2018 - 2019

Cleveland Fire Brigade Financial Report

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Chair

Councillor J Brunton Dobson (Middlesbrough BC)

Vice-Chair

Councillor J O'Donnell (Stockton on Tees BC)

Councillors

Hartlepool BC

R Cook
M James
R Martin-Wells (Member until 31/05/2018)
M Young (Member from 14/09/2018)

Middlesbrough BC

J Brunton Dobson
T Higgins
N Hussain
T Mawston J.P.

Redcar & Cleveland BC

N Bendelow
N Cooney
R Goddard
M Ovens

Stockton on Tees BC

G Corr
P Kirton
J O'Donnell
M Stoker
W Woodhead MBE

The Authority is made up of 16 members who are appointed in proportion to the number of local government electors in each Authority area.

INTRODUCTION

The narrative report aims to provide information so that members of the public, Authority Members, partners, stakeholders and other interested parties are able to have:

- A full and understandable explanation of the overarching financial position of the Authority and the outturn for 2018/19;
- Confidence that the public money with which the Authority has been entrusted has been used and accounted for in an appropriate manner;
- Assurance that the financial position of the Authority is sound and secure.

This narrative report provides information about the Authority, including the key issues affecting the Authority and its accounts. It also provides a summary of the financial position at 31 March 2019 and is structured as below:

- Our Operating Context
- Our Strategy and Objectives
- Our Performance
- Our Governance and Decision Making
- Our Organisational Model
- Our Risk Management Arrangements
- Financial Performance 2018/19
- Financial Outlook 2019/20 to 2020/21
- Borrowing Facilities and Investment Strategy
- Pensions
- Statement of Accounts

OUR OPERATING CONTEXT

Cleveland Fire Brigade is located in north east England and provides services to a small area containing the four boroughs of Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton. The area is 231 square miles with a population of 566,150[1], occupying 249,221[2] dwellings. It is the seventh most densely populated fire authority area in England with only the Metropolitan Fire & Rescue Services (FRSs) being more densely populated. Teesside is home to 15,719[3] industrial and commercial premises.

We have 30 Top Tier Control of Major Accident Hazard (COMAH) sites located in the area which account for 9% of the national number of COMAH sites. Some of our dwellings are in extremely close proximity to these high hazard industries thereby making the risks they face more unique.

Teesport handles over 5,000 vessels and 40 million tonnes of cargo a year, making it one of the largest UK ports in terms of tonnage[4].

We have 5 power stations (1 nuclear fuelled and 4 bio-mass fuelled), 7 solar powered energy farms, 12 onshore and 1 offshore windfarm; and two bio-mass (wood pellets) power stations are being constructed at Port Clarence and Tees Port to produce electricity for the national grid. The demand to build renewable energy sources is expected to grow as Tees Valley has been awarded UK Government Care Status as a Centre for Offshore Renewable Engineering[5].

Like the majority of UK FRSs we have an extensive network of road and rail but due to the nature of commerce in Teesside our transportation conveys many significant hazards. Where the A19 crosses the Tees it carries over 96,000 vehicles per day which is 123% more than the number of vehicles using the A1M at the equivalent point.

Teesside shares many inner city type problems that are a key feature of the UK's Metropolitan areas such as older nineteenth century low cost housing (terraced), derelict land, high unemployment, congestion, high density of buildings and narrow roadways – not fit for modern usage.

Our 79 wards include the 2nd most deprived ward nationally (North Ormseby) with 38% (30) falling within the 10% most deprived wards nationally. 41% of the area's population reside in the most (10%) deprived wards with more than half of the population (57%) living in wards that are in the 20% most deprived wards nationally. Over a third of our dwellings are social housing with almost two thirds of households in council tax bands A or B compared to less than half nationally and all four boroughs have a higher proportion of children living in low income families than the average for England and Wales.

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[1] ONS Mid-Term Estimates 2017
[2] https://www.gov.uk/government/statistics/council-taxbase-2016-in-England
[3] CFB, CFRMIS
[4] http://www.pdports.co.uk/en/our-locations/teesport/
[5] Investment inTees Valley, 2016. https://teesvalley-ca.gov.uk

The crime rate in the Cleveland Police area is 101 per 1,000 households compared to the national average of 78. The only two Police areas to experience higher rates of crime than Cleveland are Greater Manchester (122) and West Yorkshire (116)[6]. There are high levels of antisocial behaviour and deliberate fires, with Cleveland suffering from the highest arson rates in the country. This is reflected in attacks that our firefighters have been subjected to whilst responding to operational incidents. Over the five years up to 2017/18 the Brigade's personnel suffered more than double the national average of attacks (2017/18 – 20.7 nationally compared to 46 for Cleveland Fire Brigade).

Risk factors such as, deprivation, poor health and life expectancy is significantly lower than the England average and 29.1% of the population in the area are classed as disabled or having long term health issues, low education attainment (lower than the England average); high unemployment (higher than the national average) and limited opportunity for social mobility, play a key part in the composition of our area with research demonstrating that higher deprived areas have higher risk from fire.

Full details of our operating environment are set out in our Community Risk Profile document available from our website[7].

OUR STRATEGY AND OBJECTIVES

Our vision is that we have built a sustainable future and:

- made a positive difference to the safety and quality of life of every local citizen; and the places where they live and work;
- delivered services by people who are professional, proud and passionate;
- are nationally recognised as being high performing and innovative; and internationally renowned for being able to reduce risk in business, industry and the home.

Our vision is underpinned by three strategic goals, 8 strategic objectives and 17 strategic outcomes, as set out in our Community Integrated Risk Management Plan (CIRMP) 2018-2022.

The CIRMP sets out the strategic direction, the assessment of risks faced by the Brigade, our financial position and the intended deployment of resources over the medium term to address the identified risks.

[6] http://www.ons.gov.uk/peoplepolulationandcommunity/crimeandjustice/datasets/policeforceareadatatablesyearendingMarch2017

[7] https://www.clevelandfire.gov.uk/download/community-risk-profile/

Our Performance 2018/19

8,772 Incidents:
Increase of 2%

Fire Fatalities & Injuries
3 Fire Fatalities (25% reduction)
10 Fire Injuries (17% reduction)

Actual Response Times
2017/18: Fastest in Country to Primary & Dwelling Fires
(Source HO Fire Stats 2017/18)

Accidental Dwelling Fires 113: Reduced by 20%
Our Lowest ever number of ADFs

Road Traffic Collisions
Fatalities 6: Reduction 33%
Injuries 122: Reduction 11%

Nuisance Fires 3,606
Increase of 23%

Health & Safety
32 Vehicle Accidents
Decrease of 22%

Firefighter Fitness:
96% Achieved Fitness Levels: Increase of 4%

Staff Sickness:
7.95 shifts/person
Increase of 18%

Industrial / Commercial Fires 57: Increase of 10%

Fire Inspection Audits 2018/19: 1,456

Highest rate per 1,000 premises conducted in 2017/18
(Source HO Fire Stats 2017/18)

Home Fire Safety Visits
18,108 HFSV completed including 2,927 Safe and Well Visits
Third Highest HFSV Rates in the country.
(Source HO Fire Stats 2017/18)

Violence to Staff:
42 Occurrences
Decrease of 7%

OUR GOVERNANCE AND DECISION MAKING

Cleveland Fire Authority has a duty under the Local Government Act 1999 to conduct business in accordance with the law ensuring public money is safeguarded, properly accounted for and used economically, efficiently and effectively. We are committed to the highest standards of conduct and have robust controls over the use of resources, based on open decision making, accountability and transparency.

The Brigade takes decisions every day that impacts businesses, our residents and visitors to our area. Our Constitution details how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The most significant decisions relating to our plans and strategies, such as setting and agreeing the CIRMP, setting the budget and Council Tax level, are taken by the Cleveland Fire Authority. Other decisions are delegated to the Executive Committee with operational management decisions, as well as decisions in respect of functions which require professional officer training and skills, delegated to Officers in accordance with our approved scheme of delegation

In 2018/19 Cleveland Fire Authority was made up of 16 Elected Members from the four councils of Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton in the Authority Area. The membership from each of the four Councils is based on their population and is politically balanced to reflect the make-up of the Councils. In 2018/19 the membership was;

Hartlepool	3 Members	2 Labour, 1 Conservative
Middlesbrough	4 Members	3 Labour, 1 Independent
Redcar & Cleveland	4 Members	2 Labour, 1 Conservative, 1 Liberal Democrat
Stockton	5 Members	3 Labour, 1 Conservative, 1 Ingleby Barwick Independent Society

Our governance framework comprises systems, processes, culture and values by which the Authority directs and controls its activities through which it is accountable for and engages with the community. The Authority has approved and adopted a code of corporate governance which encompasses the guidance and best practice outlined in the "Delivering Good Governance in Local Government Framework' (2016 edition) which is published by CIPFA and SOLACE.

Corporate governance services are provided to the Fire Authority through the role of a Legal Adviser/Monitoring Officer and a SLA with Hartlepool Borough Council for the provision of a financial governance function that includes the role of the Treasurer and an internal audit function.

Our commissioned Internal Audit function provides challenge and assurance over the effectiveness of our risk management, internal control and governance arrangements. The function supports, provides advice and challenge management to assist the development of robust systems of control, policies and procedures to ensure the best use of resources. They cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

Our External Auditors (Mazars) place reliance on the work of our Internal Audit function. Internal Audit carries out its role in compliance with Public Sector Internal Audit Standards. Our Annual Governance Statement reviews the extent to which the Authority has complied with its code of corporate governance and also meets the requirements of the Accounts and Audit (England) Regulations 2015, which requires the 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 within the statement of accounts. The outcome of the annual review is incorporated within our Performance Management arrangements and is reported to Elected Members of the Audit and Governance Committee.

OUR ORGANISATIONAL MODEL

The Chief Fire Officer is responsible for the achievement of the Authority's Strategic Goals through the delivery of strategies and plans by people within his three Directorates

Community Protection Directorate
Our public facing and frontline service delivery Directorate that co-ordinates and delivers our Prevention, Protection, Emergency Response and National Resilience services and functions.

Corporate Services Directorate
The directorate that delivers our corporate enabling services that support the CFA and other Directorates in delivering their duties. Services include Democratic Services, Finance (including creditor payments and payroll), Procurement, Human Resources, Performance and Risk Management.

Technical Services Directorate
The directorate that delivers our technical enabling services that support all Directorates in delivering their duties. Services include Health & Safety, Fleet, ICT, Workshops, Stores and Buildings including delivery of our Estates Rebuild and refurbishment program.

Our frontline services are co-ordinated and delivered from Community Safety District Hubs and 14 strategically placed Community Fire Stations. Delivery of services is through a balanced strategy of prevention, protection and emergency response.

- **Prevention** work takes many forms, from home fire safety visits, safe and well visits, marketing, advice and education through to involving the community in helping to design and deliver our services.

- **Protection** activities involve advising individuals and businesses on how to keep safe and their risk management responsibilities, so that buildings are safer. In addition fire safety regulations are enforced where necessary.

- Where and when emergency incidents still occur, they are responded to using modern methods, appliances and equipment. The Brigade operates one of the most stringent **emergency response** standards nationally and the latest information indicates that the Brigade has the fastest average actual response times to primary fire incidents in the country.

The Government's aim is to reduce the risk from major emergencies such as natural disasters or terrorist attacks so that people can go about their business freely and with the confidence that the UK is equipped to deal with such incidents. The Brigade plays an integral part in ensuring **National Resilience** and is 100% compliant with the Governments requirements in supporting national resilience. We are an active member and maintain strong links with other category 1 responders through the Cleveland Local Resilience Forum

<u>OUR RISK MANAGEMENT ARRANGEMENTS</u>

The National Framework for Fire and Rescue Services in England (2018) identifies and places a number of requirements on all Fire Rescue Authority’s to comply with, one of which being;

> *‘Identify and assess the full range of foreseeable fire and rescue related risks their area face’*

Our Community Integrated Risk Management Plan (CIRMP) sets out the strategic direction, summarises assessment of risks faced by the Brigade, our financial position and the intended deployment of resources over the medium term to address the identified risks.

The Authority area and its communities face a complex profile of risks and thus we have for a long time recognised the need for, and reaped the benefits from having effective and robust Risk Management arrangements that ensure the safety of our workforce, residents and businesses within the Brigade’s area.

Based on our operating environment, historical incidents data and information from a multitude of other sources (internal and external to the Brigade) we develop a Community Risk Profile that identifies and assesses the risks facing the Brigade and classifies them in the following groups;

- The built environment
- The transport infrastructure serving the area
- The industry within our area
- Neighbourhoods and the environment
- National Resilience
- Community Health and Well Being

Each of the identified risk groups is assessed against the likelihood of the event occurring and the associated consequences/impacts if it does occur. Our assessment looks to identify who/what is at risk, when they are at risk and where they are at risk. The assessment includes an assessment of risk in terms of:

- People (Community) safety
- Firefighter safety
- Property
- Heritage

- Environment
- Value for Money

This information is provided at a detailed level within our available Community Risk Profile and is underpinned by a suite of detailed risk assessments that are refreshed on an annual basis.

Our Corporate Risks are identified and addressed through our Corporate Risk Register (CRR) that articulates and quantifies each individual risk. Risks are scored in the context of the likelihood and impact of the risks. Control measures are identified to address the risks and the CRR is reviewed at regular points during the year.

To ensure our risk management governance arrangements remain effective and efficient, the Brigade benchmarks and assesses arrangements on an annual basis through ALARM (The Public Risk Management Association) and CIPFA (The Chartered Institute of Public Finance Accountancy).

We ensure that we regularly review all of our risks to provide assurance that our management of risk is effective.

FINANCIAL PERFORMANCE 2018/19

The Authority spends money on a wide range of services to promote fire safety, protect people and property from fire, rescue people from road traffic collisions, deal with other emergencies such as flooding or terrorist attack, work with other organisations to develop and implement emergency and business continuity plans. This spending can be Revenue on day to day running costs such as staffing, purchasing goods/services from third parties and utilities; or Capital on assets which are used for service delivery over a longer period, such as buildings and operational vehicles.

The following sections provide more detail about the Authority's financial position.

2018/19 Approved Revenue Budget

The Authority prepared a four year financial strategy covering 2016/17 to 2019/20, which provided the financial planning limits for our Community Integrated Risk Management Plan. This is the same period covered by the four year grant settlement provided by the Government. In relation to 2018/19 the financial strategy reflected a further reduction in the amount of Government funding received by the Authority of £0.466m, a reduction of 3.5%. This was the eighth successive annual reduction in Government funding.

The system operated up to 2010/11 by the Government for allocating funding to individual Fire and Rescue Authorities reflected the needs of each area and the ability to raise income locally from Council Tax. However, over the last eight years these factors have not been recognised to the same extent. As a result, the Authority has suffered disproportionate spending power cuts owing to Government funding reductions. Further changes to the national funding system were made in 2013/14 and the Government funding received by the Authority in 2018/19 is £5.7m less than in 2013/14; which is a reduction of 30%.

In addition to the 2018/19 Government grant cut the Authority faced continuing inflation pressures and increased pay pressures arising from the unfunded national pay awards. To address the resulting 2018/19 budget deficit of £1.504m, the Authority made budget cuts of £0.752m, built in additional Council Tax income from housing growth of £0.160m and allocated one off resources of £0.258m to provide a longer lead time to implement further budget reductions in 2019/20.

To address the remaining deficit the Authority increased Council Tax by 2.9% in line with the Government's Council Tax Referendum limit, which provided additional recurring funding of £0.334m.

Revenue Budget 2018/19 – Actual Outturn

In response to the Authority's ongoing financial challenges the Chief Fire Officer continued to carefully manage resources during 2018/19 and a year-end under spend of £0.801m was achieved. This was slightly higher than the forecast underspend of £0.749m. The underspend has been added to the Budget Support Fund reserves, which is earmarked to help manage the significant potential financial risks facing the Authority in 2020/21 and future years in relation to pay/non pay inflation and further potential Government grant cuts.

Our Medium Term Financial Strategy, which was approved in February 2019, included a review of the Authority's reserves and recognises that using one-off resources will not provide a permanent solution to address further recurring Government grant cuts and inflation pressures. However, as funding for 2020/21 is uncertain, and will not be known until late 2019, our reserves strategy provides temporary financial flexibility to manage these potential financial risks.

The outturn position is summarised in the following table, which shows that in addition to the contribution to the Budget Support Fund we made the following contributions to specific reserves:

- Levy Account Reserve contribution of £0.141m – this amount is the Authority's share on one off Business Rates levy account funding distributed by the Government, which we have allocated to support the 2019/20 budget;

- Rephased Projects Reserve contribution of £0.335m – this is earmarked to fund projects delayed from 2018/19 to 2019/20.

	Approved Budget £'000	Actual Expenditure/ (Income) £'000	Budget Variance Adverse / (Favourable) £'000
Operational Costs			
Employee Costs	22,371	21,270	(1,101)
Premises Costs	1,853	1,649	(204)
Supplies & Services	2,211	2,550	339
Transport Costs	735	720	(15)
Support Services	369	412	43
Capital Financing Costs	838	838	-
Income / Grants	(1,496)	(1,615)	(119)
Section 31 Grant	(143)	(363)	(220)
Contribution from Reserves			
Pension Reserve	(53)	(53)	-
CIRMP Implementation Reserve	(442)	(442)	-
Contribution to Reserves			
Levy Account Reserve	-	141	141
Rephased Projects Reserve	-	335	335
Total	**26,243**	**25,442**	**(801)**

The Authority's budget was funded from the following sources:

	Approved Budget £'000	%
Government Grant	5,718	21.8%
Business Rates Top Up Grant	7,151	27.2%
Total Government Grants	**12,869**	**49.0%**
Income from Council Tax Precept	11,368	43.3%
Income from Business Rates Baseline Funding	1,821	6.9%
Collection Fund Surplus	185	0.7%
Total Funding	**26,243**	**100.0%**

Capital Expenditure

Capital expenditure relates to spend on the purchase or improvement of assets that have a long-term value to the Authority and our residents, such as Community Fire Station and fire appliances.

In 2018/19 total capital expenditure was £0.738m. £0.251m of this was property expenditure, which included the completion of Queens Meadow Training Centre, Stranton Fire Station and Grangetown Fire Station. £0.096m on the demolition of Grangetown Fire Station. In-year expenditure also included the purchase of new vehicles at a cost of £0.022m, equipment of £0.141m and the construction of two water tenders at a cost of £0.228m. These costs were funded from a combination of Capital Receipts £0.314m, Reserve contribution of £0.075m and use of £0.349m of the Capital Investment Programme Reserve.

As at 31 March 2019, the Authority had rephased capital expenditure totalling £0.361m into 2019/20. This will be funded from the Capital Investment Programme £0.090m and the Capital Receipts Reserve £0.271m.

FINANCIAL OUTLOOK - REVENUE BUDGET 2019/20 to 2020/21

The financial year 2019/20 is the final year of the current four year Government grant settlement and the Authority set a balanced budget for 2019/20. However, this was only achieved through a combination of implementing further budget cuts of £0.671m and increasing Council Tax by 2.9%, which raised additional recurring income. The Council Tax increase was slightly below the Government's referendum limit of 3%.

The financial outlook for 2020/21 is extremely uncertain and will be affected by:

- decisions the Government makes in the next Spending Review, expected in 2019, which will determine the level of funding for individual Government departments, including the Home Office which allocates funding to Fire and Rescue Authorities;

- proposed changes to the national funding formula used to distribute Government funding to Fire and Rescue Authorities. In 2019/20 the Authority will receive £12.552m of funding under these arrangements. This makes up 47% of the Authority's resources, therefore the arrangements the Government implements in 2020/21 will be critical for the Authority;

- the proposed increase in Business Rates income retained by Local Authorities and Fire and Rescue Authorities from 50% to 75%;

- the level of future Council Tax referendum limits set by the Government;

- the level of pay awards and the outcome of national negotiations regarding 'broadening the role' of firefighter and how the costs of any proposed changes are funded;

- funding arrangements for the nationally determined increase in employers pension contributions for fire fighters implemented in April 2019, which increases the Authority's recurring costs by £1.544m. In 2019/20 the Government has provided a one off grant to fund the majority of these costs and indicated that the position in relation to funding for 2020/21 will be considered as part of the next Spending Review.

In response to the financial uncertainties and risks facing the Authority in 2020/21 a Budget Support Fund of £4.122m has been allocated to help manage these risks. The Authority recognises that using one off funding is not a permanent solution to address recurring cuts in Government Funding or recurring expenditure pressures. However, as the position in relation to funding for 2020/21 may not be known until late in 2019, the Authority may need to use the Budget Support Fund to provide a slightly longer lead time to make further recurring budget reductions.

The Authority has forecast a range of planning assumptions for 2020/21 to 2022/23 and instructed the Chief Fire Officer to develop a contingency savings plan to set out the impact of delivering further budget reductions of between £2.297m and £3.841m by the start of financial year 2022/23. These reductions equate to between 8.5% and 14.3% of the 2019/20 budget.

BORROWING FACILITIES AND INVESTMENT STRATEGY

The Authority's arrangements for borrowing accord with the approved Treasury Management Strategy, which was drawn up to comply with the Code of Practice for Treasury Management in Local Authorities published by the Chartered Institute of Public Finance and Accountancy.

In accordance with this strategy the Authority has taken a proactive approach to managing cash investments and debt. For a number of years the Authority has internalised borrowing by netting down borrowing against investments. However interest rates have fallen to a historically low level, which the Authority has taken advantage of to secure financing in relation to business cases. The Authority has also used these historically low rates to reduce interest rate risk in relation to some existing capital expenditure previously temporarily funded by internalising borrowing.

The interest earned on Authority's investments remained low during 2018/19, this has been mitigated by low interest costs on the Authority's borrowings.

PENSIONS

The Authority has accounted for retirement benefits according to International Financial Reporting Standard (IFRS) IAS 19. As at 31 March 2019 the Accounts showed that there was a deficit on the Pensions Reserve of £479.895m (£467.363m in 2017/18). This was offset by a Pensions Liability of the same value. The Authority has separate pension arrangements for Fire Fighters and Other staff as outlined below.

Fire Fighter Pension Arrangements

The Fire Fighters Pension Scheme is an unfunded scheme. The Authority is required to maintain a separate Fire Fighters Pension Fund Account, details of which are provided in the Pension Fund Note.

The Authority is required to make defined contributions to the Pension Account, currently 21.7% for Fire Fighters who are members of either the 1992 Pension Scheme or the Modified Pension Scheme, 11.9% for those who are members of the 2006 Pension Scheme and 14.3% for those who are members of the 2015 Pension Scheme. The Authority must also make defined contributions in respect of Ill Health retirements.

As these contributions, plus employee contributions, are less than payments made from the Authority's Pensions Account the Government provides a specific grant to fund the resulting shortfall.

Local Government Pension Scheme

Pensions for other staff are provided through the Local Government Pension Scheme and the Authority is a member of the Teesside Pension Fund. The statutory arrangements for this scheme mean that the IAS19 deficit does not need to be made good by increased pensions contributions from the Authority or employees. A separate Pension Fund valuation is carried out every three years to determine the Authority's contribution rate. The most recent Pension Fund Valuation set the employer's contribution rate for the period 2017/18 to 2019/20 and resulted in a phased increase of 1.2%, plus annual lump sum payments over these three years totalling £0.160m**.** Provision for the additional cost has been made within the Authority's budget plans.

STATEMENTS OF ACCOUNTS

Comprehensive Income and Expenditure Statement

This statement shows the economic cost in the year of providing services in accordance with International Financial Reporting Standards (IFRS), rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities at 31 March 2019. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are classified 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 (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Authority is not able to use to provide services. This category of reserve 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.'

The major movements on the Balance Sheet are as follows:

Pension Reserve – the Authority's unusable pension reserve has increased by £12.532m which is a result of revised actuarial revaluations.

Short Term Investments – the Authority's Short Term Investments have increased by £3.649m due to more of the Authority's cash being invested at the end of 2018/19. Consequently the Cash and Cash Equivalents has reduced by £1.336m.

Short Term Debtors – the Authority's Short Term Debtors have decreased by £1.302m. The debtor for CLG Pension Top Up Grant Receivable was £1.108m less in 2018/19.

Summary of the Authority's Usable Reserves

At the 31 March 2019 the Authority had reserves of £10.837m (£9.883m as at 31 March 2018), which consisted of the following amounts:

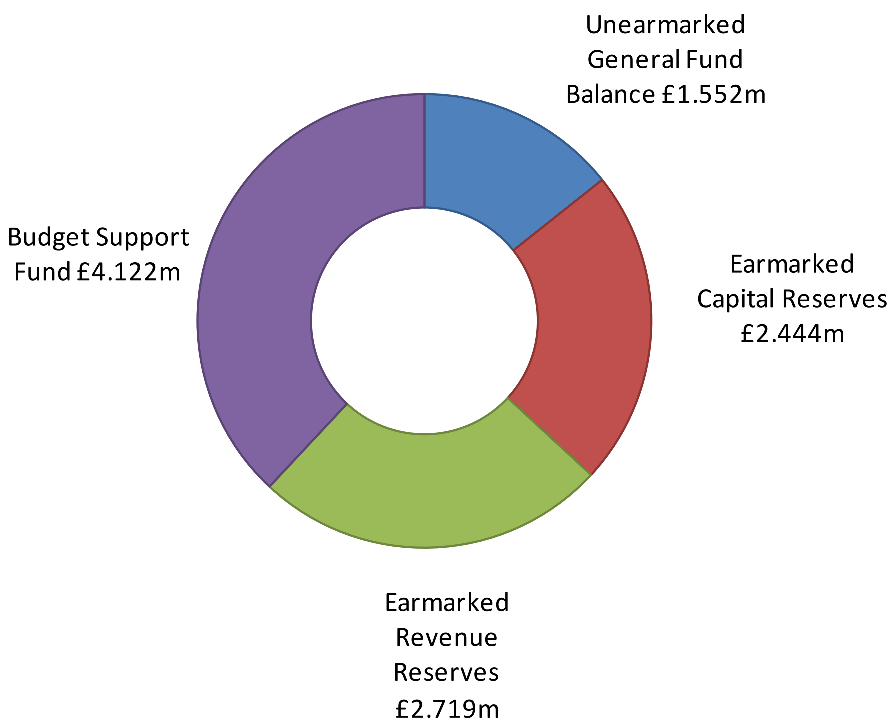
- Earmarked Capital Reserves - £2.444m – these reserves are fully committed to supporting the approved Capital Investment Programme.

- Budget Support Fund - £4.122m – part of this reserve (£0.107m) will be used in 2019/20 to support the revenue budget. The remaining £4.015m is earmarked to manage potential financial risks in 2020/21 and future years arising from a range of potential changes to future funding and the costs of providing services. There is also a risk that pay awards are higher than forecast, or an increase in employers pension contributions.

- Earmarked Revenue Reserves - £2.719m – these reserves are fully committed to fund a range of one-off initiatives;

- Unearmarked General Fund Reserve - £1.552m – the reserve is held to meet any unforeseen circumstances that may arise. The value of this reserve reflects a risk assessment of potential financial risks facing the Authority and equates to approximately 6% of the Authority's on-going revenue budget. In view of the increasingly challenging financial position facing the Authority this level of uncommitted reserve is prudent.

Analysis of Usable Reserves as at 31 March 2019 – Total £10.837m



Unusable Reserves as at 31st March 2019 are £452.553m (£438.481m at 31st March 2018). The movement in Unusable Reserves is shown in Note 23, with the increase in deficit largely attributable to the increase in the Pension Reserve. This is owing to the revised actuarial valuation.

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 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.

Group Statement of Accounts

The Group Financial Statements consolidate the performance and balances that relate to the Authority's subsidiary, Cleveland Fire Brigade Risk Management Services Community Interest Company (CIC), into the Authority's statements. This allows the full picture of Group activities to be presented.

Cleveland Fire Authority established Cleveland Fire Brigade Risk Management Services CIC in March 2011 under the Local Government Authorities (Power to Trade) Order (2009) to commercially trade.

The Company commenced operating in 2011/12 and has increased turnover on an annual basis by securing additional contracts. Details are shown in Section 5, Group Accounts.

CHANGES IN AUTHORITY RESPONSIBILITIES

There were no changes in the Authority's statutory responsibilities during 2018/19.

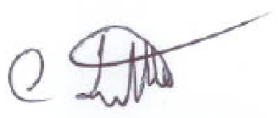
ACCOUNTING POLICIES

The accounting policies adopted by the Authority comply, except where specific reference is made, with relevant recommended accounting practice.

The Authority's policies are explained fully on pages 19 to 29. For the purpose of the Statement of Accounts the Authority's expenditure follows the standard classification recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the comparative figures for 2017/18 have been shown where appropriate.

INSPECTION OF ACCOUNTS

Members of the public have a statutory right to inspect the accounts before the audit is completed, question the auditor and make objections at audit. The availability of the accounts for inspection was advertised on Cleveland Fire Authority website and in relation to the 2018/19 financial year the inspection period is 3 June 2019 to 12 July 2019.



Chris Little CPFA
Treasurer to the Cleveland Fire Authority
Date: 31 May 2019

SECTION 3: Statement of Responsibilities for the Statement of Accounts

The Fire Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs; in this Authority, that officer is the Treasurer;

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

- approve the Statement of Accounts.

I confirm that the Statement of Accounts were approved by the Cleveland Fire Authority at the meeting held on 26 July 2019.

Chair of Cleveland Fire Authority
Date:

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Treasurer has:

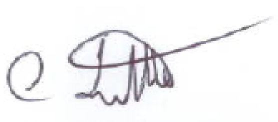
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice on Local Authority Accounting.

The Treasurer has also:

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

Certification of the Accounts by the Treasurer

In accordance with the requirements of the Accounts and Audit Regulations 2016, I certify that the Statement of Accounts shows a true and fair view of the financial position of Cleveland Fire Authority at the accounting date and its income and expenditure for the year ended 31 March 2019.



Chris Little CPFA
Treasurer to Cleveland Fire Authority
Date: 31 May 2019

Movement in Reserves Statement for the year ended 31 March 2019

	General Fund Balance	Earmarked General Fund Reserves	Earmarked Reserves Revenue and Capital	Capital Receipts Reserve	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	£000s	£000s	£000s	£000s	**£000s**	**£000s**	**£000s**
Balance at 31 March 2017 carried forward	**1,552**	**3,535**	**7,677**	**-**	**12,764**	**(430,767)**	**(418,003)**
Movement in reserves during 2017/18							
Surplus or (deficit) on provision of services	(18,295)	-	-	-	**(18,295)**	-	**(18,295)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	7,700	**7,700**
Total Comprehensive Income and Expenditure	**(18,295)**	-	-	-	**(18,295)**	**7,700**	**(10,595)**
Adjustments between accounting basis & funding basis under regulations	18,769	-	(3,619)	264	**15,414**	(15,414)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**474**	-	**(3,619)**	**264**	**(2,881)**	**(7,714)**	**(10,595)**
Transfers to/(from) Earmarked Reserves	(474)	228	246	-	-		-
Increase/(Decrease) in Year	-	**228**	**(3,373)**	**264**	**(2,881)**	**(7,714)**	**(10,595)**
Balance at 31 March 2018 carried forward	**1,552**	**3,763**	**4,304**	**264**	**9,883**	**(438,481)**	**(428,598)**
Movement in reserves during 2018/19							
Surplus or (deficit) on provision of services	(13,118)	-	-	-	**(13,118)**	-	**(13,118)**
Other Comprehensive Income and Expenditure	**(7,863)**	-	-	-	**(7,863)**	7,863	-
Total Comprehensive Income and Expenditure	**(20,981)**	-	-	-	**(20,981)**	**7,863**	**(13,118)**
Adjustments between accounting basis & funding basis under regulations	22,353	-	(425)	7	**21,935**	(21,935)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**1,372**	-	**(425)**	**7**	**954**	**(14,072)**	**(13,118)**
Transfers to/(from) Earmarked Reserves	(1,372)	359	1,013	-	-	-	-
Increase/(Decrease) in Year	-	**359**	**588**	**7**	**954**	**(14,072)**	**(13,118)**
Balance at 31 March 2018 carried forward	**1,552**	**4,122**	**4,892**	**271**	**10,837**	**(452,553)**	**(441,716)**

For detail on Usable and Unusable Reserves see Notes 22 and 23.
For detail on Transfers to and from Earmarked Reserves see Note 5.

Comprehensive Income and Expenditure Statement for the year ended 31 March 2019

2017/18 Gross Expenditure £000s	2017/18 Gross Income £000s	2017/18 Net £000s	Continuing operations:	2018/19 Gross Expenditure £000s	2018/19 Gross Income £000s	2018/19 Net £000s	Note
25,155	-	25,155	Employee Costs	28,540	-	**28,540**	6
5,864	-	5,864	Premises Costs	4,483	-	**4,483**	6
2,142	-	2,142	Supplies & Services	2,476	-	**2,476**	6
1,314	-	1,314	Transport Costs	1,273	-	**1,273**	6
428	-	428	Support Services	412	-	**412**	6
-	(1,817)	(1,817)	Income	-	(2,328)	**(2,328)**	6
34,903	(1,817)	33,086	**Cost Of Services - continuing operations**	**37,184**	**(2,328)**	**34,856**	
(71)	-	(71)	Other Operating Expenditure	66	-	**66**	7
12,380	(762)	11,618	Financing and Investment Income and Expenditure	12,975	(810)	**12,165**	8
-	(26,338)	(26,338)	Taxation and Non-Specific Grant Income	-	(26,106)	**(26,106)**	9
47,212	(28,917)	18,295	**(Surplus) or Deficit on Provision of Services**	50,225	(29,244)	**20,981**	
		695	(Surplus)/Deficit on revaluation of non-current assets			**(1,179)**	23 Table 1
		(8,395)	Remeasurement of net defined benefit liability /(asset)			**(6,684)**	23 Table 3
		(7,700)	**Other Comprehensive Income and Expenditure**			**(7,863)**	
		10,595	**Total Comprehensive Income and Expenditure**			**13,118**	

Balance Sheet for the year ended 31 March 2019

31 March 2018 £000s		31 March 2019 £000s	Note
37,794	Property, Plant and Equipment	35,938	12
22	Intangible Assets	5	13
114	Long Term Debtors	64	14
100	Long Term Investment	30	29
38,030	**Long Term Assets**	**36,037**	
2,256	Short term investments	5,905	29
493	Inventories	489	15
6,110	Short Term Debtors	4,808	16
5,209	Cash and Cash Equivalents	3,873	17
14,068	**Current Assets**	**15,075**	
(184)	Bank Overdraft	-	17
(2,339)	Short Term Creditors	(2,275)	18
(214)	Provisions	(287)	19
(188)	Short Term Borrowing	(191)	29
(1,014)	Revenue Grants Receipts in Advance	(925)	9
(3,939)	**Current Liabilities**	**(3,678)**	
(9,394)	Long Term Borrowing	(9,255)	20
(467,363)	Other Long Term Liabilities	(479,895)	21
(476,757)	**Long Term Liabilities**	**(489,150)**	
(428,598)	**Net Assets:**	**(441,716)**	
9,883	Usable Reserves	10,837	22
(438,481)	Unusable Reserves	(452,553)	23
(428,598)	**Total Reserves:**	**(441,716)**	

Statement Of Cash Flows for the year ended 31 March 2019

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 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 £000s		**2018/19 £000s**	**Note**
(18,295)	Net surplus or (deficit) on the provision of services	**(20,981)**	
19,196	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements	**24,368**	31
7,852	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	**(321)**	31
8,753	**Net cash (outflow)/inflow from operating activities**	**3,066**	
(7,181)	**Investing activities**	**(4,082)**	32
2,395	**Financing activities**	**(136)**	33
3,967	Net increase or (decrease) in cash and cash equivalents	**(1,152)**	
1,058	Cash and cash equivalents at the beginning of the reporting period	**5,025**	
5,025	**Cash and cash equivalents at the end of the reporting period**	**3,873**	17

An analysis of the components of cash and cash equivalents at the end of the reporting period are disclosed in note 17.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003.

The Statements reflect the requirements of general accounting principals and concepts of:

Relevance - the financial statements provide information about the Authority's performance and position that is useful to the users of the accounts to assess the stewardship of public funds and for making economic decisions.

Reliability - the financial information faithfully represents the substance of the transactions, the activities underlying them and other events that have taken place are free from deliberate or systematic bias and material error and have been prudently prepared.

Comparability - the information has been prepared consistently and with adequate disclosures so that it can be compared with prior years and other Fire Authorities.

Understandability – the statements have been prepared to ensure they are as easy to understand as possible**.**

Materiality - the statements disclose items of a certain size and nature such that they provide a fair presentation of the financial position and transactions of the Authority.

Faithful Representation - the financial statements faithfully represent economic issues in words and numbers. They have been prepared on the basis that they are complete, neutral and free from error.

Accruals - other than the cash flow statement, the financial statements report transactions that have been recorded in the accounting period for which the goods and services were received or supplied rather than in which the cash was received or paid.

Going Concern - the financial statements have been prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

Legality - where the accounting principles and specific legislation requirements are in conflict, the financial statements have been prepared to reflect legislative requirements.

The accounting policies are the principles, bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements of the Authority. Consistent accounting policies have been applied both within the year and between years. Where accounting policies are changed, this has been disclosed separately.

Where estimating techniques are required to enable the accounting practices adopted to be applied, then the techniques which have been used are, in the Authority's view, appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change and, if practicable, the effect on the results for the current period is separately disclosed.

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.

There are no transactions which require the Authority to split the Other Comprehensive Income and Expenditure line in the Comprehensive Income and Expenditure Statement into two groups as per IAS 1 Presentation of Financial Statements.

2. Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Authority provides the relevant goods or services.
- Employees costs are charged to the accounts in the period within which the employees worked, which includes 12 monthly payments.

- Supplies and services are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as Inventories on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as Works in Progress on the Balance Sheet.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where payments are made or received in advance of a service being provided or received a payment or receipt in advance is recognised as a debtor or creditor in the Balance Sheet.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.
- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

3. Cash and Cash Equivalents

Cash and cash equivalents are represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

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

4. Capital Expenditure

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment (PPE) has been capitalised on an accruals basis. Expenditure on the acquisition of PPE, or expenditure which adds to, and not merely maintains, the value of an existing asset, is capitalised provided that it yields benefits to the Authority and the services it provides are for a period of more than one year.

Capital expenditure is defined as the acquisition, reclamation, enhancement or laying out of land; acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures; and the acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels.

The definition of enhancement is works that are intended to lengthen substantially the useful life of the asset, or increase substantially the market value of the asset, or increase substantially the extent to which the asset can or will be used for the purposes of or in conjunction with the functions of the Authority.

Improvement works and structural repairs are capitalised, whereas expenditure to ensure that the long term asset maintains its previously assessed standard of performance is recognised in the revenue account as it is incurred.

Assets acquired on terms meeting the definition of a finance lease are capitalised and included together with a liability to pay future rentals.

Where a long term asset is acquired for other than a cash consideration or where payment is deferred, the asset has been recognised and included in the Balance Sheet at fair value.

The Authority does not have a de-minimis level for capital expenditure.

5. Property, Plant and Equipment

Property, Plant and Equipment (PPE) is initially measured at cost. Only those costs that are directly attributable to bringing the asset into working condition for its intended use are included in its measurement.

Property is valued on a five-year basis, although material changes to asset values will be adjusted in the interim period as they occur. The current asset valuations are carried out by Hartlepool Borough Council which provides valuation services for the Authority based upon certificates issued by the Council's Property Management Division. The valuations are prepared in accordance with the Statements and UK Practice Statements contained in the RICS Appraisal and Valuation Standards. From 1 April 2007, increases in asset valuations are credited to the Revaluation Reserve.

PPE is held or occupied, used or consumed by the Authority in the direct delivery of those services for which it has either statutory or discretionary responsibility, or for the service or strategic objectives of the Authority. Non-specialised PPE has been valued on the basis of Fair Value - Existing Use Value (EUV). Specialised PPE has been valued on a Depreciated Replacement Cost (DRC) basis. This is because their specialised nature means they are rarely, if ever, sold or let on the open market for their existing use. Assets that have been declared surplus to requirements have been valued at Market Value. Assets under construction are valued at historic cost.

The asset valuations have been prepared using the following assumptions:

- The Authority has good marketable title, free from any onerous or restrictive covenants.
- There are no hazardous substances or latent defects in the properties and there is no contamination present.
- Details of tenure, planning consents and other relevant information are assumed to be correct.
- That properties and their value are unaffected by any matters that would be revealed by a local search, replies to usual enquiries or by any statutory notice.
- It is assumed that the present use is lawful and that there are no adverse conditions attached. It is further assumed that there are no adverse planning proposals in existence that may affect the property in the future.
- No allowance has been made for any taxation, acquisition, realisation or disposal costs or other expenses.
- No soil surveys have been carried out or services tested.

Not all properties were specifically inspected for the purposes of asset valuations. This was neither practicable, nor considered by the Valuer to be necessary, for the purpose of the valuation. However, regular inspections are made by officers of Hartlepool Borough Council's Property Section of all the Authority's property assets. As allowable under the Code, depreciated historical cost is used as a proxy for some non-property assets that have short useful lives and/or low values.

Where an item of Property, Plant or Equipment is acquired under a finance lease, at the inception of the lease the amount to be recorded both as an asset and as a liability would be the present value of the minimum lease payments derived by discounting them at the interest rate implicit in the lease.

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

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

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- 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 expenditure category(s) in the Comprehensive Income and Expenditure Statement.

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

6. Charges to Revenue for Non-Current Assets

Expenditure categories are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the expenditure category,
- revaluation and impairment losses on assets used by the expenditure category where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

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

7. Impairments

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- 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 expenditure category(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant expenditure category(s) 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.

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

8. 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 (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

9. Depreciation

Depreciation is provided for on all Property, Plant and Equipment 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 has been charged using the straight line method on the closing balances over the assets estimated useful life.

The useful lives of assets are estimated on a realistic basis and are reviewed regularly and, where necessary, revised. Where the useful life of an item of Property, Plant or Equipment is revised, the carrying amount of the item is depreciated over the revised remaining useful life. Depreciation is not charged in the year of acquisition or disposal but is charged in the year of enhancement.

Depreciation has been charged on straight-line basis and calculated as follows:

- Fire Stations and HQ - 40 years,
- Vehicles, Plant and Equipment 5 to 20 years,
- Intangible Assets - 7 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, or has a significantly different useful life, the components are recognised separately and depreciated based on the components useful economic life.

10. Intangible Assets

Expenditure on assets that do not have physical substance and are identifiable and controlled by the Authority (e.g. Software Licences) is capitalised when it will bring benefits to the Authority for more than one financial year. The cost is charged to the relevant expenditure category over the economic life to reflect the pattern of consumption of benefits.

11. Interests in Companies and Other Entities

The Authority has material interests in companies that have the nature of subsidiaries and is required to prepare group accounts. In the Authority's own single-entity accounts, the interests are recorded as financial assets at cost, less any provision for losses.

12. Inventories

Inventories are included in the Balance Sheet at the lower of average cost price or net realisable value. Where inventories have been identified as being of no further use to the Authority and the appropriate procedures have been complied with, the obsolete stock has been written off, or an allowance has been made for obsolescence.

13. Reserves

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

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

14. Provisions and Contingent Liabilities

Provisions

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

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

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

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

Contingent Liabilities

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

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

Impairment of Bad and Doubtful Debts

The Authority recognises that debts are not always paid and makes provision for impairment of bad debts. Bad debt impairment is calculated using a percentage based on known historic collection rates. This is applied to current outstanding debt.

15. Employee Benefits

Benefits Payable During Employment

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

Termination Costs

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

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

Post Employment Benefits

The Authority participates in two pension schemes:

Fire Fighters

The Fire Fighters Pension scheme is an unfunded scheme. The Authority is required to maintain a separate Fire Fighters Pension Fund Account, details of which are provided in the Pension Fund Statements (Fund Accounts and Net Assets Statement).

The Authority is required to make defined contributions to the Pension Account, currently 21.7% for Fire Fighters who are members of the 1992 Pension Scheme and 11.9% for those who are members of the 2006 Pension Scheme and 14.3% for those who are members of the 2015 Pension Scheme. The Authority must also make defined contributions in respect of Ill Health retirements.

As these contributions, plus employee contributions, are less than the payments made from the Authority's Pensions Account, the Government provide a specific grant to fund the resulting shortfall.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme.

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

The assets of the Teesside Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:

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

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

Service cost comprising:-
• **current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

• **past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

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

Remeasurements comprising:-

• **the return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

Contributions paid to the Teesside Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

16. Leases

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

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

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

The Authority as a Lessee

Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

· a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and

· finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

17. Value Added Tax

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

18. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

19. Events After the Balance Sheet Date

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

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

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

20. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For existing borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

For Public Works Loans Board (PWLB) loans, the fair value of each loan has been determined by information supplied by the PWLB. For market loans, the redemption rules of the PWLB have been used to approximate the fair value of loans held. The comparator market rates prevailing have been taken from indicative investment rates at each Balance Sheet date.

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in the Fair Value through Other Comprehensive Income. The Authority will assess each investment on an individual basis and assign an IFRS 9 category. The assessment will be based on the underlying purpose for holding the financial instrument.

Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of service in the CIES and will have a General Fund impact.

The Authority currently holds no financial assets at FVPL.

Financial Assets measured at Fair Value through other Comprehensive Income (FVOCI)

Equity instruments may be irrevocably designated at Fair Value through Other Comprehensive Income (FVOCI) on the basis that they are held for non-contractual benefits. They are not held for trading but for strategic purposes. Such assets were previously classified as Available-For-Sale Financial Asset.

Changes in fair value are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve.

When the asset is de-recognised, the cumulative gain or loss previously recognised in the Surplus or Deficit on the Provision of Services.

The Authority currently holds no financial assets measured at FVOCI.

Expected Credit Loss Model

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

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

21. Fair Value Measurement

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

a) In the principal market for the asset or liability, or
b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing an asset or liability, assuming that market participants act in their economic best interest.
When measuring the fair value of a non-financial asset, the Authority takes into account a markets participant's ability to generate economic benefits by using the asset in its highest and best use by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses 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 the 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

22. Council Tax Precept Income and Collection Fund

Council Tax precept income included in the Comprehensive Income and Expenditure Statement for the year is the accrued income. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

23. Government Grants and Contributions

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

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

Note 1: Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2019/20 Code.

- IAS 40 Investment Property has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. The adoption of this standard is not expected to have a material impact on the Council's financial statements.

- Annual Improvements to IFRS Standards 2014-2016 Cycle contains updates and amendments to three International Financial Reporting Standards (IFRSs). IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 12 Disclosure of Interests in Other Entities, and IAS 28 Investments in Associates and Joint Ventures. The adoption of these updates standard is not expected to have a material impact on the Council's financial statements.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration recognises the date of the transaction, for the purpose of determining the exchange rate, as the date of initial recognition of the non-monetary prepayment asset or deferred income liability. The adoption of this standard is not expected to have a material impact on the Council's financial statements.

- IFRIC 23 Uncertainty over Income Tax Treatments relates to income tax treatment on taxable profit and losses. Therefore this will have no impact on the Council's financial statements.

- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at FVOCI) even in the case of negative compensation payments. The adoption of this standard is not expected to have a material impact on the Council's financial statements.

The Code requires implementation from 1 April 2019 and therefore there is no impact on the 2018/19 Statement of Accounts.

Note 2: Critical judgements in applying Accounting Policies

In applying the accounting policies set out, 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:

- There is a high degree of uncertainty about future levels of funding for Fire Authorities in 2020/21 and beyond. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

- There is a high degree of uncertainty about the national Fire Fighters' pay award for April 2018. If the actual pay award exceeds the interim pay award the Authority will meet any backdated costs from reserves. This would provide a longer lead time to develop a permanent funding strategy including potentially identifying additional savings. A contingent liability has been disclosed at Note 35 as the Authority has determined that the level and likelihood of any further pay award for 2018/19 can’t be accurately estimated.

- On 20 December 2018 the Government lost a case in the Court of Appeal (the McCloud judgement) which found that the transitional protections incorporated into the reforms of the firefighters and judges pension schemes were age discriminatory. The Government has applied for an appeal hearing at the Supreme Court. If the appeal is upheld this could lead to compensation being required to all those who were discriminated against, including implications for other public sector schemes which contained similar protections. A contingent liability has been disclosed at Note 35 as the Authority has determined that the uncertainty surrounding the compensation can’t be accurately estimated.

Note 3: Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Authority's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over 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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.018m for every year that useful lives had to be reduced.
Pensions 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. A consulting Actuary is engaged to provide the Authority with expert advice about the assumptions to be applied.	For the Local Government Pension Scheme (LGPS) the effect on the net pensions liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption would result in a decrease in the liability of £0.783m. However, the assumptions interact in complex ways. During 2018/19, the Authority's Actuary advised that the net pension liability for funded LGPS benefits had reduced by £2.282m as a result of estimates being corrected in light of financial experience, increased by £1.561m attributable to updating of the demographic assumptions and reduced by £0.052m as a result of liability experience. Actual pension rates are determined on an actuarial basis every 3 years. The latest valuation has determined the employer's contribution for 3 years from March 2016. A 0.1% increase in this rate would increase the Authority's revenue budget requirement for pension costs by £0.004m. Uncertainties do not apply to the Fire Fighters Pension Schemes as these are Unfunded Schemes where costs are fully met by government grant.

Note 4: Adjustments between Accounting Basis and Funding Basis under Regulations

2018/19	General Fund Balance £000s	Earmarked Reserves £000s	Capital Receipts Reserve £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement				
Charges for depreciation and impairment of non-current assets	1,368	-	-	(1,368)
Charges for Revaluation losses on Property Plant & Equipment	2,019	-	-	(2,019)
Amortisation of intangible assets	17	-	-	(17)
Capital grants and contributions applied	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Comprehensive Income & Expenditure Statement	387	-	-	(387)
Direct Revenue Funding	-	(425)	-	425
				-
Insertion of items debited or credited to the Comprehensive Income & Expenditure Statement				-
Statutory provision for the financing of capital investment (MRP)	(458)	-	-	458
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal to the Comprehensive Income & Expenditure Statement	(321)	-	321	-
Finance Lease payments transferred from Deferred Capital Receipts	-	-	48	(48)
Application of Capital Receipts to Capital Adjustment Account	-	-	(48)	48
Use of capital receipts to fund new capital expenditure	-	-	(314)	314
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	21,710	-	-	(21,710)
Employers Pensions Contributions	(2,272)	-	-	2,272
Direct payments to pensioners payable in the year	(222)	-	-	222
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	137	-	-	(137)
Adjustments involving the Accumulated Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(12)	-	-	12
Total Adjustments	**22,353**	**(425)**	**7**	**(21,935)**

Note 4: Adjustments between Accounting Basis and Funding Basis under Regulations

2017/18	General Fund Balance £000s	Earmarked Reserves £000s	Capital Receipts Reserve £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement				
Charges for depreciation and impairment of non-current assets	1,636	-	-	(1,636)
Charges for Revaluation losses on Property Plant & Equipment	3,043	-	-	(3,043)
Amortisation of intangible assets	17	-	-	(17)
Capital grants and contributions applied	(158)	-	-	158
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Comprehensive Income & Expenditure Statement	193	-	-	(193)
Direct Revenue Funding	-	(3,619)	-	3,619
Insertion of items debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital investment (MRP)	(427)	-	-	427
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/(loss)	(264)	-	264	-
Finance Lease payments transferred from Deferred Capital	-	-	47	(47)
Application of Capital Receipts to Capital Adjustment Account	-	-	(47)	47
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	17,323	-	-	(17,323)
Employers Pensions Contributions	(2,390)	-	-	2,390
Direct payments to pensioners payable in the year	(225)	-	-	225
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	17	-	-	(17)
Adjustments involving the Accumulated Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	4	-	-	(4)
Total Adjustments	**18,769**	**(3,619)**	**264**	**(15,414)**

Note 5: Transfers to/(from) Earmarked and General Fund Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19. Further details of all usable reserves are provided in Note 22.

	Balance at 1 April 2017	Transfer between reserves in 2017/18	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31 March 2018	**Transfer between reserves in 2018/19**	**Transfers Out 2018/19**	**Transfers In 2018/19**	**Balance at 31 March 2019**
	£000s	£000s	£000s	£000s	£000s	**£000s**	**£000s**	**£000s**	**£000s**
General Fund Balance:	**1,552**	**-**	**-**	**-**	**1,552**	**-**	**-**	**-**	**1,552**
Earmarked General Fund Reserves:									
Budget Support Fund	2,513	-	-	400	**2,913**	408	-	801	4,122
CIRMP Implementation Reserve	1,022	-	(172)	-	**850**	(408)	(442)	-	-
	3,535	**-**	**(172)**	**400**	**3,763**	**-**	**(442)**	**801**	**4,122**
Earmarked Revenue Reserves:									
Organisational Implementation / Transitional costs	750	(750)	-	-	**-**	-	-	-	**-**
Innovation Fund	566	-	-	-	**566**	-	-	-	**566**
Capital Phasing Reserve	450	-	-	148	**598**	-	-	149	**747**
Insurance Fund	200	-	-	-	**200**	-	-	351	**551**
Commissioned Services	200	-	-	-	**200**	-	-	-	**200**
Pension Reserve	160	-	(52)	-	**108**	-	(53)	-	**55**
Breathing Apparatus	125	-	-	-	**125**	-	-	-	**125**
Staff Training and Development	50	-	(50)	-	**-**	-	-	-	**-**
Property Reserve	-	-	-	-	**-**	-	-	334	**334**
Levy Account Surplus	-	-	-	-	**-**	-	-	141	**141**
	2,501	**(750)**	**(102)**	**148**	**1,797**	**-**	**(53)**	**975**	**2,719**
Earmarked Capital Reserves:									
Capital Investment Programme	5,176	750	(3,619)	200	**2,507**	-	(424)	90	**2,173**
Capital Receipts Reserve	-	-	(47)	311	**264**	-	(362)	369	**271**
	5,176	**750**	**(3,666)**	**511**	**2,771**	**-**	**(786)**	**459**	**2,444**
Total Usable Reserves:	**12,764**	**-**	**(3,940)**	**1,059**	**9,883**	**-**	**(1,281)**	**2,235**	**10,837**

Note 6: Expenditure and Funding Analysis

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

2017/18 Net Expenditure Chargeable to the General Fund	2017/18 Adjustments Between Funding and Accounting Basis	2017/18 Net Expenditure in the Comprehensive Income and Expenditure Statement		2018/19 Net Expenditure Chargeable to the General Fund	2018/19 Adjustments Between Funding and Accounting Basis	2018/19 Net Expenditure in the Comprehensive Income and Expenditure Statement
£000s	£000s	£000s		£000s	£000s	£000s
21,799	3,356	**25,155**	Employee Costs	21,270	7,270	**28,540**
1,776	4,088	**5,864**	Premises Costs	1,649	2,834	**4,483**
2,324	(182)	**2,142**	Supplies & Services	2,550	(74)	**2,476**
723	591	**1,314**	Transport Costs	720	553	**1,273**
428	-	**428**	Support Services	412	-	**412**
838	(838)	**-**	Capital Finance Costs	838	(838)	**-**
(274)	274	**-**	Transfer from Earmarked reserves	(495)	495	**-**
-	-	**-**	Transfer to Earmarked reserves	476	(476)	**-**
(1,817)	-	**(1,817)**	Income	(1,978)	(350)	**(2,328)**
25,797	**7,289**	**33,086**	**Net Cost of Services**	**25,442**	**9,414**	**34,856**
(26,197)	11,406	**(14,791)**	Other Income and Expenditure	(26,243)	12,368	**(13,875)**
(400)	**18,695**	**18,295**	**(Surplus) or Deficit**	**(801)**	**21,782**	**20,981**
1,552			**Opening General Fund Balance**	1,552		
400			**Less/Plus Surplus or (Deficit) on General Fund Balance in Year**	801		
(400)			**Transfer from General Fund**	(801)		
1,552			**Closing General Fund Balance at 31 March**	1,552		

Note 6A: Note to the Expenditure and Funding Analysis

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	2018/19 Other Statutory Differences (Note 3)	Other Non-Statutory Differences (Note 4)	Total Adjustments
	£000s	£000s	£000s		£000s
Employee Costs	-	7,282	(12)	-	**7,270**
Premises Costs	2,834	-	-	-	**2,834**
Supplies and Services	16	-	-	(90)	**(74)**
Transport Costs	553	-	-	-	**553**
Capital Finance Costs	(458)	-	-	(380)	**(838)**
Income	-	-	-	(350)	**(350)**
Transfers From Earmarked Reserves				495	**495**
Transfers To Earmarked Reserves	-	-	-	(476)	**(476)**
Net Cost of Services	**2,945**	**7,282**	**(12)**	**(801)**	**9,414**
Other Income and Expenditure from the Expenditure and Funding Analysis	66	11,934	137	231	**12,368**
Difference between General Fund (Surplus) or Deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	**3,011**	**19,216**	**125**	**(570)**	**21,782**

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes (Note 1)	Net Change for the Pensions Adjustments (Note 2)	2017/18 Other Statutory Differences (Note 3)	Other Non-Statutory Differences (Note 4)	Total Adjustments
	£000s	£000s	£000s		£000s
Employee Costs	-	3,352	4	-	**3,356**
Premises	4,088	-	-	-	**4,088**
Supplies and Services	16	-	-	(198)	**(182)**
Transport Costs	591	-	-	-	**591**
Capital Finance Costs	(427)	-	-	(411)	**(838)**
Income	-	-	-	-	**-**
Transfers To/From Earmarked Reserves	-	-	-	274	**274**
Net Cost of Services	**4,268**	**3,352**	**4**	**(335)**	**7,289**
Other Income and Expenditure from the Expenditure and Funding Analysis	(229)	11,356	17	262	**11,406**
Difference between General Fund (Surplus) or Deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	**4,039**	**14,708**	**21**	**(73)**	**18,695**

Note 1 This is the net change for the removal of depreciation and impairment and other capital costs from services and the addition of other operating costs and capital grants received.

Note 2 This is the net change for the removal of employer pension contributions made by the Authority as allowed by statute and the replacement with current and past service costs.

Note 3 This is the net change in relation to statutory adjustments for accumulated absences and Precept Income.

Note 4 This is the net change in relation to any non-statutory adjustments included in the management accounts but not in the Comprehensive Income and Expenditure Statement.

Note 6B: Expenditure And Income Analysed By Nature

The Authority's expenditure and income is analysed as follows:

2017/18 £000s		**2018/19 £000s**
	Expenditure / Income	
	Expenditure	
25,155	Employee Benefits Expenses	28,540
5,053	Other Service Expenses	5,331
4,695	Depreciation, Amortisation, Impairment, Revalue	3,313
12,380	Interest Payments	12,975
(71)	Gain/Loss on the disposal of assets	66
47,212	**Total Expenditure**	**50,225**
	Income	
(1,083)	Revenues from External Customers	(1,362)
(28)	Other Revenue	(16)
(762)	Interest and Investment Income	(810)
(19,735)	Income from Council Tax and Non Domestic Rates	(20,388)
(7,309)	Government Grants and Contributions	(6,668)
(28,917)	**Total Income**	**(29,244)**
18,295	**Surplus or deficit on the provision of services**	**20,981**

Note 7: Other Operating Expenditure

This note provides a breakdown of the various components included within the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement.

2017/18 £000s		**2018/19 £000s**
(71)	(Gain) or loss on the disposal of Vehicles / Land	**66**

Note 8: Financing and Investment Income and Expenditure

2017/18 £000s		**2018/19 £000s**	**Note**
296	Interest payable and similar charges	295	29
11,356	Pensions Interest Cost & Expected Return on Pension Assets	11,934	34
(34)	Interest Receivable and Similar Income	(64)	29
11,618		**12,165**	

Note 9: Grant Income & Taxation

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

2017/18 £000s		**2018/19 £000s**
	Credited to Taxation and Non Specific Grant Income	
12,792	Council Tax Precept & Business Rates Income	13,237
6,943	NNDR Distribution - Top Up Grant	7,151
6,445	Revenue Support Grant	5,718
158	Other Capital Grants	-
26,338	**Total**	**26,106**
	Credited to Services	
96	New Dimension - Training	54
174	Command and Control - FireLink Project	179
-	DCLG Levy Account (Surplus)	141
436	Other Grants	576
706	**Total**	**950**

Note 9: Grant Income & Taxation (continued)

The Authority has received grants that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned if the conditions are not met. The balances at year end are as follows:

Current Liabilities

Grants Receipts in Advance (Revenue Grants)

2017/18 £000s		**2018/19** **£000s**
179	Fire Link Project	185
54	New Dimension	-
673	New Risk Programme - Emergency Services Mobile Communication Programme	620
62	Modern Apprentice Levy Grant	120
46	European Community Target Grant	-
1,014		**925**

Note 10: Members' Allowances and Expenses

In accordance with the above regulations the Authority is required to publish details of fixed and attendance allowances paid to each Member. The amounts paid for the year ending 31st March 2019, including payments to former Members who only served on the Authority for part of the year are as shown below. It should be noted that the Authority does not pay attendance allowances and the fixed allowances paid are taxed and subject to National Insurance. The total amount paid to Members in respect of basic, special responsibility and travel and subsistence allowances was £54,143.18 (£53,857 in 2017/18). An analysis of the allowances is shown in the table below:

There has been no increase in Members allowances since 2009/10.

Member	Basic Allowance	Special Responsibility Allowance	General Travel	General Subsistence	Conference Travel	Conference Fees	Conference Subsistence	Total 2018/19
	£	£	£	£	£	£	£	£
Bendelow, N	2,193.96	-	-	-	-	-	-	2,193.96
Brunton Dobson, J	2,193.96	8,775.96	636.50	-	228.12	436.66	348.34	12,619.54
Cook, R	2,193.96	-	7.50					2,201.46
Cooney, N	2,193.96	2,742.00	523.00	-	-	-	-	5,458.96
Corr, G	2,193.96	-	103.90	-	-	-	-	2,297.86
Goddard, R	2,193.96	-	35.00	-	-	-	-	2,228.96
Higgins, T	2,193.96	-	319.00	-	-	-	-	2,512.96
Hussain, N	2,193.96	-	-	-	-	-	-	2,193.96
James, M	2,193.96	-	105.40	-	-	-	-	2,299.36
Kirton, P	2,193.96	-	-	-	-	-	-	2,193.96
Martin-Wells, R (01/04/18-31/05/18)	365.66	-	-	-	-	-	-	365.66
Mawston, T	2,193.96	-	45.90	-	-	-	-	2,239.86
O'Donnell, J	2,193.96	4,386.84	209.00	-	-	-	-	6,789.80
Ovens, M	2,193.96	-	190.50	-	-	-	-	2,384.46
Stoker, M	2,193.96	-	336.40	161.92	-	-	-	2,692.28
Young, M (14/09/18-31/03/19)	1,200.58	-	-		-	-	-	1,200.58
Woodhead, W	2,193.96	-	75.60	-	-	-	-	2,269.56
Totals for 2018/19	**34,475.64**	**15,904.80**	**2,587.70**	**161.92**	**228.12**	**436.66**	**348.34**	**54,143.18**
Totals for 2017/18	**35,097.26**	**15,904.80**	**1,786.21**	**0.00**	**180.52**	**607.80**	**280.41**	**53,857.00**

Note 11: Officers' Remuneration

In accordance with the requirements of the Accounts and Audit Regulations (England) 2015, the Authority is required to disclose details of remuneration for senior employees and those earning more than £50,000.

The statutory duty to make provision under Part 2 of the Fire and Rescue Services Act 2004 for fire safety, fire fighting, action in respect of road accidents and other emergencies, together with other functions provided for in the Act is vested with the Cleveland Fire Authority.

Details on the roles of the Authority's senior managers are summarised below. The Chief Fire Officer is Head of Paid Service with direct responsibility to the Authority for:-

i) the efficient operation of all functions of the Brigade, both in respect of the statutory duties with regard to the Fire Services Act 2004 and any other activities approved by the Fire Authority, and

ii) all administrative and managerial activities incidental to the running of the Brigade, its equipment and premises.

Senior Employees

Senior employees are defined as the Chief Fire Officer and the senior managers reporting directly to the Chief Fire Officer.

The Chief Fire Officer is appointed by the whole Authority on a full-time basis; selected on merit against objective criteria. By law, the Chief Fire Officer is not allowed to participate in any party political activity and is expected to advise and assist all elected Members irrespective of their political affiliation.

The Director of Community Protection is responsible for providing services direct to the community. This includes community safety, emergency response services, fire engineering and enforcement of the Regulatory Reform Order, community health and well-being, children and young persons, and specialist advocacy services for a wide range of diverse groups including fire-setter intervention. These responsibilities transferred to the Chief Fire Officer in April 2018.

The Director of Technical Services provides resilience and resource management services to support the achievement of corporate priorities and ensures service continuity and operational preparedness. This includes logistics, estates, information and communications technology, learning & development and resilience management.

The Director of Business Development ensures business development through engagement with the business community to create opportunities for sponsorship and partnership working. The cost of this post was fully funded by the Cleveland Fire Authority Risk Management Services Community Interest Company (CIC) in 2017/18 and up to the date the post was deleted in April 2018.

The Director of Corporate Services provides corporate support to Elected Members, the Chief Fire Officer and the Executive Leadership Team. This includes corporate governance, policy, human resources, procurement, strategic planning, risk and performance management, finance, executive and administrative support.

Details of the remuneration of the senior employees of the Authority are shown in the following tables. Table A discloses the payments for 2018/19 and Table B provides the payments for 2017/18. The table shows that the Authority implemented a Senior Management Restructure in 2018/19 which was part of the Community Integrated Risk Management Plan. This restructure removed the Director of Business Development post, which was fully funded by the Cleveland Fire Authority Risk Management Services Community Interest Company (CIC) in 2017/18 and up to the date the post was deleted in April 2018. The restructure also removed the Director of Community Protection post in April 2018 and these responsibilities were transferred to the Chief Fire Officer. To support this change two Group Manager posts were replaced with two Area Manager posts. These changes reduced the cost of the Senior Management Structure from £873,330 in 2017/18 to £643,417 in 2018/19, a reduction of £229,913. Part of this reduction (£112,386) related the removal of the Director of Business Development post paid for by the CIC. The remaining reduction (£117,527) related to the other restructure proposals and this recurring saving was reflected in the 2018/19 budget set by the Authority.

Note 11: Officers' Remuneration

2018/19 - TABLE A

Post Title	Salary	Expenses Reimbursed (Note 1)	Car Allowance	Total Remuneration excluding Pension Contributions 2018/19	Pension Contributions (Note 2)	Total Remuneration including Pension Contributions 2018/19
	£	£	£	£	£	£
Uniformed Posts						
Chief Fire Officer (Note 3)	158,910	255	10,578	**169,743**	-	**169,743**
Director of Community Protection (Note 4)	1,437	1	65	**1,503**	312	**1,815**
Director of Technical Services (Note 5)	106,773	126	7,113	**114,012**	23,170	**137,182**
Director of Business Development (Note 6)	1,548	0	-	**1,548**	336	**1,884**
Area Manager						
Area Manager 1 (1 Apr 2018 - 8 Sep 2018)	30,005	55	789	**30,849**	5,771	**36,620**
Area Manager 1 (8 Oct 2018 - 31 Mar 2019)	40,258	-	2,400	**42,658**	7,801	**50,459**
Total Area Manager 1 (Note 9)	70,263	55	3,189	**73,507**	13,572	87,079
Area Manager 2 (Note 9)	69,145	0	3,167	**72,312**	8,721	**81,033**
Non-Uniformed Posts						
Director of Corporate Services (Note 7)	106,776	0	4,685	**111,461**	18,793	**130,254**
Legal Advisor and Monitoring Officer (Note 8)	29,275	0	0	**29,275**	5,152	**34,427**
	544,127	437	28,797	**573,361**	70,056	**643,417**

2017/18 - TABLE B

Post Title	Salary	Expenses Reimbursed (Note 1)	Car Allowance	Total Remuneration excluding Pension Contributions 2017/18	Pension Contributions (Note 2)	Total Remuneration including Pension Contributions 2017/18
	£	£	£	£	£	£
Uniformed Posts						
Chief Fire Officer (Note 3)	156,180	255	10,578	**167,013**	-	**167,013**
Director of Community Protection (Note 4)	104,941	126	7,113	**112,180**	22,772	**134,952**
Director of Technical Services (Note 5)	104,941	126	5,947	**111,014**	22,772	**133,786**
Director of Business Development (Note 6)	93,895	-	0	**93,895**	20,375	**114,270**
Non-Uniformed Posts						
Director of Corporate Services (Note 7)	104,941	71	4,756	**109,768**	18,470	**128,238**
	564,898	578	28,394	**593,870**	84,389	**678,259**
Additional Roles to Allow 2018/19 Comparison:						
The following post holders are included in order to restate the equivalent senior officers information for 2017/18 to enable a like for like comparison.						
Group Manager 1	64,553	0	2,689	**67,242**	13,006	**80,248**
Group Manager 2	64,236	0	2,693	**66,929**	13,006	**79,935**
Statutory Monitoring Officer Role (Note 8)	34,888			**34,888**		**34,888**
(procured via SLA with Hartlepool Borough Council)						
Restated Table B 2017/18	728,575	578	**33,776**	762,929	110,401	**873,330**

Note 11: Officers' Remuneration

Notes

(1) Expenses relate to reimbursements of expenses incurred whilst undertaking Fire Brigade business.

(2) Pension contributions only relate to the Authority's contribution to the relevant pension scheme. For Uniformed posts these contributions are set nationally and for non-uniformed posts they are set by the Teesside Pension Fund. In addition, the employee contributes a share of their salary to the schemes. Uniformed staff in the 1992 Fire Fighters scheme earning between £62,436 and £104,060 contribute 16.0%, earning between £104,061 and £124,872 contribute 16.5% and earning more than £124,872 contribute 17.0%. Non-uniformed employees earning between £89,400 and £105,200 contribute 10.5% and earning between £105,201 and £157,800 contribute 11.4%.

(3) The annualised salary of the Chief Fire Officer for 2018/19 was £158,520 (£155,794 in 2017/18), the actual includes pay arrears of £390 relating to 2017/18. There were no pension contributions made on behalf of the Chief Fire Officer, which saved the Authority £34,484 in 2018/19 (£33,891 in 2017/18).

(4) The Director of Community Protection left the Authority on 4th April 2018 and the role was removed as part of the Senior Management Restructure. The Director of Community Protection was paid on a single point salary scale which for 2018/19 was £106,514 (£104,682 in 2017/18). Salary paid in 2018/19 includes pay arrears of £262 relating to 2017/18.

(5) The Director of Technical Services is paid on a single point salary scale which for 2018/19 was £106,514 (£104,682 in 2017/18). Salary paid in 2018/19 includes pay arrears of £262 relating to 2017/18.

(6) The Director of Business Development left the Authority on 5th April 2018 and the role was removed as part of the Senior Management Restructure. The Director of Business Development was paid on a single point salary scale which for 2018/19 was £94,600 (£93,663 in 2017/18), the actual includes pay arrears of £234 relating to 2017/18. This salary level was approved by the Cleveland Fire Authority Risk Management Services Community Interest Company (the CIC) board and this cost was fully funded by the CIC up to 31 March 2018. The amount included in Cleveland Fire Authority accounts in 2018/19 is part of the Principal Officer Cover provided.

(7) The Director of Corporate Services is paid on a single point salary scale which for 2018/19 was £106,514 (£104,682 for 2017/18). Salary paid in 2018/19 includes pay arrears of £262 relating to 2017/18.

(8) The Legal Advisor and Monitoring Officer is paid on a single point salary scale which for 2018/19 was £29,043. In 2017/18, this role was provided under an SLA with Hartlepool Borough Council.

(9) Area Managers are paid on a single point salary scale which for 2018/19 was £68,943 (£67,584 in 2017/18), plus appropriate allowances. Salary includes pay award arrears of £329 relating to 2018/19.

Note 11: Officers' Remuneration

Other employees with a salary of £50,000 or more

This table excludes details of senior officers set out in the table above. 2017/18 numbers by banding have been restated to exclude employer pension contributions in line with the Accounts and Audit Regulations 2015.

'Remuneration' is measured as gross pay (before deduction of employees' pension contributions), plus compensation for loss of office and any other payments receivable on the termination of employment in line with the Code guidance.

Restated 2017/18 No. of Employees	Remuneration Band (£)	2018/19 No. of Employees
4	50,000 to 54,999	9
11	55,000 to 59,999	9
4	60,000 to 64,999	0
3	65,000 to 69,999	3
22		21

Termination Costs

In 2018/19 and 2017/18 no employees took either voluntary redundancy or early retirement. There were no costs in the form of redundancy payments to the pension fund in respect of retirement benefits for these years.

Note 12: Non Current Assets - Property, Plant & Equipment

Movements in 2018/19	Other Land & Buildings	Vehicles, Plant & Equipment	PP&E Under Construction	Surplus Assets	Assets Held for Sale	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Certified Valuation						
At 1 April 2018	32,531	7,928	2,834	125	375	**43,793**
Additions	145	163	430	-	-	**738**
Revaluation increases / (Decreases) recognised in the Revaluation Reserve	304	-	-	-	-	**304**
Revaluation increases / (Decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,019)	-	-	-	-	**(2,019)**
Assets reclassified	3,036	-	(3,036)	-	-	**-**
Derecognition-Disposals	-	(87)	-	-	(375)	**(462)**
Impairment recognised in Revaluation Reserve	-	-	-	-	-	**-**
Impairment recognised in Surplus/Deficit on Provision of Services	(96)	-	-	-	-	**(96)**
At 31 March 2019	**33,901**	**8,004**	**228**	**125**	**-**	**42,258**
Accumulated Depreciation and Impairment						
At 1 April 2018	(1,905)	(4,094)	-	-	-	**(5,999)**
Depreciation Charge	(581)	(553)	-	-	-	**(1,134)**
Depreciation written out to the Revaluation Reserve on Historic Cost	(138)	-	-	-	-	**(138)**
Depreciation written out to the Revaluation Reserve on Revalued Assets	875	-	-	-	-	**875**
Derecognition - Disposals	-	75	-	-	-	**75**
At 31 March 2019	**(1,749)**	**(4,572)**	**-**	**-**	**-**	**(6,321)**
Net Book Value						
At 31 March 2019	32,152	3,432	228	125	-	**35,937**
Nature of Asset Holding						
Owned	32,152	3,432	228	125	-	**35,937**
Total	**32,152**	**3,432**	**228**	**125**	**-**	**35,937**

Movements in 2017/18	Other Land & Buildings	Vehicles, Plant & Equipment	PP&E Under Construction	Surplus Assets	Assets Held for Sale	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Certified Valuation						
At 1 April 2017	31,346	7,428	3,372	200	-	**42,346**
Additions	-	559	5,772	-	-	**6,331**
Revaluation increases / (Decreases) recognised in the Revaluation Reserve	(637)	-	-	-	-	**(637)**
Revaluation increases / (Decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,823)	-	-	-	(1,220)	**(3,043)**
Assets reclassified	4,590	-	(6,310)	125	1,595	**-**
Derecognition-Disposals	-	(59)	-	(200)	-	**(259)**
Impairment recognised in Revaluation Reserve	(599)	-	-	-	-	**(599)**
Impairment recognised in Surplus/Deficit on Provision of Services	(346)	-	-	-	-	**(346)**
At 31 March 2018	**32,531**	**7,928**	**2,834**	**125**	**375**	**43,793**
Accumulated Depreciation and Impairment						
At 1 April 2017	(1,747)	(3,562)	-	(6)	-	**(5,315)**
Depreciation Charge	(567)	(591)	-	-	-	**(1,158)**
Depreciation written out to the Revaluation Reserve on Historic Cost	(132)	-	-	-	-	**(132)**
Depreciation written out to the Revaluation Reserve on Revalued Assets	541	-	-	-	-	**541**
Derecognition - Disposals	-	59	-	6	-	**65**
At 31 March 2018	**(1,905)**	**(4,094)**	**-**	**-**	**-**	**(5,999)**
Net Book Value						
At 31 March 2018	30,626	3,834	2,834	125	375	**37,794**
Nature of Asset Holding						
Owned	30,626	3,834	2,834	125	375	**37,794**
Total	**30,626**	**3,834**	**2,834**	**125**	**375**	**37,794**

Note 12: Non Current Assets - Property, Plant & Equipment

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:
- Other Land and Buildings - 40 years
- Vehicles, Plant, Furniture & Equipment - 5 to 20 years.

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment are required to be revalued at least every five years. All valuations are carried out by Hartlepool Borough Council on behalf of the Authority. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

	Other Land and Buildings £000s	Vehicle, Plant and Equipment £000s	PPE under Construction £000s	Surplus Assets £000s	Assets Held for Sale £000s	Total £000s
Valued at Historical Cost	-	3,432	228	-	-	**3,660**
Valued at current value as at:						
Current Year	9,133	-	-	125	-	**9,258**
2017/2018	8,905	-	-	-	-	**8,905**
2016/2017	11,568	-	-	-	-	**11,568**
2015/2016	2,546	-	-	-	-	**2,546**
2014/2015	-	-	-	-	-	**-**
Total	**32,152**	**3,432**	**228**	**125**	**-**	**35,937**

Alternative Valuation Model

Other Land and Buildings are measured at current value, Surplus Assets are measured at fair value. If the Authority had chosen to measure the value of these assets under the cost model their carrying amount as at 31 March 2019 would have been:
- Other Land and Buildings: £19.138m
- Surplus Assets: £0.093m

Surplus Assets - Fair Value

The Authority holds one surplus asset, Grangetown Training School and land. The asset was valued at fair value using the fair value hierarchy, Level 2.

There were no transfers between Levels 1, 2 and 3 during the year.

Capital Commitments

At 31 March 2019, the Authority has rephased capital expenditure totalling £0.361m into 2019/20, of which £0.090m will be funded by the Capital Investment Reserve and £0.271m from the Capital Receipts Reserve. The rephased capital work is at Queens Meadow Learning and Development Centre of £0.030m and specialist vehicles of £0.331m. The comparable capital commitment at 31 March 2018 was contractually committed building works at Queens Meadow for the Learning and Development Centre of £0.196m, and at Grangetown Fire Station for demolition costs of £0.142m.

Non Current Assets - Property, Plant & Equipment - Revaluations

Revaluation Reserve Balance

The following is an analysis of the Revaluation Reserve by asset type.

2017/18 £000s		**2018/19 £000s**
8,146	Other Land & Buildings	9,187
31	Surplus Assets	31
8,177		**9,218**

Note 13: Non Current Assets - Intangible Assets

The Authority accounts for its software as intangible assets and includes the purchase of software licences.

All software is given a finite useful life of 7 years. This is based on the assessment of the period that the software is expected to be of use to the Authority and is in line with the Authority's accounting policy.

The carrying amount of intangible assets is amortised on a straight line basis.

The amortisation of £0.017m charged to revenue in 2018/19 was charged to the Supplies and Services heading in the Cost of Services.

The movement on intangible asset balances during the year is as follows:

2017/18 £000s		**2018/19 £000s**
	Balance at the start of the year	
138	Gross carrying amounts	138
(99)	Accumulated amortisation	(116)
39	Net carrying amount at start of year	22
(17)	Amortisation for the period	(17)
22	**Net carrying amount at end of year**	**5**
	Comprising	
138	Gross carrying amounts	138
(116)	Accumulated amortisation	(133)
22		**5**

Note 14: Long Term Debtors

This note sets out amounts owed to the Authority as at 31st March 2019.

2017/18 £000s		**2018/19 £000s**
114	Finance Lease Receivable	**64**

The Finance Lease receivable relates to the lease of a vehicle from the Authority to Cleveland Fire Brigade Risk Management Services CIC in 2013/14. The closing balance is the outstanding amount owed to the Authority.

Note 15: Inventories

This note sets out the value of inventories held by the Authority at 31 March 2019.

2017/18 £000s	**Stores**	**2018/19 £000s**
395	Balance 1st April	493
635	Purchases	682
(534)	Recognised as an expense in year	(684)
(3)	Written off Balances	(2)
493		**489**

Note 16: Short Term Debtors

This note sets out amounts owed to the Authority as at 31st March 2019.

2017/18 Net Debtor £000s		**2018/19 Net Debtor £000s**
	Government Bodies:	
3,928	Central Government Bodies	2,878
1,074	Other Local Authorities	1,666
22	NHS Bodies	4
	Bodies external to general government:	
919	General and Other Debtors	96
167	Trade Debtors	164
6,110		**4,808**

The Central Government Bodies debtor relates mainly to the Fire Fighters Pension Scheme top up grant also disclosed in the Pension Fund Account Statements. The Other Local Authorities debtor mainly relates to year end accounting entries required in relation to the Business Rates Collection Fund.

Note 17: Cash and Cash Equivalents

This note sets out details of the Authority's cash in hand and instant access investment accounts in addition to the overdraft included in the Liabilities section of the balance sheet.

2017/18 £000s		**2018/19 £000s**
	Current Assets	
3	Bank and Imprests	459
5,206	Liquidity Accounts	3,414
5,209		**3,873**
	Current Liabilities	
(184)	Bank Overdraft	-
(184)		**-**
5,025		**3,873**

Note 18: Short Term Creditors

This note sets out amounts owed by the Authority as at 31st March 2019.

2017/18 £000s		**2018/19 £000s**
	Government Bodies:	
447	Central Government Bodies	483
263	Collection Fund Agency Agreement	269
534	Other Local Authorities	812
	Bodies external to general government:	
334	Employees	298
678	General and Other Creditors	389
83	Trade Creditors	24
2,339		**2,275**

Note 19: Provisions

Following the implementation of the Business Rates Retention Scheme, this provision is earmarked to fund backdated rating appeals as a result of Rateable Value changes and represents 1% of the total appeals. These costs were previously met by Central Government. It is expected that these appeals will be settled during 2019/20.

2017/18 £000s	Rating Appeals	2018/19 £000s
210	**Balance at 1st April**	214
57	Additional provisions made in year	111
(53)	Amounts used in year	(38)
214	**Balance at 31st March**	**287**

Note 20: Long Term Borrowing

This note sets out details of the Authority's Long Term Borrowing.

2017/18 £000s		2018/19 £000s
	Loan repayments due after one year:	
2,000	Money Market	2,000
7,394	Public Works Loan Board	7,255
9,394		**9,255**

Note 21: Other Long Term Liabilities

The Other Long Term Liabilities relate to the Net Pensions Liability.

2017/18 £000s		2018/19 £000s
467,363	Net Pensions Liability	**479,895**

Note 22: Usable Reserves

2017/18 £000s		2018/19 £000s	Note
1,552	**Unearmarked General Fund Balance**	**1,552**	a
	Budget Support Fund Reserves		
2,913	Budget Support Fund	4,122	b
850	CIRMP Implementation Reserve	-	c
3,763		**4,122**	
	Earmarked Revenue Reserves		
566	Innovation Fund	566	d
598	Capital Phasing Reserve	747	e
200	Insurance Fund	551	f
200	Commissioned Services	200	g
108	Pension Reserve	55	h
125	Breathing Apparatus	125	i
-	Property Reserve	334	j
-	Levy Account Surplus	141	k
1,797		**2,719**	
	Earmarked Capital Reserves		
2,507	Capital Investment Programme	2,173	l
264	Capital Receipts Reserve	271	m
2,771		**2,444**	
9,883	**Total Reserves**	**10,837**	

Usable Reserves are the Authority's main financial reserves and are earmarked to meet future expenditure liabilities and to manage financial risks as detailed below. Movements in these reserves are detailed in Note 5.

a) This amount will be maintained to meet any unforeseen circumstances which might arise. The value of this reserve reflects the Authority's assessment of a range of financial risks which may occur over the next four years. The availability of this reserve will enable the Authority to manage these issues and avoid the need for additional in-year budget reductions over and above those already planned. These risks include the impact of potential shortfalls in the Authority's share of Business Rates income.

b) This reserve is earmarked to support the budget in 2019/20 and future years.

c) This reserve was fully utilised in 2018/19 to support the budget.

d) This reserve was created primarily to fund domestic sprinkler installations. This reserve will be used over a number of years as detailed projects are identified and implemented.

e) This reserve will be used over a number of years to smooth the interest and loan repayment costs which are charged to the annual budget. The reserve recognises that the annual charges, which arise from the use of Prudential Borrowing to fund part of the approved Asset Management Plan, are uneven and therefore avoids temporary increases/decreases in the annual charge to the revenue budget.

f) This reserve has been established to support the self-insured insurance fund which provides for payments that fall within the Authority's insurance policy excesses.

g) This reserve is earmarked to manage income volatility and to provide a longer lead time to manage temporary income reductions.

h) Following the latest actuarial valuation, this reserve has been created to fund the lump sum contribution of the pension cost relating to the LGPS.

i) This amount has been set aside to meet the costs of replacing the breathing apparatus telemetry in line with the replacement programme included in the Asst Management Plan.

j) This is earmarked to fund projects delayed from 2018/19 to 2019/20.

k) This amount is the Authority's share of the one off Business Rates levy account funding distributed by the Government and is allocated to support the 2019/20 budget.

l) This reserve will be used to partly fund the Authority's Asset Management Plan which is designed to address operational requirements covering the Authority's buildings, including Fire Stations and operational fire fighting and rescue vehicles. It is planned to use this funding over the next two to three years. Expenditure on the Authority's buildings will ensure facilities meet operational requirements detailed in the Integrated Risk Management Plan and help deliver ongoing revenue savings in future years, including removing back log maintenance requirements. Expenditure on operational vehicles will ensure the Authority maintains its operational effectiveness and is able to respond to the significant risks within the Authority's area.

m) These reserves are set aside to fund future Capital projects.

Note 23: Unusable Reserves

2017/18 £000s		2018/19 £000s	Table
8,178	Revaluation Reserve	9,219	1
20,674	Capital Adjustment Account	18,265	2
(467,363)	Pensions Reserve	(479,895)	3
162	Deferred Capital Receipts Reserve	114	4
115	Collection Fund Adjustment Account	(22)	5
(247)	Accumulated Absences Account	(235)	6
(438,481)	**Balance at 31 March**	**(452,554)**	

Table 1 - Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

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

2017/18 £000s		2018/19 £000s
9,005	**Balance at 1 April**	8,178
(1,989)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(1,134)
1,294	Upward revaluation of assets	2,313
(695)	Surplus/(Deficit) on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	**1,179**
(132)	Difference between fair value depreciation and historical cost depreciation	(138)
(132)	Amounts written off to the Capital Adjustment Account	**(138)**
8,178	**Balance at 31 March**	**9,219**

Table 2 - 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 cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains recognised on donated assets that have yet to be consumed by the Authority.

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. Note 5 provides details of the source of all the transactions posted to the accounts apart from those involving the revaluation reserve.

2017/18 £000s		**2018/19 £000s**
21,180	**Balance at 1 April**	20,674
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(1,636)	Charges for depreciation and impairment of non-current assets	(1,368)
(3,043)	Revaluation losses on Property, Plant and Equipment	(2,019)
(17)	Amortisation of intangible assets	(17)
(193)	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	(387)
132	Adjusting amounts written out of the Revaluation Reserve	138
(4,757)	Net written out amount of the cost of non-current assets consumed in the year	**(3,653)**
	Capital financing applied in the year:	
158	Application of grants to capital financing from the Capital Grants Receipts in Advance Account	-
-	Application of Capital Receipts Reserve to finance capital expenditure	314
47	Application of Capital Receipts in relation to finance lease to reduce capital financing requirement	48
427	Statutory provision for the financing of capital investment charged against the General Fund balances	458
3,619	Direct revenue funding credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	424
4,251		**1,244**
20,674	**Balance at 31 March**	**18,265**

Table 3 - Pensions Reserve

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

2017/18 £000s		**2018/19 £000s**
(461,050)	**Balance at 1 April**	(467,363)
8,395	Remeasurement of defined pension liability on pensions assets and liabilities	6,684
(17,323)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(21,710)
2,390	Employer's pension contributions	2,269
225	Direct payments to pensioners payable in year	225
(467,363)	**Balance at 31 March**	**(479,895)**

Table 4 - Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2017/18 £000s		**2018/19 £000s**
209	**Balance at 1 April**	162
(47)	Transfer to the Capital Receipts Reserve upon receipt of cash	(48)
162	**Balance at 31 March**	**114**

Table 5 - Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates precept income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying across amounts set by the billing authorities.

2017/18 £000s		**2018/19 £000s**
132	**Balance at 1 April**	115
(17)	Amount by which Council Tax and Non-Domestic Rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non-Domestic Rates income calculated for the year in accordance with statutory requirements	(137)
115	**Balance at 31 March**	**(22)**

Table 6 - Accumulated Absences Account

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

2017/18 £000s		**2018/19 £000s**
(243)	**Balance at 1 April**	(247)
(4)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	12
(247)	**Balance at 31 March**	**(235)**

Note 24: 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 to be controlled or influenced by the Authority.

Central Government

Central Government have effective control over the general operations of the Authority. It is responsible for providing the Statutory framework within which the Authority operates, and provides the majority of funding in the form of general or specific grants.

Local Government

The Authority obtains part of its income from Council Tax Precepts and Business Rates levied on the collection authorities in its area. During the year, transactions with related parties were as follows:

2017/18 £000s		**2018/19 £000s**
	Council Tax Precepts/Business Rates Retention	
1,990	Hartlepool Borough Council	2,118
2,818	Middlesbrough Borough Council	2,853
3,161	Redcar & Cleveland Borough Council	3,345
4,840	Stockton on Tees Borough Council	5,058
12,809		**13,374**

Authority Members

Disclosures in respect of Members' interests are required to be reported. After consultation with Members there are no disclosures to report.

Chief Officers

Disclosures in respect of Chief Fire Officer and Directors interests are also required to be reported. After consultation with the Chief Fire Officer and Directors there are no disclosures to report.

Cleveland Fire Authority Risk Management Services Community Interest Company (CIC)

The Cleveland Fire Brigade Risk Management CIC is a community interest company limited by guarantee and wholly owned by the Cleveland Fire Authority. The company was set up and registered on 31st March 2011. The Company registration number is 7583911. The Fire Authority has established the Community Interest Company as a trading organisation as required by the Local Government Act 2003 (section 95) and under the powers conferred by SI 2009/2393. Board Directors are I Hayton (Chief Fire Officer) as Chairman; K Winter (Director of Corporate Services), S.R. Khaliq, P.J. Lancaster (up to 4th April 2018) and P Devlin. The purpose of the company is to facilitate trading commercially by the Brigade in function related activities and use profits/surpluses for the benefit of the community. After consultation with the Directors there are no transactions to report.

Land & Property

The Authority has an operating lease with a peppercorn rent, relating to Land & Property with Police & Crime Commissioner for use of part of Grangetown Fire Station

Other Relevant Information

The cost of services provided by the Authority to the four constituent authorities total £0.102m (£0.108m in 2017/18). The cost of services received by the Authority from Hartlepool Borough Council total £0.192m (£0.217m in 2017/18). From the 1st April 2014 the Authority no longer directly employs its own Treasurer. The role of the Treasurer is carried out by Hartlepool Borough Council's Director of Finance and Policy via a Service Level Agreement. From 1st April 2018 the Authority no longer has a Service Level Agreement for Legal Services with Hartlepool Borough Council and employs its own Legal Advisor/Monitoring Officer.

Note 25: External Audit Costs

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

2017/18 £000s		**2018/19 £000s**
29	Fees payable in respect of external audit services carried out by the appointed auditor for the year	22
4	Additional fee owing to work required for audit of the Group Accounts	4
33		**26**

Note 26: Operating Leases

The Authority has one water tender and 17 contract hire cars on lease with outstanding obligations as follows:

2017/18 £000s	**Future minimum lease payments due**	**2018/19 £000s**
62	Not later than one year	39
18	Later than one year & not later than five years	39
80		**78**

The minimum lease payments incurred were as follows:

2017/18 £000s	**Minimum Lease Payments in Year**	**2018/19 £000s**
94	Vehicles	**49**

The Authority has an operating lease with a peppercorn rent, relating to Land and Property with Police & Crime Commissioner for use of Grangetown Training Centre.

Note 27: Finance Leases

Authority as Lessor

The Authority has leased out a specialist industrial fire appliance to Cleveland Fire Brigade Risk Management Services Community Interest Company on a finance lease with a term of 8 years. The lease commenced on 1st July 2013.

The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the appliance when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the appliance acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2018 £000s		**31 March 2019 £000s**
	Finance lease debtor (net present value of minimum lease payments):	
48	Current	50
114	Non-current	64
10	Unearned finance income	5
172	**Gross investment in the lease**	**119**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

Gross Investment in the Lease 31 March 2018 £000s	Minimum Lease Payments 31 March 2018 £000s		Gross Investment in the Lease **31 March 2019 £000s**	Minimum Lease Payments **31 March 2019 £000s**
53	53	Not later than one year	53	53
119	119	Later than one year & not later than five years	66	66
172	172		**119**	**119**

Note 28: Capital Expenditure and Financing

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

2017/18 £000s		**2018/19 £000s**
6,888	**Opening Capital Financing Requirement**	**8,968**
	Capital investment	
559	Property Plant and Equipment	308
5,772	Assets Under Construction	430
	Sources of Finance	
(158)	Government grants and other contributions	-
	Sums set aside from revenue:	
(3,619)	Direct revenue contributions	(424)
-	Application of Capital Receipts	(314)
(47)	Application of Capital Receipts in relation to finance lease to reduce capital financing requirement	(48)
(427)	Minimum Revenue Provision (MRP)	(458)
8,968	**Closing Capital Financing Requirement**	**8,462**

2017/18 £000s		**2018/19 £000s**
	Explanation of movements in year	
2,554	Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	-
(47)	Application of Capital Receipts in relation to finance lease to reduce capital financing requirement	(48)
(427)	Minimum Revenue Provision (MRP)	(458)
2,080	**Increase/(decrease) in Capital Financing Requirement**	**(506)**

Note 29: Financial Instruments

Categories of Financial Instruments

The 2018/19 Code of Practice on Local Authority Accounting has adopted IFRS 9 Financial Instruments. IFRS 9 has introduced a number of changes to the disclosure of financial instruments. The new classifications are shown below with notes explaining the previous classifications.

The following categories of financial instrument are carried in the Balance Sheet:

Restated 2017/18			2018/19	
Long Term £000s	Current £000s		**Long Term £000s**	**Current £000s**
		Investments at Amortised Cost		
-	5,206	Liquidity Accounts included in Cash Equivalents	-	3,414
100	2,256	Loans and receivables at Amortised Cost (Note 1)	30	5,905
100	7,462	**Total Investments at Amortised Cost**	30	9,319
		Debtors		
-	7,730	Non-financial Assets (Note 2)	-	5,888
114	197	Financial Assets (including Trade Debtors and General and Other Debtors and Long Term Debtors) (Note 3)	64	259
114	7,927	**Total debtors**	64	6,147
		Borrowings at Amortised Cost		
9,394	188	Financial liabilities at amortised cost (Note 4)	9,255	191
9,394	188	**Total borrowings at Amortised Cost**	9,255	191
		Creditors		
-	761	Financial liabilities carried at contract amount	-	413
-	761	**Total creditors**	-	413

Note 1 - These assets were previously classified as "loans and receivables" and have been reclassified under IFRS 9 as "Loans and receivables at Amortised Cost." There was no adjustment to the carrying value in respect of this reclassification.

Note 2 - In line with previous requirements these assets were not previously disclosed as financial instruments. There was no adjustment to the carrying value in respect of this reclassification.

Note 3 - These assets were previously disclosed as "Financial Assets carried at contract amounts." In line with previous requirements Long Term Debtors were not previously disclosed as financial instruments. There was no adjustment to the carrying value in respect of this reclassification.

Note 4 - As required accrued interest relating to long term borrowing is disclosed within the short term borrowing figure on the balance sheet. These assets were previously classified as financial liabilities at amortised cost therefore no reclassification has been necessary in relation to the adoption of IFRS 9.

There have been no reclassifications of financial instruments or gains and losses arising from recognition or derecognition.

Note 29: Financial Instruments

Income, Expense, Gains and Losses

Restated 2017/18 Financial Liabilities measured at amortised cost	Restated 2017/18 Financial Assets: Loans and receivables at amortised cost	Restated 2017/18 Total		**2018/19 Financial Liabilities measured at amortised cost**	**2018/19 Financial Assets: Loans and receivables at amortised cost**	**2018/19 Total**
£000s	£000s	£000s		**£000s**	**£000s**	**£000s**
296	-	296	Interest expense	295		**295**
-	(34)	(34)	Interest income		(64)	**(64)**
296	(34)	262	**Net (gain)/loss for the year**	**295**	**(64)**	**231**

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Except for financial assets carried at fair value, all other financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. However disclosure of their value is required and is set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Input to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the "fair value hierarchy," as follows:

- Level 1 - Unadjusted quoted market prices for identical assets or liabilities;
- Level 2 - Inputs other than quoted market prices that are either directly or indirectly observable;
- Level 3 - Unobservable inputs.

The fair value of the assets and liabilities below have been assessed by calculating the present value of the cash flows that will take place over the remaining life of the instruments (Level 2 in the fair value hierarchy), using the following assumptions:

- For loans from the PWLB payable, premature repayment rates from the PWLB have been applied to provide the fair value under the PWLB debt redemption procedures;
- For non-PWLB loans payable, premature market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31 March 2018 Carrying Amount £000s	31 March 2018 Fair Value £000s		**31 March 2019 Carrying Amount £000s**	**31 March 2019 Fair Value £000s**
		Financial Assets		
100	104	Investments maturing after one year	30	32
2,256	2,256	Investments maturing within one year	5,905	5,905
5,206	5,206	Liquidity Accounts included in Cash	3,414	3,414
197	197	Short Term Debtors	259	259
114	114	Long Term Finance Debtor with CIC	64	64
7,873	7,877		9,672	9,674
		Financial liabilities		
2,000	4,084	Market Loans	2,000	3,944
7,582	9,549	Public Works Loan Board	7,445	9,533
761	761	Trade Creditors and General and Other Creditors	413	413
10,343	14,394		9,858	13,890

Note 29: Financial Instruments

The fair value of Public Works Loan Board (PWLB) loans of £9.533m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value is calculated by applying the PWLB redemption interest rates, which are lower than the borrowing interest rates. The fair value therefore measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates, taken to be these lower redemption interest rates. However, it should be noted that the borrowing interest rates on the debt drawn equated to the prevailing borrowing, as opposed to redemption rates at the balance sheet date.

However, the Authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £7.445m would be valued at £8.157m. However, if the Authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans would be the outstanding loan debt and accrued interest of £7.445m plus a penalty charge of £2.088m totalling £9.533m.

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional loss (based on economic conditions at 31 March, 2019) arising from a commitment to pay interest to lenders above current market rates.

Short term trade debtors and trade creditors are carried at cost as this is a fair approximation of their value.

Note 30: 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 funds available to meet its commitments to make payments; and
· market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management procedures focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by Hartlepool Borough Council's Treasury Management team as part of the Service Level Agreement under policies approved by the Authority in the annual Treasury Management Strategy. These are in accordance with the Local Government Act 2003 and associated regulations and require the Authority to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Authority to manage risk in the following ways:

· by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
· by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
· by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - the Authority's overall borrowing;
  - its maximum and minimum exposures to the maturity structure of its debt;
  - its maximum and minimum exposures to fixed and variable rates;
  - its maximum annual exposures to investments maturing beyond a year.
· by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

The annual Treasury Management Strategy which incorporates the prudential indicators was approved by the Fire Authority on 23 March 2018 and is available on the Fire Authority website. The key issues within the strategy were:

· the Authorised Limit for 2018/19 was set at £16.0m (£16.0m in 2017/18). This is the maximum limit of external borrowings or other long term liabilities;
· The Operational Boundary was set at £13.0m (£13.0m in 2017/18). This is the expected level of debt and other long term liabilities during the year.
· the maximum amounts of gross fixed interest rate exposure for borrowing and investments was set at 100% and 100% respectively.
· the maximum amount of gross variable interest rate exposure for borrowing and investments was set at 75% and 100% respectively.

These items are reported within the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported annually to Members. The role of the Audit & Governance Committee includes the scrutiny of treasury activities.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. The Authority now operates a very restricted counterparty list which is actively managed to reflect continuing developments in the banking and financial sector.

The Investment Strategy for 2018/19 is included within the Authority's Treasury Management Strategy.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Authority.

Note 30: Nature and Extent of Risks Arising from Financial Instruments

Amounts Arising from Expected Credit Losses

The following analysis summarises the Authority's changes in loss allowances i.e. bad debt provision for Debtors (Non-Financial Assets). The changes in loss allowance reflect the Authority's share of its constituent billing authorities' Council Tax and Business Rates provisions. The Authority has made no loss allowance for other financial assets as the Council has assessed that any risk of default in relation to borrowers or trade, general and other debtors are not material.

	Asset Class: Debtors (Non-Financial Assets)
	£000s
Opening Balance	(1,542)
Changes in Impairment of Financial Assets	202
Closing Balance	(1,340)

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority does not generally allow credit for customers, such that £0.003m of the £0.259m Debtors (Financial Assets) balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2018 £000s	**31 March 2019 £000s**
Less than three months	35	3
	35	**3**

Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority sets limits on the maturity structure of its fixed rate borrowing during specified periods. The limits have been set to enable maximum flexibility as experience has shown it is possible to move from 100% long term borrowing to 100% short term borrowing and then back to 100% long term borrowing over a period of two years. Therefore the lower limit was set to nil and upper limit to £13m, equal to the operational boundary

The maturity structure of borrowing at the year end was as follows:

	31 March 2018 £000s	**31 March 2019 £000s**
Less than one year	135	139
Between one and five years	498	458
Between five and ten years	526	541
Between ten and fifteen years	608	626
Between fifteen and twenty years	702	723
Between twenty and twenty-five years	812	836
Between twenty-five years and thirty years	939	967
Between thirty and thirty-five years	1,086	1,118
Between thirty-five and forty years	2,223	1,986
Between forty and forty-five years	-	-
More than forty-five years	2,000	2,000
	9,529	9,394

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

Note 30: Nature and Extent of Risks Arising from Financial Instruments

Market Risk

Interest Rate Risk

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

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

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

The Authority holds £2m of long term borrowing in the form of a LOBO (Lender Option Borrower Option) loan from the money markets, which is subject to periodic "calls" from the lender. Where the lender decides to "call" a loan, they increase the interest rate of the loan and the Authority then has the opportunity to accept the increased rate or to repay the loan. In accordance with the Code of Practice, the Authority's LOBO is included in the maturity analysis according to the end date of the loan rather than when the next call date falls.

The Treasury Management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000s
Increase in interest payable on borrowings	93
Increase in interest receivable on variable rate investments	(93)
Impact on Surplus or Deficit on the Provision of Services	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Comprehensive Income and Expenditure Statement)	(2,499)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The Authority does not invest in equity shares and is consequently not exposed to losses arising from movements in the prices of the shares.

Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Collateral Risk

During the reporting period the Authority held no collateral as security and is therefore not exposed to losses arising from this risk.

Note 31: Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2017/18 £000s		**2018/19 £000s**
12	Interest received	51
(268)	Interest paid	(296)

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

2017/18 £000s		**2018/19 £000s**
1,653	Depreciation and Amortisation	1,289
3,043	Impairment and downward valuations	2,115
414	Increase / (decrease) in creditors	(402)
(722)	(Increase) / decrease in debtors	1,685
(98)	(Increase) / decrease in inventories	4
14,708	Pension Liability	19,216
5	Other non-cash items	74
193	Carrying amount of non-current assets sold	387
19,196		**24,368**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2017/18 £000s		**2018/19 £000s**
8,010	Proceeds from short-term and long-term investments	-
-	Proceeds from sale of property, plant and equipment, investment property and intangible assets	(321)
(158)	Capital Grants credited to surplus or deficit on the provision of services	-
7,852		**(321)**

Note 32: Cash Flow Statement - Investing Activities

2017/18 £000s		**2018/19 £000s**
(7,286)	Purchase of property, plant and equipment and investment property	(885)
(100)	Purchase of short-term and long term investments	(3,566)
47	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	369
158	Other receipts from investing activities	-
(7,181)	**Net cash flows from investing activities**	**(4,082)**

Note 33: Cash Flow Statement - Financing Activities

2017/18 £000s		**2018/19 £000s**
2,395	Cash receipts of short and long-term borrowing	-
-	Repayments of short and long-term borrowing	(136)
2,395	**Net cash flows from financing activities**	**(136)**

Note 34: Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Authority participates in two pension schemes:

- The Local Government Pension Scheme. See Statement of Accounting Policies for further details.
- The Fire Fighters' Pension Scheme. New arrangements were introduced from 1 April 2006. See Narrative Report for details.

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Post-employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2018/19	LGPS (funded benefits)	LGPS (unfunded benefits)	FFPS 1992 (Old Scheme)	FFPS (Comp'n Scheme)	FFPS 2006 (New Scheme)	FFPS 2015 (New Scheme)	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Comprehensive Income and Expenditure Statement							
Cost of Services:							
Current Service cost	1,100	-	1,709	120	3	2,656	5,588
Past Service cost (including curtailments)	-	-	4,188	-	-	-	4,188
Financing and Investment Income and Expenditure:							
Net Interest Expense	240	1	10,846	181	420	246	11,934
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**1,340**	**1**	**16,743**	**301**	**423**	**2,902**	**21,710**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement							
Remeasurement of the net defined benefit liability:							
Return on plan assets (excl amount in net interest expense)	(1,617)	-	-	-	-	-	(1,617)
Actuarial (gains) and losses - financial assumptions	2,282	1	20,169	353	1,792	1,358	25,955
Actuarial (gains) and losses - demographic assumptions	(1,561)	(2)	(14,934)	(259)	(808)	(615)	(18,179)
Actuarial (gains) and losses - liability experience	52	-	739	13	9	-	813
Other	-	-	(15,607)	-	(45)	1,996	(13,656)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**496**	**-**	**7,110**	**408**	**1,371**	**5,641**	**15,026**
Movement in Reserves Statement							
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(1,340)	(1)	(16,743)	(301)	(423)	(2,902)	(21,710)
Actual amount charged against the General Fund Balance for pensions in the year:	-	-	-	-	-	-	-
Employers' contributions payable to the scheme	624		591	-	1	1,053	2,269
Retirement benefits payable to pensioners	-	3	-	222	-	-	225
Transfer from Pension Reserve	**(716)**	**2**	**(16,152)**	**(79)**	**(422)**	**(1,849)**	**(19,216)**

Note 34: Defined Benefit Pension Schemes

2017/18	LGPS (funded benefits)	LGPS (unfunded benefits)	FFPS 1992 (Old Scheme)	FFPS (Comp'n Scheme)	FFPS 2006 (New Scheme)	FFPS 2015 (New Scheme)	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Comprehensive Income and Expenditure Statement							
Cost of Services:							
Current Service cost	1,065	-	2,380	123	18	2,381	5,967
Past Service cost (including curtailments)	-	-	-	-	-	-	-
Financing and Investment Income and Expenditure:							
Net Interest Expense	208	1	10,431	171	394	151	11,356
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**1,273**	**1**	**12,811**	**294**	**412**	**2,532**	**17,323**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-
Remeasurement of the net defined benefit liability:	-	-	-	-	-	-	-
Return on plan assets (excl amount in net interest expense)	(282)	-	-	-	-	-	(282)
Actuarial (gains) and losses - financial assumptions	690	-	(413)	-	(2)	1	276
Actuarial (gains) and losses - demographic assumptions	-	-	-	-	-	-	-
Actuarial (gains) and losses - liability experience	168	1	2,456	44	28	-	2,697
Other	-	-	(12,831)	-	(25)	1,769	(11,087)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure	**1,849**	**2**	**2,023**	**338**	**413**	**4,302**	**8,927**
Movement in Reserves Statement							
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(1,273)	(1)	(12,811)	(294)	(412)	(2,532)	(17,323)
Actual amount charged against the General Fund Balance for pensions in the year:							
Employers' contributions payable to the scheme	619	-	826	-	5	940	2,390
Retirement benefits payable to pensioners	-	3	-	222	-	-	225
Transfer from Pension Reserve	**(654)**	**2**	**(11,985)**	**(72)**	**(407)**	**(1,592)**	**(14,708)**

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	LGPS (funded benefits)	LGPS (unfunded benefits)	FFPS 1992 (Old Scheme)	FFPS (Comp'n Scheme)	FFPS 2006 (New Scheme)	FFPS 2015 (New Scheme)	Total
2018/19	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fair Value of Assets	31,144	-	-	-	-	-	31,144
Present Value of the defined benefit obligation	(40,543)	(50)	(432,052)	(7,267)	(17,544)	(13,583)	(511,039)
Net liability arising from defined benefit obligation	**(9,399)**	**(50)**	**(432,052)**	**(7,267)**	**(17,544)**	**(13,583)**	**(479,895)**
2017/18							
Fair Value of Assets	28,617	-	-	-	-	-	28,617
Present Value of the defined benefit obligation	(38,144)	(53)	(425,533)	(7,081)	(16,174)	(8,995)	(495,980)
Net liability arising from defined benefit obligation	**(9,527)**	**(53)**	**(425,533)**	**(7,081)**	**(16,174)**	**(8,995)**	**(467,363)**

Note 34: Defined Benefit Pension Schemes

Reconciliation of present value of the scheme liabilities (defined benefit obligation):	LGPS (funded benefits)	LGPS (unfunded benefits)	FFPS 1992 (Old Scheme)	FFPS (Comp'n Scheme)	FFPS 2006 (New Scheme)	FFPS 2015 (New Scheme)	Total
2018/19	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Opening balance at 1 April	(38,144)	(53)	(425,533)	(7,081)	(16,174)	(8,995)	(495,980)
Current Service Cost	(1,100)	-	(1,709)	(120)	(3)	(2,656)	(5,588)
Interest Cost	(986)	(1)	(10,846)	(181)	(420)	(246)	(12,680)
Contributions by scheme participants	(232)	-	(396)	-	(15)	(943)	(1,586)
Actuarial gains and (losses) on liabilities - financial assumptions	(2,282)	(1)	(20,169)	(353)	(1,792)	(1,358)	(25,955)
Actuarial gains and (losses) on liabilities - demographic assumptions	1,561	2	14,934	259	808	615	18,179
Actuarial gains and (losses) on liabilities - experience	(52)	-	(739)	(13)	(9)	-	(813)
Benefits paid	692	3	16,594	222	61	-	17,572
Past Service cost (incl curtailments)	-	-	(4,188)	-	-	-	(4,188)
Settlements	-	-	-	-	-	-	0
Closing balance at 31 March	**(40,543)**	**(50)**	**(432,052)**	**(7,267)**	**(17,544)**	**(13,583)**	**(511,039)**
2017/18	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Opening balance at 1 April	(36,662)	(54)	(424,335)	(6,965)	(15,766)	(5,632)	(489,414)
Current Service Cost	(1,065)	-	(2,380)	(123)	(18)	(2,381)	(5,967)
Interest Cost	(936)	(1)	(10,431)	(171)	(394)	(151)	(12,084)
Contributions by scheme participants	(229)	-	(557)	-	(18)	(829)	(1,633)
Actuarial gains and (losses) on liabilities - financial assumptions	(690)	-	413	-	2	(2)	(277)
Actuarial gains and (losses) on liabilities - demographic assumptions	-	-	-	-	-	-	0
Actuarial gains and (losses) on liabilities - experience	(168)	(1)	(2,456)	(44)	(28)	-	(2,697)
Benefits paid	1,606	3	14,213	222	48	-	16,092
Past Service cost (incl curtailments)	-	-	-	-	-	-	0
Closing balance at 31 March	**(38,144)**	**(53)**	**(425,533)**	**(7,081)**	**(16,174)**	**(8,995)**	**(495,980)**

Reconciliation of fair value of the scheme (plan) assets:	LGPS (funded benefits)	LGPS (unfunded benefits)	FFPS 1992 (Old Scheme)	FFPS (Comp'n Scheme)	FFPS 2006 (New Scheme)	FFPS 2015 (New Scheme)	Total
2018/19	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Opening balance at 1 April	28,617	-	-	-	-	-	28,617
Interest income on assets	746	-	-	-	-	-	746
Remeasurement gains/(losses) - return on plan assets	1,617	-	-	-	-	-	1,617
Remeasurement gains/(losses) - other	-	-	15,607	-	45	(1,996)	13,656
Employer contributions	624	3	591	222	1	1,053	2,494
Contributions by scheme participants	232	-	396	-	15	943	1,586
Benefits paid	(692)	(3)	(16,594)	(222)	(61)	-	(17,572)
Closing balance at 31 March	**31,144**	**-**	**-**	**-**	**-**	**-**	**31,144**
2017/18							
Opening balance at 1 April	28,365	-	-	-	-	-	28,365
Interest income on assets	728	-	-	-	-	-	728
Remeasurement gains/(losses) - return on plan assets	282	-	-	-	-	-	282
Remeasurement gains/(losses) - other	-	-	12,831	-	25	(1,769)	11,087
Employer contributions	619	3	826	222	5	940	2,615
Contributions by scheme participants	229	-	557	-	18	829	1,633
Benefits paid	(1,606)	(3)	(14,214)	(222)	(48)	-	(16,093)
Closing balance at 31 March	**28,617**	**-**	**-**	**-**	**-**	**-**	**28,617**

Note 34: Defined Benefit Pension Schemes

The Local Government Pension Scheme Assets

The Local Government Pension Scheme assets comprised:

	2017/18 £000s	2018/19 £000s
Equity investments	22,865	22,393
Property	2,089	2,865
Cash	3,176	5,232
Other	487	654
	28,617	**31,144**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Authority's liabilities have been assessed by AON Hewitt, an independent firm of actuaries. Estimates for the Authority are based on the latest full valuation of the schemes being 31 March 2016 and 31 March 2017 for LGPS funded and unfunded schemes respectively. All four Firefighters' Pension Schemes were valued on 31 March 2015.

The principal assumptions used by the actuary have been:

2018/19	LGPS (funded benefits)	LGPS (unfunded benefits)	FFPS 1992 (Old Scheme)	FFPS (Comp'n Scheme)	FFPS 2006 (New Scheme)	FFPS 2015 (New Scheme)
Long-term expected rate of return on assets in the scheme:						
Equity investments	2.4%	n/a	n/a	n/a	n/a	n/a
Government Bonds	2.4%	n/a	n/a	n/a	n/a	n/a
Bonds	2.4%	n/a	n/a	n/a	n/a	n/a
Property	2.4%	n/a	n/a	n/a	n/a	n/a
Cash	2.4%	n/a	n/a	n/a	n/a	n/a
Other	2.4%	n/a	n/a	n/a	n/a	n/a
Mortality assumptions:						
Longevity at 65 for current pensioners:						
Men	22.2	22.2	21.4	21.4	21.4	21.4
Women	24.1	24.1	23.7	23.7	23.7	23.7
Longevity at 65 for future pensioners:						
Men	23.9	n/a	23.1	23.1	23.1	23.1
Women	25.9	n/a	25.6	25.6	25.6	25.6
Other assumptions:						
Rate of inflation (RPI)	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
Rate of inflation (CPI)	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Rate of increase in salaries	3.2%	n/a	3.2%	3.2%	3.2%	3.2%
Rate of increase in pensions	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Rate for discounting scheme liabilities	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Take-up of option to convert annual pension into retirement lump sum	80.0%	n/a	90.0%	n/a	75.0%	75.0%

Note 34: Defined Benefit Pension Schemes

2017/18	**LGPS (funded benefits)**	**LGPS (unfunded benefits)**	**FFPS 1992 (Old Scheme)**	**FFPS (Comp'n Scheme)**	**FFPS 2006 (New Scheme)**	**FFPS 2015 (New Scheme)**
Long-term expected rate of return on assets in the scheme:						
Equity investments	2.6%	n/a	n/a	n/a	n/a	n/a
Government Bonds	2.6%	n/a	n/a	n/a	n/a	n/a
Bonds	2.6%	n/a	n/a	n/a	n/a	n/a
Property	2.6%	n/a	n/a	n/a	n/a	n/a
Cash	2.6%	n/a	n/a	n/a	n/a	n/a
Other	2.6%	n/a	n/a	n/a	n/a	n/a
Mortality assumptions:						
Longevity at 65 for current pensioners:						
Men	22.9	22.9	22.2	22.2	22.2	22.2
Women	25.0	25.0	24.7	24.7	24.7	24.7
Longevity at 65 for future pensioners:						
Men	25.1	n/a	24.3	24.3	24.3	24.3
Women	27.3	n/a	27.0	27.0	27.0	27.0
Other assumptions:						
Rate of inflation (RPI)	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Rate of inflation (CPI)	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Rate of increase in salaries	3.1%	n/a	3.1%	3.1%	3.1%	3.1%
Rate of increase in pensions	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Rate for discounting scheme liabilities	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Take-up of option to convert annual pension into retirement lump sum	80.0%	n/a	90.0%	n/a	75.0%	75.0%

Note 34: Defined Benefit Pension Schemes

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above.

The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant.

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

	Impact on Defined Benefit Obligation in the Scheme				
	LGPS (funded benefits)	**FFPS 1992 (Old Scheme)**	**FFPS (Comp'n Scheme)**	**FFPS 2006 (New Scheme)**	**FFPS 2015 (New Scheme)**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Increase In Assumptions					
Adjustment to Discount rate (+ 0.1%)	783	7,062	109	622	502
Adjustment to Salary increase rate (+ 0.1%)	189	861	22	322	304
Adjustment to Pension increase rate (+ 0.1%)	607	6,309	89	318	213
Adjustment to Longevity (decrease 1 year)	1,311	13,959	235	567	439
Decrease in Assumptions					
Adjustment to Discount rate (- 0.1%)	798	7,179	111	645	522
Adjustment to Salary increase rate (- 0.1%)	187	856	21	315	297
Adjustment to Pension increase rate (- 0.1%)	597	6,214	88	311	210
Adjustment to Longevity (increase 1 year)	1,297	13,810	232	561	434

Impact on the Authority's Cash Flows

The objectives of the Local Government Pension Scheme are to keep employers' contributions at as constant a rate as possible. The current funding level of the scheme is 100%. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2020 is £0.647m and the total contributions expected to be made to the Fire Fighters' Pension Scheme by the Authority in the same year is £15.851m including the Government Pensions Top Up Grant
The weighted average duration of the defined benefit obligation for scheme members is 17 years in 2018/19 (17 years in 2017/18).

Note 35: Contingent Liabilities

These refer to either a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control, or a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

The current Fire Brigades Union pay claim is for 17% and national negotiations are continuing, including in relation to 'broadening the role' and this may impact on firefighters pay levels. As it is unclear when these negotiations will be completed, what the outcome will be and the implementation date it is not possible to estimate the potential financial impact on the Authority. If these negotiations result in an increase and the Government does not provide additional recurring funding the Authority will have to identify additional permanent budget reductions. As this is a national issue the current planning assumption is that additional Government funding will be provided for any increased costs which may arise from 'broadening the role'.

On 20 December 2018 the Government lost a case in the Court of Appeal (the McCloud judgement) which found that the transitional protections incorporated into the reforms of the firefighters and judges pension schemes were age discriminatory. The Government has applied for an appeal hearing at the Supreme Court. If the appeal is upheld this could lead to compensation being required to all those who were discriminated against, including implications for other public sector schemes which contained similar protections. In light of the legal proceedings, HM Treasury has paused its review of the Schemes under the statutory 'cost cap process', which was expected to result in benefit improvements. Therefore no allowance will be made for any potential changes arising following that review due to the uncertainty involved

Note 36: Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Treasurer on 31 May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Pension Fund Account Statements

The Pension Fund is an unfunded scheme established under the Fire Fighters' Pension Scheme (Amendment) (England) Order 2006, administered by the Authority. The scheme has no investment assets and does not account for benefits payable in the future. The difference between contributions from employers and employees and the benefits payable is funded by top up grant from the Government. Any surplus on the fund is repaid to the Government.

The accounts are prepared in accordance with the same code of practice and accounting policies as outlined in the Statement of Accounting Policies.

Any Government funding payable is paid in two instalments, 80% of the estimated annual amount at the start of the year and the actual balance paid following completion of the accounts for the year.

Fund Account

2017/18 Expenditure / (Income) £000s		**2018/19 Expenditure / (Income) £000s**
	Contributions receivable	
	From employer	
(1,766)	Normal	(1,638)
(1,401)	From members	(1,351)
(3,167)		**(2,989)**
	FPS 1992 - Contributions Refund Grant	
	Transfers in	
(64)	Individual transfers in from other schemes	(22)
(64)		**(22)**
	Benefits payable	
11,838	Pensions	12,551
2,968	Commutation and lump sum retirement benefits	3,623
14,806		**16,174**
	Payment to and account of leavers	
136	Individual transfers out to other schemes	-
136		**-**
11,711	**Net amount payable for the year**	**13,163**
(11,711)	**Top-up grant payable by the Government**	**(13,163)**
-		**-**

Net Assets Statement

2017/18 £000s	**Current assets and liabilities**	**2018/19 £000s**
(3,695)	Debtor: Pension top-up grant receivable from the Government	**(2,587)**
3,695	Amount owing to the General Fund	**2,587**
-	**Net assets**	**-**

The above statement does not include liabilities to pay pensions and other benefits after the Balance Sheet date. Further information about IAS 19 liability is contained in Note 34. In accordance with the requirements of IAS 19 the actual cost of pensions required for Council Tax precepting purposes is replaced by the current service cost of pensions in the Comprehensive Income and Expenditure Account and reversed out.

GROUP ACCOUNTS

INTRODUCTION

Cleveland Fire Authority established a Community Interest Company, Cleveland Fire Brigade Risk Management Services CIC, which was incorporated in March 2011 and commenced trading in July 2011. The Group Financial Statements consolidate the performance and balances that relate to the Community Interest Company into the statements of Cleveland Fire Authority, which allows the full picture of the Group activities to be presented.

The following pages include:

- Group Movement in Reserves Statement
- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Cash Flow Statement

The group financial statements are presented in accordance with International Financial Reporting Standards (IFRS). The financial statements of Cleveland Fire Brigade Risk Management Services CIC are presented under FRS102; their accounts have been restated to comply with IFRS.

Subsidiaries/Associates

Cleveland Fire Brigade Risk Management Services CIC is a subsidiary of Cleveland Fire Authority. The Authority does not have any associates.

Group Movement in Reserves Statement for the year ended 31 March 2019

This Statement shows the movement in the year on the Authority's single entity usable and unusable reserves, and the Authority's share of the Group Reserves.

	General Fund Balance	Earmarked General Fund Reserves	Earmarked Reserves	Capital Receipts Reserve	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**	**Authority's Share of Subsidiary Reserves**	**Total Group Reserves**
	£000s	£000s	£000s	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Balance at 31 March 2017 carried forward	1,552	3,535	7,677	-	12,764	(430,767)	(418,004)	134	(417,870)
Movement in reserves during 2017/18									
Surplus or (deficit) on provision of services	(18,295)	-	-	-	(18,295)	-	(18,295)	65	(18,230)
Other Comprehensive Income and Expenditure	-	-	-	-	-	7,700	7,700	-	7,700
Total Comprehensive Income and Expenditure	(18,295)	-	-	-	(18,295)	7,700	(10,595)	65	(10,530)
Adjustments between accounting basis & funding basis under regulations (note 5)	18,769	-	(3,619)	264	15,414	(15,414)	-	-	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	474	-	(3,619)	264	(2,881)	(7,714)	(10,595)	65	(10,530)
Transfers to/(from) Earmarked Reserves	(474)	228	246	-	-	-	-	-	-
Increase/(Decrease) in Year	-	228	(3,373)	264	(2,881)	(7,714)	(10,595)	65	(10,530)
Balance at 31 March 2018 carried forward	1,552	3,763	4,304	264	9,883	(438,481)	(428,598)	199	(428,399)
Movement in reserves during 2018/19									
Surplus or (deficit) on provision of services	(13,118)	-	-	-	(13,118)	-	(13,118)	(2)	(13,120)
Other Comprehensive Income and Expenditure	(7,863)	-	-	-	(7,863)	7,863	-	-	-
Total Comprehensive Income and Expenditure	(20,981)	-	-	-	(20,981)	7,863	(13,118)	(2)	(13,120)
Adjustments between accounting basis & funding basis under regulations (note 5)	22,353	-	(425)	7	21,935	(21,935)	-	-	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	1,372	-	(425)	7	954	(14,072)	(13,118)	(2)	(13,120)
Transfers to/(from) Earmarked Reserves	(1,372)	359	1,013	-	-	-	-	-	-
Increase/(Decrease) in Year	**-**	**359**	**588**	7	**954**	**(14,072)**	**(13,118)**	**(2)**	**(13,120)**
Balance at 31 March 2018 carried forward	**1,552**	**4,122**	**4,892**	**271**	**10,837**	**(452,553)**	**(441,716)**	**197**	**(441,519)**

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2019

This Statement summarises the resources that have been generated and consumed in providing services and managing the Group during the last year. It includes all day to day expenses and related income on an accruals basis.

2017/18 Gross Expenditure	2017/18 Gross Income	2017/18 Net		2018/19 Gross Expenditure	2018/19 Gross Income	2018/19 Net
£000s	**£000s**	**£000s**	**Continuing operations:**	**£000s**	**£000s**	**£000s**
27,152	-	27,152	Employee Costs	31,800	-	**31,800**
5,864	-	5,864	Premises Costs	4,483	-	**4,483**
3,187	-	3,187	Supplies & Services	3,779	-	**3,779**
1,304	-	1,304	Transport Costs	1,262	-	**1,262**
428	-	428	Support Services	412	-	**412**
-	(4,938)	(4,938)	Income	-	(6,891)	**(6,891)**
37,935	(4,938)	32,997	**Cost of Services - continuing operations**	**41,736**	**(6,891)**	**34,845**
(71)	-	(71)	Other Operating Expenditure	66	-	**66**
12,390	(762)	11,628	Financing and Investment Income and Expenditure	12,988	(810)	**12,178**
-	(26,343)	(26,343)	Taxation and Non-Specific Grant Income	-	(26,106)	**(26,106)**
50,254	(32,043)	18,211	**(Surplus) or Deficit on Provision of**	54,790	(33,807)	**20,983**
		19	Tax Expenses (Subsidiaries)			**-**
		18,230	**Group (Surplus) or Deficit on Provision of Services**			**20,983**
		695	(Surplus)/Deficit on revaluation of non-current assets			**(1,179)**
		(8,395)	Remeasurement of net defined benefit liability /(asset)			**(6,684)**
		(7,700)	**Other Comprehensive Income and Expenditure**			**(7,863)**
		10,530	**Total Comprehensive Income and Expenditure**			**13,120**

Group Balance Sheet for the year ended 31 March 2019

The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group.

31 March 2018 £000s		**31 March 2019 £000s**
37,961	Property, Plant and Equipment	36,052
150	Investments	150
22	Intangible Assets	6
23	Long Term Debtors	-
38,156	**Long Term Assets**	**36,208**
2,001	Short term investments	5,515
493	Inventories	489
7,168	Short Term Debtors	5,683
5,209	Cash and Cash Equivalents	3,929
14,871	**Current Assets**	**15,616**
(209)	Bank Overdraft	-
(3,022)	Short Term Creditors	(2,776)
(236)	Provisions	(301)
(188)	Short Term Borrowing	(191)
(1,014)	Revenue Grants Receipts in Advance	(925)
(4,669)	**Current Liabilities**	**(4,193)**
(9,394)	Long Term Borrowing	(9,255)
(467,363)	Other Long Term Liabilities	(479,895)
(476,757)	**Long Term Liabilities**	**(489,150)**
(428,399)	**Net Assets:**	**(441,519)**
1,552	Unearmarked General Fund Balance Reserve	1,552
3,763	Budget Support Fund Reserves	4,122
1,797	Earmarked Revenue Reserves	2,719
2,771	Earmarked Capital Reserves	2,444
(438,481)	Unusable Reserves	(452,553)
199	Subsidiary Reserve	197
(428,399)	**Total Reserves:**	**(441,519)**

Group Statement Of Cash Flows for the year ended 31 March 2019

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

2017/18 £000s		**2018/19 £000s**
(18,230)	Net surplus or (deficit) on the provision of services	**(20,983)**
18,891	Adjustments to net surplus or (deficit) on the provision of services for non-cash movements	**24,386**
7,852	Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	**(321)**
8,513	**Net cash (outflow)/inflow from operating activities**	**3,082**
(7,318)	**Investing activities**	**(4,082)**
2,486	**Financing activities**	**(71)**
3,681	Net increase or (decrease) in cash and cash equivalents	**(1,071)**
1,319	Cash and cash equivalents at the beginning of the reporting period	**5,000**
5,000	**Cash and cash equivalents at the end of the reporting period**	**3,929**

Notes to the Group Accounts

Group Accounting Policies

The Group Financial Statements have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom 2018/19 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounting policies used in preparing the Group Accounts are largely those used by Cleveland Fire Authority. In order to align group entities accounting policies to those used by the Authority and ensure consistency of accounting treatment across the group, the following policies have been adopted.

Deferred Taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

Consolidation of Subsidiaries

Subsidiaries have been consolidated using the acquisition accounting basis. This is a full, line by line consolidation of the financial transactions and balances of the Authority and its subsidiary. To avoid overstating the figures in the group financial statements, all transactions and balances between the members of the group (Cleveland Fire Authority and Cleveland Fire Brigade Risk Management Services CIC) have been eliminated.

International Financial Reporting Standards

The Authority produces its financial statements in accordance with IFRS. Cleveland Fire Brigade Risk Management Services CIC produces its financial statements in accordance with UK GAAP; their financial statements have been adjusted to reflect IFRS where any changes have a material effect on the presentation of the Group Financial Statements.

Officers' Remuneration

There is no remuneration for Directors of Cleveland Fire Brigade Risk Management Services CIC.

Audit Fees

Audit fees owing to additional work required for the audit of the group accounts are disclosed in Note 25.

Group Adjustments

The following transactions have been eliminated from the Group Financial Statements:-

During 2018/19 goods and services with a value of £0.208m were supplied by Cleveland Fire Authority to Cleveland Fire Brigade Risk Management Services Community Interest Company (CIC). The CIC provided £0.018m of services to the Authority. These transactions have been eliminated from the Consolidated Income and Expenditure Statement in the Group Accounts. In addition, intra-company debtors and creditors have been adjusted for in the Balance sheet.

The Authority has leased out a specialist industrial fire appliance to Cleveland Fire Brigade Risk Management Services Community Interest Company on a finance lease with a term of 8 years. The lease commenced on 1 July 2013. The transactions relating to this purchase have been eliminated from the Group Accounts.

The Fire Authority has provided a working capital loan to the CIC. Interest is charged at a commercial level and loan repayments are linked to the length of contracts secured by the CIC. This loan has also been eliminated from the statements.

ANNUAL GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

Cleveland Fire Authority is responsible for ensuring that:

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

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

In discharging these overall responsibilities, Cleveland Fire Authority is also responsible for ensuring that there are proper arrangements for governance of its affairs, a sound system of internal control which facilitates Cleveland Fire Authority exercising its functions and responsibilities effectively and which includes arrangements for the management of risk.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises of systems, processes, culture and values, by which the Authority is directed and controls its activities through which it is accountable for and engages with the community. It enables the Authority to monitor the achievement of its strategic priorities and to consider whether those priorities have resulted in the delivery of appropriate and 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 failing to achieve its priorities and can therefore only provide reasonable and not absolute assurance of its effectiveness. The system of internal control is based on an ongoing process designed to identify, evaluate and prioritise the risks to the achievement of Cleveland Fire Authority's priorities, to evaluate the likelihood of those risks occurring, the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Cleveland Fire Authority for the year ended 31 March 2019.

THE INTERNAL CONTROL GOVERNANCE FRAMEWORK

The key elements of the Fire Authority's policy, decision making and internal control governance framework are outlined in the Constitution which details the Authority's Corporate and Ethical Governance arrangements and the Member Development Framework.

The staff handbook sets out internal control and managerial procedures and details standards of conduct and probity issues.

The Fire Authority has approved and adopted a 'Local Code of Corporate Governance' which encompasses the guidance and best practice as outlined in the 'Delivering Good Governance in Local Government Framework (2016) that is published by CIPFA and SOLACE. The code draws strongly on the good practices already established and outlines the way in which the Authority will meet that commitment.

Financial services are provided to the Fire Authority through a Service Level Agreement with Hartlepool Borough Council, which includes the provision of the Treasurer. The Treasurer is responsible for ensuring the proper administration of the Authority's financial affairs and has a duty to report formally any adverse issues. The Treasurer reports annually to the Audit and Governance Committee on how the Authority's financial arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The Authority has appointed a Legal Adviser and Monitoring Officer who is responsible for ensuring that the Authority acts within its legal powers at all times and has a duty to report formally any adverse issues.

The Authority operates an Integrated Personal Development System and an associated Learning and Development strategy to ensure services are delivered by trained and experienced personnel. All posts have job descriptions and person specifications and induction training is provided to all staff. All training is tailored to job needs/requirements based on an annual needs assessment and analysis.

This year the Fire Authority has continued to work to strengthen its participation in the consultation process, by widening its stakeholder list and the methods which feedback can be gained by using social media in addition to the more traditional methods. Feedback received from these forums has been taken account of when formulating the proposals for our Community Integrated Risk Management Plan 2018/22 and associated proposals detailed within this plan.

SECTION 6: Annual Governance Statement

The Fire Authority publishes the following key documents:

- A Community Integrated Risk Management Plan 2018/22 (CIRMP), which identifies the strategic issues to be addressed and how we will address them over the medium term.
- An annual Service Plan, which encompasses the requirements of the Fire and Rescue Services Act 2004 and National Framework for Fire and Rescue Services in England 2012.
- A Performance and Efficiency Report which provides information on the Authority's performance, risk, finance and efficiency over the previous 12 months.
- An annual Statement of Assurance that provides the government and the public with assurance on our operational, financial and governance arrangements.

The Fire Authority has robust systems for identifying, evaluating and managing all significant risks. A risk management framework consisting of a risk management strategy, policy and systems are in place and embedded across the organisation and communicated to all staff. A Community Risk Profile for the Authority's area is produced and publically available to the staff and public detailing the foreseeable risks facing the Authority.

Through this dynamic Risk Management Framework, risk assessment and management of risks is embedded into the Integrated Strategic, Risk and Financial Planning Framework which helps inform business and resource decisions. The Community Integrated Risk Management Plan 2018/22 is the key output from this framework which links resources to our risks, strategic goals, aims and outcomes. To ensure services achieve the Authority's goals, aims and outcomes and represent value for money, they are robustly measured and evaluated.

The Authority strives for continuous improvement and as part of the Finance and Business planning cycle, outcomes from the Risk Management and Performance Management Frameworks assists the Authority to identify, prioritise and inform resource allocation decisions to drive continuous improvement in services.

A robust Performance Management Framework is in place which uses a traffic light system to indicate areas of compliance and non-compliance. Improvement plans are produced on a risk basis to address areas of partial or full non-compliance and any issues identified by Internal Audit and other external inspections. Performance management is embedded and operates throughout the organisation. Performance outcomes are reported regularly to the Executive Leadership Team, managers, staff and the public. On a quarterly basis detailed reports are reported to the Audit and Governance Committee and then made publically available. This framework has been externally assessed and validated by the Authority's external auditors, Mazars to ensure it provides a realistic, reliable and transparent view of the Authority's performance.

Procedures are in place that enables Internal Audit to report on a regular basis to the Audit and Governance Committee on the effectiveness of the organisation's system of internal control and provide recommendations for improvement. Internal Audit performance is measured against standards agreed by management and Elected Members. These indicators were met for 2018/19.

Other review bodies external to the Authority also make regular reports on compliance with our statutory requirements, operational arrangements and the efficiency and effectiveness of the Authority. In 2018 the Government introduced an inspection framework for all Fire Services led by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services. The Brigade will be inspected by the Inspectorate between May to July 2019.

On an annual basis, as prescribed in the National Framework for Fire and Rescue Services in England 2018 the Authority publishes its Annual Statement of Assurance which provides a summary and assurance on the operational, financial and governance arrangements within the Authority.

REVIEW OF EFFECTIVENESS

The Treasurer of the Fire Authority has the responsibility for conducting, at least annually, a review of the internal control governance framework. The review of the effectiveness of internal control is informed by the work of Internal Audit and Senior Managers who have responsibility for the development and maintenance of the internal control environment. Additional information by external audit and other review agencies and inspectorates can also contribute to this review.

The arrangements that are in place for maintaining and reviewing the effectiveness of the system of internal control include:

- Internal Audit – the Treasurer of the Fire Authority has the responsibility for maintaining and reviewing the system of financial internal control. In practice, the Fire Authority, and its External Auditor, actively use the assurance from the work of Internal Audit. In fulfilling this responsibility Internal Audit;
    - Operates to CIPFA's Code of Internal Audit Practice and the Institute of Internal Auditors' Guidance and Code of Ethics.
    - An Internal audit plan is formulated on a risk assessed basis on an annual basis.

  - Internal Audit reports from this plan are provided to the Director of Corporate Services and the Audit and Governance Committee.
  - Annually the Head of Internal Audit at Hartlepool Borough Council provides an independent opinion on the adequacy and effectiveness of the system of internal financial control.
- External Audit - as part of the Audit Completion Report produced by External Audit, comments on the corporate governance and performance management arrangements are provided. External audit also expresses an opinion on the adequacy of Internal Audit work during the year.

We have been advised about the implications to emerge from reviewing the effectiveness of the governance framework by the Audit and Governance Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Significant Governance Issues

No significant governance issues have been identified, however, in the interests of improving and developing governance arrangements an action plan for further improvement has been developed (see Appendix 1).

ANNUAL REVIEW OF CORPORATE GOVERNANCE ARRANGEMENTS : ACTION PLAN FOR 2019/20

The following actions have been identified to further improve our governance arrangements:

Appendix 1

No.	Issue	Action
AGS1	Reduce the overall cost base of the revenue budget in line with the Medium Term Financial Strategy.	· Implement Control Room proposal (UOR3) · Incident Command Unit Operational Arrangements (UOR4) · Revenue Budget 2019/20 (UOR19) · Continue to develop our trading company to generate commercial revenues (UOR21)
AGS2	Develop Corporate Governance Arrangements.	· Establish a programme of reviews of Local Agreements (UOR36.7) · Review Key Document Framework policy, strategy and guide (UOR36.17) · Review transparency, accountability and assurance policy and strategy (UOR36.23) · Review and Update the Evaluation Procedure (RP19/20 32) · Compile a detailed Data Quality Procedure (RP19/20 33)
AGS3	Promote greater partnership and collaborative working.	· Incident Command Unit Operational Arrangements (UOR4) · Multi-Agency Incident Command Support (UOR7) · Review the outcomes of the national and local emergency medical responder project evaluations and determine the future of the scheme in Teesside (UOR8) · Emergency Services Mobile Communications Programme – Collaboration with North East Fire and Rescue Services (UOR9) · Explore Collaborative Opportunities for Enabling Services with Cleveland Police (UOR14)
AGS4	Further Develop the Authority's Performance Framework.	· Review and Update the Evaluation Procedure (RP19/20 32) · Review style and content of Year end Performance and efficiency Report and grading framework (RP19/20 38/39) · Develop new style Assurance Reports to support Assurance Framework (RP19/20 40) · Develop an Annual Assurance Plan (RP19/20 41) · Fulfil Home Office Inspection Data Collection Requirements 2019/20: Compile and produce data returns to support HMICFRS Inspection Program : Return 1 & 2 (RP19/20 29/30) · Identify and develop Performance Measures for Staff Fitness Levels (RP19/20 59)

AGS5	Further develop the Authority's Risk Framework.	· Review and Update Risk Management Toolkit to incorporate the risk assessments included in the Community Risk Profile (RP19/20 31) · Participate in and support the work of the NFCC in the development of a national risk management toolkit. (RP19/20 44) · Community Safety Strategy : Safer Homes 2020/22 & Imp Community Health 2020/22 - Further develop our risk based targeting methodology for vulnerabilities across all age ranges (RP19/20 47) · Community Safety Strategy : Safer Roads 2020/22 - Determine the value of providing None Special Service Emergency data (on road debris clean up/spillages) to enhance the local area risk profiling (RP19/20 49) · Produce range of scenario planning risk models to support review of CIRMP Options (RP19/20 56)
AGS6	Delivering against the Equality and Diversity statutory framework.	· Review equality impact assessment policy (UOR36.20) · Compile an Annual Equality and Diversity Workforce Analysis (RP19/20 07)
AGS7	Improvement/Value for Money	· Review Operational Whole-time Duty System (UOR1) · Review Flexi-Duty System (UOR2) · Implement control room proposal (UOR3) · Incident Command Unit Operational Arrangements (UOR4) · Multi-Agency Incident Command Support (UOR7) · Review the outcomes of the national and local emergency medical responder project evaluations and determine the future of the scheme in Teesside (UOR8) · Undertake an Interim Review of CIRMP (UOR10) · Conduct a review of the recruitment, pay and contracts; and availability of retained duty system fire-fighters (UOR11) · Explore Collaborative Opportunities for Enabling Services with Cleveland Police (UOR14) · Investigate the benefits and implications of 24 hour working within the Brigade (UOR20) · Review of Pension, Payroll and Administration Services (UOR24) · Review of Occupational Health Services (UOR26) · Review of Financial Services (UOR27)

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

CHAIR OF CLEVELAND FIRE AUTHORITY:

DATE: 26 July 2019

CHIEF FIRE OFFICER:

DATE: 26 July 2019

MONITORING OFFICER:

DATE: 26 July 2019

TREASURER TO THE CLEVELAND FIRE AUTHORITY:

DATE: 26 July 2019

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLEVELAND FIRE AUTHORITY

Opinion on the Authority and Group financial statements

We have audited the financial statements of Cleveland Fire Authority ('the Authority') for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Account, the Group Balance Sheet, Group Cash Flow Statement and the related notes, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Cleveland Fire Authority and its group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

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

Conclusions relating to going concern

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 Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer 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 Treasurer is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the statements of accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the Treasurer for the financial statements

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Treasurer is also responsible for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Treasurer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Authority is informed of the intention for dissolution without transfer of services or function to another entity. The Treasurer is responsible for assessing each year whether or not it is appropriate for the Authority to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

Conclusion on Cleveland Fire Authority's arrangements for securing economy, efficiency and effectiveness in the 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 2018, we are satisfied that, in all significant respects, Cleveland Fire Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2018, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider 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 form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Authority

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

SECTION 7: Draft Independent Auditor's Report

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General requires us to report to you our conclusion relating to proper arrangements. 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.

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

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

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

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of Cleveland Fire 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 members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of Cleveland Fire Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Gavin Barker, Partner,
For and on behalf of Mazars LLP, Appointed Auditors
Salvus House
Aykley Heads
Durham, DH1 5TS

Date:

GLOSSARY OF TERMS

ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- recognising;
- selecting measurement bases for; and
- presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the Comprehensive Income and Expenditure Statement or Balance Sheet it is to be presented.

CAPITAL EXPENDITURE

Expenditure on the acquisition of an asset or expenditure that adds to and not merely maintains the value of an existing asset.

COMMUNITY INTERGRATED RISK MANAGEMENT PLAN (CIRMP)

The plan identifies the strategic issues to be addressed and how the Authority will address them over the medium term.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

The Chartered Institute of Public Finance and Accounting (CIPFA) Code sets out the accounting concepts and accounting principles which underpin the statement of accounts.

CONSISTENCY

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

CONSTRUCTIVE OBLIGATION

An obligation that derives from an Authority's actions where:

a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the Authority has indicated to other parties that it will accept certain responsibilities; and

b) as a result, the Authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

CONTINGENT LIABILITY

A contingent liability is either:

a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control or;

b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

CREDITORS

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

CURRENT ASSETS

Assets which can be expected to be consumed or realised during the next accounting period, e.g. debtors and stocks.

CURRENT LIABILITIES

Amounts which will become payable or could be called in within the next accounting period e.g. creditors, cash overdrawn.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefit scheme's liabilities expected to rise from employee service in the current period.

SECTION 8: Glossary

CURTAILMENT
For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

a) termination of employee's services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and

b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify for only reduced benefits.

DEBTORS
Amounts due to the Authority for works done, goods received or services rendered before the end of the accounting period, but for which payments have not been received by the end of that accounting period.

DEFINED BENEFIT SCHEME
A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

DEFINED CONTRIBUTION SCHEME
A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DEPRECIATION
The measure of the cost or revalued amount of the benefits of the asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

DISCRETIONARY BENEFITS
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996.

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

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

a) Methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of an asset consumed in a period.

b) Difference methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

EVENTS AFTER THE BALANCE SHEET DATE
Events after the Balance Sheet date are events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts are authorised for issue.

EXCEPTIONAL ITEMS
Material items that derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXPECTED RATE OF RETURN ON PENSION ASSETS
For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE
The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

SECTION 8: Glossary

FINANCE LEASE
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.

FINANCIAL INSTRUMENT
A legally enforceable agreement between two or more parties, expressing a contractual right or a right to the payment of money. Typical examples include investments, loans, trade creditors and trade debtors.

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

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

IMPAIRMENT
A reduction in the value of Property, Plant and Equipment below its carrying amount on the Balance Sheet.

INTANGIBLE ASSETS
Expenditure which may properly be capitalised, but which does not result in an asset with substance. Examples of this type of expenditure are software and other licences, patents and trademarks and artistic originals.

INTEREST COST (PENSIONS)
For a defined benefit scheme, the expected increase during the period is the present value of the scheme liabilities because the benefits are one period closer to settlement.

INTERNATIONAL ACCOUNTING STANDARDS (IAS)
These standards are developed by the International Accounting Standards Board and regulate the preparation and presentation of financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
A set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board.

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

Inventories comprise the following categories:

- goods or other assets purchased for resale;
- consumable stores;
- raw materials and components purchased for incorporation into products for sale;
- products and services in intermediate stages of completion;
- long term contract balances; and
- finished goods.

INVESTMENTS (PENSIONS FUND)
The investments of the Pensions Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of Pension Scheme assets associated with their underlying obligations.

LIQUID RESOURCES
Current asset investments that are readily disposable by the Authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

MINIMUM REVENUE PROVISION (MRP)
The statutory minimum amount that authorities must set aside each year as provision for debt repayment based on the Capital Financing Requirement.

SECTION 8: Glossary

NET BOOK VALUE
The amount at which assets are included in the Balance Sheet, that is their historical cost of current value less the cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST
The cost of replacing or recreating the particular asset in its existing condition and in its existing use, that is the cost of its replacement or of the nearest equivalent asset adjusted to reflect the current condition of the existing asset.

NET REALISABLE VALUE
The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NON-CURRENT ASSET
Assets that yield benefits to the Authority, and the services it provides, for a period of more than one year.

OPERATING LEASES
A lease other than a finance lease.

OPERATIONAL ASSETS
Assets held and occupied, used or consumed by the Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the Authority.

PAST SERVICE COST
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PROJECTED UNIT METHOD
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and

b) the accrued benefits for members in service of the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

PROPERTY, PLANT AND EQUIPMENT
This covers all assets with physical substance that are for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

PROVISION
Funds set aside to cover potential liabilities or losses which are likely or certain to be incurred at a future date but where the exact amount and timing of the liability or loss is currently not known.

RELATED PARTIES
Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an Authority include:

- Central Government;
- Local Authorities and other bodies precepting or levying demands on the Council Tax;
- its subsidiary and associated companies;
- its joint ventures and joint venture partners;
- its Councillors;
- its Chief Fire Officer and Directors; and
- its Pension Fund.

SECTION 8: Glossary

Examples of related parties of a pension fund include its:

- administering Authority and its related parties;
- scheduled bodies and their related parties; and
- Trustees and Advisors.

These lists are not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the Pension Fund;
- the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- the provision of services to a related party, including the provision of pension fund administration services;
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, Rents and payment of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the Authority, but also in relation to its related party.

REMEASUREMENT OF DEFINED LIABILITY

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses); or
- the actuarial assumptions have changed.

REMUNERATION

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

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the Revaluation Reserve cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

RETIREMENT BENEFITS

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

- an employer’s decision to terminate an employee’s employment before the normal retirement date; or
- an employee’s decision to accept voluntary redundancy in exchange for those benefits,

because these are not given in exchange for services rendered by employees.

SCHEME LIABILITIES

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

SECTION 8: Glossary

SERVICE REPORTING CODE OF PRACTICE

A Chartered Institute of Public Finance and Accountancy (CIPFA) guide to accounting for local government services which provides a consistent and comparable calculation of the total costs of services.

SETTLEMENT

An irrecoverable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- the purchase of an irrecoverable annuity contract sufficient to cover vested benefits; and
- the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

USEFUL LIFE

The period over which the Authority will derive benefits from the use of an asset.

FURTHER INFORMATION

Copies of this document can also be provided on audiotape or in large print, Braille and ethnic minority languages on request. We can also be contacted via Typetalk and enquiries in any language can be dealt with in person or on the telephone using Language Line instant translation service.

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