Staffordshire Commissioner Fire and Rescue Authority

Statement of Accounts

2018/19

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 2019, by clearly explaining the funding position, and how this funding is spent in order to deliver the priorities as set out within the Corporate Safety Plan (CSP). In addition, the Narrative Statement also provides further information to the reader about economy, efficiency and the effective use of resources during the financial year. It also looks to the future and considers some of the challenges faced by Staffordshire Fire and Rescue Service (SFRS) and importantly discusses the recent change in governance arrangements that took place during 2018/19.

The Statement of Accounts sets out the financial activities of the Staffordshire Commissioner Fire and Rescue Authority for the year ended 31 March 2019 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 2018/19, 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.

The Policing and Crime Act 2017 which came into effect on 3rd April 2017 gave the opportunity for Police and Crime Commissioners (PCCs) to make a local case to take on the responsibility for the governance of the Fire and Rescue Service. A business case commissioned by the Police and Crime Commissioner for Staffordshire was submitted to the Home Office for approval in October 2017 and following a Home Office commissioned independent review of the business case undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA), approval by the Home Secretary was granted on 26 March 2018. The Statutory Instrument that enabled the legislative change is cited as the Police, Fire and Crime Commissioner for Staffordshire (Fire and Rescue Authority) Order 2018. This came into force on 1st August 2018 with governance transferring on that date to the Staffordshire Commissioner from the Stoke on Trent and Staffordshire Combined Fire and Rescue Authority.

Background

The Staffordshire Commissioner is responsible for the finances of Staffordshire Fire and Rescue Service (SFRS) with a net revenue budget of £40.216m approved for 2018/19 under the previous governance arrangements by Stoke on Trent and Staffordshire Combined Fire and Rescue Authority. SFRS 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. There are varying levels of deprivation amongst the diverse communities of the county and this is reflected by the differing demand levels placed upon the Service, with Stoke-on-Trent having the most accidental dwelling fires and total number of incidents attended over the last three years. In total, the Service attended 9,579 emergency incidents during the year ending 31 March 2019, an increase of 10% on the previous year. Staffordshire has the largest total road length of any authority area of the West Midlands and has one of the largest in the country. There are 63 miles of motorway in Staffordshire and the West Coast Mainline connects the county by rail. The section of the motorway through Staffordshire and Cheshire has around 21 million vehicle movements per year.

The Service is made up of three main service delivery areas covering the county and has thirty three fire stations, a headquarters site and a separate Joint Emergency Transport and Engineering facility. A close relationship with our communities and partners is at the heart of our Service supported by our estate strategy which includes 21 community fire stations across the county built under two Private Finance Initiatives (PFI's); which complements our existing premises and enabling additional opportunities for community use, along with shared facilities for partners. Work is ongoing between the Service and Staffordshire Police to identify where the combined estate can be rationalised and used more effectively and efficiently to deliver future savings. This includes possible opportunities to share sites at Hanley, Tamworth, Rugeley, Leek and also Uttoxeter as part of the ongoing collaboration work being driven by the Staffordshire Commissioner.

The Fire and Rescue National Framework sets out the requirement that each Fire and Rescue Authority must produce an Integrated Risk Management Plan (IRMP) which must demonstrate how prevention, protection, and response activities will best be used to mitigate the impact of risk on communities, through authorities working either individually or collectively, in a cost effective way. This task is delivered by producing the Corporate Safety Plan (CSP) which sets out its strategic priorities and which shapes and drives the Service's vision of 'making Staffordshire the safest place to be' covering the three year period 2017/18 to 2019/20.

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The CSP has three priorities from which the Service continues to drive innovation and improved service delivery to ensure our communities are aware of and safe in terms of fire and other emergencies and that they receive the best response when they need it:

- **Priority 1 - Education & engagement**

  The Service delivers a number of preventative marketing campaigns based upon road safety, reducing small fires (Flames aren't games), supporting businesses and reducing fire death and injury in accidental dwelling fires by highlighting risks associated with smoking, alcohol, age and mobility - (SAME) factors. The Service also collaborates with health partners through their social media channels to promote health and wellbeing. In addition, a partnership approach to raising awareness of 'staying well during winter' and dementia has taken place through the use of fire appliances displaying safety messages and NHS livery.

  Thousands of positive interventions are also delivered with school children and other groups in regard to fire safety, road safety, water safety, social isolation, mental health issues, cybercrime, drugs and alcohol and first aid through a multi-agency schools education programme called Safe and Sound. The aim is to reduce pressures and demand on all public services over the long term through engagement and education by promoting safe behaviour, social inclusion and employability with both a universal and targeted offer. Local evaluation is evidencing that attendee's safety knowledge and awareness is increased as a result of the programme. The project has accessed national transformation funding under 'Blue Light Collaboration' to provide innovative and co-produced packages for delivery along with new technology in order to be to be as effective as possible in educating people through exciting interactions. The process has been underpinned by a needs based assessment of local communities completed in partnership with Public Health teams, Staffordshire Police, the Office of the Staffordshire Commissioner and voluntary organisations. Its focus has been predominantly in delivery to Schools although several events have been introduced to over 65 groups

  The Community Sprinkler Project has focused on the risks associated with high rise building fires and specifically the levels of safety for occupants and firefighters involved in a building of this nature involved in fire. We have focused our funding in this area over the medium to longer term with, match funding with appropriate partners as an option. This has created a local legacy and supports the broader Fire Sector's ambition with the national sprinkler agenda. With Phase 1 of the Community Sprinkler Project completed at David Garrick Gardens in Lichfield, Phase 2 continues with work continuing in other high buildings most notably in partnership with Stoke-on-Trent City Council and Tamworth Borough Council. The buildings in phase two of this project are being retrofit concurrently supported by the Service's fire engineers technical advice and are planned for completion within the next 18 months. The Service continues to work with providers of other high rise buildings throughout the county in order to gain further retrofitting of sprinklers. We have continued to work with businesses, architects, planners and partners to promote the benefits of fitting new build suppression systems along with lobbying for legislation change for sprinkler installation nationally.

- **Priority 2 - Community safety and Wellbeing**

  Evidence from fire investigations and fatal fire reviews have identified that the cohort of people that need preventative support from the Service are of a very similar profile to those who require support from health and social care services. The factors that lead to an individual requiring the services of the fire and rescue service include; smoking, alcohol, mobility related issues and being elderly. These are the most prominent factors (often combined) in accidental dwelling fire deaths.

  Fire and Rescue Services have long understood the importance of prevention work and the need to keep people safe within their own homes and this has been reflected by carrying out circa 25-30,000 home visits every year across Staffordshire and Stoke-on-Trent. Safe and Well visits present an opportunity to improve the levels of vulnerability of fire for those in most need within our communities. The Service has developed a process through the Community Advice Team (contact centre) to measure the outcomes from these referrals which informs the evaluation of the activity and captures the difference made to people's lives, feeding back to staff to highlight the difference made through their interventions. The analysis of our data, referrals from partners and direct requests from and contact with our communities provides us with a method of targeting our Safe and Well visits. These visits are carried out by operational crews, Technicians and also Community Safety Officers.

As part of an effective approach to risk management, the Service uses data to identify the people, areas and groups that are more likely to be at risk from fire and other emergencies. This allows the Service to use its resources as efficiently as possible to reduce risk in the community. In particular, data relating to deprivation, age and lifestyles are used through Mosaic Software. This helps the Service to deliver interventions, provide help and support to those who need it the most. The Service has continued to take great strides in sharing data and intelligence with partners including the NHS to deliver prevention in a more targeted and cost effective manner to where it will have the greatest impact in improving the quality of people's lives, particularly those who are at the greatest risk from fire. The sharing of GP data has allowed Fire and Rescue Service's to locally prioritise the risk and target their engagement with people who are over 65 who are much more likely to sustain an injury or worse as a result of fire.

- **Priority 3 - Planning, resilience and response**

  The Service develops its CSP using a variety of data sources and tools to identify foreseeable risks within the county and determine how it will allocate resources to deal with these risks. This ensures plans are robust and based on sound data with resources targeted effectively and efficiently across prevention, protection, and response activities. The Service maintains a system for gathering, validating and updating local risk information, (Provision of Risk Information System - PORIS) together with a method of providing this information to all personnel at the scene of an incident. All high and very high risks identified within 7.5km of the County boundary are shared with the appropriate neighbouring Fire and Rescue Service. This provides timely and accurate information to secure the health and safety of our staff when dealing with operational incidents. The Service has 33 Community Fire Stations across the County, their locations being based on risk evidence and intelligence, to ensure that our stations are effectively located and crewed. We have 23 retained on-call stations, 2 day duty stations and 8 twenty-four hour shift stations. This combination provides 39 frontline appliances and a variety of special appliances which support both local response and national resilience.

The Statement of Assurance is a document produced annually that sets the financial, governance and response arrangements that are in place by the Staffordshire Commissioner and also provides more detail and information about performance against the Corporate Safety Plan deliverables. This publication is a legal requirement.

The Staffordshire Commissioner manages the affairs of the Authority 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 Service continues to play a leading role in the communities that it serves to 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 2018/19; and presents all the recognised gains and losses of the Authority during 2018/19;

- **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 2019;

- **Cash Flow Statement** which summarises the inflows and outflows of cash in the year.

Where the funding came from: Revenue Expenditure 2018/19

The Revenue Budget was approved on 14 February 2018, and was set at £40.216 million. Revenue expenditure consists of the day-to-day running costs, such as employee costs, pension costs, premises, transport, ICT, income and financing costs. Overall the financial performance of the Authority has been positive in year by delivering the required savings target of £0.8m as contained within the approved Efficiency Plan, and in addition identifying additional savings throughout the year that have importantly supported an element of direct financing of capital expenditure.

Pay costs account for approximately 70 percent of the total revenue budget for the year. As at 31 March 2019 the Authority employed 797 staff (Full Time Equivalent). This included 293 on-call firefighters, 173 support staff and 21 seconded/funded posts and apprentices. The remaining 310 were employed operational (wholetime) staff in management, response or prevention and protection roles.

Pay costs were adverse to budget in the year due to the additional summer activity levels following an exceptionally dry period during the months of May through to July 2019. During this prolonged dry weather period there was a significant spike in small fires across the County with serious grass fires occurring on the Roaches, Ramshaw and in Alton. The incident on the Roaches was attributable to a disposable BBQ carelessly discarded by visitors leading to a moorland fire destroying local habitat which will take many years to recover.

The overspend in pay during the year was fully mitigated by savings from non pay and lower financing costs supported by better levels of income and grants received in year. Overall, a net saving of £0.4 million was delivered in year that was allocated as direct funding for capital investment incurred in year on short life assets.

The 2018/19 outturn position is summarised below and the details of how this expenditure has been funded during the year and provides a comparison to budget:

Revenue Budget Outturn 2018/19	Original Budget £m	Outturn £m	Variance £m
Pay	27.9	28.2	(0.3)
Non Pay			
Premises Costs	3.1	3.1	
Transport Costs	0.8	0.9	(0.1)
Supplies and Services	4.4	4.3	0.1
Other Support Costs	0.4	0.4	
Community Fire Safety	0.5	0.3	0.2
Total Non Pay	9.2	9.0	0.2
Income, Grants and Interest Receivable	(1.3)	(1.9)	0.6
Capital Financing Costs	2.4	2.1	0.3
Unitary Charge Payments	2.9	2.9	
Direct Financing Capital Expenditure		0.4	(0.4)
Total before the use of Reserves	41.1	40.7	0.4
Use of Reserves	(0.9)	(0.5)	(0.4)
Total	40.2	40.2	

Funded By:	£m
Settlement Funding	
Local Business Rates (1%)	3.7
Business Rates Top-Up	5.8
Revenue Support Grant	5.3
Total	14.8
Council Tax	25.4
Total	40.2

Revenue Expenditure and the General Reserve

The statutory accounts are published within the framework issued 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 £25.4m (2017/18 was a deficit of £6.694m). However, this includes £18.4m of past service costs as a result of the McCloud judgement in addition to in year pensions and depreciation costs, which are not chargeable to tax payers (nationally and locally). The final position for the financial year is set out in the following table (also see Note 23):

Reserves	Actual £m
General Reserves	
General Reserves balance 1 April 2018	1.9
Break Even for the Year	
General Reserves balance 31 March 2019	**1.9**
Other (useable) Reserves	
Other Reserves balance 1 April 2018	**8.3**
Net movement for the year:	
Funding for Revenue purposes	(0.5)
Funding to support the Capital Programme	(0.7)
Other (useable) Reserves balance 31 March 2019	**7.1**

This means that the General Reserve brought forward from 2017/18 remains at £1.9 million at the end March 2019, this reserve is held to allow for any unexpected or emergency events that are assessed to be either medium or high risk. This reserves remains under 5% of the total Revenue budget and is considered to be a reasonable provision for any emergency events that may occur.

The Other (Useable) Reserve has reduced by £1.2m in year to £7.1 million and forms an integral and important part of the overall financial strategy and financial resilience for the Staffordshire Commissioner as incorporated within the approved Medium Term Financial Strategy (MTFS) and Reserves Strategy. Reserves are not held without good reason and are earmarked to support funding into the medium term and are a key in reducing borrowing costs and maintaining liquidity. Ongoing austerity measures that have been imposed by Government during the last few years has seen the Revenue Support Grant funding reduced by around £9 million since 2012 (65%). Future capital commitments and vehicle replacement programme will also be supported by this reserve. The reserves balance is forecast to reduce to around £3.9 million by 2021 in line with this reserves strategy and approved MTFS, thus demonstrating effective and efficient utilisation of reserve balances into the medium term.

Capital Expenditure

During 2018/19 £2.6 million was spent on capital projects, summarised as follows:

Capital Expenditure Outturn 2018/19	Budget £m	Actual £m	Actual %
Land and Buildings	3.90	0.20	8%
Vehicles, Plant and Equipment	3.60	1.90	73%
Information Technology	1.00	0.50	19%
Total Capital Expenditure	**8.50**	**2.60**	**100%**

The capital programme outturn for 2018/19 of £2.6 million was significantly reduced in year for the seventh 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 five year period to March 2018 was fully funded through a combination of direct revenue contribution, capital grants received in addition to asset sales. During the year ending 31 March 2019 full funding for the capital programme was not forecast, however £1.4 million was funded through grants, earmarked reserves and additional savings. 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 remained static in year but has been reduced by £6.5m during the last few years. This action has improved the long term financial position for the Authority and demonstrates a dedicated commitment to deliver ongoing efficiency as a result of effective financial planning and a commitment to the most effective use of available resources during times of sustained financial austerity (see Note 37).

The capital expenditure in year was financed from three sources: £1.3m from in year direct revenue contribution and Earmarked Reserves with £0.1m from government grants with £1.2m of unsupported borrowing. The utilisation of funding from Earmarked Reserves was in line with the approved Reserves Strategy.

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 £496 million and this is the main reason for the excess of £440 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. Excluding the pension liability the balance sheet shows net assets of £56 million, up £2 million on 2017/18.

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 annually to cover any shortfall.

The total pension liability has increased by £41 million in year as incorporated into the Statement of Accounts for 2018/19. However, £18.4m relates to past service costs as a result of the McCloud age discrimination judgement and the remainder is primarily associated with the impact of fund valuation mainly through changes in financial assumptions that included an reduction in the discount rate of 0.1% (from 2.55% to 2.45%) used by the actuary within the valuation of the Firefighter Pension Schemes and a 0.3% reduction used by the actuary in the Local Government Pension Scheme (LGPS).

Following the recent three year “triennial” review of the Local Government Pension Scheme (LGPS), the actuary, Hymans Robertson, proposed that a further deficit repair payment was required for the three year period to 2019/20 in order for the employer contribution rates to remain unchanged. The Authority agreed to make the payment of £942,000 as a lump sum and receive a favourable discount rate of 3.8% offered by the actuary.

Financial Position

As part of the Local Government Finance Settlement for 2016/17 single purpose Fire and Rescue Authorities were all offered firm four-year funding allocations for the period from 2016/17 to 2019/20 in return for robust and transparent efficiency plans that would be published in order to enable local residents to scrutinise these plans. In October 2016 the Authority published its Efficiency Plan and submitted the document to the Home Office to secure this funding offer.

The published Efficiency Plan included detailed assumptions around the funding strategy adopted regarding future Council Tax increases and also the expected increases in business rates and housing growth within the county during this time. In total, the four year settlement included a reduction in Revenue Support Grant of £4.8m. The Efficiency Plan included a requirement for the Authority to make savings of £4 million by 2020.

To date £3 million of savings have been approved and fully implemented within the Service. The savings included a reduction in wholetime crews of 40 posts phased into the establishment from 1 January 2017 (28 posts) and 1 January 2018 (12 posts) which included the removal of two Targeted Response Vehicles (TRV’s), in addition a new retained payment system was implemented from 1 January 2017 that also reduced the establishment by 43 posts. The Executive Team was also restructured during 2016 removing one post from the structure.

The level of required savings was reduced by £0.5m to £3.5m as part of the budget setting exercise for 2018/19 supported by an increase in Band D Council Tax of 2.75% which was 1% above the assumption contained within the Efficiency Plan submission. This increase in Council Tax was possible following a change in the referendum limit which allowed Fire and Rescue Authorities to increase Council tax by 3% (previously set at 2%). The overall savings target in on track to be delivered by March 2020 with clear plans in place to deliver the final year of the 4 year Efficiency Plan.

There is increasing uncertainty around the anticipated funding position beyond March 2020. This is being driven by a government review of the funding allocation, in addition to uncertainty around future pay awards and pension costs implications discussed above. Further significant savings may therefore be required beyond 2020 which could have a major impact upon future service provision with Staffordshire and Stoke on Trent.

Community Fire Stations use, Funding and Community Interest Company

The Authority has 33 community fire stations across the County of Staffordshire and City of Stoke on Trent, all of which have some space made available, free of charge, to community groups and partners for activities which support the priorities of the Staffordshire Strategic Partnership. Twenty one of our community stations were funded by two Private Finance Initiatives (PFI), with £7m in grant funding received annually from central government, which currently supports around 70% of the unitary charge payable for both PFI projects.

Following the completion of the first PFI project in 2011 a Community Interest Company (CIC) was founded. 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.

The Service hosts a number of NHS teams and services operating from their Community Fire Stations, delivering a range of, support services, voluntary group activities and exercise classes. Community groups and partner agencies using the facilities include Staffordshire Police, the DVSA and the British Red Cross.

The Service delivers a range of programmes in partnership with Safer Communities Community Interest Company (CIC) and the Princes Trust. Over 178 young adults, many whom who have problems associated with a lack of confidence, stress, social isolation, mental ill health and alcohol/substance consumption are engaged in programmes on an annual basis. Current evidence shows that 93% go on to positive outcomes afterwards – either in full time education, employment, training or volunteering.

The financial position of the CIC 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 35.

Future Outlook

The Staffordshire Commissioner is committed to delivering savings across both Staffordshire Police and Staffordshire Fire and Rescue Service in order to protect front line provision across both the Force and the Service. Savings have already been achieved following the change in Governance on 1 August 2018, but the Staffordshire Commissioner is seeking to deliver further benefits of:

a) A more efficient use of the combined Fire and Police estate with this rationalisation delivering lower operating costs due to a reduced but more effective estate utilisation
b) The combining of back office functions across both Police and Fire. This includes shared departments such as Human Resources, Communications, Procurement and Finance.

The Staffordshire Commissioner's Office is in the process of developing a Fire Plan that will sit alongside the existing Corporate Safety Plan and will lead on the development of the work required in order to deliver the next Corporate Safety plan for the period 2020 onwards.

The Government is expected to start consultation on the next Comprehensive Spending Review (CSR) for the period commencing March 2020. Planning for the next CSR is very challenging with further funding reductions likely in addition to additional cost pressures from pay and pensions.

The Staffordshire Commissioner will remain focused upon the long term financial stability of the Service, supported by savings to be achieved through the collaboration agenda, and the intelligent use of resources and reserves.

These Accounts are due to be approved by the Staffordshire Commissioner following detailed review and recommendation by the Ethics, Transparency and Audit Panel on 24 July 2019.

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David Greensmith ACMA CGMA
Director of Finance (Staffordshire Commissioner's Office) / Section 151 Officer

Date: 24th July 2019

Audit Certificate

Independent auditor's report to the members of Staffordshire Commissioner Fire and Rescue Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Staffordshire Commissioner Fire and Rescue Authority (the 'Authority') for the year ended 31 March 2019 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and notes to the financial statements. The notes to the financial statements include the EFA, Notes to the Core Statements and Policies and Judgements. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice
In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report, the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the statement of accounts.

Matters on which we are required to report by exception
Under the Code of Audit Practice, we are required to report to you if:

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

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

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on pages 12 to 13, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Police Fire and Crime Commissioner is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in

accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion
On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources
We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate
We certify that we have completed the audit of the financial statements of the Staffordshire Commissioner Fire and Rescue Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report
This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

M C Stocks

Mark Stocks, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Birmingham

26 July 2019

Statement of Responsibilities

The Staffordshire Commissioner'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 (Staffordshire Commissioner's Office);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

I accept the above responsibilities and approve the 2018/19 Statement of Accounts for Staffordshire Commissioner Fire and Rescue Authority following a detailed review and recommendation by the Ethics, Transparency and Audit Panel on 24 July 2019. .

…………………………………………….

Matthew Ellis
Staffordshire Commissioner

Date: 24th July 2019

The Director of Finance's Responsibilities

The Director of Finance 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 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 2019.

In preparing this statement of accounts, the Director of Finance 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 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 Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Staffordshire Commissioner Fire and Rescue Authority as at 31 March 2019 and the income and expenditure for the year ending 31 March 2019.

…………………………………………..

David Greensmith ACMA CGMA
Director of Finance (Staffordshire Commissioner's Office) / S151 Officer

Date: 24th July 2019

Annual Governance Statement

Introduction

The Policing and Crime Act 2017 gave the opportunity for Police and Crime Commissioners (PCCs) to make a local case to take on the responsibility for the governance of the Fire and Rescue Service. A business case commissioned by the Police and Crime Commissioner for Staffordshire was submitted to the Home Office for approval in October 2017 and following a Home Office commissioned independent review of the business case undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA), approval by the Home Secretary was granted on 26 March 2018.

The Statutory Instrument that enabled the legislative change is cited as the Police, Fire and Crime Commissioner for Staffordshire (Fire and Rescue Authority) Order 2018. This came into force on 1st August 2018 with governance transferring on that date to the Staffordshire Commissioner.

The Governance of the authority therefore changed during the financial year with Stoke on Trent and Staffordshire Fire and Rescue Authority ceasing to exist and replaced, under Statutory Instrument 2018.No 696 and in accordance with S4A(5)(a) of the Fire and Rescue Services Act 2004, by the Staffordshire Commissioner Fire and Rescue Authority.

This Annual Governance Statement refers primarily to the governance arrangements in place from 1 August 2018 and in place as at 31 March 2019, under the governance of the Staffordshire Commissioner.

Scope of Responsibility

The Staffordshire Commissioner is responsible for ensuring that business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

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

In discharging these overall responsibilities, the Staffordshire Commissioner 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 the 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 Monitoring Officer and Chief Executive for the Staffordshire Commissioner’s Office.

This statement explains how the Staffordshire Commissioner has complied with The Code and meets the requirements of Regulation 6(1)(a) of the Accounts and Audit (England) Regulations 2015 that requires the Staffordshire Commissioner 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 of the systems and processes, 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 potential 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 Corporate Governance Framework has been in place at Staffordshire Commissioner Fire and Rescue Authority for the year ended 31st March 2019 and up to the date of approval of the 2018/19 Statement of Accounts.

The Governance Framework

The Authority's Governance Framework is made up of many systems, policies, procedures and operations. A new Corporate Governance Framework was introduced on 1 August following the change in governance arrangements. The key elements of the Governance Framework are as follows:

Corporate Safety Plan 2017-2020

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 2019/20. This Plan was approved under the previous governance arrangements by the Strategy and Resources Committee on 2nd March 2017, 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.

The Staffordshire Commissioner's Office is currently in the process of developing a Fire and Rescue Plan to sit alongside the Corporate Safety Plan and to be actively involved in the development of the updated plan that comes into place from 1 April 2020.

Performance Management

A well-established and robust performance management system is in place internally throughout the Fire and Rescue Service with regular performance monitoring being carried out by Directors'.

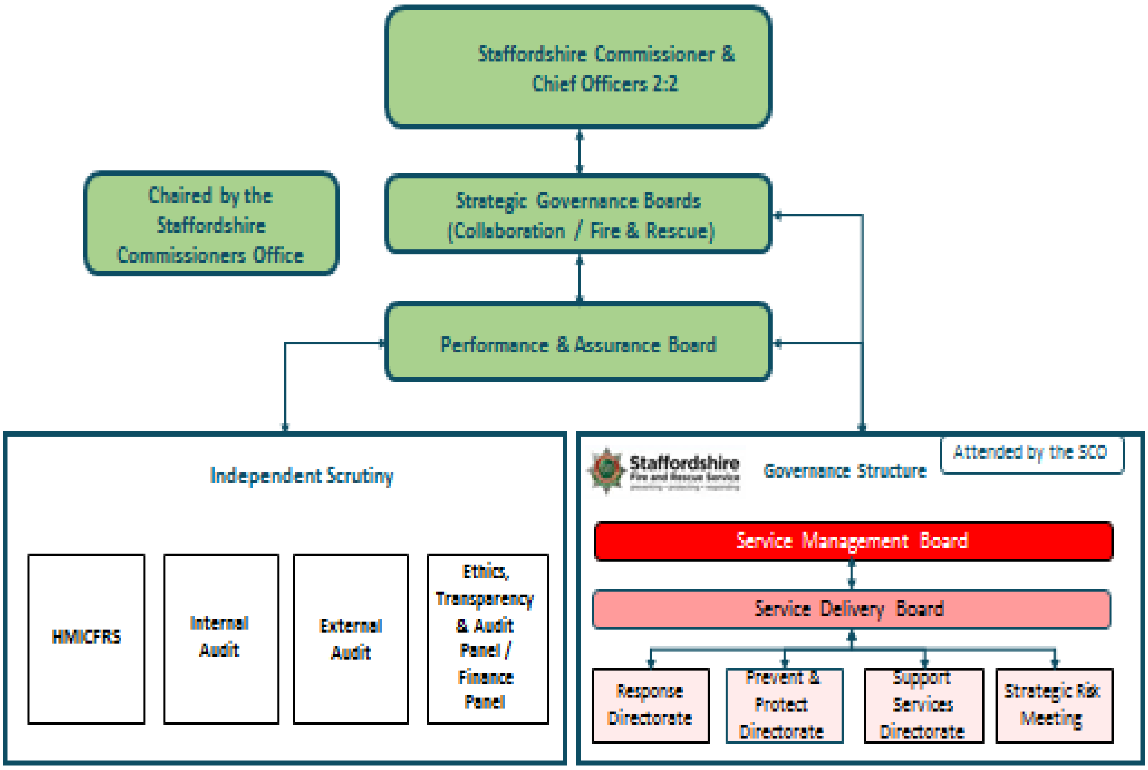
A detailed Resource Control Report is published internally on a monthly basis and incorporates all of the key information expected as part of a professional, commercially focused, set of Management Accounts; including revenue and capital spend and a cash flow management with performance comparison to budget. The Resource Control Report closely monitors the performance of the Authority and achievement of actual savings realised against the approved Efficiency Plan. 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 the Strategic Governance Board 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.

Under the new governance arrangements the Audit Committee has been replaced by the Ethics, Transparency and Audit Panel (ETAP), which also has a separate Finance Panel that receives bi monthly finance reports. The Finance Panel includes a number of qualified accountants who are able to provide detailed scrutiny to the monthly Resource Control Report, Internal and External Audit Reports and also the Annual Statement of Accounts and provide professional advice the members of ETAP.

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 regularly to the Service Delivery Board and monitoring reports are sent to the Performance and Assurance Board.

The Corporate Governance Structure in place under the Staffordshire Commissioner is detailed below:



Framework

The framework for Governance of the Fire and Rescue Authority is embodied in various statutes, standing orders, financial regulations, scheme of delegation, and there are Codes of Conduct. These are regularly reviewed and induction and training is provided where appropriate. Terms of Reference are in place for Authority meetings which are reviewed annually by the Strategic Governance Board.

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.

A robust process for risk management and business continuity is in place across the Service with strategic risks that are linked into corporate objectives. These processes are regularly tested and reviewed.

The Statement of Assurance for 2017/18 has also been published, a document that supports and sets out the financial, governance and response arrangements that Stoke-on-Trent and Staffordshire Fire and Rescue Authority and the Staffordshire Commissioner had in place for the period 1 April 2017 to 31 March 2018. It was written in accordance with the guidance published by the Ministry of Housing, Communities and Local Government on statements of assurance for fire and rescue authorities in England.

A vision for transforming the future of Staffordshire Fire and Rescue Service has been published within the Staffordshire Fire 2020 document. In addition, the Authority published online its Efficiency Plan for the four year period 2016/17 to 2019/20 which allows local people to scrutinise the savings required during this challenging period and secured Government funding commitment for the period 2016/17 to 2019/20. Progress against the four year Efficiency Plan is published annually within the Statement of Assurance.

The Staffordshire Commissioner has well established methods of communication in place with various stakeholders ensuring that key messages are received by both staff and the communities that we serve.

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 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, internal audit and the Ethics Transparency and Audit Panel and other review agencies and inspectorates.

The Service Delivery Board, the Service Management Board, and the Authority have maintained their governance by setting the budget for 2018/19 and approving the Medium Term Financial Strategy and also both the Capital and Reserve Strategies. 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.

In July 2017, Her Majesty's Inspectorate of Constabulary's (HMIC) remit was extended to include inspections of fire and rescue services in England and it is now called Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). The first inspection programme and framework for fire and rescue service inspections commenced in 2018. HMICFRS assess and report on the efficiency and effectiveness of the 45 fire and rescue services in England. This includes how well fire and rescue services prevent, protect against and respond to fires and other emergencies and how well they look after the people who work for the service. Three Fire and Rescue Services were named as pilot inspection areas, which included Staffordshire Fire and Rescue Service. This pilot was undertaken during April 2018 with HMICFRS using the information and learning from Staffordshire to amend and alter the methodology for the full inspection programme. Staffordshire will be inspected again during the summer of 2019. A formal report for the inspection has not been produced for the pilot services by HMICFRS, with feedback provided verbally to the Fire and Rescue Service to conclude the pilot inspection.

Internal Audit

Throughout the year Internal Audit has carried out a range of planned reviews of systems and internal controls across the Service. During 2018/19, twelve audit reviews were undertaken and Table 1 summarises the systems coverage against the Audit Plan and associated opinions:

Table 1

Audit	Opinion			
	Substantial	Satisfactory	Limited	Consultancy
Project Management – Fire Transformation Fund	✓			
Community Interest Company		✓		
GDPR - Preparedness	✓			
Financial Ledger & Bank (Integra – NML)	✓			
Fire Fighters Pensions Administration and Payroll		✓		
Payroll Processing Procedures – New Payroll System Resource Link	✓			
Stock Management System	✓			
Efficiency Plan 2016/17 to 2019/20	✓			

Audit	Opinion			
	Substantial	Satisfactory	Limited	Consultancy
Cybersecurity Preparedness and Response Effectiveness	✓			
Integra – System Security		✓		
Counter Fraud & Corruption Activities – Procurement of Desirable Goods	✓			
National Fraud Initiative				✓
Total Audit Delivered (11)	**8**	**3**	**0**	**1**

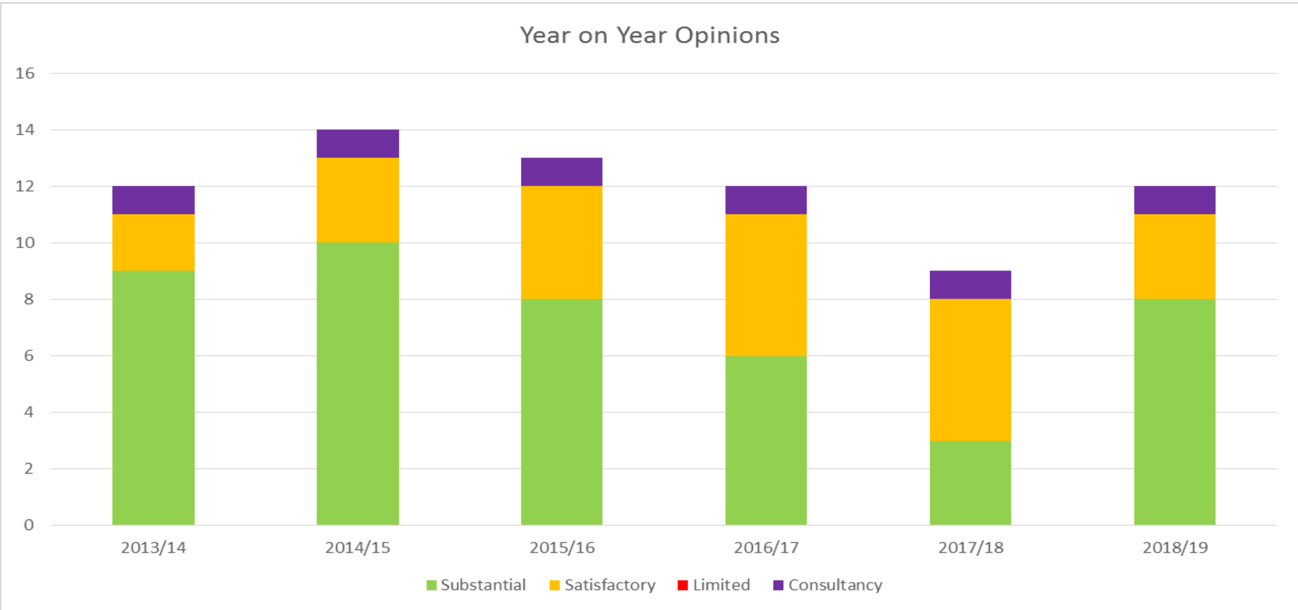
The Audit Team also co-ordinated the extraction of data and fair processing notices for the continued participation in the National Fraud Initiative 2018 exercise.

The opinions for the reviews completed have all been positive in that substantial assurance has been given to 8 audits and satisfactory assurance for a further 3 audits. No limited assurance opinions were awarded during the year.

No audits were cancelled from the Internal Audit Plan during 2018/19 meaning that the 98 days of planned audit time in 2018/19 was delivered.

In addition to the above, issue seven of the Fraudwatch newsletter was produced and communicated across the Service.

In relation to internal audit work in 2018/19, no high priority recommendations have been made during the year reflecting the robust control environment in place within the Service.



Opinion on the Control Environment

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 and Plan each year, the latest of which was approved by the ETAP in March 2019.

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 2018/19 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 2018/19	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 2018/19	N/A
Overall Total		**3 out of 3 categories**

Based on the above, a "substantial" assurance opinion on the overall adequacy and effectiveness of Staffordshire Commissioner Fire and Rescue Authority's governance, risk and control framework (i.e. the control environment) can be given for the 2018/19 financial year.

Audit Recommendations Monitoring

Internal Audit introduced, in 2016, a new Audit Management System and automated working papers solution which enables all audit recommendations to be held within a central monitoring database. This allows Audit to systematically follow-up all recommendations made which provides additional assurance to management and the ETAP that recommendations are being implemented as agreed.

This system adds value by demonstrating how the system of control is being strengthened through the implementation of audit recommendations and by allowing audit to efficiently follow-up the progress of all recommendations without the need for further audit.

The progress made against all recommendations has been presented to ETAP meetings throughout the year as part of the progress reporting.

During 2018/19, Internal Audit made a total of 38 recommendations. No recommendations were deemed to be a high priority, whilst 14 medium and 24 low priority recommendations were made.

CONCLUSION

The details given within this statement represents a clear approach to ensuring that appropriate and proper governance arrangements are in place for Staffordshire Commissioner Fire and Rescue Authority.

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M Ellis
Staffordshire Commissioner:

Date: 24 July 2019

…………………………………….

R Bryant
Chief Fire Officer / Head of Paid Service

Date: 24 July 2019

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D Greensmith ACMA CGMA
Director of Finance (Staffordshire Commissioner's Officer) /Section 151 Officer

Date: 24 July 2019

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 2018/19, 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

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

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accrual basic, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

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

Measurement and Valuation

Assets are initially measured at cost, comprising of the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Donated assets are measured initially at fair value.

Plant, Property and Equipment is 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.

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.

Operational properties are carried in the Balance Sheet at Depreciated Replacement Cost for specialised properties, where there is no evidence of market value, and Open Market Value for properties where there is evidence of market value.

Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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

Depreciation

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

Depreciation is calculated using a straight line method from the year following acquisition. Assets in the course of construction are not depreciated until used. The following useful lives apply:

- 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.

- Fire appliances have an asset life of between 10 and 15 years, other vehicles have an asset life of 5 years.

- Plant and equipment have an asset life between 10 and 20 years.

Where a property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals

When an asset is disposed of, or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals, if any, are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts credited to the Capital Receipt Reserve can only be used for new capital investment. Receipts are appropriated to the Reserve from the General Funds Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

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. 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.

5. 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 2018/19 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.

6. 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.

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. 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.

9. 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.

10. 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.

11. Interest on Balances

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

12. 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.

13. 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.

14. Financial Instruments

The Financial Instrument Policy has been amended this year to reflect the current accounting changes required as a result of the implementation of the new International Financial Reporting Standard (IFRS) 9.

Financial Assets

Financial assets are classified into three types which are based on the intention of use when the asset was purchased:

- Amortised Cost – held to collect contractual cash flows of principle and interest on specific dates
- Fair Value through Other Comprehensive Income (FVOCI) – held to both collect contractual cash flows and sell the financial asset on specified dates
- Fair Value through Profit or Loss (FVP&L) – Achieve objectives by any other means than collecting contractual cash flows.

The Authority does not have any FVOCI or FVP&L.

Financial assets are recognised in the Statement of Accounts when the authority becomes party to the financial instrument contract. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Loans and receivables are measured at amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. Any gains and losses arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provision of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Financial liabilities are derecognised when the liability has been discharged, that is the liability has been paid or otherwise discharged.

The Authority has liabilities in relation to loans from the Public Works Loan Board (PWLB), Lender Options Borrowing Options (LOBO), creditors for goods and services and two PFI contracts.

Interest Payable Is charged to the Financing and Investment Income and Expenditure section in the Comprehensive Income and Expenditure Statement in the year which it relates.

15. 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.

16. 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.

Non-current 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

17. 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.

18. 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. Any investments that do not satisfy this principle are classed as short term investments.

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.

19. 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** – this reserve is made up of budgeted contributions and planned efficiency savings from previous years and it is utilised in line with the approved Reserve Strategy.

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.

20. 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 subjective analysis and the monthly management accounts production.

21. Fees and Charges Income

The Authority recognises revenue from contracts with service recipients in accordance with the provision of International Financial Reporting Standard (IFRS) 15, Revenue from Contracts with Customers.

Revenue is recognised in the financial year that services are provided in accordance with the performance obligations of the contract.

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

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. The additional disclosures that are anticipated to be included in the 2019/20 Code are:

- Amendments to IAS40 Investment Property – Transfer of investment property. Paragraph 57 has been amended to state that an entity shall transfer a property only when there is evidence of a change in use.

- IFRIC 22 Foreign Currency Transactions and advance considerations. This amendment clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

- IFRIC 23 Uncertainty over income tax treatments. This interpretation clarifies the accounting entries.

The above amendments to standards and interpretations do not impact on Staffordshire Fire and Rescue.

23. 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 as:

- **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.

24. 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.

25. Council Tax and Non-Domestic Rates

The collection of council tax and non-domestic rates is an agency arrangement for both the billing authorities, major preceptors and, in the case of non-domestic rates, central government. The Fire Authority is a preceptor along with the Policing and Crime Commissioner, while the nine local authorities in Staffordshire are the billing authorities.

The council tax and non-domestic rates income included in each body's Comprehensive Income and Expenditure Statement for the year is their proportion of accrued income for the year. There is a debtor / creditor position between the preceptor authorities, the billing authorities and central government which is recognised on the Balance Sheet.

The Authority only recognise its share of any outstanding council tax and non-domestic rates arrears, receipts in advance, receivables impairments allowance and an allowance for appeals made by non-domestic rates payers.

26. Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error.

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

Changes in accounting estimates are accounted for prospectively.

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 'unusable reserves'.

The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase / (Decrease) line shows the statutory General Fund Balance movements in the year following those adjustments.

2018/19	Note	General Fund (GF) Balance £'000	Earmarked GF Reserves £'000	TOTAL GENERAL FUND £'000	Capital Grants Unapplied £'000	TOTAL USABLE RESERVES £'000	TOTAL UNUSABLE RESERVES £'000	TOTAL AUTHORITY RESERVES £'000
Balance as at 31 March 2018		1,906	15,251	17,157	59	**17,216**	(418,412)	**(401,196)**
<u>Movement in reserves during 2018/19</u>								
Surplus or (deficit) on provision of services		(25,411)	0	(25,411)	0	**(25,411)**	**0**	**(25,411)**
Other Comprehensive Income & Expenditure				0		**0**	**(31,961)**	**(31,961)**
Total Comprehensive Income & Expenditure		(25,411)	0	(25,411)	0	**(25,411)**	**(31,961)**	**(57,372)**
Adjustments between accounting basis & funding basis under regulations	1	24,325	0	24,325	0	**24,325**	(5,882)	**18,443**
Net Increase / (Decrease) before Transfers to Earmarked Reserves		(1,086)	0	(1,086)	0	**(1,086)**	**(37,843)**	**(38,929)**
Transfers (To) / From Earmarked Reserves		1,086	(1,032)	54	(54)	**0**	**0**	**0**
Increase / (Decrease) in year		0	(1,032)	(1,032)	(54)	**(1,086)**	(37,843)	**(38,929)**
Balance as at 31 March 2019 c/f		1,906	14,219	16,125	5	**16,130**	(456,255)	**(440,125)**

2017/18	Note	General Fund (GF) Balance £'000	Earmarked GF Reserves £'000	TOTAL GENERAL FUND £'000	Capital Grants Unapplied £'000	TOTAL USABLE RESERVES £'000	TOTAL UNUSABLE RESERVES £'000	TOTAL AUTHORITY RESERVES £'000
Balance as at 31 March 2017		1,906	15,953	17,859	62	**17,921**	(432,151)	**(414,230)**
<u>Movement in reserves during 2017/18</u>								
Surplus or (deficit) on provision of services		(6,694)	0	(6,694)	0	**(6,694)**	**0**	**(6,694)**
Other Comprehensive Income & Expenditure						**0**	**19,728**	**19,728**
Total Comprehensive Income & Expenditure		(6,694)	0	(6,694)	0	**(6,694)**	**19,728**	**13,034**
Adjustments between accounting basis & funding basis under regulations	1	5,989	0	5,989	0	**5,989**	(5,989)	**0**
Net Increase / (Decrease) before Transfers to Earmarked Reserves		(705)	0	(705)	0	**(705)**	**13,739**	**13,034**
Transfers (To) / From Earmarked Reserves		705	(702)	3	(3)	**0**	**0**	**0**
Increase / (Decrease) in year		0	(702)	(702)	(3)	**(705)**	13,739	**13,034**
Balance as at 31 March 2018 c/f		1,906	15,251	17,157	59	**17,216**	(418,412)	**(401,196)**

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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 both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

	2017/18				2018/19		
Gross Expenditure £,000	Gross Income £,000	Net Expenditure £,000		Gross Expenditure £,000	Gross Income £,000	Net Expenditure £,000	Note
48,028	(5,658)	42,370	Fire Fighting Services	48,475	(5,445)	43,030	
624	(661)	(37)	Civil Contingencies Unit	564	(606)	(42)	30
0	0	0	Non-distributed costs	18,441	0	18,441	
48,652	**(6,319)**	**42,333**	**Net Cost of Services**	**67,480**	**(6,051)**	**61,429**	
		26	Other Operating Expenditure			28	10
		14,339	Financing and Investment Income and Expenditure			13,751	11
		(50,004)	Taxation and Non-Specific Grant Income			(49,797)	12
		6,694	**(Surplus) / Deficit on Provision of Services**			**25,411**	
		(6,968)	(Surplus) / Deficit on revaluation of non-current assets			(2,146)	13
		(12,760)	Remeasurements of the net defined benefit liability			15,664	45
		(19,728)	**Other Comprehensive Income and Expenditure**			**13,518**	
		(13,034)	**Total Comprehensive Income and Expenditure**			**38,929**	

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'.

2017/18 £,000		2018/19 £,000	Note
131,043	Property, Plant & Equipment	131,928	13
178	Intangible Assets	92	15
131,221	**Long Term Assets**	**132,020**	
4,500	Short Term Investments	4,500	21
556	Inventories	631	18
4,988	Short Term Debtors	4,659	19
10,382	Cash & Cash Equivalents	9,597	20
20,426	**Current Assets**	**19,387**	
0	Bank overdraft	0	20
(1,589)	Short Term Borrowing	(582)	17
(6,364)	Short Term Creditors	(7,671)	22
(3,637)	Grants Receipts in Advance	(3,503)	22 /34
(11,590)	**Current Liabilities**	**(11,756)**	
0	Long Term Creditors	0	
(18,050)	Long Term Borrowings	(17,550)	17
(68,098)	Other Long Term Liabilities	(66,011)	39
(455,105)	Pension liability	(496,215)	24
(541,253)	**Long Term Liabilities**	**(579,776)**	
(401,196)	**NET ASSETS**	**(440,125)**	
17,216	Usable Reserves	16,130	23
(418,412)	Unusable Reserves	(456,255)	24
(401,196)	**TOTAL RESERVES**	**(440,125)**	

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.

2017/18 £'000		2018/19 £'000	Note
6,694	**Net Deficit on the Provision of Services**	**25,411**	
(12,355)	Adjustments net deficit on the provision of services for non-cash movements	(30,488)	27
723	Adjustments for items included in the net deficit on the provision of services that are investing or financing activities	155	28
(4,938)	**Net Cash flows from operating activities**	**(4,922)**	
1,866	Net cash flows from Investing Activities	2,563	25
3,034	Net cash flows from Financing Activities	3,459	26
942	LGPS Pension deficit contributions	(315)	24
904	**Net (increase) or decrease in cash and cash equivalents**	**785**	
11,286	Cash and Cash equivalents and bank overdraft at the beginning of the reporting period	10,382	20
10,382	Cash and Cash equivalents and bank overdraft at the end of the reporting period	9,597	20

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1. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2018/19	General Fund (GF) Balance £'000	Earmarked Other GF Reserves £'000	CCU Reserves £'000	Capital Grants Unapplied £'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	(3,791)				**3,791**
Revaluation losses on Property Plant and Equipment					**0**
Amortisation of intangible assets	(91)				**91**
Capital grants & contributions applied	135				**(135)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(28)				**28**
Insertion of items not debited or credited to the CIES:					
Statutory provision for the financing of capital investment	3,219				**(3,219)**
Direct Revenue Financing of Capital	1,211				**(1,211)**
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the CIES	54				**(54)**
Application of grants to capital financing transferred to the Capital Adjustment Account					**0**
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES					**0**
use of the Capital Receipts Reserve to finance new capital expenditure					**0**
Adjustments primarily involving the Pension Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES	(38,275)				**38,275**
Government firefighter grant	8,410				**(8,410)**
Employer's pensions contributions and direct payments to pensioners payable in the year	4,734				**(4,734)**
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amounts by which council tax income and non-domestic rates credited to the CIES is different from council tax income and non-domestic rates calculated for the year in accordance with statutory requirements	97				**(97)**
TOTAL ADJUSTMENTS	**(24,325)**	**0**	**0**	**0**	**24,325**

2017/18	General Fund (GF) Balance £'000	Earmarked Other GF Reserves £'000	CCU Reserves £'000	Earmarked grant GF Reserves £'000	Capital Grants Unapplied £'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 impairment of non-current assets	(3,964)					**3,964**
Revaluation losses on Property Plant and Equipment	(104)					**104**
Amortisation of intangible assets	(105)					**105**
Capital grants & contributions applied	676					**(676)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(73)					**73**
Insertion of items not debited or credited to the CIES:						
Statutory provision for the financing of capital investment	3,808					**(3,808)**
Direct Revenue Financing of Capital	1,238					**(1,238)**
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the CIES						**0**
Application of grants to capital financing transferred to the Capital Adjustment Account						**0**
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	47					**(47)**
use of the Capital Receipts Reserve to finance new capital expenditure						**0**
Adjustments primarily involving the Pension Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	(20,635)					**20,635**
Government firefighter grant	8,929					**(8,929)**
Employer's pensions contributions and direct payments to pensioners payable in the year	4,326					**(4,326)**
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amounts by which council tax income and non-domestic rates credited to the CIES is different from council tax income and non-domestic rates calculated for the year in accordance with statutory requirements	(134)					**134**
TOTAL ADJUSTMENTS	**(5,991)**	**0**	**0**	**0**	**0**	**5,991**

2. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's services. The income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2018/19	As reported to Management £,000	Adjustment to arrive at the net amount chargeable to the General Fund £,000	Net Expenditure Chargable to the General Fund £,000	Adjustments between funding and Accounting Basis £,000	Net Expenditure in the Comprehensive Income and Expenditure Statement £,000
Fire Fighting Services	40,216	29	40,245	21,231	61,476
Civil Contingencies Unit	0	(47)	(47)	0	(47)
Net Cost of Services	**40,216**	**(18)**	**40,198**	**21,231**	**61,429**
Other Income and Expenditure	(39,856)	744	(39,112)	3,094	(36,018)
(Surplus) / Deficit on Provision of Services	**360**	**726**	**1,086**	**24,325**	**25,411**
Opening General Fund Balance			(17,216)		
Less/Plus Surplus or (Deficit) on General Fund in Year			1,086		
Closing General Fund Balance 31 March			**(16,130)**		

2017/18	As reported to Management £,000	Adjustment to arrive at the net amount chargeable to the General Fund £,000	Net Expenditure Chargable to the General Fund £,000	Adjustments between funding and Accounting Basis £,000	Net Expenditure in the Comprehensive Income and Expenditure Statement £,000
Fire Fighting Services	39,258	953	40,211	2,624	42,835
Civil Contingencies Unit	0	(37)	(37)	0	(37)
Net Cost of Services	**39,258**	**916**	**40,174**	**2,624**	**42,798**
Other Income and Expenditure	(39,940)	471	(39,469)	3,367	(36,102)
(Surplus) / Deficit on Provision of Services	**(682)**	**1,387**	**705**	**5,991**	**6,696**
Opening General Fund Balance			(17,921)		
Less/Plus Surplus or (Deficit) on General Fund in Year			705		
Closing General Fund Balance 31 March			**(17,216)**		

3. NOTES TO EXPENDITURE AND FUNDING ANALYSIS

2018/19	CCU £,000	Income classification in management accounts £,000	Other accruals and adjustment £,000	Adjustment to arrive at the net amount chargeable to the General Fund £,000	Adjustments for Capital Purposes £,000	Net change for the Pension Adjustment £,000	Other Differences £,000	Adjustments between funding and Accounting Basis £,000
Fire Fighting Services		(744)	773	29	(602)	21,968	(135)	21,231
Civil Contingencies Unit	(47)			(47)	0	0	0	0
Net Cost of Services	**(47)**	**(744)**	**773**	**(18)**	**(602)**	**21,968**	**(135)**	**21,231**
Other Income and Expenditure		744	0	744	0	3,163	(69)	3,094
(Surplus) / Deficit on Provision of Services	**(47)**	**0**	**773**	**726**	**(602)**	**25,131**	**(204)**	**24,325**

2017/18	CCU £,000	Income classification in management accounts £,000	Other accruals and adjustment £,000	Adjustment to arrive at the net amount chargeable to the General Fund £,000	Adjustments for Capital Purposes £,000	Net change for the Pension Adjustment £,000	Other Differences £,000	Adjustments between funding and Accounting Basis £,000
Fire Fighting Services		(471)	1,424	953	(574)	4,173	(975)	2,624
Civil Contingencies Unit	(37)			(37)	0	0	0	0
Net Cost of Services	**(37)**	**(471)**	**1,424**	**916**	**(574)**	**4,173**	**(975)**	**2,624**
Other Income and Expenditure		471	0	471	0	3,207	160	3,367
(Surplus) / Deficit on Provision of Services	**(37)**	**0**	**1,424**	**1,387**	**(574)**	**7,380**	**(815)**	**5,991**

Adjustments to arrive at the net amount chargeable to the General Fund

Staffordshire Fire and Rescue Service administer the Staffordshire Civil Contingencies Unit (CCU), which is funded by contributions from all Staffordshire partners. The CCU financial position is not reported to the Authority with the Staffordshire Fire Management Accounts but is reported separately to the CCU Strategic Partners Board.

The MRP and PFI unitary charge within year is estimated to produce the management accounts. This is calculated accurately at the yearend resulting in a small adjustment.

Adjustment for capital purposes

This adjustment includes depreciation and impairment, disposal of assets and the statutory charges for capital financing (i.e. Minimum Revenue Provision).

Net Change for the Pension Adjustment

This adjustment is the net change for the removal of pension contributions made by the Authority and the replacement with the Current Service Costs as calculated by the actuarial report to comply with IAS19 Employee Benefits.

Other Differences

This adjustment represents the difference between what is chargeable under statutory regulations for Council Tax and NDR and the income recognised under Generally Accepted Accounting Practices. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the collection fund.

4. EXPENDITURE AND INCOME BY NATURE

2017/18 £000		2018/19 £000
	Expenditure	
23,328	Pay Costs	23,993
19,632	Pension Cost (IAS 19 amended)	37,087
1,996	Other Employee Costs	2,098
3,110	Premises Costs	3,144
950	Transport Costs	910
4,914	Supplies & Services	4,670
301	Other Support Costs	335
289	Unitary Charge net of grant	901
4,200	Capital Charges	3,911
875	Interest Payable	859
	Income	
(2,040)	Income General	(2,049)
(803)	Grants Released	(536)
(55)	Interest Receivable	(115)
(8,929)	Fire Fighter Top Grant	(8,410)
(41,074)	Government Grants and Precepts	(41,387)
6,694	**(Surplus) / Deficit on Provision of Services**	**25,411**

The above figures are in the format as presented in the monthly Management Accounts but reflect the statutory accounting adjustment.

5. PRIOR PERIOD RESTATEMENT

There are no prior period restatement needed.

6. MOVEMENT IN EARMARKED RESERVES

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

	Balance as at 1 April 2017 £'000	Transfers from £'000	Transfers to £'000	Balance as at 31 March 2018 £'000	Transfers from £'000	Transfers to £'000	Balance as at 31 March 2019 £'000
Invest to save	8,616	489	(1,487)	7,618	(1,251)	55	6,422
PFI1 unitary charge reserve	5,335	(6,873)	7,044	5,506	(6,959)	7,044	5,591
Civil contingencies unit	368	0	37	405	0	47	452
Earmarked reserves PFI2	44	0	0	44	0	0	44
PFI1 contingency reserve	534	(61)	195	668	(54)	66	680
Earmarked grants:							
- New Dimensions Grant	149	(64)	78	163	(90)	70	143
- Enhanced logistic support project	115	(77)	48	86	(83)	44	47
- ESMCP	373	(283)	517	607	(191)	246	662
- Transparency code set up	24	(10)	7	21	0	7	28
- Small business rates relief	255	(255)	0	0	(634)	634	0
- Business Levy Surplus	0	0	0	0	(145)	145	0
- National Resilience Vehicles	0	(78)	78	0	0	0	0
- New Risks	58	(8)	0	50	(17)	28	61
- Mass fatalities maintenance	0	0	0	0	(6)	49	43
- Partnership Income	82	(43)	44	83	(46)	9	46
	15,953	**(7,263)**	**6,561**	**15,251**	**(9,476)**	**8,444**	**14,219**

7. AUTHORISATION OF ACCOUNTS FOR ISSUE

These are the audited financial statement certified by David Greensmith, Director of Finance (Staffordshire Commissioner's Office) / Section 151 Officer on 24th July 2019.

In line with statutory requirements the accounts and supporting documentation were made available for public inspection for a period of 31st May to 11th July.

8. 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:

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 is not materially different from the current value at the end of the reporting period', all land and buildings have undergone a desk top valuation assessment on 31st March 2019. 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.

9. 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 2019 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 44).

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 £50 million.

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.

10. OTHER OPERATING EXPENDITURE

The loss on disposal of £28,000 includes the disposal of fleet vehicles and plant.

2017/18 £,000		2018/19 £,000
26	Loss on disposal of fixed assets	28
26		**28**

11. FINANCING AND INVESTING INCOME AND EXPENDITURE

2017/18 £,000		2018/19 £,000
855	Interest payable on debt	844
20	Interest payable on finance leases	15
2,928	Interest payable on PFI1 Unitary payments	2,859
(1,992)	Grant for interest on PFI1 payments	(1,921)
2,023	Interest payable on PFI2 Unitary payments	2,153
(1,576)	Grant for interest on PFI2 payments	(1,657)
12,136	Net interest on the net defined benefit liability	11,573
(55)	Investment Interest Income	(115)
14,339		**13,751**

12. TAXATION AND NON-SPECIFIC GRANT INCOME

2017/18 £,000		2018/19 £,000
(676)	Recognised capital grants and contributions	(135)
(213)	Recognised revenue grants and contributions	(162)
(24,369)	Council Tax	(25,548)
(9,355)	Non-domestic rates redistribution	(9,537)
(6,220)	Revenue Support Grant	(5,255)
(346)	Transitional funding	(778)
137	Non-domestic rates adjustment	28
(33)	Small business rates relief	0
(8,929)	Gain on pension grant	(8,410)
(50,004)		**(49,797)**

13. PROPERTY, PLANT AND EQUIPMENT

Movements in 2018/19

	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 2018	123,663	23,131	534	147,328	79,507
- Additions	41	539	1,999	2,579	
- Disposals	(48)	(1,279)		(1,327)	
- Revaluations	(1)			(1)	18
- Impairment				0	
- Transfers	49	83	(132)	0	
Gross Book Value at 31 March 2019	**123,704**	**22,474**	**2,401**	**148,579**	**79,525**
Depreciation:					
- Cumulative net to 31 March 2018	0	(16,285)	0	(16,285)	0
- Disposals		1,279		1,279	
- On revaluations	2,147			2,147	(1,402)
- For the Year	(2,147)	(1,645)		(3,792)	1,402
- Reclassification				0	
Depreciation at 31 March 2019	**0**	**(16,651)**	**0**	**(16,651)**	**0**
Net Book Value at 31 March 2019	**123,704**	**5,823**	**2,401**	**131,928**	**79,525**

Movements in 2017/18

	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 2017	**118,549**	**22,565**	**177**	**141,291**	**75,894**
- Additions	763	916	514	2,193	
- Disposals	(66)	(792)	0	(858)	
- Revaluations	4,806	0	0	4,806	3,613
- Impairment	(104)			(104)	
- Transfers	(285)	442	(157)	0	
Gross Book Value at 31 March 2018	**123,663**	**23,131**	**534**	**147,328**	**79,507**
Depreciation:					
- Cumulative net to 31 March 2017	(249)	(15,018)	0	(15,267)	0
- Disposals	0	785	0	785	
- On revaluations	2,162	0	0	2,162	1,315
- For the Year	(2,013)	(1,952)	0	(3,965)	(1,315)
- Reclassification	100	(100)	0	0	
Depreciation at 31 March 2018	**0**	**(16,285)**	0	**(16,285)**	**0**
Net Book Value at 31 March 2018	**123,663**	**6,846**	**534**	**131,043**	**79,507**

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 2019 there is contractually committed capital expenditure of £2,246,000 to be incurred in 2019/20. £1,858,000 of this relates to the eleven appliances and the remaining relates to ICT and operational equipment.

Valuation of non-current assets

In 2018/19 the Authority engaged Cameron Butler BLE (Hons) MRICS, of FHP Property Consultants to value the entire land and buildings portfolio to ensure all assets held on the Balance Sheet comply with as per IAS16 by being revalued sufficiently regularly.

The revaluation has resulted in an upward revaluation of £2,146,000.

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.

14. DETAILS OF ASSETS OWNED BY THE FIRE AUTHORITY

During the year five vehicles were disposed of and one purchased.

31-Mar-18		31-Mar-19
1	Fire Headquarters	1
33	Fire Stations	33
1	Workshops	1
188	Vehicles	184

15. 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:

2017/18 £,000		2018/19 £,000
12	3 years	6
166	5 years	86
0	10 years	0
178		**92**

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

2017/18 £,000		2018/19 £,000
668	Gross Book Value at 1 April	551
105	- Additions	5
(222)	- Disposals	(35)
(489)	- Cumulative amortisation to 31 March	(373)
222	- Amortisation on disposals	35
(106)	- Amortisation for the year	(91)
178	Net Book Value at 31 March	**92**

16. HERITAGE ASSETS

The Authority currently owns four 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;

- Leyland Ajax pump escape 1939, one of the last open topped Leyland machines to leave the production line
- Merryweather horse drawn steam pump fire engine c1894, currently being displayed at The Potteries Museum and Art Gallery, Stoke-on-Trent
- Coventry Climax with Godiva Pump 1939 which has been gifted to the Authority and restored using donations and fundraising from the local community
- Thornycroft 1954 Fire Appliance displayed at Uttoxeter Fire Station gifted during the year by Windrush Farm, Gloucestershire

The first two assets have been independently valued by an external specialist, John Holland FRICS FAAV of Thimbleby & Shorland, Reading. The value of the vehicles has been determined as £15,000 and £30,000 respectively. The values were based on current open market sale value as at 31 March 2012. However, the most recent additions are yet to be professionally valued but similar vehicles are costing in the region of £5,000.

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.

17. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

Financial Assets

	Non-Current				Current				Total	
	Investments		Debtors		Investments		Debtors			
	31-Mar-18 £,000	31-Mar-19 £,000	31-Mar-18 £,000	31-Mar-19 £,000	31-Mar-18 £,000	31-Mar-19 £,000	31-Mar-18 £,000	31-Mar-19 £,000	31-Mar-18 £,000	31-Mar-19 £,000
Amortised costs:										
Cash held					381	196			**381**	**196**
Fixed Term Deposits					9,000	9,500			**9,000**	**9,500**
Money Market Funds					5,500	4,400			**5,500**	**4,400**
Debtors							815	492	**815**	**492**
Total Financial Assets	**0**	**0**	**0**	**0**	**14,881**	**14,096**	**815**	**492**	**15,696**	**14,589**

Financial Liabilities

	Non-Current				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors		Total	
	31-Mar-18 £,000	31-Mar-19 £,000	31-Mar-18 £,000	31-Mar-19 £,000	31-Mar-18 £,000	31-Mar-19 £,000	31-Mar-18 £,000	31-Mar-19 £,000	31-Mar-18 £,000	31-Mar-19 £,000
Amortised costs:										
Market loans - LOBO	1,000	1,000							**1,000**	**1,000**
PWLB loans	17,050	16,550			1,500	500			**18,550**	**17,050**
Creditors							3,072	3,990	**3,072**	**3,990**
PFI1	38,099	36,895			1,125	1,204			**39,224**	**38,099**
PFI2	29,680	28,831			803	850			**30,483**	**29,680**
Finance Lease	319	285	0	0	33	34	0	0	**352**	**319**
Total Financial Liabilities	**86,148**	**83,561**	**0**	**0**	**3,461**	**2,588**	**3,072**	**3,990**	**92,681**	**90,139**

There are no assets or liabilities classified as Fair Value through Profit and Loss, Fair Value through Other Comprehensive Income and non-financial assets.

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 2019.

The fair value of the PWLB (Public Works Loan Board) and LOBO (Lenders Option Borrowers Option) borrowings have been calculated using a discounted cash flow analysis using other market data (level 2) namely swap rates, credit spreads and option prices.

The fair value of the PFI Liabilities have been calculated using a discounted cash flow analysis and 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 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 2018/19:

31-Mar-19	Carrying Amount £,000	Fair Value Level 1 £,000	Level 2 £,000	Level 3 £,000	Total £,000
Financial Assets:					
Cash held	196		196		**196**
Fixed Term Deposits	9,500		9,500		**9,500**
Money Market Funds	4,400	4,400			**4,400**
Debtors	492		492		**492**
Total Financial Assets	**14,589**	**4,400**	**10,188**	**0**	**14,588**
Financial Liabilities:					
Market loans - LOBO	1,000		1,638		**1,638**
PWLB loans	17,050		24,456		**24,456**
Creditors	3,990		3,990		**3,990**
PFI1	38,099		45,122		**45,122**
PFI2	29,680		39,070		**39,070**
Finance Lease	319		355		**355**
Total Financial Liabilities	**90,139**	**0**	**114,631**	**0**	**114,631**

The valuation hierarchy of financial instruments that were carried at fair value for 2017/18:

31-Mar-18	Carrying Amount £,000	Fair Value Level 1 £,000	Level 2 £,000	Level 3 £,000	Total £,000
Financial Assets:					
Cash held	381		381		**381**
Fixed Term Deposits	9,000		9,000		**9,000**
Money Market Funds	5,500	5,500			**5,500**
Debtors	671		671		**671**
Total Financial Assets	**15,552**	**5,500**	**10,052**	**0**	**15,552**
Financial Liabilities:					
Market loans - LOBO	1,000		1,695		**1,695**
PWLB loans	18,550		25,651		**25,651**
Creditors	3,072		3,072		**3,072**
PFI1	39,224		48,904		**48,904**
PFI2	30,483		39,754		**39,754**
Finance Lease	352		394		**394**
Total Financial Liabilities	**92,681**	**0**	**119,470**	**0**	**119,470**

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 £497,000 of the £4,747,000 debtors' balance is past its due date for payment.

Of the £497,000 debtors, £207,000 is due from the Staffordshire Police for the rechargeable costs of joint services, £221,000 is due from Other Local Authorities, £40,000 is due from the Home Office relating to secondment recharges and £21,000 is due from CIC for costs recharges. Therefore, only a small debt is held for general customer charges.

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

	£000
Aged as follows:	
Less than three months	497
Three to six months	0
Six months to one year	0
More than one year	0
	497

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-18 £'000	31-Mar-19 £'000
Source of Loan		
Market Loans - LOBO	1,000	1,000
PWLB Maturity Loans	18,550	17,050
	19,550	**18,050**
Analysis of Maturity		
Less than one year	1,500	500
Between one and two years	500	500
Between two and five years	750	350
More than five years	16,800	16,700
	19,550	**18,050**

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 2018/19, 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£162,000.

18. INVENTORIES

The value of inventories included in the balance sheet for 2018/19 is £631,000 (£556,000 in 2017/18), as follows:

	Stores HQ		Stores Workshop		Fuel		Total	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	**2017/18**	**2018/19**
Balance outstanding at start of the year	418	437	46	49	66	70	530	**556**
Purchases	390	338	38	90	292	393	720	**821**
Recognised as an expense in the year	(371)	(354)	(35)	(41)	(288)	(351)	(694)	**(746)**
Balance outstanding at end of the year	437	421	49	98	70	112	556	**631**

Due to the BREXIT uncertainty higher levels of fuel and certain workshop stock have been purchased and held.

19. AMOUNTS OWED TO THE AUTHORITY BY DEBTORS

31-Mar-18 £,000		31-Mar-19 £,000
990	General Debtors	636
483	Payments in Advance	891
2,127	FF Government Top-up Grant	1,381
1,388	Council Tax Billing Authority	1,751
4,988		**4,659**

The general debtors figure is net of the impairment of doubtful debts of £4,884 (£2,386 in 2017/18). 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 £136,800 and the Cycle Scheme at £6,000.

The Fire Fighter Government Top-up Grant has a balance due from Home Office of £1,381,000 which will be settled in the grant provision of 2019/20.

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 £1,751,000 (£1,388,000 in 2017/18). This includes a provision for doubtful debts for council tax of £1,255,000 (£1,353,000 in 2017/18) and non-domestic rates of £101,000 (£92,000 in 2017/18) in addition to an appeal provision for non-domestic rates of £560,000 (£422,000 in 2017/18). These calculations are based on the policies of the billing authorities.

The Debtors can be further analysed as follows:

31-Mar-18 £,000		31-Mar-19 £,000
2,492	Central government bodies	1,557
1,970	Other local authorities	2,179
526	Other entities and individuals	923
4,988		**4,659**

20. CASH AND CASH EQUIVALENTS

31-Mar-18 £,000		31-Mar-19 £,000
1	Cash Account	1
381	Bank Account	196
10,000	Temporary Investments	9,400
10,382		**9,597**

The cash in hand represents petty cash of £1,000 (£1,000 in 2017/18) which is held at various locations.

The cash book balance of £196,000 (£380,000 in 2017/18) takes account of cheques yet to be presented to the Authority's bank for payment at 31 March 2019 and is held in Current Assets.

The Authority holds total temporary investments of £13,900,000 at the 31st March 2019. However, this includes two investments total of £4,500,000 that do not satisfy the definition of cash and cash equivalents due to the maturity period and the early withdrawal penalty for the other. The two investments have been presented in Note 21 within Short Term Investments.

21. SHORT TERM INVESTMENTS

31-Mar-18 £,000		31-Mar-19 £,000
4,500	Temporary Investments	4,500
4,500		**4,500**

The short term investments include one local authorities of £3,000,000 and a MMF of £1,500,000.

22. AMOUNTS OWED BY THE AUTHORITY TO CREDITORS

31-Mar-18 £,000		31-Mar-19 £,000
1,627	General Creditors	2,096
2,047	Accruals and deferred income	2,490
729	Council Tax Billing Authority	997
3,637	Receipts in advance	3,503
1,928	PFI liability	2,054
0	FF Government Top-up Grant	0
33	Finance Lease liability	34
10,001		**11,174**

The general creditors figure includes the supplier creditor accounts at £327,000 (£681,000 2017/18) and Payroll HMRC at £678,000 (£688,000 2017/18).

Receipts in Advance includes a government transformation grant received in 2015/16 for £5,138,000. During the year £135,000 has been utilised (£676,000 in 2017/18) with the balance committed in 2019/20; the grant remaining is £3,503,000. 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 £997,000 (£729,000 2017/18).

The creditors can be further analysed as follows:

31-Mar-18 £,000		31-Mar-19 £,000
4,625	Central government bodies	4,181
903	Other local authorities	1,055
4,473	Other entities and individuals	5,938
10,001		**11,174**

23. USABLE RESERVES

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

31-Mar-18 £,000		31-Mar-19 £,000
1,906	**General Fund (1)**	**1,906**
59	**Capital grants unapplied**	**5**
1,011	Earmarked reserves - grants	1,030
5,507	Earmarked reserves - PFI grant	5,591
405	CCU Reserve	452
8,328	Other Reserves (2)	7,146
15,251	**Earmarked Reserves**	**14,219**
17,216	**Total Usable Reserves**	**16,130**

(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.

24. UNUSABLE RESERVES

31-Mar-18 £,000		31-Mar-19 £,000
36,949	Revaluation Reserve	38,348
(206)	Capital Adjustment Account	1,250
(455,781)	Pensions Reserve	(496,576)
626	Collection Fund Adjustment Account	723
(418,412)		**(456,255)**

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.

2017/18 £,000		2018/19 £,000	£,000
30,600	Balance as at 1 April		36,949
6,968	Upward revaluation of assets	2,146	
0	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	0	
6,968	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		2,146
(587)	Different between fair value depreciation and historical cost depreciation	(722)	
(32)	Accumulated gains on assets sold or scrapped	(25)	
(619)	**Amount written off to the Capital Adjustment Account**		(747)
36,949	**Balance as at 31 March**		**38,348**

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.

2017/18 £,000		2018/19 £,000	£,000
(2,348)	Balance as at 1 April		(206)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(4,069)	Charges for depreciation and impairments of non-current assets		(3,791)
0	Revaluation losses on Property, Plant and Equipment		0
(105)	Amortisation of intangible assets		(91)
(26)	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		(28)
(4,200)			0
619	Adjusting amounts written out of the Revaluation Reserve		747
(5,929)	**Net written out amount of the cost of non-current assets consumed in the year**		**(3,369)**
	Capital financing applied in the year:		
0	Use of the Capital Receipts Reserve to finance new capital expenditure		0
676	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing		135
1,235	Direct revenue contributions		1,211
3	Application of grants to capital financing from the Capital Grants Unapplied Account		54
2,532	Lease payments		1,961
1,277	Statutory provision for the financing of capital investment charged against the General Fund		1,258
(206)	**Balance at 31 March**		**1,250**

Pension Reserves

The 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. The Authority accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to the pension fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them.

The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31-Mar-18 £,000		31-Mar-19 £,000
(461,162)	**Balance brought forward**	**(455,781)**
12,760	Remeasurement of the net defined benefit liability	(15,664)
(20,635)	Reversal of items relating to retirment benefits debited or credited to the surplus or deficit on the Provision of services in the CIES	(38,275)
12,580	Employer's pensions contributions and direct payments to pensioners payable in the year	12,829
676	LGPS deficit contribution prepayment	315
(455,781)	**Total Pension Reserve**	**(496,576)**

The option to prepay the LGPS deficit contribution for 2017/18, 2018/19 and 2019/20 was exercised. The prepayment is used to offset the pension liabilities held on the balance sheet. The value held represents the final year of 2019/20.

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-18 £,000		31-Mar-19 £,000
759	Balance as at 1 April	626
3	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	124
(136)	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	(27)
626		**723**

25. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for investing activities include the following items:

2017/18 £,000		2018/19 £,000
1,913	Purchase of property, plant and equipment and intangible assets	2,583
23,000	Purchase of short-term and long-term investments	12,000
(23,000)	Proceeds of short-term and long-term investments	(12,000)
(47)	Proceeds from the sale of property, plant and equipment and intangible assets	(20)
0	Other receipts from investing activities	0
1,866	**Cash outflows from Investing Activities**	**2,563**

26. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for financing activities include the following items:

2017/18 £,000		2018/19 £,000
113	Cash Payments for the reduction of the outstanding liabilities relating to finance leases	33
2,421	Cash Payments for the reduction of the outstanding liabilities relating to PFI contracts	1,926
500	Repayment of short and long-term borrowing	1,500
3,034	**Cash outflows from Financing Activities**	**3,459**

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

2017/18 £,000		2018/19 £,000
(4,175)	PPE movements (depreciation, impairment, amortisation)	(3,882)
(462)	Movement in current assets (debtors, creditors, stock)	(1,427)
(7,646)	Movement in Pension Liability	(25,131)
(72)	Carrying amount of Non current assets sold	(48)
(12,355)	**Other Non-cash movements**	**(30,488)**

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

2017/18 £,000		2018/19 £,000
676	Capital grants credited to Surplus or Deficit on provision of services	135
47	Proceeds from the sale of property, plant and equipment and intangible assets	20
723	**Adjust for items included in the net deficit on the provision of services that are investing or financing activitites**	**155**

29. CASH FLOW STATEMENT – OPERATING ACTIVITIES INCLUDE THE FOLLOWING ITEMS

2017/18 £,000		2018/19 £,000
(54)	Interest Received	(115)
855	Interest Paid	844

30. 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 following transactions have been made between the Authority and West Midlands FRA and Derbyshire FRA.

2017/18 £,000		2018/19 £,000
95	Payments to West Midlands	136
(38)	Income from Derbyshire	(50)
57		**86**

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 2018/19 amounted to £564,000 (£624,000 in 2017/18) and income totalled £606,000 (£661,000 in 2017/18) leaving a net surplus position of £42,000 (£37,000 net surplus in 2017/18) in addition to utilising £5,000 of grant funding.

The accumulated reserves balance at 31st March 2019 is £452,000 (£405,000 in 2016/17) which is held in the Authority's short term investments.

31. MEMBERS ALLOWANCES

The Authority has paid the following amounts to members during the period up to 31st July 2018. From here on the governance arrangements transferred to The Office of Police and Crime Commissioner (OPCC). The OPCC have charged £87,000 for the governance services which is included in the 'Other Support Costs', see Note 4.

2017/18 £,000		2018/19 £,000
109	Allowances	40
7	Expenses	1
116		**41**

32. 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 2018/19	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	20,717	165,590	
Deputy Chief Fire Officer	119,398	0	119,398	17,074	136,472	
Director of Response	88,442	0	88,442	12,647	101,089	
Director of Finance, Assets & Resources	88,443	7,323	95,766	14,770	110,536	
Director of Prevent & Protect	88,442	0	88,442	12,647	101,089	
Total Senior Officers between £50,000 and £150,000	**529,598**	**7,323**	**536,921**	**77,855**	**614,776**	

For the Year of 2017/18	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	20,717	165,590	
Deputy Chief Fire Officer	116,813	0	116,813	16,704	133,517	
Director of Response	86,886	0	86,886	17,319	104,205	
Director of Finance, Assets & Resources	86,913	7,497	94,410	14,514	108,924	
Director of Prevent & Protect	86,918	0	86,918	12,429	99,347	
Total Senior Officers between £50,000 and £150,000	**522,403**	**7,497**	**529,900**	**81,683**	**611,583**	

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.

Remuneration Band	2017/18 No of Employees	2018/19 No of Employees
£50,000 - £54,999	16	13
£55,000 - £59,999	15	10
£60,000 - £64,999	2	9
£65,000 - £69,999	1	2
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	2	2
£90,000 - £94,999	1	-
£95,000 - £99,999	-	1
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	1	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	-	-
	39	**39**

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 2017/18	Number of compulsory redundancies 2018/19	Number of other departures agreed 2017/18	Number of other departures agreed 2018/19	Total number of exit packages by cost band 2017/18	Total number of exit packages by cost band 2018/19	Total cost of exit packages in each band 2017/18 £	Total cost of exit packages in each band 2018/19 £
£0 - £20,000			1	3	1	3	10,000	18,972
£20,001 - £40,000			-	5	-	5	-	162,313
£40,001 - £60,000			-	1	-	1	-	41,275
£60,001 - £80,000			-	-	-	-	-	-
£80,001 - £100,000			-	-	-	-	-	-
£100,001 - £150,000			-	-	-	-	-	-
£150,001 - £200,000			-	-	-	-	-	-
£200,001 - £250,000			-	-	-	-	-	-
Total	**0**	**0**	**1**	**9**	**1**	**9**	**10,000**	**222,560**

33. EXTERNAL AUDIT COSTS

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

2017/18 £,000		2018/19 £,000
31	Fees payable to Grant Thornton for external audit services carried out by the appointed auditor	24
0	- in respect of other services	0
31	Total Audit Fees	**24**

34. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19.

2017/18 £,000		2018/19 £,000
Credited to Net Costs of Service:		
0	various partnership income	37
280	HO - Fire Link	289
6	HO - National Flood Asset	0
517	HO - Emergency Services Mobile Comms Programme	246
1,823	MHCLG - PFI1	1,893
1,457	MHCLG - PFI2	1,573
4,083		**4,038**
Credited to Financial and Investment income:		
1,992	MHCLG - PFI1	1,922
1,772	MHCLG - PFI2	1,656
3,764		**3,578**
Credited to Taxation and Non-specific Grant Income & Expenditure:		
48	HO - Enhanced Logistic Support Project	44
78	HO - New Dimensions	70
0	various partnership income	(37)
0	HO - New Risks	29
0	HO - mass fatalities maintenance	48
8	MHCLG - Transparency Code set up	8
79	HO- National Resilience vehicle maintenance	0
213	**Revenue grants**	**162**
676	MHCLG - Capital fire	135
0	HO - New Risks	
676	**Capital grants**	**135**
6,220	**Revenue Support Grant**	**5,255**
8,929	**Fire Fighter Pension Top Up Grant**	**8,410**
16,038		**13,962**

The Authority holds a Business Transformation Grant 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.

2017/18 £,000		2018/19 £,000
4,314	Balance at 1 April	3,638
0	- Transformation Fund (capital)	
	Grant released in year	
0	- Fire Control (revenue)	
(676)	- Transformation Fund (capital)	(135)
3,638	**Total held in Receipts in Advance**	**3,503**

35. 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.

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 administration services
The Authority contracts with Staffordshire County Council for the provision of various administrative support. The amount paid in 2018/19 was £113,000 (£194,000 in 2017/18); this includes the internal audit services, treasury management, property services, VAT advice and archiving services. The reduction is due to the administration of the Fire fighter Pension Scheme transferring to West Yorkshire Pension Fund, which in year charged £29,800 for the service. In additional the Authority contracts with Stoke on Trent City Council for the provision of payroll services of £16,000 (a slight increase from 2017/18). A recharge from the OPCC for the governance arrangements of £87,000 was also charged in year.

Joint Emergency Transport Service

The Joint Emergency Transport Service (JETS) delivers all aspects of fleet services for Fire and Police vehicles in Staffordshire. JETS established in April 2016 is located at the Staffordshire Fire Workshop's at Trentham Lakes. Some overhead costs are shared at a 51/49 split Police/Fire respectively. Other costs are direct to each Service. All the stock is held separately with identifiable stock control. The cost to Staffordshire Fire for the transport service in 2018/19 was £1,460,000 (2017/18 £1,342,000) in line with budget.

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 2018/19 the value of transactions entered into between the Authority and the CIC company was income of £234,000 (2017/18 £154,000) with expenditure to match as cost recovery only is in operation. At the 31st March 2019 there is a debtors balance owed to Staffordshire Fire of £26,000 (debtors at the 31st March 2018 was £16,600).

Financial Statements have been prepared for the CIC.

36. 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 35.

For the year ending December 2018 the majority of the activity has been directly funded projects for example Princes Trust Programmes and Building Brighter Opportunities. The company therefore has achieved a small surplus of £20,524 before tax, generated from the delivery of driver training and fire safety training. The company holds net assets of £137,570.

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

37. 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:

2017/18 Non PFI £,000	2017/18 PFI & Lease £,000	2017/18 TOTAL £,000		2018/19 Non PFI £,000	2018/19 PFI & Lease £,000	2018/19 TOTAL £,000
25,808	71,334	97,142	**Opening Capital Financing Requirement**	24,531	69,187	93,718
			Capital investment			
104	0	104	Intangible Assets	5	0	5
1,810	384	2,194	Property, Plant & Equipment	2,579	0	2,579
			Sources of finance			
0	0	0	Capital receipts	0	0	0
(676)	0	(676)	Government grants and other contributions	(135)	0	(135)
(1,238)	0	(1,238)	Direct Revenue Financing	(1,265)	0	(1,265)
(1,277)	(2,531)	(3,808)	Revenue Provision	(1,258)	(1,961)	(3,219)
24,531	**69,187**	**93,718**	**Closing Capital Financing Requirement**	**24,457**	**67,226**	**91,683**
			Explanation of movements in the year			
0	0	0	Increase in underlying need to borrow (supported by Government financial assistance)	1,184	0	1,184
(1,277)	(2,531)	(3,808)	Decrease in underlying need to borrow (unsupported by Government financial assistance)	(1,258)	(1,961)	(3,219)
0	384	384	Assets acquired under finance lease			0
(1,277)	**(2,147)**	**(3,424)**	**Increase / (Decrease) in Capital Financing Requirement**	**(74)**	**(1,961)**	**(2,035)**

38. 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:

2017/18 £,000		2018/19 £,000
(1,277)	Other Services	(1,258)
(113)	Finance Lease	(33)
(1,051)	PFI1	(1,125)
(1,367)	PFI2	(803)
(3,808)	**Total MRP**	**(3,219)**

39. OTHER LONG TERM LIABILITIES

The Other Long Term Liabilities include finance leases and the PFI Liability as disclosed in notes 39 and 40. The following schedule analyses the liability:

2017/18 Total Liability £,000	2017/18 Payable less than 1 year £,000	2017/18 Payable more than 1 year £,000		2018/19 Total Liability £,000	2018/19 Payable less than 1 year £,000	2018/19 Payable more than 1 year £,000
351	33	318	Finance Lease	318	34	284
39,224	1,125	38,099	PFI 1 Liability	38,099	1,203	36,896
30,484	803	29,681	PFI 2 Liability	29,680	849	28,831
70,059	**1,961**	**68,098**		**68,097**	**2,086**	**66,011**

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

40. 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:

2017/18 £,000		2018/19 £,000
102	**Opening Net Value at 1 April**	**384**
384	Additions	0
0	Revaluations	0
(102)	Depreciation	(39)
0	Disposals	0
384	**Value at 31 March**	**345**

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.

During 2017/18 the Service expanded the Fire Behaviour Training site by developing a Training Villa which was operational from June 2017 and officially opened by The Earl of Wessex KG GCVO 8th September 2017. The Villa was acquired under a 10 year finance lease.

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19
	£,000	£,000	£,000	£,000
Obligations payable not later than one year	48	48	33	34
Obligations payable later than one year and not later than five vears	192	192	146	152
Obligations payable later than five years	192	144	173	132
	432	**384**	**352**	**318**

The rentals payable under these arrangements in 2018/19 were £48,000 charged to the Comprehensive Income and Expenditure Statement as £15,000 interest payable and £33,000 relating to the write-down of obligations to the lessor charged to the General Fund (£132,000 in 2017/18 being £84,000 for the final year of the appliance lease and £48,000 for the villa).

Operating Lease

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

41. 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 The Ministry of Housing, Communities and Local Government (MHCLG).

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	Contingent Rental/ Interest	Lifecycle Replacement	Capital Repayment	Total Unitary Charge
	£'000	£'000	£'000	£'000	£'000
within 1 year	1,337	2,786	277	1,204	**5,604**
2-5 years	5,726	10,270	1,221	5,681	**22,898**
6-10 years	8,168	10,239	2,043	9,358	**29,808**
11-15 years	9,326	6,566	2,344	13,052	**31,288**
16-20 years	5,222	1,457	1,164	8,804	**16,647**
	29,779	**31,318**	**7,049**	**38,099**	**106,245**

The liability outstanding to pay the contractor's liability for capital expenditure incurred is £38,099,000 over the next 18 years, as stated in the above table.

Transactions under the scheme during 2018/19 were:

2017/18		2018/19
£'000		£'000
1,364	Fair Value of Services	1,422
2,880	Finance Costs	2,805
48	Contingent Rent	55
4,292	**Revenue Unitary Payments**	**4,282**
264	Other Revenue Expenditure	270
763	Depreciation	814
5,319	**Total Expenditure**	**5,366**
(3,814)	PFI Special Grant	(3,814)
-	Other Contributions	-
1,505	**(Surplus)/Deficit Amount in Income & Expenditure Account**	**1,552**
	Statement of Movement on the General Fund Balance	
(763)	Amounts required by statue to be Excluded - depreciation	(814)
1,052	amounts required by statue to be Included - MRP	1,125
(258)	Transfer to/(from) Earmarked Reserves	(309)
31	**Net Charge to the General Fund**	**2**
-	Interest Earned on Balance	-
-	Interest Accrued from Previous Years	-

The Net Book Value of assets held under the PFI1 scheme as at 31 March 2019 was £45,239,000.

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 The Ministry of Housing, Communities and Local Government (MHCLG).

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 were operational by the end of 2015/16.

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

Future Unitary Payments	Operating Costs	Contingent Rental/ Interest	Lifecycle Replacement	Capital Repayment	Total Unitary Charge
	£'000	£'000	£'000	£'000	£'000
within 1 year	1,429	2,109	95	850	**4,483**
2-5 years	6,084	7,874	761	3,677	**18,396**
6-10 years	8,500	8,307	1,918	5,403	**24,128**
11-15 years	9,617	6,018	3,813	6,091	**25,539**
16-20 years	10,880	4,351	2,824	9,080	**27,135**
21-25 years	4,347	1,194	412	4,579	**10,532**
	40,857	**29,853**	**9,823**	**29,680**	**110,213**

The liability outstanding to pay the contractor's liability for capital expenditure incurred is £29,680,000 over the next 22 years, as stated in the above table.

Transactions under the scheme during 2017/18 were:

2017/18		2018/19
£'000		£'000
1,360	Fair Value of Services	1,405
1,951	Finance Costs	1,902
-	Contingent Rent	-
3,311	**Revenue Unitary Payments**	**3,307**
39	Other Revenue Expenditure	88
552	Depreciation	589
3,902	**Total Expenditure**	**3,984**
(3,230)	PFI Special Grant	(3,230)
-	Other Contributions	-
672	**(Surplus)/Deficit Amount in Income & Expenditure Account**	**754**
	Statement of Movement on the General Fund Balance	
(552)	Amounts required by statue to be Excluded - depreciation	(589)
795	amounts required by statue to be Included - MRP	803
429	Transfer to/(from) Earmarked Reserves	393
672	**Net Charge to the General Fund**	**607**
-	Interest Earned on Balance	-
-	Interest Accrued from Previous Years	-

The Net Book Value of assets held under the PFI2 scheme as at 31 March 2019 was £34,287,000.

42. CONTINGENT LIABILTIES

The Authority has contingent liabilities as presented below:

Pending Insurance claims

There are five cases still being progressed through the legal process and final decisions are not yet known. The Authority could be liable for up to £7,500 for each claim. If all the claims were found in favour of the claimants and all settled in this current financial year there is a potential liability of £30,000.

Mid and West-Wales pension dispute

At the end of March 2019 the High Court ruled on Firefighters' pensionable pay in the case against Mid and West Wales Fire and Rescue Authority. The issues in this case are mostly about payments for duty systems and additional responsibilities which have previously been interpreted as temporary because the FRA could change the duty system. Because the regulations themselves do not provide a definition of 'temporary', the application of the pensionable pay regulations has long been an issue for the Firefighters' Pension Scheme with confusion over the correct interpretation of temporary in regulations.

The Authority are now awaiting guidance from the Local Government Association in order to understand how the rules should be implemented and to review if there is any historic impact on firefighters' pensions in Staffordshire.

43. TERMINATION BENEFITS

In 2018/19 the Authority incurred liabilities of £222,560 for nine compensation pay disclosed in Note 32.

44. EVENTS AFTER THE REPORTING PERIOD

None to report

45. 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 Home Office.

Other Pensionable Employees

In 2018/19 the Authority paid an employer's contribution of £1,204,000 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 2018/19 these amounted to £70,000 (£67,000 in 2017/18).

The triennial valuation of the Staffordshire Local Government Pension Scheme was undertaken in 2016 by the actuary Hymans Robertson LLP, to establish the contribution rates applicable for the period 1 April 2017 to 31 March 2020. For the Staffordshire Commissioner Fire and Rescue Authority the results of the modelling exercise resulted in a proposal to keep employer contribution rates payable into the scheme unchanged, however this would require a deficit repayment to cover the three year period. The Authority made a payment in advance of £942,000 to cover the triennial period, receiving a favourable discount rate for paying the deficit upfront rather than on an annual basis. The annual split for 2017/18, 2018/19 and 2019/20 is £266,000, £315,000 and £361,000 respectively. This results in a £361,000 difference between the pension liability and the pension reserves.

The Fire Authority participates in six schemes; the Fire Fighter Pension Schemes are administered by the West Yorkshire Pension Fund and the Local Government Pension Scheme is administered by Staffordshire County Council.

a) Five fire-fighters' schemes are:

   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

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		**Total Scheme**	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	**2017/18 £'000**	**2018/19 £'000**
Comprehensive Income and Expenditure Statement												
Net Cost of Services:												
- Current service costs	1,919	1,874	1,770	1,490	410	390	4,010	4,400	120	100	**8,229**	**8,254**
- Past Service Costs	0	161	0	15,510	0	2,770	0	0	0	0	**0**	**18,441**
- curtailments	0	7	270	0	0	0	0	0	0	0	**270**	**7**
Financing and Investment Income and Expenditure:												
- net interest on the net defined benefit liab	436	453	9,910	9,340	920	900	310	430	560	450	**12,136**	**11,573**
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	2,355	2,495	11,950	26,340	1,330	4,060	4,320	4,830	680	550	**20,635**	**38,275**
Remeasurement of the net defined benefit liability comprising:												
- Return on plan assets, excluding amounts included in net interest on the net defined benefit liability	(110)	2,056	0	0	0	0	0	0	0	0	**(110)**	**2,056**
- changes in demographic assumptions	0	0	9,510	0	790	0	450	0	660	0	**11,410**	**0**
- changes in financial assumptions	1,143	(5,066)	(9,150)	(9,500)	(2,030)	(1,600)	(80)	(1,120)	(120)	(330)	**(10,237)**	**(17,616)**
- other experience	(3)	(44)	7,030	730	1,660	600	310	(360)	2,700	(1,030)	**11,697**	**(104)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	1,030	(3,054)	7,390	(8,770)	420	(1,000)	680	(1,480)	3,240	(1,360)	**12,760**	**(15,664)**
- Employers contributions	(1,030)	(889)	(713)	(606)	(168)	(147)	(1,342)	(1,547)			**(3,253)**	**(3,189)**
- Retirement benefits paid to Pensioners	0	0							(980)	(1,160)	**(980)**	**(1,160)**
- Unfunded benefits	(67)	(70)									**(67)**	**(70)**
Actual amount charged against the General fund Balance for pensions in the year	(1,097)	(959)	(713)	(606)	(168)	(147)	(1,342)	(1,547)	(980)	(1,160)	**(4,300)**	**(4,419)**

The cumulative actuarial loss recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2019 is £15.6m (2017/18 gain £12.7m). 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 increased the liability of the pension fund.

McCloud Judgement – Pension Age Discrimination Case:
Claims have been made in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Firefighters Pension Regulations 2015. In December 2018 the Court of Appeal (McCloud /Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. The Government applied for permission to appeal this decision to the Supreme Court and on 27th June 2019 the Supreme Court has denied the request.

The impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment is measured through the pension valuation process and is included in the Pension Liability as at 31st March 2019. The impact on the LGPS is £0.2m and the Fire-fighters' scheme is £18.2m.

THE AUTHORITY'S ASSETS AND LIABILITIES

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

	2017/18					2018/19				
	LGPS £'000	FF'92 £'000	FF'06 £'000	FF'15 £'000	FF'CS £'000	LGPS £'000	FF'92 £'000	FF'06 £'000	FF'15 £'000	FF'CS £'000
Scheme liabilities	54,477	371,452	35,305	14,085	17,975	62,303	394,970	40,237	21,405	18,725
Unfunded liabilities	0	0	0	0	0	0	0	0	0	0
Total Liabilities	54,477	371,452	35,305	14,085	17,975	62,303	394,970	40,237	21,405	18,725
Estimated assets	38,219	0	0	0	0	41,455	0	0	0	0
Net liabilities	**16,258**	**371,452**	**35,305**	**14,085**	**17,975**	**20,848**	**394,970**	**40,237**	**21,405**	**18,725**

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

The total liability of £496m reduces the Authority's net worth significantly as shown in the Balance Sheet and results in overall negative balance of £440.1m at 31 March 2019. The Government top up grant required to balance to the Pension Fund Account of £8.4m 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:

	2017/18 LGPS	2017/18 FF'92	2017/18 FF'06	2017/18 FF'15	2017/18 FF'CS	2018/19 LGPS	2018/19 FF'92	2018/19 FF'06	2018/19 FF'15	2018/19 FF'CS
Mortality:										
Longevity at 65 for current pensioners:										
- Men	22.1	21.9	21.9	21.9	21.9	22.1	22.0	22.0	22.0	22.0
- Woman	24.4	21.9	21.9	21.9	21.9	24.4	22.0	22.0	22.0	22.0
Longevity at 65 for future pensioners:										
- Men	24.1	23.9	23.9	23.9	23.9	24.1	23.9	23.9	23.9	23.9
- Woman	26.4	23.9	23.9	23.9	23.9	26.4	23.9	23.9	23.9	23.9
Financial assumptions:										
Price Increases (CPI)	2.4%	2.30%	2.30%	2.30%	2.30%	2.5%	2.35%	2.35%	2.35%	2.35%
Salary Increases	2.8%	4.30%	4.30%	4.30%	4.30%	2.9%	4.35%	4.35%	4.35%	4.35%
Pension Increases	2.4%	2.30%	2.30%	2.30%	2.30%	2.5%	2.35%	2.35%	2.35%	2.35%
Discount Rate	2.7%	2.55%	2.55%	2.55%	2.55%	2.4%	2.45%	2.45%	2.45%	2.45%

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 (£000)	26,888	15,707	17,556	60,151
Liability split (%)	44.7%	26.1%	29.2%	100%
Weighted Average Duration	24.6	25	13.1	18.4

As at 31st March 2018

Fire Fighter Pension:	Active members	Deferred members	Pensioner members
Number	653	432	688
Total Salaries in membership data (pa) (£m)	13.78		
Total deferred pension (pa) (£m)		0.49	
Total pension (pa) (£m)			10.79

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:

Change in assumptions at 31 March 2018	LGPS Approx. % increase to Employer Liability %	LGPS Approx. monetary amount £m	FF'92 Approx. % increase to Employer Liability %	FF'92 Approx. monetary amount £m	FF'06 Approx. % increase to Employer Liability %	FF'06 Approx. monetary amount £m	FF'15 Approx. % increase to Employer Liability %	FF'15 Approx. monetary amount £m
0.5% decrease in Real Discount Rate	11.0%	7.04	8.5%	33.0	16.5%	6.0	17.0%	4.0
Life expectancy, pensioners assumed to be one year younger	-	-	2.5%	10.0	2.5%	1.0	2.5%	1.0
0.5% increase in the Salary Increase Rate	1.0%	0.81	0.5%	2.0	7.0%	2.0	8.0%	2.0
0.5% increase in the Pension Increase Rate	10.0%	6.14	7.0%	26.0	10.0%	4.0	9.5%	2.0

Guaranteed Minimum Pension Equalisation Case:

A High Court judge has ruled that UK defined benefit pension schemes must compensate members for differences attributable to Guaranteed Minimum Pension (GMP). The introduction of the new Single State Pension in April 2016 brought uncertainty over the ongoing indexation of the GMP amount. The actuarial assumptions ignore any impact of the GMP equalisation in the 31st March 2019 accounts. However, Hymans Robertson LLP estimate that the impact for a typical LGPS fund may be +0.1% understatement of the liabilities.

SCHEME HISTORY

	2014/15	2015/16	2016/17	2017/18	2018/19
Present Value of liabilities	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
LGPS	(50,689)	(47,266)	(53,029)	(54,477)	(62,303)
FF92	(366,437)	(319,338)	(379,205)	(371,452)	(379,460)
FF06	(31,788)	(21,582)	(34,401)	(35,305)	(37,467)
FF15	0	(3,262)	(9,282)	(14,085)	(21,405)
FF Compensation	(20,415)	(19,805)	(21,515)	(17,975)	(18,725)
Fair Value of Assets	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
LGPS	31,336	31,888	36,266	38,219	41,455
Surplus/(deficit) in the scheme	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
LGPS	(19,353)	(15,378)	(16,763)	(16,258)	(20,848)
FF92	(366,437)	(319,338)	(379,205)	(371,452)	(379,460)
FF06	(31,788)	(21,582)	(34,401)	(35,305)	(37,467)
FF15	0	(3,262)	(9,282)	(14,085)	(21,405)
FF Compensation	(20,415)	(19,805)	(21,515)	(17,975)	(18,725)
Experience gains and losses on assets	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
LGPS	2,905	(682)	2,754	(110)	2,056
% of assets at end of year	%	%	%	%	%
LGPS	9.3	-2.1	7.6	-0.3	5.0
Experience gains and losses on liabilities	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
LGPS	298	548	4,832	3	44
FF92	15,400	18,900	1,250	7,030	730
FF06	3,740	(3,280)	(2,140)	1,660	600
FF15	0	380	310	310	(360)
FF Compensation	(1,550)	(320)	(230)	2,700	(1,030)
% of liabilities at end of year	**%**	**%**	**%**	**%**	**%**
LGPS	-0.6	-1.2	-9.1	-0.0	-0.1
FF92	4.2	5.9	0.3	1.9	0.2
FF06	11.8	-15.2	-6.2	4.7	1.6
FF15		11.6	3.3	2.2	-1.7
FF Compensation	-7.6	-1.6	-1.1	15.0	-5.5

LOCAL GOVERNMENT PENSION SCHEME

Year Ended:	31-Mar-18 £'000	31-Mar-19 £'000
Opening Defined Benefit Obligation	**53,029**	**54,477**
Current Service Cost	1,919	1,874
Interest Cost	1,393	1,486
Contributions by scheme participants	323	325
Remeasurement gains and losses	(1,140)	5,110
Losses / (Gains) on Curtailments	0	168
Estimated Unfunded Benefits Paid	(67)	(70)
Estimated Benefits Paid	(980)	(1,067)
Closing Defined Benefits Obligation	**54,477**	**62,303**
The Scheme Assets		
Year Ended:	**31-Mar-18 £'000**	**31-Mar-19 £'000**
Opening Fair Value of Employer Assets	**36,266**	**38,219**
Interest income on plan assets	957	1,033
Contributions by scheme participants	323	325
Contributions by the employer	1,763	889
Contributions in respect of Unfunded Benefits	67	70
Remeasurement gains and losses	(110)	2,056
Unfunded Benefits Paid	(67)	(70)
Benefits Paid	(980)	(1,067)
Closing Fair Value of Employer Assets	**38,219**	**41,455**

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

	2017/18 £'000	2018/19 £'000
Net surplus/(deficit) at the beginning of year	**(16,763)**	**(16,258)**
Movement in the year:		
Current service cost	(1,919)	(1,874)
Contributions by the employer	1,763	889
Net return on assets (after Interest on pension liabilities)	(436)	(453)
Past Service Costs	0	(161)
Impact of settlements and curtailments	0	(7)
Unfunded Benefits	67	70
Actuarial gains/(loss)	1,030	(3,054)
Change in valuation of pension fund assets		
Net surplus/(deficit) at the end of year	**(16,258)**	**(20,848)**
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	(110)	2,056
- changes in demographic assumptions	0	0
- changes in financial assumptions	1,143	(5,066)
- other experience	(3)	(44)
Actuarial gain/(loss)	**1,030**	**(3,054)**

The estimated Employer's contributions for the period to 31st March 2020 will be £828,000.

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 2018 Quoted prices in active markets £'000	Period Ended 31 March 2018 Quoted prices not in active markets £'000	Period Ended 31 March 2018 Total £'000	Period Ended 31 March 2018 Percentage of Total Assets	Period Ended 31 March 2019 Quoted prices in active markets £'000	Period Ended 31 March 2019 Quoted prices not in active markets £'000	Period Ended 31 March 2019 Total £'000	Period Ended 31 March 2019 Percentage of Total Assets
Equity Securities:								
Consumer	1,656.4	-	1,656.4	4%	1,850.6		1,850.6	4%
Manufacturing	1,596.1	-	1,596.1	4%	1,585.7	-	1,585.7	4%
Energy and Utilities	468.0	-	468.0	1%	664.2	-	664.2	2%
Financial Institutions	1,551.2	-	1,551.2	4%	1,533.4	-	1,533.4	4%
Health and Care	1,131.4	-	1,131.4	3%	1,189.7	-	1,189.7	3%
Information Technology	1,082.7	-	1,082.7	3%	1,181.8	-	1,181.8	3%
Other	41.5	-	41.5	0%	39.2	-	39.2	0%
Debt Securities:								
Corporate bonds (investment grade)	2,899.9	-	2,899.9	8%	3,077.5	-	3,077.5	7%
Corporate bonds (non-investment grade)	-	-	-	0%	-	-	-	0%
UK government	-	-	-	0%	-	-	-	0%
Other	-	-	-	0%	-	-	-	0%
Private Equity:								
All	-	1,115.9	1,115.9	3%	-	1,484.0	1,484.0	4%
Real Estate:								
UK Property	-	2,956.6	2,956.6	8%	-	3,524.1	3,524.1	9%
Overseas Property	-	-	-	0%		-	-	0%
Investment funds and Unit Trusts:								
Equities	18,061.6	-	18,061.6	47%	18,660.2	-	18,660.2	45%
Bonds	2,248.9	-	2,248.9	6%	3,136.7	-	3,136.7	8%
Hedge Funds	-	671.1	671.1	2%	-	724.2	724.2	2%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	-	-	0%	-	-	-	0%
Other	-	986.1	986.1	3%	-	1,668.9	1,668.9	4%
Derivatives:								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	-	-	-	0%	-	-	-	0%
Other	-	-	-	0%	-	-	-	0%
Cash and Cash Equivalents:								
All	1,751.7	-	1,751.7	5%	1,134.8	-	1,134.8	3%
Total	**32,489**	**5,730**	**38,219**	**100%**	**34,054**	**7,401**	**41,455**	**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:

	2017/18				2018/19			
	FF'92 £'000	FF'06 £'000	FF'15 £'000	FF'CS £'000	FF'92 £'000	FF'06 £'000	FF'15 £'000	FF'CS £'000
Net deficit - start of year	**(379,205)**	**(34,401)**	**(9,282)**	**(21,515)**	**(371,452)**	**(35,305)**	**(14,085)**	**(17,975)**
Movement in the year:								
Current service cost	(1,770)	(410)	(4,010)	(120)	(1,490)	(390)	(4,400)	(100)
Contributions by scheme participants	(443)	(198)	(1,173)	0	(331)	(187)	(1,375)	
Past service cost	(270)	0	0	0	(15,510)	(2,770)		
Pension transfers-in	0	0	(21)	0				
Pension/benefits paid	12,756	204	31	980	11,923	315	365	1,160
Interest on pension liabilities	(9,910)	(920)	(310)	(560)	(9,340)	(900)	(430)	(450)
Actuarial gains/(loss)	7,390	420	680	3,240	(8,770)	(1,000)	(1,480)	(1,360)
Net deficit - end of year	**(371,452)**	**(35,305)**	**(14,085)**	**(17,975)**	**(394,970)**	**(40,237)**	**(21,405)**	**(18,725)**

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

	2017/18				2018/19			
	FF'92 £'000	FF'06 £'000	FF'15 £'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 interest on the net defined benefit liability	0	0	0	0	0	0	0	0
changes in assumptions for retained settlement	0	0	0	0	0	0	0	0
changes in demographic assumptions	9,510	790	450	660	0	0	0	0
changes in financial assumptions	(9,150)	(2,030)	(80)	(120)	(9,500)	(1,600)	(1,120)	(330)
other experience	7,030	1,660	310	2,700	730	600	(360)	(1,030)
Actuarial gain/(loss)	**7,390**	**420**	**680**	**3,240**	**(8,770)**	**(1,000)**	**(1,480)**	**(1,360)**

46. PENSION LIABILITY

At 31st March 2019 81 employees of the Authority, who are members of the Firefighters' Pension Scheme, were eligible for voluntary retirement, having satisfied the Fire-fighter pension retirement criteria. An additional 8 will be eligible during the financial year of 2019/20.

If all were to exercise their right to retire in the 2019/20 financial year, the Authority would have to make payments amounting to £5.6 million. The total includes lump sum payments of £4.6 million and annual pension payment of £1 million assuming that everyone retired by 31st March 2020. However, the ageing profile set out below demonstrates that this event is unlikely. 50 of the 89 employees were eligible to retire between 5 years and 15 years previous but have chosen to continue their duties in the Service.

Retirement eligibility	Employee No.s	Lump Sum	Annual Pension payment
		£000	£000
within 2019/20	8	602	174
1 year earlier	9	757	172
2 year earlier	11	824	196
3 year earlier	5	428	111
4 year earlier	6	519	97
5 year earlier	18	760	116
6 year earlier	9	320	50
7 year earlier	8	200	33
8 year earlier	5	87	20
9 year earlier	1	22	3
10 year earlier	0	-	-
11 year earlier	1	1	-
12 year earlier	3	33	6
13 year earlier	1	24	4
14 year earlier	3	59	12
15 year earlier	1	6	1
	89	**4,642**	**995**

Firefighters' Pension Fund Account

2017/18		2018/19	
£'000		£'000	£'000
	Contributions receivable		
	From employer		
(2,159)	- normal	(2,180)	
(100)	- Ill health	(120)	
(2,259)			(2,300)
(1,818)	From members		(1,892)
	Transfers in		
(21)	- individual transfers in from other schemes	0	
(21)			0
	Benefits payable		
10,535	- pensions	10,864	
2,479	- commutations and lump sum retirement benefits	1,738	
0	- other benefits payable	0	
13,014			12,602
	Payments to and on account of leavers		
13	- individual transfers out to other schemes	0	
13			0
8,929	**Net amount payable for the year before top-up grant receivable to sponsoring department**		**8,410**
(8,929)	Top-up grant payable by the Government		(8,410)
0	**Fund Account Balance**		**0**

2017/18		2018/19
£'000		£'000
	Net Current Assets and Liabilities	
(6,802)	Top-up grant received	(7,029)
8,929	Pension costs for the year	8,410
(2,127)	Amount owing (to)/from General Fund	(1,381)
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 45 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 46 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 July 2018 the Firefighters Pension Fund has been administered by the West Yorkshire Pension Fund, previously administered by Staffordshire County Council.

2. Management of the Fund

During the year the pension fund is managed by the Director of Finance (Staffordshire Commissioner's Office) / Section 151 Officer.

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.

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 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 £8.4m grant to be paid to the Authority as this is the deficit balance on the fund for 2018/19 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.

IAS
International Accounting Standards

IFRIC
International Financial Reporting Interpretations Committee

IFRS
International Financial Reporting Standards

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

Lender Option Borrower Option (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.

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.