not reported to management	0
Items reported to management but included in Other Operating Expenditure or Financing and Investment Income and Expenditure	6,960
Net Cost of Services in Comprehensive Income & Expenditure Statement	**46,764**

Reconciliation to subjective analysis

	Management Accounts £000	Items excluded from Management Accounts £000	**NET Cost of Services** £000
Pay	28,905	4,080	32,985
Premises	2,735	23	2,758
Transport Costs	914	18	932
Supplies & Services Costs	4,636	46	4,682
Other Running Costs	274	0	274
Unitary Charge	2,442	0	2,442
Income	(1,694)	0	(1,694)
Capital Charges	2,314	3,694	6,008
Use of Reserves	(722)	(901)	(1,623)
	39,804	**6,960**	46,764

Note, the Items Excluded from Management Accounts refer to the General Fund treatment for capital and pension IAS19 in addition to some accruals.

The Authority financial report for 31 March 2015 is as follows:

SUMMARY REVENUE (All Directorates) 2014/15									
	Annual Budget			**YTD Actual**			**YTD Variance**		
	Recurring £000	Non-Recurring £000	Total Budget £000	Recurring £000	Non-Recurring £000	Total £000	Recurring £000	Non-Recurring £000	Total £000
Pay									
Pay Costs	27,968	610	28,578	26,734	623	27,357	1,234	(13)	1,221
Other Employee Costs	1,834	0	1,834	1,867	17	1,884	(33)	(17)	(50)
Efficiency Savings	(500)	0	(500)	0	0	0	(500)	0	(500)
	29,302	**610**	**29,912**	**28,601**	**640**	**29,241**	**701**	**(30)**	**671**
Non Pay									
Premises Costs	2,660	0	2,660	2,180	4	2,184	480	(4)	476
Transport Costs	1,050	1	1,051	901	21	922	149	(20)	129
Supplies & Services Costs	5,374	109	5,483	4,596	608	5,204	778	(499)	279
Unitary Charge	1,686	0	1,686	1,686	0	1,686	0	0	0
Other Running Costs	303	0	303	233	0	233	70	0	70
Efficiency Savings	(500)	0	(500)	0	0	0	(500)	0	(500)
	10,573	**110**	**10,683**	**9,596**	**633**	**10,229**	**977**	**(523)**	**454**
Income									
Income - general	(592)	(183)	(775)	(854)	(321)	(1,175)	262	138	400
Grant Released	(184)	(108)	(292)	(226)	(567)	(793)	42	459	501
Interest received	(26)	0	(26)	(35)	0	(35)	9	0	9
	(802)	**(291)**	**(1,093)**	**(1,115)**	**(888)**	**(2,003)**	**313**	**597**	**910**
Capital Charges	2,629	0	2,629	2,590	0	2,590	39	0	39
Total before Use of Reserves	**41,702**	**429**	**42,131**	**39,672**	**385**	**40,057**	**2,030**	**44**	**2,074**
Less Use of Reserves	(200)	(429)	(629)	(59)	(290)	(349)	(141)	(139)	(280)
Transfer to Reserves	0	0	0	419	0	419	(419)	0	(419)
Total Revenue Budget	**41,502**	**0**	**41,502**	**40,032**	**95**	**40,127**	**1,470**	**(95)**	**1,375**
Government Grant	19,704	0	19,704						
Council Tax	21,798	0	21,798						
Total Financing	**41,502**	**0**	**41,502**						

Reconciliation of Net Cost of Services in Comprehensive Income and Expenditure Statement

	£000
Management Accounts Revenue position presented	40,127
Add services not included in the main analysis	0
Add amounts not reported to management	0
Remove items reported to management but included in Other Operating Expenditure or Financing and Investment Income and Expenditure	6,124
Net Cost of Services in Comprehensive Income & Expenditure Statement	**46,251**

Reconciliation to subjective analysis

	Management Accounts £000	Items excluded from Management Accounts £000	**NET Cost of Services** £000
Pay	29,242	4,929	34,171
Premises	2,184	23	2,207
Transport Costs	922	15	937
Supplies & Services Costs	5,205	74	5,279
Other Running Costs	233	0	233
Unitary Charge	1,686	0	1,686
Income	(2,004)	(695)	(2,699)
Capital Charges	2,590	4,578	7,168
Use of Reserves	69	(2,800)	(2,731)
	40,127	**6,124**	**46,251**

25. AGENCY INCOME AND EXPENDITURE

The Authority acts as an agent for other Fire Authorities under Sections 13 and 16 of the Fire Services Act 1947. Where assistance provided is greater than that received charges are made.

The amount payable to the West Midland Fire and Rescue Service has reduced in 2015/16 partly due to improvements made to the mobilisation rule as applied by the fire control operating system.

2014/15 £,000		**2015/16** £,000
135	Payments to West Midlands	89
0	Income from West Midlands	0
(26)	Income from Derbyshire	(8)
0	Income from Cheshire	0
109		**81**

Staffordshire Fire and Rescue Service administer the Staffordshire Civil Contingencies Unit (CCU) on behalf of the local authorities within the county.

The CCU funds are included in the Authority's Comprehensive Income and Expenditure Statement and the Balance Sheet. The expenditure for 2015/16 amounted to £583,000 (£603,000 in 2014/15) and income totalled £699,000 (£695,000 in 2014/15) leaving a net surplus position of £116,000 (£92,000 net surplus in 2014/15).

The accumulated reserves balance at 31st March is £284,000 (£168,000 in 2014/15) which is held in the Authority's short term investments.

26. MEMBERS ALLOWANCES

The Authority has paid the following amounts to members during the year.

2014/15 £,000		2015/16 £,000
121	Allowances	115
1	Expenses	1
122		**116**

27. OFFICERS' REMUNERATION

The following table sets out the remuneration for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year:

For the Year of 2015/16	Salary (Including fees & allowances £	Benefits in Kind (e.g. Car Allowance) £	Total Remuneration excluding pension contributions £	Pensions Contributions £	Total Remuneration including pension contributions £	Note
Chief Fire Officer	144,873	0	144,873	31,437	176,310	
Deputy Chief Fire Officer	118,360	0	118,360	24,553	142,913	
Director of Response	79,543	0	79,543	8,340	87,883	
Secondment to DCLG	78,239	0	78,239	16,977	95,216	1
Director of Finance, Assets & Resources	73,023	6,297	79,320	12,195	91,515	
Director of People	73,023	4,864	77,887	12,195	90,082	
Director of Prevent & Protect	46,268	0	46,268	10,039	56,307	2
Director of Prevent & Protect	62,414	0	62,414	8,925	71,339	3
Total Senior Officers between £50,000 and £150,000	**675,743**	**11,161**	**686,904**	**124,661**	**811,565**	

Note 1: This post is part funded by DCLG.
Note 2: Retired as Director of Prevent and Protect on 30/10/15, annualised salary is £79,346
Note 3: Director of Prevent and Protect from 31/10/15 with an annualised salary of £67,973.

For the Year of 2014/15	Salary (Including fees & allowances £	Benefits in Kind (e.g. Car Allowance) £	Total Remuneration excluding pension contributions £	Pensions Contributions £	Total Remuneration including pension contributions £	Note
Chief Fire Officer	144,873	0	144,873	30,858	175,731	
Deputy Chief Fire Officer	111,358	0	111,358	23,719	135,077	
Director of Prevent & Protect	78,685	0	78,685	16,760	95,445	
Secondment to DCLG	77,081	0	77,081	16,418	93,499	1
Director of Finance, Assets & Resources	71,943	5,698	77,641	12,014	89,655	
Director of People	71,943	4,401	76,344	12,014	88,358	
Director of Response	70,576	0	70,576	14,716	85,292	
Total Senior Officers between £50,000 and £150,000	**626,459**	**10,099**	**636,558**	**126,499**	**763,057**	

Note 1: This post is part funded by DCLG.

There are no Senior Officers whose salary is £150,000 or more per year.

The numbers of employees whose remuneration, excluding employer's pension contribution, was £50,000 or more in bands of £5,000, were as follows. These include both Senior Officers and Other Officers.

	2014/15	2015/16
Remuneration Band	No of Employees	No of Employees
£50,000 - £54,999	13	12
£55,000 - £59,999	2	8
£60,000 - £64,999	2	1
£65,000 - £69,999	-	-
£70,000 - £74,999	1	-
£75,000 - £79,999	4	4
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	1	-
£115,000 - £119,999	-	1
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	1	1
£145,000 - £149,999	-	-
	24	**27**

The numbers of exit packages with total cost per band and 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	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
							£	£
£0 - £20,000			3	5	3	5	16,770	30,035
£20,001 - £40,000			6	2	6	2	171,286	56,604
£40,001 - £60,000			-	1	-	1	-	47,500
£60,001 - £80,000			-	1	-	1	-	62,972
£80,001 - £100,000			1	-	1	-	85,341	-
£100,001 - £150,000			1	-	1	-	122,405	-
£150,001 - £200,000			-	-	-	-	-	-
£200,001 - £250,000			- -		- -		-	-
Total	**0**	**0**	**11**	**9**	**11**	**9**	**395,802**	**197,110**

28. EXTERNAL AUDIT COSTS

The Authority has paid the following amounts for external audit services during the year.

2014/15 £,000		2015/16 £,000
44	Fees payable to Grant Thornton for external audit services carried out by the appointed auditor	31
0	- in respect of statutory inspections	0
0	- in respect of certification of grant claims and returns	0
0	- in respect of other services	0
(4)	Fee Rebate	0
40	Total Audit and Inspection Fee net of grant	**31**

29. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16.

2014/15 £,000		2015/16 £,000
Credited to Net Costs of Service:		
69	various partnership income	0
226	DCLG - Fire Link	214
544	DCLG - Fire Control	27
1,502	DCLG - PFI1	1,657
1,549	DCLG - PFI 2	1,392
3,890		**3,290**
Credited to Financial and Investment income:		
2,312	DCLG - PFI 1	2,158
202	DCLG - PFI 2	1,837
2,514		**3,995**
Credited to Taxation and Non-specific Grant Income & Expenditure:		
75	DCLG - Enhanced Logistic Support Project	76
122	DCLG - New Dimensions	121
(135)	various partnership income	13
276	DCLG - Small business rates relief	0
5	DCLG - Transparency Code set up	7
0	DCLG - Donated Smoke Alarms	45
343	**Revenue grants**	**262**
1,092	DCLG - Capital fire	182
52	DCLG - New Dimensions donated asset	0
1,144	**Capital grants**	**182**
1,487		**444**

The Authority holds two grants that have conditions attached and these are held as a liability in Grants Receipts in Advance, the income will be recognised in the year it is utilised.

2014/15 £,000		2015/16 £,000
1,391	Balance at 1 April	51
0	- Fire Control (revenue)	0
0	- Transformation Fund (capital)	5,138
	Grant released in year	
(1,340)	- Fire Control (revenue)	(27)
0	- Transformation Fund (capital)	(181)
51	**Total held in Receipts in Advance**	**4,981**

The Authority has received a number of grants, contributions and donations that have no conditions attached and have not been completely expended. These are held in the reserves within the Earmarked Reserves.

The balance at year end for revenue grants held in Earmarked Reserves is as follows:

2014/15		2015/16	
£,000		£,000	£,000
485	Balance at 1 April	581	
	Grant received in year not expended		
122	- New Dimensions	121	
75	- Enhanced Logistic Support Project	76	
5	- Transparency Code set-up	7	
276	- Small business rates relief	245	
0	- Public Health England	9	
0	- Tenants smoke alarms	45	
69	- various partnership contributions	127	
547			630
	Grants released in year		
(16)	- Enhanced Logistic Support Project	(73)	
(98)	- New Dimensions	(93)	
(22)	- New Burden - council tax reform	0	
(106)	- Small business rates relief	(245)	
(6)	- Council Tax transitional funding	0	
0	- Public Health England	(9)	
0	- Tenants smoke alarms	(44)	
(203)	- various partnership contributions	(114)	
(451)			(578)
581	**Total held in Earmarked Reserves at 31 March**		**633**

30. RELATED PARTY TRANSACTIONS

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 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 effective control over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Authority has with other parties. During 2015/16 responsibility for the Fire and Rescue Service moved from the Department of Communities and Local Government to the Home Office.

Members
Members and Senior Officers of the Authority have direct control over its financial and operating policies and are required to disclose details of any transactions that the Authority has with any individuals with whom they may have a close relationship or any company in which they may have an interest. Members and Senior Officers are aware of the requirement of this disclosure and have declared that they have not been involved in any such related party transactions.

Outsourcing of pension scheme administration
The Authority has outsourced the administration of the Fire Fighters Pension Scheme to Staffordshire County Council effective from 1st April 2014. This contract was previously administered by Capita. The amount paid in 2015/16 to Staffordshire County Council was £127,000 (£98,000 in 2014/15). Additional costs have been incurred due to the complexities of administering new schemes and providing additional data.

The Authority contracts with Staffordshire County Council for the provision of various administrative support. The amount paid in 2015/16 was £125,000 (£134,000 in 2014/15). This includes the internal audit services, treasury management, payroll provision, SAP accounting system, property services, VAT advice and archiving services.

During the financial year amounts were paid to the Local Government Pension Scheme managed on behalf of the Authority by Staffordshire County Council. Details of the amounts paid are shown in Note 40 below.

Community Interest Company

The Authority hold shares in The Stoke on Trent & Staffordshire Safer Communities Community Interest Company which was established following the completion of the PFI1 project in 2011. The Stoke on Trent & Staffordshire Safer Communities Community Interest Company is a company limited by shares. Like all CICs, it has some unique and important additional features to safeguard its social mission that it was set up for. The shares have a nominal value in the accounts. The distribution of those shares is as follows:

Party	No. of Shares	No. of Directors	Vision
Staffordshire Fire & Rescue Service	55	Two	To make Staffordshire the safest place to live and work
Fire Support (Stoke on Trent & Staffordshire Holdings Ltd)	25	Two	Supporting fire rescue, education and prevention
Groundwork West Midlands	20	One	A society of sustainable communities which are vibrant, healthy and safe and where individuals and enterprise prosper

The CIC also has a “lock” on its assets. This prevents profits from being distributed to its members or shareholders other than in certain limited circumstances. It also means that all assets must be used for the community purpose or, if they are sold, open market value must be obtained for them and the proceeds used for the community purposes. In addition, if the CIC is wound up, its assets must be transferred to another, similarly asset-locked body.

During 2015/16 the value of transactions entered into between the Authority and the CIC company was income of £128,770 (2014/15 £41,123) with expenditure to match as cost recovery only is in operation. At the 31st March 2016 there is a debtors balance owed to Staffordshire Fire of £23,515 (debtors at the 31st March 2015 was nil).

Financial Statements have been prepared for the CIC.

31. INTEREST IN COMPANIES

The Stoke on Trent & Staffordshire Safer Communities Community Interest Company is a company limited by shares. The company was established following the completion of the PFI1 project in 2011. It was formed in partnership between public, private and voluntary sector with the primary purpose of providing opportunities to improve the health, safety, social and economic wellbeing of the communities of Stoke-on-Trent and Staffordshire. Its vision is to support active citizenship and financial sustainability through social enterprise and income generation.

The company is considered to be a related party to the Authority and details of transactions between the two entities have been disclosed in Note 30.

For the year ending December 2015 the company achieved a profit of £21,693 (profit of £20,659 in 2014) and holds net assets of £72,000. The key financial information for the CIC is below:

For the year ending 31 December	2014 £000	2015 £000
Profit and Loss		
Turnover	73	150
Operating Profit	26	26
Profit on ordinary activities after taxation	21	21
Balance Sheet		
Net Current Assets	50	72

A copy of the accounts can be requested from Staffordshire Fire & Rescue Service Headquarters.

32. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including value of assets acquired under finance leases and PFI contracts), 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 Requirements (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

The CFR is analysed as follows:

2014/15 £,000		2015/16 £,000
72,280	**Opening Capital Financing Requirement**	87,368
	Capital investment	
40	Intangible Assets	3
18,728	Property, Plant & Equipment	17,312
52	Donated Assets	0
	Sources of finance	
0	Capital receipts	(329)
(1,144)	Government grants and other contributions	(182)
(631)	Direct Revenue Financing	(970)
(1,957)	Revenue Provision	(2,924)
87,368	**Closing Capital Financing Requirement**	**100,278**
	Explanation of movements in the year	
0	Increase in underlying need to borrow (supported by Government financial assistance)	0
(1,957)	Decrease in underlying need to borrow (unsupported by Government financial assistance)	(2,924)
17,045	Assets acquired under PFI contracts	15,834
15,088	**Increase / (Decrease) in Capital Financing Requirement**	**12,910**

33. MINIMUM REVENUE PROVISION

There is a statutory requirement for the Authority to set aside sums from its General Fund Account in the form of a minimum revenue provision. The sum is based on a combination of either 4% of the Authority's capital financing requirement at the end of the previous financial year and a proportion of an assets value based on asset life. MRP is also charges against Private Finance Initiatives. The capital element of repayments is being used as a proxy for the PFI MRP.

The charges for this are reflected in the table below:

2014/15 £,000		2015/16 £,000
(1,329)	Other Services	(1,317)
(300)	Finance Lease	(75)
(264)	PFI1	(1,126)
(64)	PFI2	(406)
(1,957)	**Total MRP**	**(2,924)**

34. OTHER LONG TERM LIABILITIES

The Other Long Term Liabilities include finance leases and the PFI Liability as disclosed in notes 35 and 36. The following schedule analyses the liability:

2014/15 Total Liability £,000	2014/15 Payable less than 1 year £,000	2014/15 Payable more than 1 year £,000		2015/16 Total Liability £,000	2015/16 Payable less than 1 year £,000	2015/16 Payable more than 1 year £,000
234	75	159	Finance Lease	158	77	81
42,606	1,126	41,480	PFI 1 Liability	41,480	1,205	40,275
16,980	754	16,226	PFI 2 Liability	32,408	797	31,611
59,820	**1,955**	**57,865**		**74,046**	**2,079**	**71,967**

The liabilities payable less than one year are included in the Short Term Creditors.

35. LEASES

Finance Leases

The assets acquired under finance lease are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2014/15 £,000		**2015/16 £,000**
589	**Opening Net Value at 1 April**	**250**
0	Additions	0
0	Revaluations	0
(68)	Depreciation	(68)
(271)	Disposals	0
250	**Value at 31 March**	**182**

The Authority acquired fire appliances under the terms of finance leases. The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while liability remains outstanding.

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments 31-Mar-15 £,000	Minimum Lease Payments 31-Mar-16 £,000	Finance Lease Liabilities 31-Mar-15 £,000	Finance Lease Liabilities 31-Mar-16 £,000
Obligations payable not later than one year	84	85	75	77
Obligations payable later than one year and not later than five years	169	84	159	81
Obligations payable later than five years	0	0	0	0
	253	**169**	**234**	**158**

The rentals payable under these arrangements in 2015/16 were £85,000 (£326,000 in 2014/15), charged to the Comprehensive Income and Expenditure Statement as £10,000 and £75,000 relating to the write-down of obligations to the lessor charged to the General Fund.

Operating Lease

The Authority currently has no operational vehicles or equipment financed under the terms of operating leases.

36. PRIVATE FINANCE INITIATIVES (PFI)

The PFI transactions are treated in the Authority's accounts in accordance with the latest recommended practice with the adaptation of IFRIC12 (Service Concession Arrangements).

The assets used to provide services at the fire stations are recognised on the Authority's Balance Sheet.

The Authority makes an agreed payment annually which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed.

Although the payments made to the contractor are described as unitary payment, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed.

PFI 1 scheme

The contract to build ten new community fire stations in Staffordshire as part of the first PFI project was officially signed on 15 October 2009 by representatives of the Authority and the consortium delivering the project, Fire Support. The project will benefit from £50 million of PFI credits from DCLG.

The project has seen seven fire stations rebuilt as well as the construction of an additional three new stations. All ten stations are now operational; five being built in 2010/11 and the remaining built in 2011/12.

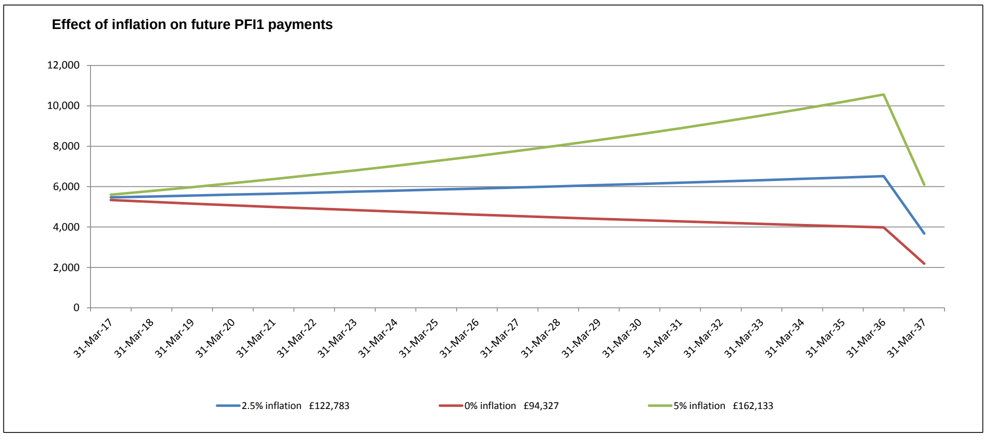
Payments remaining to be made under the PFI contract are as follows:

Future Unitary Payments	Operating Costs £'000	Contingent Rental/ Interest £'000	Lifecycle Replacement £'000	Capital Repayment £'000	Total Unitary Charge £'000
within 1 year	1,165	3,053	45	1,205	**5,468**
2-5 years	5,280	11,280	1,095	4,668	**22,323**
6-10 years	7,457	12,086	1,616	7,847	**29,006**
11-15 years	8,702	8,768	2,427	10,482	**30,379**
16-20 years	9,691	4,905	2,047	15,288	**31,931**
21-25 years	1,220	68	398	1,990	**3,676**
	33,515	**40,160**	**7,628**	**41,480**	**122,783**

The liability outstanding to pay the contractor's liability for capital expenditure incurred is £41,480,000 over the next 21 years, as stated in the above table.

Effect of inflation on future payments

The accounting model is based on RPI at 2.5%. The effects on the future liability if RPI was plotted at 0% and at 5% can be demonstrated below:



Transactions under the scheme during 2015/16 were:

2014/15 £'000		2015/16 £'000
1,223	Fair Value of Services	1,228
3,122	Finance Costs	3,047
61	Contingent Rent	74
4,406	**Revenue Unitary Payments**	**4,349**
42	Other Revenue Expenditure	43
1,217	Depreciation	1,217
5,665	**Total Expenditure**	**5,609**
(3,814)	PFI Special Grant	(3,814)
-	Other Contributions	-
1,851	**(Surplus)/Deficit Amount in Income & Expenditure Account**	**1,795**
	Statement of Movement on the General Fund Balance	
(1,217)	Amounts required by statue to be Excluded - depreciation	(1,217)
1,052	amounts required by statue to be Included - MRP	1,126
(181)	Transfer to/(from) Earmarked Reserves	(194)
(346)	**Net Charge to the General Fund**	**(285)**
-	Interest Earned on Balance	-
-	Interest Accrued from Previous Years	-

The Net Book Value of assets held under the PFI1 scheme as at 31 March 2016 was £35,986,000.

PFI 2 scheme

The contract to build eleven new community fire stations in Staffordshire as part of the second PFI project was officially signed on 10 July 2013 by representatives of the Authority and the consortium delivering the project, Blue[3]. The project will benefit from £45 million of PFI credits from DCLG.

The project has seen ten fire stations rebuilt as well as the construction of a new station as a replacement of a current station on a different site. All stations now operational by the end of 2015/16.

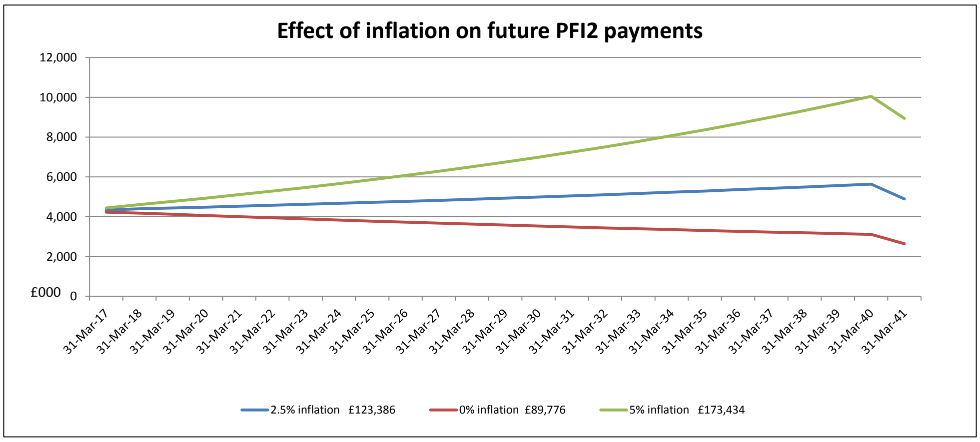
Payments remaining to be made under the PFI contract are as follows:

Future Unitary Payments	Operating Costs £'000	Contingent Rental/ Interest £'000	Lifecycle Replacement £'000	Capital Repayment £'000	Total Unitary Charge £'000
within 1 year	1,327	2,213	-	798	**4,338**
2-5 years	5,649	8,461	307	3,430	**17,847**
6-10 years	7,893	9,327	1,163	4,978	**23,361**
11-15 years	8,930	7,306	2,816	5,618	**24,670**
16-20 years	10,104	5,106	4,020	6,924	**26,154**
21-25 years	11,034	3,677	1,645	10,660	**27,016**
26 years onwards	-	-	-	-	**-**
	44,937	**36,090**	**9,951**	**32,408**	**123,386**

The liability outstanding to pay the contractor's liability for capital expenditure incurred is £32,408,000 over the next 25 years, as stated in the above table.

Effect of inflation on future payments

The accounting model is based on RPI at 2.5%. The effects on the future liability if RPI was plotted at 0% and at 5% can be demonstrated below:



Transactions under the scheme during 2015/16 were:

2014/15 £'000		2015/16 £'000
231	Fair Value of Services	710
252	Finance Costs	1,467
47	Contingent Rent	7
530	**Revenue Unitary Payments**	**2,184**
-	Other Revenue Expenditure	-
-	Depreciation	553
530	**Total Expenditure**	**2,737**
(1,750)	PFI Special Grant	(3,230)
-	Other Contributions	-
(1,220)	**(Surplus)/Deficit Amount in Income & Expenditure Account**	**(493)**
	Statement of Movement on the General Fund Balance	
0	Amounts required by statue to be Excluded - depreciation	(553)
64	amounts required by statue to be Included - MRP	406
1,349	Transfer to/(from) Earmarked Reserves	1,480
1,413	**Net Charge to the General Fund**	**1,333**
-	Interest Earned on Balance	-
-	Interest Accrued from Previous Years	-

The Net Book Value of assets held under the PFI2 scheme as at 31 March 2016 was £30,739,000.

37. CONTINGENT LIABILTIES

The Authority has contingent liabilities totaling £670,626 relating to pending insurance claims and the Protected Rights Fire-fighter Injury Pension payments for retained staff.

Insurance Claims -
The contingent liabilities relating to pending insurance claims amounts to £237,900. These cases are still being progressed through the legal process and final decisions are not yet known. Were these liabilities to crystallise, the authority would be reimbursed through their insurance policy, and liable only for the insurance excess of c£5,000 on each claim up to a maximum of £75,000 for the ten claims.

Protected Rights Fire-fighter Injury Pension payments -
The contingent liability relating to the Protected Rights Fire-fighter Injury Pension amounts to £595,626 and concerns the five years from 2006/07 to 2010/11. These pension costs have been claimed for and funded through the DCLG Fire-fighter Top Up Grant. However, after a review of the guidance and further clarity of the regulations these costs should have been funded from the operational fund and excluded from the Top-up Grant provision.

This treatment has been corrected in 2014/15. As per the Pension Regulations the recovery is restricted to the three years only therefore an accrual has been included in the accounts for the two year period of 2011/12 to 2012/13 as 2013/14 has now been settled.

The contingent liability is included in the financial statements until final confirmation is received from DCLG that the Department will not seek for reimbursed.

This interpretation of the pensions' guidance has affected all Fire and Rescue Authorities who have retained staff.

38. TERMINATION BENEFITS

In 2015/16 the Authority incurred liabilities of £197,000 for nine voluntary redundancies as disclosed in Note 27.

39. EVENTS AFTER THE REPORTING PERIOD

On 14 April 2016 the Authority successfully refinanced its first PFI scheme that had originally delivered ten community fire stations during 2011. This PFI1 project closed at a market peak in October 2009 when global markets and bank liquidity saw significant lending cost increases. The market rates available during 2015 and 2016 were reflective of the current financial markets being much more favourable, thereby presenting a time-restricted window of opportunity to realise long term financial benefits and was fully endorsed by the Department for Communities and Local Government.

This traditional refinancing did not make any material changes to the original project agreement or the risk profile for the Authority, and despite a lengthy process it delivered a one-off cash benefit of £400,000 that will now be reinvested into the building stock; with a minor refurbishment now planned for Abbots Bromley during 2016/17.

40. PENSION SCHEMES

INCOME AND EXPENDITURE COSTS

Uniformed Fire-fighters

This is an unfunded scheme which means that there are no investment assets to match with the liability. Cash has to be generated to meet actual pension payments as they fall due. The fire-fighters pension scheme is a defined benefit scheme. Any annual surplus or deficit on the scheme is paid to or met by the Department of Communities and Local Government (DCLG).

Other Pensionable Employees

In 2015/16 the Authority paid an employer's contribution of £890,000 into the Staffordshire County Pension Fund. The fund gives members defined benefits related to pay and service. The contribution rate is determined by the fund's actuary based on the triennial actuarial valuation.

The costs of providing pensions are charged to the service revenue accounts as they are earned over the service lives of scheme members. Any variations from regular costs are spread over the remaining working life of current members using the percentage of salary method.

The Authority is responsible for all pension payments for added year's benefits it has awarded along with related increases. In 2015/16 these amounted to £68,000 (£67,000 in 2014/15).

The Fire Authority participates in six schemes, these are:

a) Five fire-fighters' schemes that are administered by Staffordshire County Council from 1st April 2014.

    i. Pension Scheme 1992 (FF'92)
    ii. Pension Scheme 2006 (FF'06) which includes whole time and retained staff as members
    iii. Compensation Scheme 2006 (FF'CS) with non-contributory provisions covering death and injury on duty
    iv. Pension Scheme 2015
    v. Pension Modified Scheme (included in the FF'06 figures for this disclosure)

b) A Local Government Pension Scheme (LGPS) for other employees that is administered by Staffordshire County Council.

The cost of the retirement benefits in the Cost of Services represents the cost of benefits earned during the year and past service costs, which represent the estimated liability of discretionary benefits awarded by the employer. The charge to the Council Tax is based upon employers contribution paid in the year to the Pension Fund, so the real cost of retirement benefits is reversed out of the Comprehensive Income and Expenditure Statement after Net Operating Expenditure. The following transactions were made in the income and expenditure account during the year.

	Local Government Pension Scheme		Fire Fighters 1992 Pension Scheme		Fire Fighters 2006 Pension Scheme		Fire Fighters 2015 Pension Scheme		Compensation Scheme 2006		**Total Scheme**	
	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000	**2014/15 £'000**	**2015/16 £'000**
Comprehensive Income and Expenditure Statement												
Net Cost of Services:												
- Current service costs	993	1,325	4,190	3,110	2,440	410	0	2,820	920	720	**8,543**	**8,385**
- curtailments	85	27	0	0	0	0	0	0	0	0	**85**	**27**
Financing and Investment Income and Expenditure:												
- net interest on the net defined benefit liab	625	626	14,830	11,950	960	1,050	0	60	1,320	670	**17,735**	**14,356**
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,703	1,978	19,020	15,060	3,400	1,460	0	2,880	2,240	1,390	**26,363**	**22,768**
Remeasurement of the net defined benefit liability comprising:												
- Return on plan assets, excluding amounts included in net interest on the net defined benefit liability	2,905	(682)	0	0	0	0	0	0	0	0	**2,905**	**(682)**
- changes in demographic assumptions	0	0	18,070	4,980	5,820	310	0	40	14,650	250	**38,540**	**5,580**
- changes in financial assumptions	(7,352)	5,129	(50,590)	26,600	(16,950)	14,530	0	290	(2,180)	1,090	**(77,072)**	**47,639**
- other experience	298	548	15,400	18,900	3,740	(3,280)	0	380	(1,550)	(320)	**17,888**	**16,228**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(4,149)	4,995	(17,120)	50,480	(7,390)	11,560	0	710	10,920	1,020	**(17,739)**	**68,765**
- Employers contributions	(933)	(890)	(1,930)	(1,198)	(671)	(213)	0	(1,119)			**(3,534)**	**(3,420)**
- Retirement benefits paid to Pensioners	0	0	(10,691)	(12,514)	(31)	(334)	0	0	(980)	(980)	**(11,702)**	**(13,828)**
- Unfunded benefits	(67)	(68)									**(67)**	**(68)**
Actual amount charged against the General fund Balance for pensions in the year	(1,000)	(958)	(12,621)	(13,712)	(702)	(547)	0	(1,119)	(980)	(980)	**(15,303)**	**(17,316)**

The cumulative actuarial gain recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2016 is £68.7m (2014/15 loss £17.7m). This reflects the re-measurement of the net defined liability including changes arising from the discount rate, salary increase, mortality improvements and take up rate. The effects of which has reduced the liability of the pension fund.

THE AUTHORITY'S ASSETS AND LIABILITIES

The underlying assets and liabilities of the Authority are as follows:

	2014/15				**2015/16**				
	LGPS £'000	**FF'92 £'000**	**FF'06 £'000**	**FF'CS restated £'000**	**LGPS £'000**	**FF'92 £'000**	**FF'06 £'000**	**FF'15 £'000**	**FF'CS £'000**
Scheme liabilities	50,689	366,437	31,788	20,415	47,266	319,338	21,582	3,262	19,805
Unfunded liabilities	0	0	0	0	0	0	0	0	0
Total Liabilities	50,689	366,437	31,788	20,415	47,266	319,338	21,582	3,262	19,805
Estimated assets	31,336	0	0	0	31,888	0	0	0	0
Net liabilities	**19,353**	**366,437**	**31,788**	**20,415**	**15,378**	**319,338**	**21,582**	**3,262**	**19,805**

The liability shows the underlying commitments the Authority has to pay as retirement benefits.

The total liability of £379.4m reduces the Authority's net worth significantly as shown in the Balance Sheet and results in overall negative balance of £339.1m at 31 March 2016. The Government top up grant required to balance to the Pension Fund Account of £7.8m has not been included in the net liabilities above or in the Balance Sheet.

However, a statutory arrangement for funding the deficit means the financial position of the Authority remains healthy. The LGPS deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme's actuary.

BASIS FOR ESTIMATING ASSETS

The LGPS Scheme's liabilities have been valued by Hymans Robertson, an independent and professionally qualified firm of actuaries. The Unfunded Scheme's liabilities have been re-valued using the Projected Unit Method by the Government's Actuary Department.

An estimate of the pensions that will be payable in future years is dependent on assumptions about mortality rates, salary levels and other financial assumptions, see below:

	2014/15				2015/16				
	LGPS	FF'92	FF'06	FF'CS	LGPS	FF'92	FF'06	FF'15	FF'CS
Mortality:									
Longevity at 65 for current pensioners:									
- Men	22.1	22.5	22.5	22.5	22.1	22.3	22.3	22.3	22.3
- Woman	24.3	22.5	22.5	22.5	24.3	22.3	22.3	22.3	22.3
Longevity at 65 for future pensioners:									
- Men	24.3	24.8	24.8	24.8	24.3	24.6	24.6	24.6	24.6
- Woman	26.6	24.8	24.8	24.8	26.6	24.6	24.6	24.6	24.6
Financial assumptions:									
Price Increases	2.4%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Salary Increases	4.3%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%
Pension Increases	2.4%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Discount Rate	3.2%	3.3%	3.3%	3.3%	3.5%	3.6%	3.6%	3.6%	3.6%
Expected Return on Assets	3.2%		(unfunded schemes)		3.5%		(unfunded schemes)		

For the LGPS an allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Scheme Profile and funding liability:

LGPS:	Active members	Deferred members	Pensioner members	
Liability split	61.4%	16.9%	21.8%	100%
Weighted Average Duration	23.5	24.4	13.2	20.7

Fire Fighter Pension:	Active members	Deferred members	Pensioner members
Number	669	298	628
Total Salaries in membership data (pa) (£m)	14.43		
Total accrued pensions (£m)	4.14		
Total deferred pension (pa) (£m)		0.36	
Total pension (pa) (£m)			9.58

Sensitivity analysis:

The estimation of the defined benefit liability is sensitive to the actuarial assumptions set out in the table previously shown. The sensitivity analyses 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 whilst all the other assumptions remain constant. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in previous period.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

	LGPS		FF'92		FF'06		FF'15	
Change in assumptions at 31 Ma	Approx. % increase to Employer Liability %	Approx. monetary amount £m	Approx. % increase to Employer Liability %	Approx. monetary amount £m	Approx. % increase to Employer Liability %	Approx. monetary amount £m	Approx. % increase to Employer Liability %	Approx. monetary amount £m
0.5% decrease in Real Discount Rate	12.0%	5.5	9.7%	31.1	17.4%	3.8	18.6%	0.6
1 year increase in member life expectancy	3.0%	1.4	2.4%	7.8	2.0%	0.4	1.8%	0.1
1 year earlier in member early retirement	-	-	-0.1%	0.5	1.3%	0.3	1.6%	0.1
0.5% increase in the Salary Increase Rate	3.0%	1.7	0.5%	1.7	4.8%	1.0	7.7%	0.3
0.5% increase in the Pension Increase Rate	8.0%	3.7	8.2%	26.2	10.1%	2.2	10.0%	0.3

SCHEME HISTORY

	2011/12	2012/13	2013/14	2014/15	2015/16
Present Value of liabilities	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
LGPS	(31,213)	(37,947)	(41,597)	(50,689)	(47,266)
FF92	(286,721)	(343,930)	(339,680)	(366,437)	(319,338)
FF06	(11,463)	(17,806)	(20,118)	(31,788)	(21,582)
FF15	0	0	0	0	(3,262)
FF Compensation	(28,075)	(33,315)	(30,075)	(20,415)	(19,805)
Fair Value of Assets	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
LGPS	21,626	25,378	27,096	31,336	31,888
Surplus/(deficit) in the scheme	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
LGPS	(9,587)	(12,569)	(14,501)	(19,353)	(15,378)
FF92	(286,721)	(343,930)	(339,680)	(366,437)	(319,338)
FF06	(11,463)	(17,806)	(20,118)	(31,788)	(21,582)
FF15	0	0	0	0	(3,262)
FF Compensation	(28,075)	(33,315)	(30,075)	(20,415)	(19,805)
Experience gains and losses on assets	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
LGPS	(502)	2,026	(177)	2,905	(682)
% of assets at end of year	%	%	%	%	%
LGPS	-2.3	8.0	-0.7	9.3	-2.1
Experience gains and losses on liabilities	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
LGPS	(326)	70	1,042	298	548
FF92	3,530	(6,770)	6,400	15,400	18,900
FF06	420	(800)	90	3,740	(3,280)
FF15	0	0	0	0	380
FF Compensation	(510)	1,850	2,760	(1,550)	(320)
% of liabilities at end of year	**%**	**%**	**%**	**%**	**%**
LGPS	1.0	-0.2	-2.5	-0.6	-1.2
FF92	1.2	-2.0	1.9	4.2	5.9
FF06	3.7	-4.5	0.4	11.8	-15.2
FF15					11.6
FF Compensation	-1.8	5.6	9.2	-7.6	-1.6

LOCAL GOVERNMENT PENSION SCHEME

Year Ended:	31-Mar-15	31-Mar-16
	£'000	£'000
Opening Defined Benefit Obligation	**41,597**	**50,689**
Current Service Cost	993	1,325
Interest Cost	1,793	1,632
Contributions by scheme participants	281	300
Remeasurement gains and losses	7,054	(5,677)
Losses / (Gains) on Curtailments	85	27
Estimated Unfunded Benefits Paid	(67)	(68)
Estimated Benefits Paid	(1,047)	(962)
Closing Defined Benefits Obligation	**50,689**	**47,266**
The Scheme Assets		
Year Ended:	**31-Mar-15**	**31-Mar-16**
	£'000	£'000
Opening Fair Value of Employer Assets	**27,096**	**31,336**
Interest income on plan assets	1,168	1,006
Contributions by scheme participants	281	300
Contributions by the employer	933	890
Contributions in respect of Unfunded Benefits	67	68
Remeasurement gains and losses	2,905	(682)
Unfunded Benefits Paid	(67)	(68)
Benefits Paid	(1,047)	(962)
Closing Fair Value of Employer Assets	**31,336**	**31,888**

The movement in the net pension's deficit for the LGPS for the year can be analysed as follows:

	2014/15	2015/16
	£'000	£'000
Net surplus/(deficit) at the beginning of year	**(14,501)**	**(19,353)**
Movement in the year:		
Current service cost	(993)	(1,325)
Contributions by the employer	933	890
Net return on assets (after Interest on pension liabilities)	(625)	(626)
Past Service Costs	0	0
Impact of settlements and curtailments	(85)	(27)
Unfunded Benefits	67	68
Actuarial gains/(loss)	(4,149)	4,995
Change in valuation of pension fund assets		
Net surplus/(deficit) at the end of year	**(19,353)**	**(15,378)**
The actuarial gain/loss can be analysed as follows:		
- Return on plan assets, excluding amounts included in net interest on the net defined benefit liability	2,905	(682)
- changes in demographic assumptions	0	0
- changes in financial assumptions	(7,352)	5,129
- other experience	298	548
Actuarial gain/(loss)	**(4,149)**	**4,995**

The estimated Employer's contributions for the period to 31st March 2017 will be £955,000.

Further information can be found in the Staffordshire County Council Superannuation Fund Annual Report, which is available upon request from the County's Finance Directorate, Eastgate Street, Stafford.

Fair value of employers' assets:

Asset Category	Period Ended 31 March 2015 Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets	Period Ended 31 March 2016 Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets
Equity Securities:								
Consumer	2,687.3	-	2,687.3	9%	2,272.3	-	2,272.3	7%
Manufacturing	-	-	-	0%	1,859.0	-	1,859.0	6%
Energy and Utilities	814.7	-	814.7	3%	727.2	-	727.2	2%
Financial Institutions	2,000.0	-	2,000.0	6%	2,056.4	-	2,056.4	6%
Health and Care	1,315.2	-	1,315.2	4%	1,713.1	-	1,713.1	5%
Information Technology	1,215.5	-	1,215.5	4%	1,942.1	-	1,942.1	6%
Other	2,408.9	-	2,408.9	8%	37.7	-	37.7	0%
Debt Securities:								
Corporate bonds (investment grade)	2,378.7	-	2,378.7	8%	1,604.6	-	1,604.6	5%
Corporate bonds (non-investment grade)	-	-	-	0%	-	-	-	0%
UK government	-	-	-	0%	-	-	-	0%
Other	-	-	-	0%	-	-	-	0%
Private Equity:								
All	-	995.6	995.6	3%	-	997.8	997.8	3%
Real Estate:								
UK Property	-	2,550.3	2,550.3	8%	-	2,830.7	2,830.7	9%
Overseas Property	-	-	-	0%	-	-	-	0%
Investment funds and Unit Trusts:								
Equities	10,384.4	-	10,384.4	33%	10,838.5	-	10,838.5	34%
Bonds	1,675.2	-	1,675.2	5%	1,628.5	-	1,628.5	5%
Hedge Funds	-	749.1	749.1	2%	-	746.3	746.3	2%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	-	-	0%	-	-	-	0%
Other	-	922.9	922.9	3%	-	892.3	892.3	3%
Derivatives:								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	-	-	-	0%	-	-	-	0%
Other	-	-	-	0%	-	-	-	0%
Cash and Cash Equivalents:								
All	1,238.2	-	1,238.2	4%	1,741.5	-	1,741.5	5%
Total	**26,118.1**	**5,217.9**	**31,336**	**100%**	**26,420.9**	**5,467.1**	**31,888**	**100%**

FIREFIGHTER PENSION SCHEMES

The movement in the net pension's deficit for the Unfunded Firefighters' Schemes for the year can be analysed as follows:

	2014/15			2015/16			
	FF'92 £'000	FF'06 £'000	FF'CS £'000	FF'92 £'000	FF'06 £'000	FF'15 £'000	FF'CS £'000
Net deficit - start of year	**(339,680)**	**(20,118)**	**(30,075)**	**(366,437)**	**(31,788)**	**0**	**(20,415)**
Transfer provision for injury awards	0	0	0	0	0	0	0
Movement in the year:							
Current service cost	(4,190)	(2,440)	(920)	(3,110)	(410)	(2,820)	(720)
Contributions by scheme participants	(1,307)	(646)	0	(814)	(173)	(942)	0
Past service cost	0	0	0	0	0	0	0
Pension transfers-in	0	(264)	0	(22)	(50)	(150)	0
Pension/benefits paid	10,690	30	980	12,515	329	0	980
Interest on pension liabilities	(14,830)	(960)	(1,320)	(11,950)	(1,050)	(60)	(670)
Actuarial gains/(loss)	(17,120)	(7,390)	10,920	50,480	11,560	710	1,020
Net deficit - end of year	**(366,437)**	**(31,788)**	**(20,415)**	**(319,338)**	**(21,582)**	**(3,262)**	**(19,805)**

The actuarial gain/(loss) can be analysed as follows:

	2014/15			2015/16			
	FF'92 £'000	FF'06 £'000	FF'CS £'000	FF'92 £'000	FF'06 £'000	FF'15 £'000	FF'CS £'000
Return on plan assets, excluding amounts included in net	0	0	0	0		0	0
changes in assumptions for retained settlement	0	(10,420)	0	0	10,370	0	0
changes in demographic assumptions	18,070	5,820	14,650	4,980	310	40	250
changes in financial assumptions	(50,590)	(6,530)	(2,180)	26,600	4,160	290	1,090
other experience	15,400	3,740	(1,550)	18,900	(3,280)	380	(320)
Actuarial gain/(loss)	**(17,120)**	**(7,390)**	**10,920**	**50,480**	**11,560**	**710**	**1,020**

Pension Reserve

To comply with IAS19 the Local Government and Firefighters Pension Scheme values are included in the Balance Sheet.

	LGPS £000	FF '92 £000	FF '06 £000	FF '15 £000	FF 'CS £000	Totals £000
Balance brought forward	(19,353)	(366,437)	(31,788)	0	(20,415)	(437,993)
Transfer provision for injury awards	0	0	0	0	0	0
Actuarial Gain / (loss)	4,995	50,480	11,560	710	1,020	68,765
Contribution to Revenue Accounts	(1,020)	(3,381)	(1,354)	(3,972)	(410)	(10,137)
Balance carried forward	**(15,378)**	**(319,338)**	**(21,582)**	**(3,262)**	**(19,805)**	**(379,365)**

41. PENSION LIABILITY

At 31st March 2016, 12 employees of the Authority who are members of the Firefighters' Pension Scheme were eligible for voluntary retirement, having reached age 50 and completed 25 years' service.

If all were to exercise their right to retire in the 2016/17 financial year, the Authority would have to make payments amounting to £1.7 million. The total includes lump sum payments of £1.5 million and annual pension payment of £0.2 million assuming that everyone retired on 1 April 2016.

Firefighters' Pension Fund Account

2014/15 £'000		2015/16 £'000	2015/16 £'000
	Contributions receivable		
	From employer		
(2,601)	- normal	(2,530)	
0	- early retirements	0	
0	- other	0	
(2,601)			(2,530)
(1,953)	From members		(2,288)
	Transfers in		
(264)	- individual transfers in from other schemes	(223)	
0	- other	0	
(264)			(223)
	Benefits payable		
9,181	- pensions	9,591	
1,343	- commutations and lump sum retirement benefits	3,017	
1,009	- commutation factor adjustment on lump sums	0	
58	- lump sum death benefits	0	
11,591			12,608
	Payments to and on account of leavers		
1	- refunds of contributions	0	
139	- individual transfers out to other schemes	240	
140			240
6,913	**Net amount payable for the year before top-up grant receivable to sponsoring department**		**7,807**
(6,913)	Top-up grant payable by the Government		(7,807)
0	**Fund Account Balance**		**0**

2014/15 £'000		2015/16 £'000
	Net Current Assets and Liabilities	
(6,208)	Top-up grant received	(6,711)
5,904	Pension costs for the year	7,807
(1,009)	Top-up receivable for the commutation provision	(295)
1,009	Additional costs for commutation lump sums	291
304	Amount owing (to)/from General Fund	(1,092)
0		**0**

Statement of Accounting Policies for Firefighters’ Pension Fund

1. The fund accounts have been prepared on an accruals basis.

2. An exception to the accruals basis is the transfer values which are on a cash basis. Note: transfer payments between English fire authorities were repealed by Regulation 36 of 1810/2006. Therefore transfer payments which arise will relate to Firefighters transferring to/from Welsh and Scottish authorities or transferring out of the Firefighters Pension Scheme entirely.

3. The fund has been valued by the Government Actuary's Department using the Projected Unit Credit method. The actuarial assumptions are shown in Note 40 to the Core Financial Statements.

4. The pension fund accounts do not take account of the obligation to pay pensions and benefits which fall due after the end of the financial year. The liabilities are shown in Note 41 IAS19 disclosure in the core financial statements.

Notes to the Pension Fund Account

1. Legal Status of the Pension Fund

The Pension Fund was established under the Firefighters Pension Fund Regulations 2006 (SI1810/2006) and from 1st April 2014 is administered by Staffordshire County Council, previously by Capita.

2. Management of the Fund

During the year the pension fund is managed by the Director of Finance, Assets and Resources.

3. Pension Benefits Payable from the Fund

The pension benefits payable from the fund include:

- Fire Fighters 1992 Scheme
- Fire Fighters 2006 Scheme
- Fire Fighters 2015 Scheme
- Fire Fighters Modified Scheme

The injury benefits are payable from the main authority accounts rather than the pension fund.

4. Unfunded Scheme

The Firefighters' pension scheme is an unfunded scheme, consequently:

- the fund has no investment assets;
- benefits payable are funded by contributions from employers and employees;
- any difference between benefits payable and contributions receivable is met by top-up grant from the Home Office/Department for Communities and Local Government (DCLG).

5. Statutory Restrictions

The pension fund is statutorily prevented from including interest on cashflows and administration expenses in the pension fund and that these expenses are borne by the fire authority main accounts.

6. Pension Fund Scheme Contribution Levels

Employees and employers contribution levels are set nationally by the Home Office/DCLG and subject to triennial revaluation by the Government Actuary's Department.

7. Government 'Top-Up' Grant

The pension fund account receives contributions from the Authority, as the employer, and from scheme members, with any deficit being funded by a 'top-up' grant from Government or by paying over the surplus to the Government sponsoring department. The Government grant balances the fund to nil. The net assets statement shows £7.8m grant to be paid to the Authority as this is the deficit balance on the fund for 2015/16 costs.

8. IFRS

As a result of the introduction of The IFRS Code there are no material changes to the pension statements arising from the transition.

Glossary

Accrual
A sum included in the final accounts to cover income or expenditure attributable to an accounting period for goods or work done, but for which payment has not been received/made by the end of an accounting period.

Actuarial Strain
This is a charge paid, or due to be paid to the pension fund for paying pensions early.

Capital Charge
A charge to service expenditure accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure
Expenditure on the acquisition of significant fixed assets that will be of use or benefit to the authority in providing its services beyond the year of account.

Capital Adjustment Account
Provides a balancing mechanism between the different rates at which assets are depreciated under accounting rules and are financed through the capital controls system.

Capital Receipts
Proceeds from the sale of an asset e.g. Land and Buildings which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within regulations set by Central Government.

CIPFA
The Chartered Institute of Public Finance and Accountancy. This is the professional organisation for accountants working in the public service.

Contingent Liabilities
A potential liability at the balance sheet date when the accounts are submitted for approval the outcome of which is uncertain. If material the liability will be disclosed as a note to the accounts.

Deferred Charges
An item in a balance sheet where there is no tangible asset. It also represents outstanding borrowing in respect of a capital asset which has been disposed of but where the proceeds have been insufficient to clear the outstanding debt.

Deferred Liabilities
Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time.

Financial Regulations
A written code of procedures we have approved, aimed at providing a framework for sound financial management.

Impairment
Where an asset's value has been reduced for reasons other than normal wear and tear. The asset's value in the accounts has to be reduced to reflect this impairment.

Leasing
A method of financing capital expenditure where a rental charge is paid for a specified period of time. There are two main types of leasing arrangements:

a) Finances leases which transfer the risks and rewards of ownership of a fixed asset to the lessee and such assets are included within the fixed assets in the balance sheet.

b) Operating leases where the ownership of the asset remains with the leasing company and the annual rental is charged direct to the income and expenditure account

LOBO
A longer term loan which, at set points during its term, gives the lender the option to change the interest rate and the borrower the option to continue or end the agreement.

Minimum Revenue Provision – Prudent Level
The minimum amount which must be charged to the revenue account each year to set aside for provision for credit liabilities, previously 4% of the capital financing requirement.

Non-Current Assets
Assets that give us value for more than one year.

Public Works Loan Board (PWLB)
A government agency which provides longer term loans to local authorities, at interest rates below market rate. It also acts as a lender of last resort (at a higher rate of interest).

'Prudent' Level
In this instance the term relates to amount charged to the Income and Expenditure Account for the provision for the repayment of debt. This is a more cautious approach thus linking borrowing to asset lives rather than just the standard 4% charge in previous years regardless of asset life.

Revaluation Reserve
Records unrealised revaluation gains arising (since 1 April 2007) from holding fixed assets.

Revenue Contribution to Capital Outlay / Direct Revenue Financing (RCCO) / (DRF)
A contribution to the financing of capital expenditure by a charge to the income and expenditure account, i.e. as a source of capital expenditure funding also can be used to avoid borrowing.

Service Reporting Code of Practice (SeRCOP)
The CIPFA Code of Practice which sets out the categories for reporting services externally.

Virement
The transfer of resources between budget heads.

Work in Progress
The cost of work done on an uncompleted project at a specified date that has not been recharged to the appropriate account at that date.