CHESHIRE
FIRE & RESCUE SERVICE

Statement of Accounts

2012-13

www.cheshirefire.gov.uk

CHESHIRE FIRE AUTHORITY

Statement of Accounts 2012-13

CONTENTS

Further Information
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1. INTRODUCTION

The documents below comprise Cheshire Fire Authority's Statement of Accounts for the year 2012-13. This explanatory foreword explains the structure of the Accounts and also considers the overall financial position of the Authority in the context of the economic environment within which the Authority operates.

The production and presentation of the Accounts is determined by the Code of Practice on Local Authority Accounting (the code), which is published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Authority makes every effort to avoid technical language, but the way in which the Accounts are presented means sometimes it has to be included. A glossary is included in the accounts, which explains what the technical terms mean.

The Accounts are presented as a series of statements; a number of these comprise the financial statements themselves, whilst others provide context and other information. This is explained below.

2. THE STATEMENT OF ACCOUNTS

2.1 THE FINANCIAL STATEMENTS

Movement in Reserves Statement (MiRS)

This statement shows the movement in the year on the different reserves held by the Authority, analysed into usable reserves and other reserves. Usable reserves can be used to fund expenditure or reduce local taxation. Other reserves are not available to spend, but are used to reconcile the need to account in accordance with accepted accountancy requirements to what may be charged under statute to local taxation and therefore to the Authority's general fund.

The Comprehensive Income and Expenditure Statement (CI&E)

The Comprehensive Income and Expenditure Statement includes all the financial transactions for which the Authority is responsible. As stated above, not all of these transactions impact on the Authority's General Fund and the MiRS shows how the differences are appropriated to other reserves.

Balance Sheet

The Balance Sheet sets out the Authority's overall financial position at the 31 March 2013, showing its balances and reserves, its long term liabilities, the non current and current assets employed in its operations and its short term liabilities. The net assets of the Authority (assets less liabilities) are matched by the reserves of the Authority, divided into usable reserves and other reserves. Usable reserves may be used by the Authority to provide services, subject to the need to maintain a prudent level and any statutory limitations on their use (for example capital receipts may only be used to fund capital expenditure or repay debt). Other reserves include those which hold unrealised gains and losses, those where amounts would only become available to provide services if the assets are sold and those which hold timing differences and which are shown in the MiRS in "Adjustments between accounting basis and funding under regulations".

Cash Flow Statement

The Authority's Accounts are prepared on an accruals basis (see note 1 of supporting notes to the Statement [Accounting Policies] for more detail on what this means). The Cash Flow Statement summarises the inflows and outflows of cash during the year and reconciles this back to the net position on the Comprehensive Income and Expenditure Statement.

The Pension Fund Account

The Pension Fund Account provides information about the income and expenditure for the year on the Firefighters' Pension Fund. The Account consolidates the 1992 and 2006 schemes.

2.2. SUPPORTING INFORMATION

Note to the Accounts

The Financial Statements are supplemented by the inclusion of a comprehensive set of notes which explain the figures shown in the Financial Statements in more detail.

Statement of Responsibilities for the Statement of the Accounts

This note makes clear the respective responsibilities of the Authority and the Treasurer to the Authority in the preparation of the Accounts.

Statement of Accounting Policies

This shows how the Authority determines the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. It makes clear, for each type of transaction, the criteria used to decide whether to include it in the accounts and, if included, how to present it.

The Annual Governance Statement

This summarises the Authority's responsibilities in the conduct of its operations, the purpose and key elements of the system of internal control and the processes applied in maintaining, reviewing and developing the effectiveness of control systems. It also addresses compliance with legal objectives, organisational priorities, corporate governance arrangements and performance management arrangements.

3. FINANCIAL PERFORMANCE IN 2012-13

Where did the Authority get its revenue funding from?

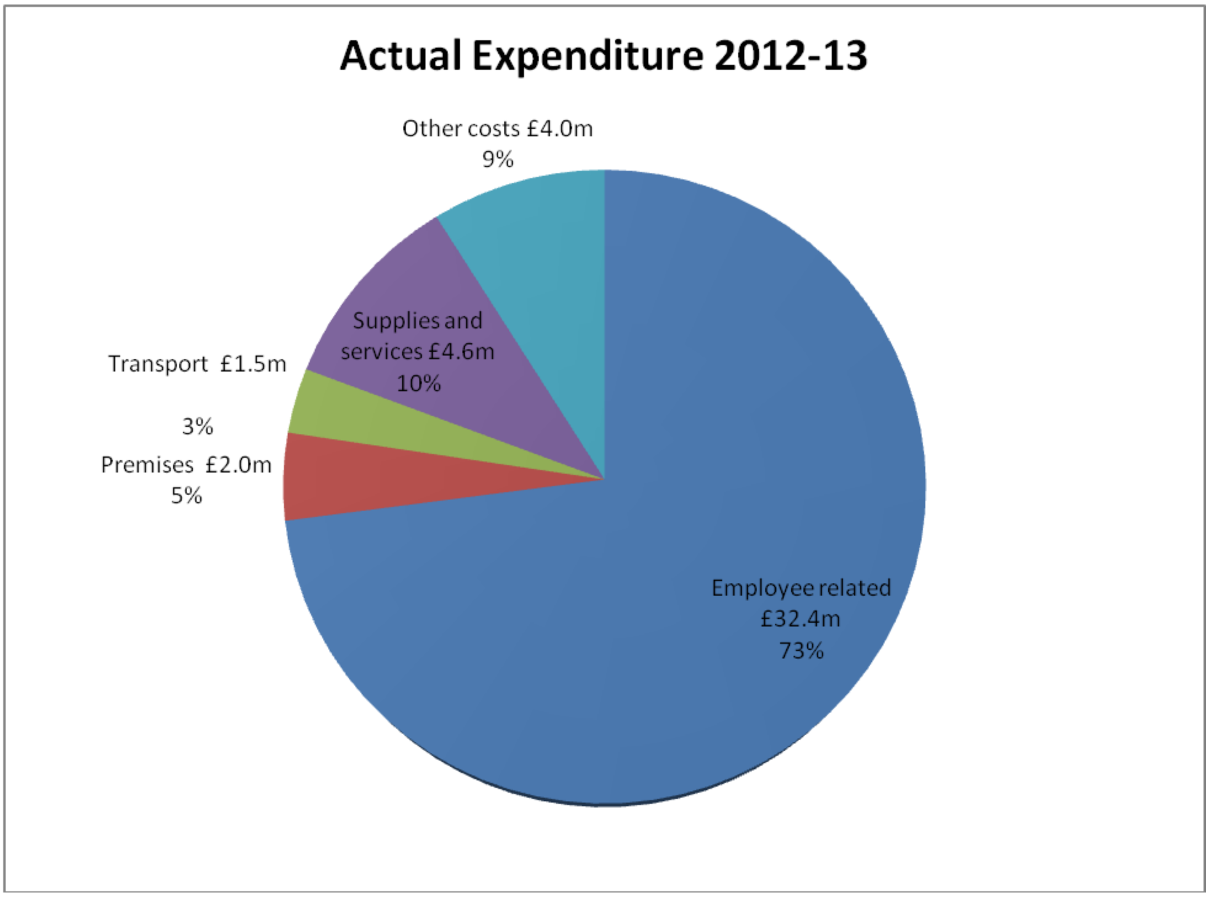
The Authority received over half (56%) of its revenue funding from local taxpayers, by way of precepts (amounts of funding) levied on the four constituent authorities (Cheshire East, Cheshire West and Chester, Halton and Warrington) who collect Council Tax. The precept levied in 2012-13 was unchanged from 2011-12 and equated to £66.43 on a Band D property.

The balance of the revenue funding (44%) was received from Central Government from National Non Domestic Rates and Government Grants. Details are shown in the table below.

	£000	%
Local Taxpayers (Council Tax)	25,064	56
National Non Domestic Rates	19,290	43
Government Grants	374	1
Total	**44,728**	**100**

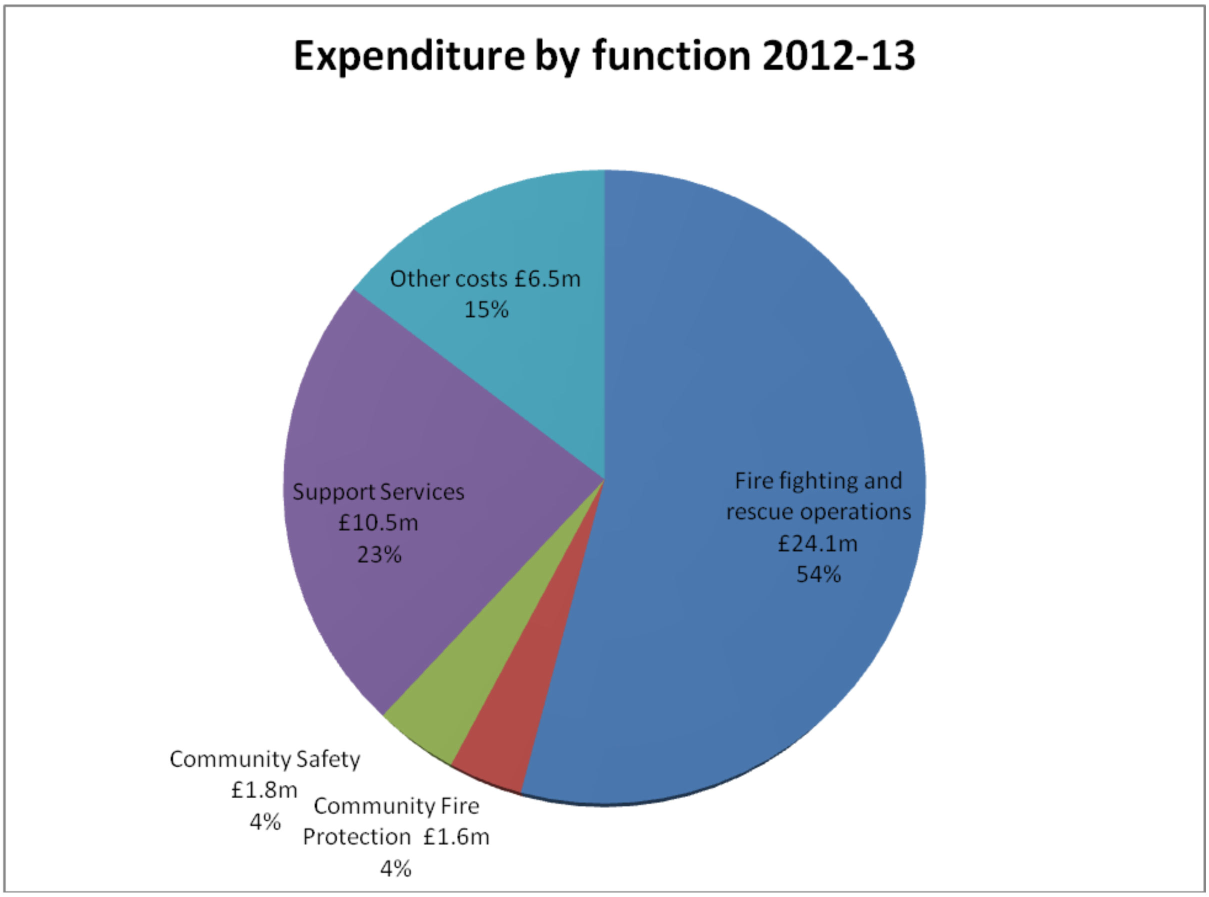
What did the Authority spend its money on?

Actual expenditure broken down by type of expenditure is shown below. The bulk of the Authority's revenue is spent on employee costs.



Performance against budget

Financial and non financial performance is reported on a quarterly basis to the Authority's Performance and Overview committee. Actual expenditure broken down by function is shown below.



The Authority budgeted to break even, so that expenditure and income were equal. However, the Authority has underspent its revenue budget in 2012-13, and the budget has been revised twice during the year, after discussion at the Authority's Performance and Overview Committee, to reflect this. The intention is to reserve the underspend to help underpin the delivery of integrated risk management plan (IRMP) 10. The plans contained in IRMP 10 are outlined below.

The table overpage shows overall how the Authority performed against its revised revenue budget. More detail of the Authority's performance against its departmental revenue budget is provided in Note 28, Amounts Reported for Resource Allocation Decisions.

Department	Revised Budget	Spend	Variance
£000	£000	£000	£000
Fire fighting and rescue operations	24,287	24,052	(235)
Community Fire Protection	1,670	1,624	(46)
Community Safety	1,796	1,837	41
Support Services	10,775	10,467	(308)
Other costs	6,200	6,474	274
Total	44,728	44,454	(274)

The underspend against revised revenue budget is £274k. Fire fighting and rescue operations has continued to underspend against its budget throughout the year, as the Authority continues to keep posts vacant and has lower than anticipated on-call activity. The underspends achieved throughout the year reflect the way in which the department has been preparing to achieve the savings which have been included in the 2013-14 budget.

Support Services have underspent against budget across a number of areas. ICT continues to benefit from the recent upgrading of the network. Facilities has underspent slightly on business rates and utilities, the former as a result of a review of the amount the Authority pays for business rates. Human Resources continue to underspend in anticipation of savings and as a result of reduced spending on corporate training and external contracts. There has also been an underspend on Transport and Workshops, with lower than anticipated spend on vehicle maintenance.

The underspend on Community Fire Protection is mainly as a result of staff vacancies. The overspend on Community Safety is as a result of expenditure on the Prince's Trust partnership which is not directly covered by income not being charged to the Prince's Trust reserve, in the light of the Authority's overall financial position.

Other costs are budgeted for centrally (ie they are not reported as part of operational or support services). The underspend largely relates to the release of the remaining unspent service contingency, and a refund from the pension fund in respect of ill heath pension charges, offset by a slightly higher than anticipated transfer to reserves, much of which relates to pension costs.

In general, the underspending reflects the trend during the year, as the Authority anticipates savings to be made in 2013-14 and beyond to support the delivery of IRMP 10 and future IRMPs. The nature of the savings is largely employee related. It is intended that underspends will mainly be used to augment the IRMP programme reserve which will be used to ensure that funding is available to smooth timing differences between expenditure and the full realisation of planned savings. The Authority is also exploring the potential for further premature debt repayment, utilising the IRMP reserve to fund the premium involved.

Capital Expenditure

The Authority invested £1.9m in non current assets during the year. Some of this expenditure was against schemes included in the capital programme for 2012-13, whilst some was carried forward from previous years. It is the nature of capital expenditure that some schemes do span financial years. The Authority is well within its target for unplanned slippage against the capital expenditure programme.

Significant investments include £923k on vehicles, which reflects the Authority's continued commitment to ensuring it has the necessary resilience to meet its obligations. The Authority is investing in new gym facilities at Runcorn and Winsford, a new brake tester in its workshops, and in developing a new training facility jointly with Greater Manchester Fire and Rescue Service at Manchester Airport.

One key area of slippage is on the provision of new mobile working devices, which has been delayed due to extensive testing of available devices to ensure that the solution best fits the needs of the Service.

4. NON FINANCIAL PERFORMANCE IN 2012-13

Performance and Overview Committee receive a suite of performance indicators quarterly, including a Corporate Performance Scorecard. The final scorecard for 2012-13 shows that overall the Authority is performing well against its targets.

In particular, the number of accidental house fires is at the lowest level ever recorded. In addition, performance has been above target in other key areas such as the completion of Home Safety Assessments, youth activity, road safety engagement and arson conviction rates.

The Authority will use its robust performance management framework to improve in areas where targets were not achieved and help the organisation focus on outcomes which will help it realise its vision of "A Cheshire where there are no deaths, injuries or damage from fires or other emergencies."

5. MATERIAL ASSETS AND LIABILITIES

The Authority did not acquire any material assets or liabilities during the year.

6. PENSIONS LIABILITY

The Authority is a responsible employer and encourages its employees to participate in pensions schemes. Firefighters may be members of two schemes. The first is the scheme introduced in 1992. This closed to new entrants in 2006 and was replaced by a new scheme. The Authority administers these schemes directly. Support staff may be members of the Local Government Pension Scheme, which is administered on the Authority's behalf by Cheshire West and Chester Council.

The Firefighters' Pension schemes are unfunded, which means that there are no underlying assets to fund them and liabilities are funded as they fall due out of the annual income to the scheme. The requirements of International Accounting Standard 19 means that the Authority must account in the current year for the liability which it incurs as an employer for future pension costs. This leads to a liability on the Authority's Balance Sheet of £406m, which is based on a calculation by the Authority's actuaries of the future costs, offset by a notional reserve of an equal and opposite amount. At present, all current deficits on the Firefighters' Pension Scheme are funded by Government through payment of a specific grant.

7. UNUSUAL ITEMS

These would be items which would not normally arise in the course of the Authority's business. The Authority has not incurred any cost or income in relation to any unusual items in the year.

8. CHANGES IN ACCOUNTING POLICY

The Authority has not changed its Accounting Policies in 2012-13.

9. CURRENT BORROWING FACILITIES

In accordance with its Treasury Management Strategy, the Authority has recently been using cash balances to fund capital expenditure, as the poor investment returns available make this the most cost effective solution. At the beginning of the year the Authority had outstanding loans with the Public Works Loans Board (PWLB) of £5,839k. During the year a loan for £437k matured and was not replaced. In addition, the Authority repaid £2,068k to PWLB prematurely, leaving a balance outstanding on 31 March 2013 of

£3,334k. The policy on premature repayment continues to be reviewed. The Authority has a small outstanding loan facility (£12k) with SALIX, a not for profit company which helps Public Sector organisations fund projects using green technology.

It is likely that the Authority will repay further debt in summer 2013 as it seeks to use cash balances to generate revenue savings.

Beyond that described in the section on Capital Expenditure above, the Authority has not acquired any major assets in the year, nor disposed of any.

10. SOURCES OF FUNDS FOR CAPITAL

The Authority still retains healthy cash balances which are the first port of call for funding capital expenditure. In addition, it has received capital grant from DCLG of £1.4m in 2012-13. As a result of a successful bid to DCLG, it will receive £4.5m (in addition to an allocated £2.1m) over the next two years. These additional funds will support delivery of IRMP 10. The Authority also has some headroom when comparing actual borrowings with the boundaries calculated as part of the Authority's response to the requirements of the Prudential Code. The key issue remains the Authority's ability to contain the potential impact from any capital funding decisions within its revenue budget, and this is regularly considered as part of the Medium Term Financial Plan (MTFP).

11. SIGNIFICANT PROVISIONS, CONTINGENCIES AND MATERIAL WRITE OFFS

The Authority has a Risk Management Framework which identifies significant risks and where those risks are clearly financial in nature they are designated as such and considered regularly at Budget Management Board, which considers financial matters and is chaired by the Chief Fire Officer.

As a result the Authority has identified two contingent liabilities, in respect of potential future insurance claims and potential pension costs for on call firefighters. The provision created in 2011-12 in respect of potential future insurance claims has been derecognised, because further information concerning the risk from the Authority's potential exposure to loss suggests it is less certain than previously believed. There is, however, still sufficient risk to warrant its inclusion as a contingent liability. In addition, at present it would not be possible to attach a monetary value to the risk.

The Authority has not incurred any significant write offs during the year, and we do not anticipate any such write offs in the future.

12. MATERIAL EVENTS AFTER THE BALANCE SHEET EVENT

There have been no material events after the Balance Sheet date.

13. IMPACT OF THE CURRENT ECONOMIC CLIMATE

The Authority's MTFP, which is continuously reviewed, models the next four years based on a set of assumptions, including those around likely future grant settlements. The impact of the Government's austerity measures on Fire Authorities was planned to be more severe in the last two years of the current Comprehensive Spending Review, which are 2013-14 and 2014-15. The Authority has developed IRMP 10 to help meet these challenges. IRMP 10 is discussed in more detail in the next section. In addition to IRMP 10, the Authority is undertaking Value for Money (VFM) reviews, which to date have led to significant savings and which will contribute to further savings in the future.

It seems likely that there will be a continuation of pressure on budgets as the Government moves into the next Comprehensive Spending Review period. The latest indications are that this will particularly impact in 2015-16, and this will be reflected in the MTFP and planned for.

There is further uncertainty from 2013-14 onwards as a result of changes from the Local Government Resource Review and its impact on the way in which Business Rates are to be dealt with. In addition, changes to Council Tax benefit as a result of the Localisation of Council Tax Support and, more generally, with the introduction of Universal Credit, may also impact the Authority.

The Authority has developed its IRMP reserve in response to the challenges of the next few years. Significant amongst these are the level of potential cuts and consequent need for savings, the continuing uncertainty around funding levels, and the logistical difficulties in delivering the complex programme of projects to deliver the results of IRMP 10. The reserve will help support the Authority smooth out the planned delivery of the programme in years where savings are not achieved entirely as anticipated, or if costs are higher or lower that expected.

The Authority has a balance on its general fund of £6,741k at 31 March 2013. The Treasurer is required, as part of the budgetary process, to risk assess the adequacy of the Authority's reserves. The risk assessment for 2012-13 shows that the reserve level is adequate. The level is constantly under review in the light of any new risks which might have a financial impact. In addition to the General Fund, members of the Authority have prudently earmarked some reserves to meet local Community Fire Safety need, to meet the future costs of home safety assessments and other community initiatives, to help pay for training and other activity and, as discussed above, to help the Authority deliver IRMP 10 and future IRMPs.

The value of the Authority's non current assets is largely property related and the Authority recognises that a downturn in property values might lead to some reduction in value which would impact negatively on the Balance Sheet. The Authority carried out an impairment review of its non current assets in March 2013. This did not identify any changes significant enough to consider including in the Financial Statements.

14. FUTURE PLANS

The MTFP has identified the need for savings of more than £5m over the next four years. IRMP 10 has been developed partly to drive the savings agenda, but also to ensure that the quality of the service is maintained at a time of severe financial challenge. This plan includes the building of up to five new Fire Stations based on detailed risk intelligence to ensure standards are maintained, but with new and refreshed staffing systems in place. The Authority undertook a detailed consultation exercise on IRMP 10, which was externally validated. It showed that generally the residents of Cheshire and other key stakeholders were supportive of the plan.

In addition to the delivery of IRMP 10, the Authority continues to rigorously test its expenditure plans, by using the VFM process and by the challenge meetings which form a key part of the budget building process.

The MTFP takes into account a continuing Capital Programme, focussing on the financial implications of IRMP 10 in delivering new stations and more generally on the Authority's Asset Management Strategy.

During 2012-13, the Authority has successfully remodelled its control function and now deals with all calls for Cumbria Fire and Rescue Services jointly alongside its own. In addition, the Authority has entered into a joint venture with the Authorities of Greater Manchester, Lancashire and Cumbria, which has resulted in the creation of North West Fire Control Ltd (NWFC), which will be based in Warrington and which is due to go live during 2014. The delivery of control services by NWFC will lead to significant savings for all the Authorities involved, as well as enabling new state of the art facilities.

During 2013-14, the Authority will enter into a partnership with Cheshire Police and share Poynton Fire Station. The Authority will seek further such collaborations in the future, on both new and existing sites.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Responsibilities of Cheshire Fire Authority

Cheshire Fire Authority is required to:

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

Statement from Cheshire Fire Authority

I hereby approve the Statement of Accounts for Cheshire Fire Authority for the year ended 31 March 2013.

J Joyce

....

Councillor John Joyce
Cheshire Fire Authority

Date: 18 September 2013

Responsibilities of the Treasurer to the Cheshire Fire Authority

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

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

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

The Treasurer has also:

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

The Treasurer's Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of Cheshire Fire Authority at the reporting date and its income and expenditure for the year ended 31 March 2013 and that events after this date and prior to the formal approval of the Accounts have been properly considered.

....

Paul Vaughan
Treasurer to Cheshire Fire Authority

Date: 18 September 2013

CHESHIRE FIRE AUTHORITY - MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net increase/decrease, before transfers to earmarked reserves, line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	General Fund Balance	(Usable) Capital Receipts	Resource Centre Managers Reserves	Community Risk Reduction Reserve	UPGs Reserve	Capital grant unapplied account	Capital Reserve	**Total Usable Reserves**	Pensions Reserve	Revaluation Reserve	Collection Fund Adjustment Account	Accumulated Absences Account	Capital Adjustment Account	**Total Other Reserves**	**Total Authority Reserves**
Balance at 31 March 2011	(6,116)	(289)	(3,860)	(742)	(274)	-	(1,442)	**(12,723)**	316,153	(4,689)	6	601	(20,009)	**292,062**	**279,339**
Movement in reserves during 2011-12															
Surplus or deficit on the provision of services	13,044	-	-	-	-	-	-	**13,044**	-	-	-	-	-	**-**	**13,044**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	**-**	15,841	-	-	-	-	**15,841**	**15,841**
Total Comprehensive Income and Expenditure	13,044	-	**-**	**-**	**-**	**-**	**-**	**13,044**	**15,841**	**-**	**-**	**-**	**-**	**15,841**	**28,885**
Adjustments between accounting basis and funding basis under regulations															
-depreciation & impairment of fixed assets and other capital charges	(2,574)	-	-	-	-	-	-	**(2,574)**	-	45	-	-	2,529	**2,574**	**-**
-pension costs - statutory adjustment	(17,744)	-	-	-	-	-	-	**(17,744)**	17,744	-	-	-	-	**17,744**	**-**
-capital expenditure charged to revenue	-	-	-	-	-	-	274	**274**	-	-	-	-	(274)	**(274)**	**-**
-capital grants - statutory adjustment	2,442	-	-	-	-	(5)	-	**2,437**	-	-	-	-	(2,437)	**(2,437)**	**-**
-Council tax - statutory adjustment	56	-	-	-	-	-	-	**56**	-	-	(56)	-	-	**(56)**	**-**
-Accumulated Absences - statutory adjustment	106	-	-	-	-	-	-	**106**	-	-	-	(106)	-	**(106)**	**-**
-Statutory provision for debt repayment (MRP)	777	-	-	-	-	-	-	**777**	-	-	-	-	(777)	**(777)**	**-**
Net increase/decrease before transfers to earmarked reserves	**(3,893)**	**-**	**-**	**-**	**-**	**(5)**	**274**	**(3,624)**	**33,585**	**45**	**(56)**	**(106)**	**(959)**	**32,509**	**28,885**
Transfers to/from earmarked reserves	3,464	-	(2,984)	-	(32)	-	(448)	**-**	-	-	-	-	-	**-**	**-**
(Increase)/Decrease in 2011-12	**(429)**	**-**	**(2,984)**	**-**	**(32)**	**(5)**	**(174)**	**(3,624)**	**33,585**	**45**	**(56)**	**(106)**	**(959)**	**32,509**	**28,885**
Balance at 31 March 2012 carried forward	**(6,545)**	**(289)**	**(6,844)**	**(742)**	**(306)**	**(5)**	**(1,616)**	**(16,347)**	**349,738**	**(4,644)**	**(50)**	**495**	**(20,968)**	**324,571**	**308,224**

CHESHIRE FIRE AUTHORITY - MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net increase/decrease, before transfers to earmarked reserves, line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	General Fund Balance	(Usable) Capital Receipts	Resource Centre Managers Reserves	Community Risk Reduction Reserve	UPGs Reserve	Capital grant unapplied account	Capital Reserve	**Total Usable Reserves**	Pensions Reserve	Revaluation Reserve	Collection Fund Adjustment Account	Accumulated Absences Account	Capital Adjustment Account	**Total Other Reserves**	**Total Authority Reserves**
Balance at 31 March 2012 brought forward	(6,545)	(289)	(6,844)	(742)	(306)	(5)	(1,616)	**(16,347)**	349,738	(4,644)	(50)	495	(20,968)	**324,571**	**308,224**
Movement in reserves during 2012-13															
Surplus or deficit on the provision of services	7,738	-	-	-	-	-	-	**7,738**	-	-	-	-	-	**-**	**7,738**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	**-**	42,903	-	-	-	-	**42,903**	**42,903**
Total Comprehensive Income and Expenditure	7,738	-	-	-	-	-	-	**7,738**	**42,903**	-	-	-	-	**42,903**	**50,641**
Adjustments between accounting basis and funding basis under regulations														**-**	**-**
-depreciation & impairment of fixed assets and other capital charges	(2,620)	-	-	-	-	-	-	**(2,620)**	-	45	-	-	2,575	**2,620**	**-**
-pension costs - statutory adjustment	(13,245)	-	-	-	-	-	-	**(13,245)**	13,245	-	-	-	-	**13,245**	**-**
-capital expenditure charged to revenue	-	-	-	-	-	-	468	**468**	-	-	-	-	(468)	**(468)**	**-**
-capital grants - statutory adjustment	1,416	-	-	-	-	5	-	**1,421**	-	-	-	-	(1,421)	**(1,421)**	**-**
-Council tax - statutory adjustment	46	-	-	-	-	-	-	**46**	-	-	(46)	-	-	**(46)**	**-**
-Accumulated Absences - statutory adjustment	(90)	-	-	-	-	-	-	**(90)**	-	-	-	90	-	**90**	**-**
-Statutory provision for debt repayment (MRP)	724	-	-	-	-	-	-	**724**	-	-	-	-	(724)	**(724)**	**-**
Net increase/decrease before transfers to earmarked reserves	**(6,031)**	**-**	**-**	**-**	**-**	**5**	**468**	**(5,558)**	**56,148**	**45**	**(46)**	**90**	**(38)**	**56,199**	**50,641**
Transfers to/from earmarked reserves	5,835	-	(5,224)	-	(28)	-	(583)	**-**	-	-	-	-	-	**-**	**-**
(Increase)/Decrease in 2012-13	**(196)**	**-**	**(5,224)**	**-**	**(28)**	**5**	**(115)**	**(5,558)**	**56,148**	**45**	**(46)**	**90**	**(38)**	**56,199**	**50,641**
Balance at 31 March 2013 carried forward	**(6,741)**	**(289)**	**(12,068)**	**(742)**	**(334)**	**-**	**(1,731)**	**(21,905)**	**405,886**	**(4,599)**	**(96)**	**585**	**(21,006)**	**380,770**	**358,865**

For further details on Usable and Other Reserves, see Notes 23 and 24.

CHESHIRE FIRE AUTHORITY - COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure (CI&E) statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. 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.

2011-12 Gross Expenditure £000	2011-12 Gross Income £000	2011-12 Net Expenditure £000		Note	2012-13 Gross Expenditure £000	2012-13 Gross Income £000	2012-13 Net Expenditure £000
5,310	(340)	**4,970**	Community fire safety		4,982	(375)	**4,607**
34,744	(2,207)	**32,537**	Fire fighting and rescue operations		34,283	(2,596)	**31,687**
731	(31)	**700**	Corporate and democratic core		734	(39)	**695**
3,716	-	**3,716**	Non-distributed costs	41	67	-	**67**
44,501	**(2,578)**	**41,923**	**Cost of services**		**40,066**	**(3,010)**	**37,056**
58	-	**58**	Other operating expenditure	10	19	-	**19**
18,854	(1,591)	17,263	Financing and investment income and expenditure	11	18,339	(1,485)	**16,854**
-	(46,200)	(46,200)	Taxation and non-specific grant income	12	-	(46,191)	**(46,191)**
		13,044	**(Surplus)/Deficit on Provision of Services**				**7,738**
		15,841	Actuarial (gains)/losses on pension assets and liabilities	41			**42,903**
		28,885	**Total Comprehensive Income and Expenditure**				**50,641**

CHESHIRE FIRE AUTHORITY - BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve 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 reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

01/04/2011	31/03/2012			31/03/2013	
£000	£000		Note	£000	£000
30,451	29,750	Land and buildings	13	29,032	
4,629	5,754	Vehicles and equipment	13	6,044	
588	337	Assets under construction	13	183	
621	576	Intangible assets	14	418	
36,289	**36,417**	**Total long-term assets**			**35,677**
4,005	7,039	Short-term investments	15	12,119	
271	278	Inventories	17	371	
2,603	3,334	Short-term debtors	19	3,619	
519	1,340	Amount due from pension fund	Pension fund	1,835	
5,394	3,874	Cash and cash equivalents	20	1,914	
12,792	**15,865**	**Total current assets**			**19,858**
49,081	**52,282**	**Total assets**			**55,535**
-	(99)	Cash and cash equivalents	20	-	
(608)	(445)	Short-term borrowing	15	(8)	
(4,455)	(3,834)	Short-term creditors	21	(4,626)	
-	(10)	Grants Receipts in Advance-capital	32	-	
(5,063)	**(4,388)**	**Total current liabilities**			**(4,634)**
44,018	**47,894**	**Total assets less current liabilities**			**50,901**
(1,006)	(686)	Long-term creditors	16	(330)	
(242)	(192)	Provisions	22	(133)	
(5,859)	(5,414)	Long-term borrowing	15	(3,338)	
(97)	(88)	Deferred liabilities	35	(79)	
(316,153)	(349,738)	Net pension liability (IAS19)	41	(405,886)	
(323,357)	**(356,118)**	**Total long-term liabilities**			**(409,766)**
(279,339)	**(308,224)**	**Net assets**			**(358,865)**
(12,723)	(16,347)	Usable reserves	23, MiRS		(21,905)
292,062	324,571	Unusable reserves	24, MiRS		380,770
279,339	**308,224**	**Total reserves**			**358,865**

CHESHIRE FIRE AUTHORITY - 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.

2011-12 £000		Note	2012-13 £000
13,044	**Net (surplus)/deficit on the provision of services**	CI&E	**7,738**
(16,850)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	25	(15,272)
1,478	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	27	1,407
(2,328)	**Net cash flows from Operating Activities**		**(6,127)**
3,330	Investing activities	26	5,466
617	Financing activities	27	2,522
1,619	**Net (increase)/decrease in cash and cash equivalents**		**1,861**
5,394	Cash and cash equivalents at the beginning of the reporting period	20	3,775
3,775	Cash and cash equivalents at the end of the reporting period	20	1,914
1,619	**Net (increase)/decrease in cash and cash equivalents**		**1,861**

CHESHIRE FIRE AUTHORITY - FIREFIGHTERS' PENSION FUND

2011-12 £000	2011-12 £000		2012-13 £000	2012-13 £000
		Contributions Receivable		
		Fire Authority contributions		
(3,032)		1992 Firefighters' Pension Scheme	(2,552)	
(456)		2006 New Firefighters' Pension Scheme	(534)	
	(3,488)			(3,086)
		Actuarial charges re: Early retirements		
	(84)	Re: Ill health retirements		(30)
	(3,572)			**(3,116)**
		Firefighters' Contributions		
(1,566)		1992 Firefighters' Pension Scheme	(1,407)	
(352)		2006 New Firefighters' Pension Scheme	(428)	
	(1,918)			(1,835)
		Transfers in		
	(96)	Transfers in from other pension funds		(98)
	(5,586)	**Total Amount Receivable**		**(5,049)**
		Benefits payable		
9,567		Pensions	10,184	
3,434		Commutation of pensions and lump sum retirement benefits	2,529	
	13,001	**Total Benefits payable**		12,713
		Payments to and on account of leavers		
	145	Individual transfers out to other schemes		45
	17	**Administrative expenses**		1
	13,163	**Total Amount payable**		**12,759**
	7,577	**(Surplus)/deficit for the year before top-up grant from Government**		**7,710**
	(7,577)	Top-up grant receivable from Government		(7,710)
	-	**Net amount payable/receivable for the year**		**-**

Net Assets Statement

01/04/2011 £000	31/03/2012 £000		31/03/2013 £000
		Current Assets	
892	2,510	Top-up grant receivable from the Government	1,855
-	123	Employee arrears	95
13	13	Contributions due from Fire Authority	13
		Current Liabilities	
(135)	(102)	Contributions received in advance	(87)
-	(954)	Benefits outstanding	(41)
(251)	(250)	Top-up grant payable to the Government	-
(519)	(1,340)	Amount due to General Fund	(1,835)
-	**-**	**Net Assets**	**-**

For further details, please see notes to the financial statements, notes 33 & 41.

The following pages show the notes to Cheshire Fire Authority Financial Statements 2012-13, a listing of the notes is shown below.

1 Accounting Policies

I General Principles

The Statement of Accounts summarises the Authority's transactions for the 2012-13 financial year and its position at the year end of 31 March 2013. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations (England) 2011, which 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 2012-13 and the Service Reporting Code of Practice 2012-13, supported by International Financial Reporting Standards (IFRS).

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

II Accruals of Income and Expenditure

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

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

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

III Cash and Cash Equivalents

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

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

IV Exceptional Items

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

V Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

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

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

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

VI Charges to Revenue for Non-Current Assets

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

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. 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 in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

VII 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. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement, when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post-Employment Benefits

Employees of the Authority are members of three separate pension schemes:
-The Local Government Pension Scheme, administered by Cheshire West and Chester Council
-The Firefighters' Pension Schemes (1992)
-The New Firefighter Pensions Scheme (2006)

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

The Local Government Pension Scheme for non-uniformed staff -
All non-uniformed staff, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme, through the medium of the Cheshire Pension Fund. The scheme, which is a funded, defined benefit statutory scheme, is administered by Cheshire West and Chester Council in accordance with the Local Government Pension Scheme Regulations 2007 and 2008. The Authority currently pays an employer's contribution of 18.4% of employees' pensionable pay into the Cheshire Pension Fund. All pension payments to eligible staff are met from this fund. The attributable assets of the scheme are measured at fair value. Assets are valued at bid value.

Employer contribution rates are reviewed every three years. The last review took place on 31 March 2010. Contributions are set at a level intended to balance pension liabilities with the Authority's share of the Fund's investment assets.

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

Liabilities are discounted to their value at current prices, using a discount rate of 6.1% (based on the single average gilt yield which gives the same present value as the gilt curve applied to the cash flows of a typical LGPS employer with a duration of around 17 years, plus mean credit spread on AA corporate bonds within the iBoxx Over 15 Years Index).

The Firefighters' Pension Schemes for uniformed staff -
These are unfunded schemes, meaning that there are no investment assets built up to meet their liabilities. These liabilities now reside in a local pensions fund into which pension contributions are made and from which pensions are paid. An original scheme commenced in 1992, and an additional scheme in 2006, with both being administered through one fund. The Authority currently pays an employer's contribution of 21.3% of employees' pensionable pay into the fund in respect of the 1992 scheme, and 11% in respect of the 2006 scheme. The balance on the local pensions account is funded by Government grant.

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

The impact of these three pension schemes is identified in the revenue account and balance sheet.
The change in net pensions liability is analysed into seven components:

- 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 arising from current year decisions whose effect relates to years of service earned in earlier years; debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Interest cost - The expected increase in the present value of liabilities during the year as they move one year closer to being paid; debited to Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure Statement.
- Expected return on assets - The annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return; credited to Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains or losses on settlements and curtailments - The result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees; debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Actuarial gains and losses - Changes in the net pensions liability which arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions; debited to the Pensions Reserve.
- Contributions paid to the pension schemes - Cash paid as employers' 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 benefits are earned by employees.

Discretionary Benefits

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

VIII Events After the Reporting Period

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

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

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

IX Financial Instruments

Financial Liabilities

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

The Authority's borrowings in the Balance Sheet represent the outstanding principal repayable (plus any accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.
Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

Financial Assets (Loans and Receivables)

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

X Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

XI Government Grants and Contributions

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

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

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

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

XII Heritage Assets

Heritage assets are defined as tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

The Authority does not consider that any of its assets fall into the definition of a heritage asset.

XIII Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.
Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement with charges commencing in the year of acquisition. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

XIV Interests in Companies and Other Entities (Group Accounts)

The Authority has an interest in two entities, the North West Partnership, and NW Fire Control Ltd. Comprehensive notes in respect of these are provided in the notes to the core financial statements.

XV Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the first in first out (FIFO) costing formula.
The Authority has no long term contracts.

XVI Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.
Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.
Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

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

- a charge for the acquisition of the interest in the Property, Plant or Equipment; applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).
The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

XVII Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012-13 (SeRCOP). The total absorption method is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Authority's status as a democratic organisation
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and the changes in the net pensions liability relating to the components for past service costs and gains or losses on settlements and curtailments.

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

XVIII Property, Plant and Equipment

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

Recognition
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense as it is incurred. The Authority does not treat any expenditure under £10,000 as capital expenditure.

Measurement
Assets are initially measured at cost, comprising:

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Account, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction - depreciated historical cost
- all other assets - fair value, determined as the amount that would be paid for the asset in its existing use

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.
Where non-property assets have short useful lives and/or low values, depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their 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 a service.

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

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

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment - straight-line allocation over the asset's useful life: appliances 13 years, hydraulic platforms/turntable ladders 20 years and other vehicles and equipment 5 to 15 years

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item and material to the Authority, the components are depreciated separately.

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

Disposals and Non-current Assets Held for Sale

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

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

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

Componentisation

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

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

XIX Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.
Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

XX Reserves

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

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

XXI Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

XXII VAT

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

XXIII Carbon Reduction Commitment Allowances

The Authority is not required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme.

2 Accounting Standards that have been issued but have not yet been adopted

The code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the code for the relevant year. There are no such changes relevant to 2012-13.

3 Critical judgements in applying Accounting Policies

In applying the Accounting Policies set out in Note 1, 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 local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to reduce levels of service provision. The Authority reviews its MTFP to assess potential impacts of reduction in fundings. The need to make efficiencies is factored into the IRMP process.

4 Material items of income and expense

The Authority has no material items of income or expenditure which are not disclosed in the Comprehensive Income and Expenditure Account.

5 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the 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 2013 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 (see note13)	Assets are depreciated over useful lives that are dependent on assumptions about the levels 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, although the Authority does not feel that this poses any immediate quantifiable risk.	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 £43k for every year that useful lives had to be reduced.
Provisions (see note 22)		The Comprehensive Income and Expenditure Statement has been charged with the amount of the provision. Any change would result in a credit/debit to the Comprehensive Income and Expenditure Statement.
Pension Liability (see note 41)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement age, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. Sensitivity analyses in respect of the Firefighters' and Local Government Pension schemes are shown below, together with the monetary value that would result if they came to fruition.

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

Change in financial assumptions at year ended 31 March 2013	LOCAL GOVERNMENT PENSION SCHEME Approximate Increase to Employer Liability	Approximate monetary Amount
	%	£000
0.5% decrease in real discount rate	12%	4,160
1 year increase in member life expectancy	3%	1,033
0.5% increase in the salary increase rate	5%	1,668
0.5% increase in the pensions increase rate (CPI)	7%	2,395

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

	FIREFIGHTERS' PENSION SCHEME - FPS (1992 scheme)		FIREFIGHTERS' PENSION SCHEME - NFPS (2006 scheme)	
Change in financial assumptions at year ended 31 March 2013	Approximate increase to Employer Liability	Approximate monetary amount	Approximate Increase to Employer Liability	Approximate monetary Amount
	%	£000	%	£000
0.1% decrease in real discount rate	2%	7,000	4%	400
1 year increase in member life expectancy	3%	11,600	3%	300
0.5% increase in the salary increase rate	1%	4,600	10%	1,100
0.5% increase in the pensions increase rate (CPI)	8%	31,400	9%	1,000

The sensitivities regarding the principal assumptions used to measure the projected current service cost are set out below:

	FIREFIGHTERS' PENSION SCHEME - FPS (1992 scheme)		FIREFIGHTERS' PENSION SCHEME - NFPS (2006 scheme)	
Change in financial assumptions at year ended 31 March 2013	Approximate increase to Employer Liability	Approximate monetary amount	Approximate Increase to Employer Liability	Approximate monetary Amount
	%	£000	%	£000
0.1% decrease in real discount rate	3%	220	5%	80
1 year increase in member life expectancy	3%	230	3%	50
0.5% increase in the salary increase rate	3%	250	13%	230
0.5% increase in the pensions increase rate (CPI)	12%	900	11%	190

6 Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Treasurer on 18 September 2013. 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 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.
During June 2013, the Authority repaid £1.12m of its PWLB loans. There are no other material events after the Balance Sheet date.
The financial statements and notes have not been adjusted for events which took place after 31 March 2013 as although they provide information that is relevant to an understanding of the Authority's financial position, they do not relate to conditions at that date.

7 Adjustments between Accounting Basis and Funding Basis under regulations

Please refer to the Movement in Reserves Statement (MiRS), for details on the adjustments that are made to the total Comprehensive Income and Expenditure Statement (items recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure).

8 Prior period adjustments

There are no prior period adjustments in the Authority's 2012-13 accounts.

9 Transfers to/from Earmarked Reserves

Please refer to the Movement in Reserves Statement and note 23.

10 Other Operating Expenditure

2011-12 Net Expenditure £000			2012-13	
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
58	(Gains)/losses on the disposal of non-current assets	19	-	19
58	**Total**	**19**	**-**	**19**

11 Financing and Investment Income and Expenditure

2011-12 Net Expenditure £000		2012-13 Gross Expenditure £000	2012-13 Gross Income £000	2012-13 Net Expenditure £000
294	Interest payable on debt and similar charges	680	-	680
5	Interest payable on finance leases	4	-	4
(171)	Interest receivable and similar income	-	(256)	(256)
18,555	Pensions interest cost	17,655	-	17,655
(1,420)	Expected return on pensions assets	-	(1,229)	(1,229)
17,263	**Total**	**18,339**	**(1,485)**	**16,854**

12 Taxation and non-specific grant income

2011-12 Income £000		2012-13 Income £000
(25,089)	Council tax income	(25,111)
(14,261)	Non-domestic rates	(19,290)
(4,408)	Non-ringfenced government grants	(374)
(2,442)	Capital grants and contributions	(1,416)
(46,200)	**Total**	**(46,191)**

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

13 Property, Plant and Equipment

	Land and Buildings £000	Vehicles £000	Plant & Equipment £000	Assets under Construction £000	Total £000
Cost or valuation					
At 1 April 2011	**32,266**	**8,893**	**3,549**	**588**	**45,296**
Additions	309	1,723	259	337	**2,628**
Derecognitions	-	(191)	(98)	-	**(289)**
Reclassifications	-	513	(45)	(588)	**(120)**
As at 31 March 2012	**32,575**	**10,938**	**3,665**	**337**	**47,515**
Accumulated depreciation and impairment					
At 1 April 2011	**(1,815)**	**(6,246)**	**(1,567)**	-	**(9,628)**
Depreciation charge	(1,010)	(710)	(557)	-	**(2,277)**
Derecognitions	-	133	98	-	**231**
Reclassifications	-	(18)	18	-	**-**
As at 31 March 2012	**(2,825)**	**(6,841)**	**(2,008)**	-	**(11,674)**
Net book value:					
At 31 March 2012	**29,750**	**4,097**	**1,657**	**337**	**35,841**
At 1 April 2011	**30,451**	**2,647**	**1,982**	**588**	**35,668**

	Land and Buildings £000	Vehicles £000	Plant & Equipment £000	Assets under Construction £000	Total £000
Cost or valuation					
At 1 April 2012	**32,575**	**10,938**	**3,665**	**337**	**47,515**
Additions	331	923	344	183	**1,781**
Revaluations recognised in the Surplus/ Deficit on Provision of Services (note a)	(41)	-	-	-	**(41)**
Derecognitions	-	(979)	(200)	(19)	**(1,198)**
Reclassifications	13	317	(12)	(318)	**-**
As at 31 March 2013	**32,878**	**11,199**	**3,797**	**183**	**48,057**
Accumulated depreciation and impairment					
At 1 April 2012	**(2,825)**	**(6,841)**	**(2,008)**	-	**(11,674)**
Depreciation charge	(1,021)	(737)	(545)	-	**(2,303)**
Derecognitions	-	979	200	-	**1,179**
Reclassifications	-	(4)	4	-	**-**
As at 31 March 2013	**(3,846)**	**(6,603)**	**(2,349)**	-	**(12,798)**
Net book value:					
At 31 March 2013	**29,032**	**4,596**	**1,448**	**183**	**35,259**
At 1 April 2012	**29,750**	**4,097**	**1,657**	**337**	**35,841**

a) The final retention payment in relation to the HQ extension was made in 2012-13. This effectively recognises work done prior to the HQ revaluation on 31 March 2011. As such, this payment is not considered to have increased the value of the asset in 2012-13 and it has subsequently been written out as a revaluation loss.

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

- Firefighter dwellings and other buildings - 25 years
- Fire appliances - 13 years
- Hydraulic platforms/turntable ladders - 20 years
- Other vehicles and equipment - 5 to 15 years

Capital Commitments
At 31 March 2013, the Authority has entered into contracts for the construction or enhancement of Property, Plant and Equipment in 2012-13 budgeted costs of £135k. Similar commitments at 31 March 2012 were £406k.

31 March 2012 £000		31 March 2013 £000
41	Headquarters Extension	-
189	Appliances	-
4	Wilmslow Refurbishment	-
17	Photo Voltaic Installation	-
84	ICT programme of change	14
71	Cumbria partnership	-
-	HQ Entrance alterations	26
-	Runcorn Gym	52
-	Poynton Station Partnership	2
-	Hydrant Van	4
-	Manchester Airport Training Facility	19
-	Command and Control Unit	2
-	AV Equipment Upgrade	16
406	**Total**	**135**

Effects of changes in estimates
There have been no material changes in accounting estimates in 2012-13.

Revaluations

Assets included in the Balance Sheet at current value are revalued at least every five years. The Authority's property portfolio was revalued by Edward Cottrell, MRICS of Cottrell Commercial as at 31 March 2009. The basis of the valuation was as follows:

- Day Crewed Housing - Market Value
- Fire Service Headquarters - Existing Use Value
- Fire Stations - Depreciated Replacement Cost

The Headquarters were revalued at 31 March 2011 at Existing Use Value by the Authority's valuer in recognition of significant extension work.

A full valuation of the Authority's land and buildings is due at the end of 2013-14.

Other non current assets are valued at historic cost.

14 Intangible Assets

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

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful life assigned to the major software suites used by the Authority is five years.

	Intangible (Purchased) Assets	
	2011-12	**2012-13**
	£000	**£000**
Balance at start of year :		
Gross carrying amounts	1,505	1,191
Accumulated amortisation	(884)	(615)
Net carrying amount at start of year	**621**	**576**
Reclassifications	120	-
Other disposals - gross cost	(517)	-
Other disposals - amortisation	517	-
Purchases	83	108
Amortisation for the period	(248)	(266)
Net carrying amount at end of year	**576**	**418**
Comprising:		
• Gross carrying amount	1,191	1,299
• Accumulated amortisation	(615)	(881)
Net carrying amount at end of year	**576**	**418**

Included within Intangible Assets are the IT systems which support the control room function. The estimated useful lives of such assets is in line with the anticipated move to a regional control room from 2014.

15 Financial Instruments

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

	Long Term			Current		
	01/04/11 £000	31/03/12 £000	31/03/13 £000	01/04/11 £000	31/03/12 £000	31/03/13 £000
Investments						
Loans and receivables						
- Investments	-	-	-	4,005	7,039	12,119
- Imprest and cash	-	-	-	5,394	3,874	1,914
Total Investments	-	-	-	9,399	10,913	14,033
Debtors						
- Loans and receivables	-	-	-	465	553	810
Borrowings						
Financial liabilities at amortised cost						
- PWLB	(5,839)	(5,402)	(3,334)	(600)	(437)	-
- Salix	(20)	(12)	(4)	(8)	(8)	(8)
- Overdraft	-	-	-	-	(99)	-
Total Borrowings	(5,859)	(5,414)	(3,338)	(608)	(544)	(8)
Creditors (Restated)						
Financial liabilities at amortised cost	(1,006)	(686)	(330)	(1,761)	(1,701)	(2,342)

Income, Expense, Gains and Losses - 2012-13

	Financial liabilities at amortised cost 2012-13 £000	Financial Assets: Loans and Receivables 2012-13 £000	Total 2012-13 £000
Interest expense	(684)	-	**(684)**
Impairment losses (bad debt provision)	-	(1)	**(1)**
Total expense in Surplus or Deficit on the Provision of Services	**(684)**	**(1)**	**(685)**
Interest income	-	256	**256**
Total income in Surplus or Deficit on the Provision of Services	**-**	**256**	**256**
Net gain/(loss) for the year	**(684)**	**255**	**(429)**

Income, Expense, Gains and Losses - 2011-12

	Financial liabilities at amortised cost 2011-12 £000	Financial Assets: Loans and Receivables 2011-12 £000	Total 2011-12 £000
Interest expense	(299)	-	**(299)**
Impairment losses (bad debt provision)	-	(15)	**(15)**
Total expense in Surplus or Deficit on the Provision of Services	**(299)**	**(15)**	**(314)**
Interest income		171	**171**
Total income in Surplus or Deficit on the Provision of Services	-	171	171
Net gain/(loss) for the year	**(299)**	**156**	**(143)**

Fair Values of Assets and Liabilities

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

- for the PWLB loans, interest rates prevailing at 31 March 2013;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

	31 March 2012		31 March 2013	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities	(7,659)	(8,964)	(5,688)	(6,625)
Long-term creditors	(686)	(686)	(330)	(330)

	31 March 2012		31 March 2013	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and receivables	11,466	11,466	14,843	14,843

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

16 Long Term Creditors

1 April 11 £000	31 March 12 £000		31 March 13 £000
(46)	(46)	LGPS	(10)
(960)	(640)	Pension Top-up grant	(320)
(1,006)	**(686)**	**Total**	**(330)**

The long term creditor consists of two element:

- Pension liabilities (LGPS)
  This represents the unpaid costs of non-uniformed staff early retirements. These costs are usually paid out over a period of 5 years.
- Pension top-up grant
  During 2011-12 the Authority identified that compensatory injury award payments had been inappropriately classified within its accounts since the inception of the Firefighters Pension Fund in 2006. The creditor amount represents the amount due to central government in respect of top up grant received incorrectly in prior years

17 Inventories

	Workshops £000	Uniform £000	Firefighting & General £000	Total £000
Balance outstanding 1 April 2011	**93**	**106**	**72**	**271**
Purchases 2011-12	35	171	47	**253**
Recognised as an expense in the year	(38)	(149)	(70)	**(257)**
Written off balances 2011-12	-	7	4	**11**
Balance outstanding at 31 March 2012	**90**	**135**	**53**	**278**
Balance outstanding 1 April 2012	**90**	**135**	**53**	**278**
Purchases 2012-13	33	254	131	**418**
Recognised as an expense in the year	(34)	(199)	(94)	**(327)**
Written off balances 2012-13	1	-	1	**2**
Balance outstanding at 31 March 2013	**90**	**190**	**91**	**371**

18 Construction Contracts

The Authority had no significant construction projects in progress at 31 March 2013.

19 Debtors (Amounts Receivable)

1 April 11 £000	31 March 12 £000		31 March 13 £000
429	422	Central Government bodies	328
185	183	Other local authorities	176
40	20	NHS bodies	25
1	1	Public corporations and trading funds	-
1,948	2,708	Other entities and individuals	3,090
2,603	**3,334**	**Total**	**3,619**

20 Cash and Cash Equivalents

1 April 11 £000	31 March 12 £000		31 March 13 £000
7	7	Cash held by the Authority	9
5,387	3,867	Bank current accounts	1,905
-	(99)	Bank overdraft	-
5,394	**3,775**	**Total**	**1,914**

21 Creditors (Amounts Payable) - Short-term creditors

1 April 11 Restated £000	31 March 12 Restated £000		31 March 13 £000
(1,008)	(1,046)	Central Government bodies	(1,581)
(1,052)	(822)	Other local authorities	(795)
(8)	(17)	Public corporations and trading funds	(1)
(2,387)	(1,949)	Other entities and individuals	(2,249)
(4,455)	**(3,834)**	**Total**	**(4,626)**

The restatement for 1 April 2011 and 31 March 2012, reflects the creditor figure for individual's council tax overpayment & prepayments now correctly been shown under other entities and individuals (previously incorrectly shown under other local authorities).

22 Provisions

In 2011-12 the Authority had identified potential settlement costs of £192k regarding an outstanding insurance claim, this was reversed in 2012-13.

In 2012-13 the Authority has identified likely costs in respect of termination payments.

	£000
Balance as at 1 April 2012	192
Additional provisions made in 2012-13	133
Amounts reversed in 2012-13	(192)
Balance at 31 March 2013	**133**

23 Usable Reserves

1 April 11 £000	31 March 12 £000	Usable Reserves	31 March 13 £000
(6,116)	(6,545)	General Fund Balance	(6,741)
(289)	(289)	(Usable) Capital Receipts	(289)
-	(5)	Capital grant unapplied account	-
		Earmarked revenue reserves:	
(3,860)	(6,844)	- Resource Centre Managers	(12,068)
(742)	(742)	- Community Risk Reduction	(742)
(274)	(306)	- Unitary Performance Groups	(334)
(1,442)	(1,616)	Capital Reserve	(1,731)
(12,723)	**(16,347)**	**Total Usable Reserves**	**(21,905)**

Usable Reserves are those that can be used to fund general expenditure or reduce local taxation. Usable Reserves held by the Authority are described below and detailed in the Movement in Reserves Statement.

General Fund Balance
The General Fund represents resources available to meet the potential financial consequences of the Authority's risk profile and other unforeseen circumstances.

(Usable) Capital Receipts
This reserve shows the proceeds of fixed asset sales available to meet future capital expenditure.

Capital Grant Unapplied Account
This reserve holds the grants and contributions received towards capital projects for which the Authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Resource Centre Managers Reserves
These reserves are available to meet future identified commitments in resource centre managers' areas.

Community Risk Reduction Reserve

This reserve is to meet the cost of the Authority's programme of home safety assessments and other community safety initiatives.

Unitary Performance Groups (UPGs) Reserve
This reserve is earmarked for facilitating partner engagement in community safety activities.

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

24 Unusable Reserves

1 April 11 £000	31 March 12 £000	Unusable Reserves	31 March 13 £000
(4,689)	(4,644)	Revaluation Reserve	(4,599)
(20,009)	(20,968)	Capital Adjustment Account	(21,006)
316,153	349,738	Pensions Reserve	405,886
6	(50)	Collection Fund Adjustment Account	(96)
601	495	Accumulated Absences Account	585
292,062	**324,571**	**Total Unusable Reserves**	**380,770**

Revaluation Reserve

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

- 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.

2011-12 £000	Revaluation Reserve	2012-13 £000
(4,689)	**Balance at 1 April**	**(4,644)**
45	Difference between fair value depreciation and historical cost depreciation written off to the Capital Adjustment Account	45
(4,644)	**Balance at 31 March**	**(4,599)**

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 amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account 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.

The Movement in Reserves Statement provides details of the source of all the transactions posted to the Account.

2011-12 £000	2011-12 £000	Capital Adjustment Account	2012-13 £000	2012-13 £000
	(20,009)	**Balance at 1 April**		**(20,968)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
2,268		• Charges for depreciation and impairment of non-current assets	2,294	
-		• Revaluation losses on Property, Plant and Equipment	41	
248		• Amortisation of intangible assets	266	
58		• 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	19	
	2,574			2,620
	(45)	Adjusting amounts written out of the Revaluation Reserve		(45)
	(17,480)	Net written out amount of the cost of non-current assets consumed in the year		(18,393)
		Capital financing applied in the year		
(274)		• Capital expenditure charged against the General Fund	(468)	
(2,437)		• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,421)	
(777)		• Statutory provision for the financing of capital investment charged against the General Fund (MRP)	(724)	
	(3,488)			(2,613)
	(20,968)	**Balance at 31 March**		**(21,006)**

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.

2011-12 £000	Pension Reserve	2012-13 £000
316,153	**Balance at 1 April**	**349,738**
15,841	Actuarial gains or losses on pensions assets and liabilities	42,903
29,671	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 Account	25,173
(11,927)	Employer's pensions contributions and direct payments to pensioners payable in the year	(11,928)
349,738	**Balance at 31 March**	**405,886**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2011-12 £000	Collection Fund Adjustment Account	2012-13 £000
6	**Balance at 1 April**	**(50)**
(56)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated in accordance with statutory requirements	(46)
(50)	**Balance at 31 March**	**(96)**

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.

2011-12 £000	2011-12 £000	Accumulated Absences Account	2012-13 £000	2012-13 £000
	601	**Balance at 1 April**		**495**
(601)		Settlement or cancellation of accrual made at the end of the preceding year	(495)	
495		Amounts accrued at the end of the current year	585	
	(106)	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		90
	495	**Balance at 31 March**		**585**

25 Cash Flow Statement - Operating Activities

Adjustment for non-cash movements charged to the net (surplus)/deficit on the provision of services:

2011-12 £000		2012-13 £000
(2,268)	Depreciation	(2,303)
-	Impairment and downward revaluation	(41)
(248)	Amortisation	(266)
(15)	Movement in impairment provision for bad debts	(1)
905	Movement in creditors	(329)
740	Movement in debtors	285
821	Movement in amount due from pension fund	495
7	Movement in stock	93
(17,744)	Movement in Pension liability	(13,245)
(58)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(19)
1,010	Other non-cash items charged to the net surplus or deficit on the provision of services	59
(16,850)	Total adjustment for non-cash movements	**(15,272)**
	The cash flows for operating activities include the following items:	
171	Interest received	256
(299)	Interest paid	(684)

26 Cash Flow Statement - Investing Activities

2011-12 £000		2012-13 £000
1,778	Purchase of non-current assets	1,802
32,034	Purchase of short-term and long-term investments	22,080
(29,000)	Proceeds from short-term and long-term investments	(17,000)
(1,482)	Other receipts from investing activities	(1,416)
3,330	**Net cash flows from investing activities**	**5,466**

27 Cash Flow Statement - Financing Activities

2011-12 £000		2012-13 £000
9	Cash payments for the reduction of the outstanding liabilities relating to finance leases	9
608	Repayment of short-term and long-term borrowing	2,513
617	**Net cash flows from financing activities**	**2,522**

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

1,482	Reverse part of Note 26 - Other receipts from investing activities	1,416
(9)	Reverse part of Note 27 - Cash payments for the reduction of the outstanding liabilities relating to finance leases	(9)
5	Adjust for Capital grant unapplied	-
1,478	**Total**	**1,407**

28 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice* . However, decisions about resource allocation are taken by the Authority on the basis of budget reports analysed across service areas.

Outturn against revised budget for each service area and the Authority is shown in the following table; for further details of the variances please refer to the performance against budget section of the explanatory forward.

Service Area	2012-13 £000 Revised budget	2012-13 £000 Outturn	2012-13 £000 Variance (under)/over spend
Firefighting and rescue operations			
Service Delivery	20,684	20,454	(230)
Operational Policy and Assurance	3,603	3,598	(5)
Community Fire Protection	1,670	1,624	(46)
Community Safety	1,796	1,837	41
Support Services			
Executive Management	680	658	(22)
Planning, Performance & Communications	1,186	1,169	(17)
Human Resources	1,814	1,764	(50)
Legal & Democratic services	475	476	1
Facilities	2,178	2,123	(55)
ICT	1,517	1,426	(91)
Finance	392	389	(3)
Operational Risk Analysis	188	184	(4)
Procurement	687	690	3
Transport and workshops	1,658	1,588	(70)
Other Costs			
Unitary Performance Groups	100	100	-
General insurance	201	183	(18)
Contingency	31	-	(31)
Minimum Revenue Provision	726	724	(2)
Audit fees	72	67	(5)
Non distributed employee costs	437	377	(60)
Allocation of second homes Council Tax	40	40	-
Premium on repaid debt	490	490	-
Interest payable	197	196	(1)
Interest receivable	(250)	(256)	(6)
Bad debts	6	1	(5)
Other costs	(16)	(42)	(26)
Council Tax Freeze Grant	(752)	(752)	-
Localisation of Council Tax Support	(27)	(27)	-
Transfer from provisions	-	(59)	(59)
Contribution to IRMP reserve	5,437	5,437	-
Other reserve movements	(492)	(5)	487
Total net expenditure reported for resource allocation decisions	**44,728**	**44,454**	(274)
Transfer of 2011-12 underspend to reserves			**78**
Increase in 2012-13 General Fund Balance			**(196)**

Reconciliation to Comprehensive Income and Expenditure Statement (CI&E)

	2012-13 £000
Total expenditure reported for resource allocation decisions	44,454
Pension costs calculated in accordance with IAS 19	(67)
Appropriation to capital financing	1,204
Minimum revenue provision	(724)
Interest payable	(684)
Interest receivable	256
Accumulated absence	90
Capital grants received in year	1,416
Other operating expenditure (profit or loss on disposal)	(19)
Net cost of IAS 19 pensions charged to CI&E	(3,114)
Transfer to reserves	(5,756)
CI&E Net Cost of Services	**37,056**

No comparatives are available because of changes to the reporting structure.

Subjective Analysis

2011-12 Restated £000		2012-13 £000	2012-13 £000
	Expenditure		
32,460	Employee pay	31,542	
595	Other employee expenses	491	
394	Pensions	385	
2,033	Premises	1,979	
1,435	Transport	1,480	
3,611	Supplies, services & other expenses	3,682	
861	Agency and contracted services	912	
1,083	Capital charges and finance resources	1,417	
134	Members' allowances	136	
(50)	Provision	(59)	
42,556	Total expenditure		41,965
	Income		
(3,480)	Fees and other service income	(2,966)	
(58)	Sales	(44)	
(171)	Interest	(256)	
(25,034)	Council tax	(25,064)	
(17,707)	Government grants and contributions	(19,665)	
(46,450)	Total income		(47,995)
2,605	Transfers to reserves		5,756
(1,289)	Net expenditure		**(274)**

29 Members' Allowances

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

2011-12 £000		2012-13 £000
131	Members' allowances	134
32	Travel and subsistence, training and conferences	32
163	**Total**	**166**

30 Officers' Remuneration

The tables below shows payments to the Authority's Leadership Team during the financial year 2012-13, and comparative figures for 2011-12.

The format of the leadership team changed 1 April 2012 following a restructure of the senior management team.

The 2011-12 shows the departure of the Director of Finance and Corporate Planning. For the period from 1 November 2011 to 31 March 2012 the Section 151 and Treasurer duties were carried out on the Authority's behalf by the Section 151 Officer of Warrington Borough Council. The Officer was not an employee of the Authority and payment for his services was made direct to Warrington Borough Council.

2012-13	**Dates in Post**	***Gross Annual Salary (a)*** £	**Salary and Allowances** £	**Benefits in kind (b)** £	**Compensation for loss of office** £	**Pension Contribution** £	**Total** £
Chief Fire Officer	Full year	*143,000*	146,972	-	-	30,375	177,347
Deputy Chief Fire Officer	Full year	*121,967*	124,496	-	-	25,908	150,404
Assistant Chief Fire Officer	Full year	*101,000*	97,031	2,395	-	20,484	119,910
Head of Legal & Democratic Services	Full year	*58,021*	60,922	-	-	11,181	72,103
Head of Finance & Treasurer	Full year	*53,798*	57,832	-	-	9,899	67,731
2012-13 Total			**487,253**	**2,395**	**-**	**97,847**	**587,495**

2011-12	Dates in Post	*Gross Annual Salary (a)* £	Salary and Allowances £	Benefits in kind (b) £	Compensation for loss of office £	Pension Contribution £	Total £
Chief Fire Officer	Full year	*143,000*	141,294	-	-	29,911	171,205
Deputy Chief Fire Officer	Full year	*121,967*	120,318	-	-	25,444	145,762
Assistant Chief Fire Officer	Full year	*94,772*	88,842	-	-	18,739	107,581
Director of People and Organisational Development	01/04/11 - 30/04/11	*71,962*	5,994	-	-	1,073	7,067
Director of Finance & Corporate Planning/ Treasurer	01/04/11 - 31/10/11	*71,962*	44,574	746	76,383	7,510	129,213
2011-12 Total			**401,022**	**746**	**76,383**	**82,677**	**560,828**

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

Remuneration band			**Number of employees 2012-13**	**Number of employees 2011-12**
£50,000	-	£54,999	24	17
£55,000	-	£59,999	4	7
£60,000	-	£64,999	5	5
£65,000	-	£69,999	2	-
£70,000	-	£74,999	2	2
£75,000	-	£79,999	-	-
£80,000	-	£84,999	-	-
£85,000	-	£89,999	-	-
£90,000	-	£94,999	-	1
£95,000	-	£99,999	-	-
£100,000	-	£104,999	1	-

Notes

a) Gross annualised salary represents the gross full time equivalent salary applicable to the post at 31 March, or when the person left post if earlier.

b) Benefits in kind consist of taxable benefits relating to car lease and mileage payments.

c) Members of the Leadership Team are excluded from the remuneration banding figures.

d) In the remuneration bands above, the highest paid employee in 2011-12 received a higher salary while on part year secondment to another Fire Authority, the highest paid in 2012-13 received termination benefits.

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

Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £
2012-2013				
£0 - £20,000	0	8	8	55,533
£20,001 - £40,000	1	2	3	90,516
£40,001 - £60,000	-	1	1	56,523
£60,001 - £80,000	1	-	1	61,446
£80,001 - £100,000	-	-	-	-
Total	**2**	**11**	**13**	**264,018**
Amounts provided for in CI&E not included in bandings			1	133,000
Total cost included in 2012-13 CI&E			-	**397,018**
2011-2012				
£0 - £20,000	5	5	10	40,600
£20,001 - £40,000	-	-	-	-
£40,001 - £60,000	-	-	-	-
£60,001 - £80,000	-	1	1	76,383
£80,001 - £100,000	-	-	-	-
Total	**5**	**6**	**11**	**116,983**
Amounts provided for in CI&E not included in bandings			-	-
Total cost included in 2011-12 CI&E			-	**116,983**

In 2012-13 the Authority has identified likely costs of £133k in respect of termination payments.

31 External Audit Costs

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

2011-12 £000		2012-13 £000
66	Fees payable to the Audit Commission / Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	40
(5)	Rebate	(4)
1	Fees payable in respect of other services provided by the Audit Commission during the year (National Fraud Initiative)	1
62	**Total**	**37**

32 Grant Income

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

2011-12 £000		2012-13 £000
	Credited to Taxation and Non-Specific Grant Income	
(14,261)	National Non Domestic Rates	(19,290)
(4,408)	Revenue Support Grant	(374)
(1,421)	Government Capital Grant	(1,416)
(60)	DEFRA - Flood Rescue grant	-
(961)	Donated Assets - New Dimensions	-
(21,111)		**(21,080)**
	Credited to Services	
(81)	DCLG New Dimensions Fund	(85)
(132)	DCLG Migrant Impact Fund	(35)
(626)	DCLG Council tax freeze payment	(752)
-	DCLG Localised Council Tax Schemes	(27)
(65)	DCLG Fire Revenue Grant - FireLink	(113)
(20)	DCLG Fire Revenue Grant - Control Rooms	-
(17)	Other Grants	(27)
(12)	Donations	(6)
(178)	Other contributions	(97)
(1,131)		**(1,142)**

In 2011-12 the Authority received a grant that was not recognised as income at 31 March 2012. The scheme went ahead in 2012-13 and the income was recognised in 2012-13. The balance at the year-end is shown below:

Current Liabilities

2011-12 £000		2012-13 £000
	Grants Receipts in Advance (Capital Grants)	
(10)	Halton Borough Council - Runcorn Healthy Hearts gym	-
(10)	**Total**	**-**

33 Related Parties

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

a Central Government

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

Grants received from Government Departments are set out in the previous note (32), Grant Income.

b Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in the year is shown in Note 29 (Members' Allowances).

There were no transactions during the year in which members were required to declare an interest (see also item 'e' in this note.)

c Officers

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

d Entities Controlled or Significantly Influenced by the Authority

The Authority was one of five Fire and Rescue Authorities that together set up FRAML, a company regulated by the Financial Services Authority. In the event that the company incurred a loss, it could require each Authority to pay an additional contribution up to the equivalent of 100% of the insurance premium paid by that Authority during the financial year. Any profits made by the company could be distributed amongst its members.

Following a 2008 court case involving a similar entity the legality of FRAML was brought into question and as a result the Authority transferred its insurances to a commercial insurance provider. The Directors of FRAML elected to wind up the company and this happened on 22 October 2010, passing management of the company into the hands of a liquidator. No material financial issues remain between the Authority and FRAML. The liquidation had not been completed by 31 March 2013.

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

The Fire Authority consists of 26 members, 23 of whom are nominated by the constituent local authorities (the unitary councils of Cheshire West and Chester, Cheshire East, Halton and Warrington). All transactions between the Authority and these authorities are included in the accounts. The principal transactions between the Authority and the constituent authorities are in respect of precept of council tax. These are as follows:

2011-12 £000	**Billing Authority**	**2012-13 £000**
(9,759)	Cheshire East Council	(9,732)
(8,088)	Cheshire West and Chester Council	(8,126)
(2,570)	Halton Borough Council	(2,555)
(4,672)	Warrington Borough Council	(4,698)
(25,089)	**Total**	**(25,111)**

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

f Firefighters' Pension Fund

The Fire Authority administers the Firefighters' Pensions Schemes. The account for the schemes is included in the Statement of Accounts.

The funding arrangements for uniformed Firefighters' pensions changed with effect from 1 April 2006. Until that time, the net cost of pensions (principally on-going payments to pensioners and lump sum commutations) was met by the employer. The main source of income to offset the expenditure was the contribution made by employees, amounting to 11% of their pensionable pay.

With effect from 1 April 2006, a new Firefighters' Pension Fund for each English Fire Authority was introduced. Rather than meet all of the net cost of pensions, the employer is now required to make contributions to the Fund. In the event of a shortfall, the deficit in the Fund is met by DCLG. Similarly, any surplus on the Fund would be payable by the employer to the DCLG. The deficit is known as "Top-Up Grant".

A further change introduced in April 2006 was the introduction of a new Scheme for new Firefighters. This new Scheme attracts a contribution rate from employees of between 8.5% and 9.7% of their pensionable pay (compared to between 11% and 13% for the previous {1992} Scheme). Members of the previous Scheme were given the choice of staying with their existing Scheme or transferring to the New Scheme.

The employers' contribution consists of 21.3% of gross pay for the 1992 Scheme and 11% of gross pay for the 2006 Scheme, together with formula-based charges for the cost of ill-health and other early retirements.

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

g Entities Controlled or Significantly Influenced by the Authority

The Authority was involved in NW Fire Control Ltd and the North West Partnership Board, details of which are disclosed in Notes 39 and 40 respectively.

34 Capital Expenditure and Capital Financing

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

2011-12 £000		2012-13 £000
11,302	**Opening Capital Financing Requirement**	**10,814**
289	Adjustment (see note below)	-
	Capital Investment	
2,628	Property, plant and equipment	1,781
83	Intangible assets	108
	Sources of Finance	
-	Capital receipts	-
(2,437)	Government grants and other contributions	(1,421)
	Sums set aside from revenue	
(274)	Revenue contributions	(468)
(777)	Minimum revenue provision (MRP)	(724)
10,814	**Closing Capital Financing Requirement**	**10,090**
	Explanation of movements in year	
(777)	Increase/(decrease) in underlying need for borrowing	(724)
(777)	**Increase/(decrease) in Capital Financing Requirement**	**(724)**

The Prudential Code for Capital Finance in Local Authorities (2011 Edition) requires that useable capital receipts that have not been applied to finance capital expenditure should not be included in the calculation of the capital financing requirement. The Authority's £289k of Usable Capital receipts had previously been included; this was adjusted for in the 2011-12 accounts.

35 Leases

Authority as Lessee

Finance Leases

The Authority has a training vehicle held under a finance lease. The vehicle is carried in the Balance Sheet at the value of £78,949 (2011-12 £88,253).

The Authority is committed to making minimum payments under this lease comprising settlement of the long-term liability for the interest in the asset acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payment is made up of the following amounts:

	2012-13	
	£	£
Cost or Valuation		128,743
Accumulated depreciation		
As at 1 April 2011	(31,613)	
Charge for 2011-12	(8,877)	
Charge for 2012-13	(9,304)	
As at 31 March 2013		(49,794)
		78,949

Outstanding obligations to make payments under this lease (excluding finance costs) at 31 March are as follows:

1 April 2011	31 March 2012		31 March 2013
£	£		£
8,877	9,304	Not later than 1 year	9,752
39,990	41,915	Later than 1 year and not later than 5 years	43,932
48,263	37,034	Later than 5 years	25,265
97,130	**88,253**	**Total**	**78,949**

Operating Leases

Expenditure on operating leases in 2012-13 totalled £470,598 (2011-12 £494,356). All expenditure on leases relates to vehicles.

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

1 April 2011	31 March 2012		31 March 2013
£000	£000		£000
291	366	Not later than 1 year	340
258	378	Later than 1 year and not later than 5 years	248
549	**744**	**Total**	**588**

36 Termination Benefits

The Authority terminated the contracts of a number of employees in 2012-13, incurring liabilities of £264k relating to 13 employees (£117k in 2011-12).

During 2012-13, there were £153k termination costs payable to 3 officers as part of the Transport review, £51k termination costs payable to 7 officers as part of the admin reviews, 1 post with £15k costs following initial part of the facilities review. The remaining £45k was paid to 2 operational officers as the result of termination of their employment.

See Note 30 for the number of exit packages and total cost per band.

37 Contingent Assets and Liabilities

The Authority is aware of the possibility of future insurance claims which may lead to the Authority incurring liabilities which it is not possible to quantify. Every effort will be made to minimise any potential loss.

In the 2011-12 accounts a contingent liabilitity for on-call firefighters pensions issues was identified and this still remains. This related to changes to regulations in respect of part time workers meaning that the Authority is liable for compensation payments to former and existing on call firefighters. These payments were accounted for in 2011-12. The changes to regulations also mean that salary payments to on call firefighters from 2000 have been deemed pensionable. DCLG are considering the technical issues this raises, but have indicated that any employer pension contributions could be met by the Authority. It is not possible to quantify the amount of any possible contribution, because it is not yet clear what contribution rates would be applied.

38 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
- 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 Treasury risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is the responsibility of the Treasurer, under policies approved by the Authority in the annual Treasury Management Strategy. The Strategy provides written principles for overall risk management, as well as written policies concerning specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

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 the minimum rating of A in the long term and F1 in the short term in independent ratings from Sector. The Strategy also imposes a maximum sum of £10 million to be invested with any single institution.

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 parameters set by the Authority.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £12,119k 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 2013 that this was likely to crystallise.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions:

	Amount at 31/03/2013 £000 **A**	Historical experience of default % **B**	Historical experience adjusted for market conditions at 31/03/2013 % **C**	Estimated maximum exposure to default and uncollectability at 31/03/2013 £000 **(A x C)**	Estimated maximum exposure at 31/03/2012 £000
Deposits with banks & financial institutions	12,119	0	0	0	0
				0	**0**

The exceptionally difficult economic situation means that the credit limits agreed as part of the Annual Investment Strategy were occasionally exceeded. The Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits but continues to invest in a prudent manner.

The Authority does not generally allow credit for customers.

The past due date amount of £605k can be analysed by age as follows:

	31 March 2013 **£000**	**31 March 2012** **£000**
Less than three months	427	325
Three to six months	159	1
Six months to one year	17	37
More than one year	2	4
Total	**605**	**367**

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 Loan 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 proportion of its fixed rate borrowing maturing during specified periods. The Authority is working within its debt maturing policy through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

The maturity analysis of financial liabilities is as follows:	**31 March 2013**	**31 March 2012**
	£000	**£000**
Less than one year	8	445
Between one and two years	334	374
Between two and five years	322	646
Between five and ten years	880	880
Between ten and fifteen years	2,132	2,132
Between fifteen and twenty years	-	-
More than twenty years	-	2,068
Total	**3,676**	**6,545**

The analysis above includes PWLB and Salix borrowing and long term creditors. All trade and other payables are due to be paid in less than one year.

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 would 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
- investments at fixed rates - the fair value of the assets will fall

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

The Authority seeks to minimise interest rate risk by working with Warrington Borough Council, its Treasury Management partner, to agree a strategy in relation to investment and debt portfolios, which is reflected in its Treasury Management Strategy document.
The Authority's policy is to maximise the percentage of borrowings and investments at fixed rates because it wishes to have cost certainty, particularly in the current volatile economic climate. In addition the Authority has relatively small portfolios of loans and investments, which makes it more difficult to offset risk by having a mixed portfolio.

Price Risk

The Authority does not have any investment in equity shares and so is not exposed to price risk.

Foreign Exchange Risk

The Authority has very low levels of transactions in foreign currencies and therefore has minimal exposure to exchange rate risk.

39 NW Fire Control Limited

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

During 2011-12 renegotiations were made for the future of the project following the closure of the National Project announced in December 2011 by the Fire Minister. The Company now has four members which are Cheshire, Cumbria, Greater Manchester and Lancashire Fire & Rescue Authorities (FRAs). These authorities have agreed to continue to support the project in preparation for transferring their mobilising function to NW Fire Control Ltd and have been successful in obtaining support from DCLG to continue the project. The liability of each member in the event of the company being wound up is limited and shall not exceed £1. Each member of the company has the right to appoint 2 directors, who are Councillors appointed to their respective FRAs. All directors have equal voting rights.

During 2012-13 the company has continued to be funded by a section 31 grant from the Department for Communities and Local Government (DCLG). Accommodation and implementation expenditure will continue to be funded during the project phase to implement the new Control Mobilising system. The grant is paid to Greater Manchester Fire & Rescue Authority as lead authority for the North West region and released to the company as required. The transition of the Control function to NW Fire Control Ltd is planned to be completed during 2014.

In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, based on International Financial Reporting Standards, the Authority has considered any requirement for the preparation of Group Accounts as a result of its relationship with NW Fire Control Limited.

It has been determined that the company will be accounted for as a jointly controlled entity for Group Accounts purposes within the accounts of the Authority. This has been determined by following guidance in the Code of Practice. This will be reviewed in forthcoming financial years based on the future of the Company and if any Fire and Rescue Authority influence positions or Company governance arrangements have changed.

However on the basis of materiality it has been determined that Group Accounts are not required for the financial year 2012-13 having considered both qualitative and quantitative factors, including the following:

• The Authority does not depend on the company for continued provision of statutory services at present and activities provided by the control function remain within the individual Fire Authorities.

• The company is not operational in providing a public service and is not expected to become so until late in the financial year 2013-14.

• The only trading activity of the Company is currently the use of facilities at the building and car parking which is charged out accordingly to other Fire Authorities and organisations.

• The Authority's share of the gross administrative expenses of the company in the financial year 2012-13 (25% of £2.462m) is not material in the context of the Authority's gross expenditure.

• The Authority is not expected to make any contribution to the company until it commences using the company's services.

• The cost of running the company is covered by Section 31 grant from the Department for Communities and Local Government, bank interest earned and small values of trading profit.

• The liability of the Authority is limited to a maximum of £1.

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

Accounts Information	Year ended 2012-13 £000	Year ended 2011-12 £000
Net Assets	120	80
Profits Before Taxation	78	27
Profits After Taxation	62	22

At the end of 2012-13 the Authority shows NW Fire Control Ltd as a debtor for £186,604 (£45,522 for 2011-12) due to the secondment of staff.
The Company's Financial Statements can be obtained from Companies House with the deadline for submission as 31/12/2013 for the final audited 2012-13 accounts.

The position regarding Group Accounts will be reviewed for the 2013-14 financial year.

40 North West Partnership Board

The North West Fire and Rescue Authorities are continuing to work collaboratively and a Board was set up with effect from March 2011 called the North West Partnership Board. This is a Joint committee of the five fire authorities in the North West (Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside). The committee is comprised of councillors from the five constituent Authorities.

The objectives of the North West Partnership Board are as below:

• Develop the sharing of best practice from across the North West and beyond to influence future business.
• Encourage the provision of sustainable and increasingly efficient prevention, protection and intervention services to reduce overall risk.
• Influence the implementation of value led strategies on a localised basis.
• Provide the platform for continuing collaboration between NW Fire and Rescue Services to promote increasing value in all aspects of service delivery.
• Lobby key internal and external partners to improve fire and rescue service policies and processes.
• To lead continuous improvement through delivery of a sector led, peer reviewed approach.

During 2012-13 the financial impact of the partnership on Cheshire Fire Authority was negligible.

41 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 that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in three post-employment schemes:

- The Local Government Pension Scheme for non uniformed staff, administered locally by Cheshire West and Chester Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liability with investment assets.

- The two Firefighters' Pension Schemes for uniformed staff. An original scheme commenced in 1992, and an additional scheme in 2006, with both being administered through one fund. These are unfunded schemes, meaning that there are no investment assets built up to meet the liabilities so that cash has to be generated to meet actual pension payments as they become due. However, as of 1 April 2006, firefighter and employer contributions are paid into a pension fund, from which pension payments are made. The fund is balanced to nil each year by receipt of pension top-up grant from central government if there is a deficit, or by paying over the surplus to central government. Details of the pension fund for 2012-13 are shown in the Pension Fund statement.

41 Defined Benefit Pension Schemes (cont)

Transactions Relating to Post-employment benefits

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

	Local Government Pension Scheme		Firefighters' Pension Schemes FPS (1992 scheme)		NFPS (2006 scheme)		Total for all schemes	
	£000		£000		£000		£000	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Comprehensive Income and Expenditure Statement								
Cost of Services								
• Current service cost	1,080	1,020	6,300	6,500	1,300	1,300	8,680	8,820
• Past service costs	-	-	-	3,700	-	-	-	3,700
• Settlements and curtailments	67	16	-	-	-	-	67	16
Financing and Investment Income and Expenditure								
• Interest cost	1,355	1,355	16,000	16,800	300	400	17,655	18,555
• Expected return on scheme assets	(1,229)	(1,420)	-	-	-	-	(1,229)	(1,420)
Total Post-employment benefit charged to the Surplus or Deficit on the Provision of Services	**1,273**	**971**	**22,300**	**27,000**	**1,600**	**1,700**	**25,173**	**29,671**
Other Post-employment benefit charged to the Comprehensive Income and Expenditure Statement								
• Actuarial gains and losses	2,603	2,141	38,300	16,500	2,000	(2,800)	42,903	15,841
Total Post-employment benefit charged to the Comprehensive Income and Expenditure Statement	**3,876**	**3,112**	**60,600**	**43,500**	**3,600**	**(1,100)**	**68,076**	**45,512**

	Local Government Pension Scheme		Firefighters' Pension Schemes FPS (1992 scheme)		NFPS (2006 scheme)		Total for all schemes	
	£000		£000		£000		£000	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
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)	(971)	(22,300)	(27,000)	(1,600)	(1,700)	(25,173)	(29,671)
Actual amount charged against the General Fund Balance for pensions in the year:								
• Employers' contributions payable to scheme	1,028	1,027	n/a	n/a	n/a	n/a	1,028	1,027
• Retirement benefits payable to pensioners	n/a	n/a	12,600	12,700	-	-	12,600	12,700
• Contributions by scheme participants	n/a	n/a	(1,300)	(1,300)	(400)	(500)	(1,700)	(1,800)

The cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2013 is £137,408k (£94,505k at 31 March 2012).

Assets and liabilities in relation to post-employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded liabilities: Local Government Pension Scheme £000		Unfunded liabilities: Firefighters' Pension Schemes — FPS (1992 scheme) £000		Unfunded liabilities: Firefighters' Pension Schemes — NFPS (2006 scheme) £000		Total for all schemes £000	
	2012-13	**2011-12**	**2012-13**	**2011-12**	**2012-13**	**2011-12**	**2012-13**	**2011-12**
Opening balance at 1 April	27,798	24,298	337,000	304,900	6,900	7,500	371,698	336,698
Current service cost	1,080	1,020	6,300	6,500	1,300	1,300	8,680	8,820
Interest cost	1,355	1,355	16,000	16,800	300	400	17,655	18,555
Contributions by scheme participants	354	359	1,300	1,300	400	500	2,054	2,159
Actuarial (gains) and losses	4,386	1,441	38,300	16,500	2,000	(2,800)	44,686	15,141
Benefits paid	(613)	(691)	(12,600)	(12,700)	-	-	(13,213)	(13,391)
Past service costs/(gains)	-	-	-	3,700	-	-	-	3,700
Curtailments	67	16	-	-	-	-	67	16
Closing balance at 31 March	**34,427**	**27,798**	**386,300**	**337,000**	**10,900**	**6,900**	**431,627**	**371,698**

The Liabilities shown on the Firefighters Pension Schemes include liabilities in respect of injury pensions. Of the £386.3m FPS liability, £20.2m related to injury pensions (2011-12 £16.9m) and of the £10.9m NFPS Liability, £1m related to injury pensions (2011-12 £0.6m)

Reconciliation of the fair value of the employer assets:

	Local Government Pension Scheme £000		FPS (1992 scheme) £000		NFPS (2006 scheme) £000	
	2012-13	**2011-12**	**2012-13**	**2011-12**	**2012-13**	**2011-12**
Opening balance at 1 April	21,960	20,545	-	-	-	-
Expected rate of return	1,229	1,420	-	-	-	-
Actuarial gains and (losses)	1,783	(700)	-	-	-	-
Employer contributions	1,028	1,027	11,300	11,400	(400)	(500)
Contributions by scheme participants	354	359	1,300	1,300	400	500
Benefits paid	(613)	(691)	(12,600)	(12,700)	-	-
Closing balance at 31 March	**25,741**	**21,960**	**-**	**-**	**-**	**-**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £3,012k (2011-12 £720k).

Scheme History	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
	£000	**£000**	**£000**	**£000**	**£000**
Present value of liabilities:					
Local Government Pension Scheme	(17,176)	(30,836)	(24,298)	(27,798)	(34,427)
Firefighters' Pension Scheme - FPS (1992 scheme)	(258,700)	(364,000)	(304,900)	(337,000)	(386,300)
Firefighters' Pension Scheme - NFPS (2006 scheme)	(1,400)	(6,500)	(7,500)	(6,900)	(10,900)
Fair value of assets in the Local Government Pension Scheme	12,142	17,439	20,545	21,960	25,741
Surplus/(deficit) in the					
Local Government Pension Scheme	(5,034)	(13,397)	(3,753)	(5,838)	(8,686)
Firefighters' Pension Scheme - FPS (1992 scheme)	(258,700)	(364,000)	(304,900)	(337,000)	(386,300)
Firefighters' Pension Scheme - NFPS (2006 scheme)	(1,400)	(6,500)	(7,500)	(6,900)	(10,900)
Total	**(265,134)**	**(383,897)**	**(316,153)**	**(349,738)**	**(405,886)**

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £406 million has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £359 million. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the Local Government pension scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme's actuary;
- the only liability for the Authority in relation to the benefit on the Firefighters' Pension Scheme is the future employer's contributions.

The total contribution expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2014 is £1.01 million. For the Firefighters' Pension Scheme in the year to 31 March 2014, the projected benefit net of employee contributions is £10.85 million.

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. Both the Local Government Pension Scheme and the Firefighters' Pension Schemes have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Local Government Pension Scheme being based on the latest full valuation of the scheme as at 31 March 2010. The principal assumptions used by the actuary have been:

	Local Government Pension Scheme £000		Firefighters' Pension Schemes £000	
	2012-13	2011-12	2012-13	2011-12
Long-term expected rate of return on assets in the scheme:				
Equity investments	4.5%	6.2%	-	-
Bonds	4.5%	3.3%	-	-
Property	4.5%	4.4%	-	-
Cash	4.5%	3.5%	-	-
Mortality assumptions:	At age 65		At age 60	
Longevity at retirement for current pensioners:				
• Men	22.9 years	22.9 years	28.1 years	27.9 years
• Women	25.7 years	25.7 years	31.0 years	30.8 years
Longevity for future pensioners:				
• Men	24.9 years	24.9 years	29.7 years	29.5 years
• Women	27.7 years	27.7 years	32.5 years	32.3 years
Rate of inflation	2.8%	2.5%	2.8%	2.5%
Rate of increase in salaries	5.1%	4.8%	3.8%	3.5%
Rate of increase in pensions	2.8%	2.5%	2.8%	2.5%
Rate for discounting scheme liabilities	4.5%	4.8%	4.5%	4.8%
Take-up of option to convert annual pension into retirement lump sum				
Firefighters Pension Schemes	n/a	n/a	90%	90%
Local Government Pension Scheme (pre-April 2008 service)	50%	50%	n/a	n/a
Local Government Pension Scheme (post-April 2008 service)	75%	75%	n/a	n/a

The Firefighters' Pension Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2013	31 March 2012
Equity investments	73%	72%
Bonds	14%	14%
Property	6%	7%
Cash	7%	7%
	100%	100%

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012-13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

Local Government Pension Scheme	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
	%	**%**	**%**	**%**	**%**
Differences between the expected and actual return on assets	(35.6)	21.4	5.9	(3.2)	6.9
Experience gains and losses on liabilities	-	-	10.3	(0.8)	0.1

Firefighters' Pension Scheme - FPS (1992 scheme)	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
	%	**%**	**%**	**%**	**%**
Differences between the expected and actual return on assets	n/a	n/a	n/a	n/a	n/a
Experience gains and losses on liabilities	(1.4)	4.8	6.1	(0.3)	0.1

Firefighters' Pension Scheme - NFPS (2006 scheme)	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
	%	**%**	**%**	**%**	**%**
Differences between the expected and actual return on assets	n/a	n/a	n/a	n/a	n/a
Experience gains and losses on liabilities	14.3	1.5	(10.7)	40.6	-

GLOSSARY OF TERMS USED IN STATEMENT OF ACCOUNTS

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

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

APPROPRIATIONS
Amounts transferred to or from revenue or capital reserves.

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

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

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

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

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

CAPITAL FINANCING REQUIREMENT
This measures the underlying need to borrow to finance capital expenditure.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ESTIMATION TECHNIQUES
The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.
Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique.

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

FAIR VALUE
This is the amount that an asset could be bought or sold for between parties. The current market value of an asset can be evidence that the assets have been valued fairly.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MEDIUM TERM FINANCIAL PLAN (MTFP)
Budget plan for the Authority for the next five years.

MINIMUM REVENUE PROVISION (MRP)
This is the amount which should be set aside from revenue as provision for debt repayment.

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

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

NEW DIMENSION ASSETS
Vehicles and equipment for use in major incidents, originally operated by Fire and Rescue Authorities but owned by CLG. Ownership for those assets located in the Authority's area transferred to the Authority during 2011-12.

NON CURRENT ASSETS (Previously known as FIXED ASSETS)
Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.

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

NON-OPERATIONAL ASSETS
Non-current assets held by the Authority but not directly occupied, used or consumed in the delivery of services.

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

OPERATING LEASES
A lease other than a finance lease.

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

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

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

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

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

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

RESERVES
Amounts set aside to meet future obligations.

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

1. The Authority’s decision to terminate an employee’s employment before the normal retirement date
2. An employee’s decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees

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

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

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

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

ANNUAL GOVERNANCE STATEMENT - 31 MARCH 2013

1. Introduction to the Annual Governance Statement

What is the governance framework?

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) published the advisory framework '*Delivering Good Governance in Local Government'* ('the framework'), in 2007 and an Addendum to the framework was published in December 2012.

The framework defines six core principles that underpin the governance of each local government body. These principles inform the development of our local code, and the preparation of the Annual Governance Statement ('the AGS').

2. Scope of Responsibility

Cheshire Fire Authority

The Authority has responsibility for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

The Authority has a duty under the Local Government Act 1999 to show how it aims for continuous improvement in delivering its services, taking into account a combination of economy, efficiency and effectiveness.

Members and Officers

In discharging the statutory responsibilities of the Authority, Members and Senior Officers are responsible for ensuring that proper governance arrangements are in place. These need to demonstrate good management of the Authority's key risks in accordance with legislation and proper standards.

3. The Authority's Governance and Internal Control Framework

The Authority's local governance and internal control framework includes the systems, processes, procedures, culture and core values by which it is directed and controlled, and through which it accounts to and engages with its communities and other stakeholders. It includes arrangements to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and value for money services.

Corporate Governance Framework

The governance framework centres on the Authority's strategic aims and objectives and includes:

- the organisation's vision and purpose which drive the service planning, delivery, risk, project and performance management frameworks;

- the Integrated Risk Management Plan (IRMP);
- Consultation and Communications Strategies;
- a published set of core values;
- The Authority's Constitution;
- a responsible Financial Officer to ensure effective administration of financial affairs as set out in CIPFA's *Statement on the Role of the Chief Financial Officer in Local Government* (2010).
- a Monitoring Officer responsible for ensuring the legality of the Authority's actions;
- an established structure of Authority and Committee meetings, each with a formal Terms of Reference ('ToR');
- a system of Member Champions covering thematic agendas such as Equality and Diversity, Environment, Finance, Performance Management, Procurement, and Health and Safety;
- integrated corporate and financial planning process;
- regular financial and performance reporting;
- a Local Code of Corporate Governance and action plan signed off by Standards Committee in March 2012;

In addition to the formal arrangements, the Authority schedules regular Member planning days to engage with Members in a more informal environment to assess debate and steer future proposals.

Engaging with our Communities

Extensive efforts are made to engage with the communities and stakeholders of Cheshire East, Cheshire West and Chester, Halton and Warrington. A comprehensive 12 week programme of community consultation and stakeholder engagement is carried out each year to seek feedback on the Authority's key priorities and proposals set out in its draft annual Integrated Risk Management Plan (IRMP). IRMP 9 covers the period ending 31 March 2013**.**

The principles by which the Service carried out consultation are set out in the consultation and engagement strategy and on key issues the Authority works with the consultation institute to assess itself against best practice. This was done for IRMP 10 resulting in a successful compliance assessment.

Internal Control Framework

Some of the most significant aspects of our Internal Control environment are highlighted below:

- Policies which governs the lawful activities of the Service, overseen by the internal Policy Approval Group (PAG);
- the Risk Management Board (RMB), responsible for maintaining and championing an effective Risk Management policy, framework and corporate risk register;
- published Anti-Fraud, Corruption, Whistle blowing and Complaints policies/procedures;
- medium term financial forecasting and budget management processes;

- the Performance Management Group (PMG), responsible for monitoring and reviewing organisational performance, and championing a strong performance culture;
- a new Corporate Performance Scorecard setting out the Authority's Key Performance Indicators;
- a dynamic, intelligent training programme which is tailored to the development needs of the Authority's frontline staff;
- appraisal and personal development programmes, induction processes and Codes of Conduct designed to ensure staff are appropriately skilled to deliver the Authority's aims and objectives and conduct themselves in a proper manner;
- the IRMP Programme Board which monitors and challenges performance of key projects and programmes;
- well-established Health and Safety policies which have been communicated to staff and are available in a central document management system;
- the ICT Steering Group which provides strategic direction for the Authority's ICT and Information services and policies.

Identifying and communicating the Authority's vision

The Authority has published its four year strategy *Planning for a Safer Cheshire* and is supported by the annual IRMP action plan (IRMP). The Authority's vision is stated clearly as ***'A Cheshire where there are no deaths, injuries or damage from fires and other emergencies'***. Full details of all these plans are published on the website – www.cheshirefire.gov.uk.

In delivering its vision and corporate priorities, the Authority reviews quarterly reports through the Performance and Overview Committee and annually at a meeting of the full Fire Authority on the organisation's activities, performance and the financial position. The Authority's Annual Report includes details of key performance and a summary of its Statement of Accounts and is circulated in a newspaper format to every household in Cheshire.

Governance Improvements made during 2012-13

In last year's AGS, the Authority set out a number of improvements it intended to implement, based on a comprehensive assessment of its corporate governance and control framework. The table below summarises the actions and the progress made during the 2012-13 financial year.

Action	Progress
Implement New Standards Regime	Completed in accordance with legislative timetable
Refresh of Scheme of Delegation/Financial and Contract rule	This work is scheduled in 2013-14 departmental plans
Development of monitoring arrangements for partnerships	Further work continuing in 2013-14
Migration of training records to the HRPro System	First phase complete
Further work on impacts of Localism Act	Act fully considered for relevance to Cheshire Fire & Rescue Service
Development of Bribery Statement and Policy	Policy developed
Development of a new content management system (CMS)	New website and content management system delivered

Management Structure

The operations of Cheshire Fire and Rescue Service (CFRS) are directed through a clear management structure with defined roles and responsibilities. The senior officer team is known as the Policy Approval Group (PAG) and comprises of the Chief Fire Officer; Deputy Chief Fire Officer; Assistant Chief Fire Officer; Monitoring Officer and the Chief Finance Officer. The full Service Management Team (SMT) is made up of PAG and Heads of Department who all report to one of the Principal Officers.

SMT:
*T*he Service Management Team (SMT) is responsible for the delivery of the aims and objectives that focus on the achievement of the Cheshire Fire Authority's vision as well as the key priorities which reflect community, regional and national issues.

Monitoring Officer:
*D*uring the 2012-13 financial year, the Head of Legal and Democratic Services fulfilled the statutory role of Monitoring Officer for the Authority, overseeing processes ensuring all actions taken were lawful.

Chief Finance Officer:
For the financial year 2012-13 the Head of Finance and Treasurer had responsibility for the day to day financial management in accordance with CIPFA guidance and responsibilities set out in Section 151 of the Local Government Act 1972.

4. Evaluation of Effectiveness

Cheshire Fire Authority has a responsibility for conducting a review of the effectiveness of its governance framework, including the system of internal control, at least annually. This is informed by the assurances of senior officers within the Authority, who have responsibility for the development, maintenance and management of the governance and internal control arrangements.

Internal Scrutiny

Member Scrutiny

A programme of formal Member meetings was scheduled throughout 2012-13 including:

- 5 x Fire Authority
- 5 x Policy Committee
- 5 x Performance & Overview Committee
- 5 x Governance & Constitution & Committee (formerly Standards Committee)
- 3 x Brigade Managers Pay & Performance Committee

Member Champions

Member Champions have been appointed in the following thematic areas:

- Equality and Diversity (sitting on the E&D Task Group)
- Environment
- Health and Safety (sitting on the H&S Committee)
- Procurement
- Finance x 2
- Older People
- Young People
- Performance Management (attending PMG at least annually)
- Information and ICT (Member of ICT Steering Group)
- Commercial/Business Risk Reduction
- Industrial Relations (Chair of Joint Consultative Committee)
- Road Safety
- Risk Management x 2 (sitting on RMB)
- Member Development (Chair of Member Training and Development Group)

Scrutiny Boards

CFRS operates a series of scrutiny boards chaired by Senior Officers, these include:

- Budget Management Board – oversees day to day financial management and budget planning in the Service and is scheduled at least quarterly as part of SMT planning meetings;
- Performance Management Group – scrutinises operational performance across the Service;
- Risk Management Board – approval and regular monitoring of the corporate risk register, emerging new risks, crisis management planning and the Corporate Risk Management Framework;

- IRMP Programme Board – scrutinises progress of IRMP projects;
- ICT Steering Group – provides strategic direction for ICT and information services;
- Land & Acquisitions Board – monitors new build projects;
- Attendance Management Board – scrutinises absence levels.

Annual Governance Statement process

The process and timelines for the preparation and review of the Annual Governance Statement (AGS) are mapped out in **Appendix 1**.

Risk Management Self-Assessment

CFRS participated in the Public Risk Management Association (Alarm) Risk Management Benchmarking Club for the third time in 2012, achieving the highest level of '**Driving**' in the Risk Management Maturity self-assessment. The self-assessment exercise has provided the Authority with a framework to facilitate a detailed sense-check of the organisation's risk management approach, culture and processes. Whilst, the assessment highlighted excellent practices, a few areas of improvement were identified and an action plan has been developed which is monitored by RMB on a six monthly basis.

Business Continuity

Business Continuity is an important part of the Authority's strategy and a robust programme is well established to ensure its business continuity responsibilities align to best practice standards, e.g. BS25999-2. Departmental Business Continuity plans supporting the Authority's Crisis Management Plan are maintained and tested regularly.

Performance Management

As part of corporate planning processes, the Authority sets out the key corporate performance indicators, both quantitative and qualitative, that measure delivery of its strategic objectives. Achievements against these performance indicators are scrutinised quarterly at PMG, reported to PAG and the Performance and Overview Committee, and annually to the Fire Authority.

In 2012 the Service introduced a new Corporate Performance Scorecard as a vehicle for visually displaying the Authority's agreed suite of KPIs, some of which are newly established. End of year analysis of overall performance has highlighted that targets were achieved for 15 out of 23 KPIs. Of the eight KPIs where the set targets were not quite achieved, seven showed positive improvement compared with the previous year.

Monitoring and Reporting

There is an approved process of quarterly performance and financial monitoring and reporting highlighting progress against projects and activities, budget and performance indicators identified within Departmental, Unitary and Community Action Plans and these reports are presented to Members of the Authority in line with a corporate reporting cycle.

Value for Money Reviews

The Authority's four year strategy committed to carrying out fundamental reviews of all departments across the organisation.

Since 2011, a programme of Value for Money (VFM) Reviews has been progressed. These reviews focus on the efficiency and effectiveness of the services provided and will be conducted on a three-yearly cycle to ensure continuous improvement.

The following departmental reviews were carried out during 2012-13:

- Facilities
- Health & Safety
- Unitary Administration
- Stores and Procurement
- Workshops and Transport
- Operational Policy and Assurance

External Scrutiny

The Authority encourages external scrutiny of its activities via:

- Internal Audit (RSM Tenon)
- External Audit (Grant Thornton)
- Peer reviews
- Independent Review Panel
- Other stakeholders via corporate publications and consultation meetings

Key policies, procedures and external assessments are published on the Authority's website to demonstrate transparency and encourage public scrutiny.

Internal Audit function

The Authority's Internal Audit function is currently outsourced to a professional auditing company, RSM Tenon, with well-established protocols for working with External Audit. During 2012-13 a number of planned internal audits were commissioned which provided an independent assurance level on the Authority's control frameworks. The delivery of this function is reviewed and reported regularly to ensure it provides value for money for the organisation.

All assurance audits this year have resulted in a positive opinion from RSM Tenon. There have been a small number of recommendations made as a result of their findings, none of which has been categorised as high priority.

Completed internal audits undertaken during the year are listed below:

1. Risk Management
2. Value for Money – Workshops & Transport (benchmarking)
3. Management Information – incident statistics
4. Operational Station Visits
5. Project Management Framework
6. Local Code of Corporate Governance(refresh Local Code of Corporate Governance and action plan)
7. ICT Network Security
8. Value for Money – Facilities (benchmarking)
9. Enforcement
10. Key Financial Controls
11. Follow Up of audit recommendations

Internal Audit Opinion

“RSM Tenon is satisfied that sufficient internal audit work has been undertaken to allow them to draw a reasonable conclusion on the adequacy and effectiveness of Cheshire Fire Authority’s arrangements for the 12 months ended 31 March 2013, based on the work we have undertaken. Our opinion regarding the adequacy and effectiveness of Cheshire Fire Authority’s arrangements for governance, risk management and control is adequate”.

External Audit Opinion

Following the demise of the Audit Commission, the Authority’s new External Auditors are Grant Thornton. The Auditor expects to give an unqualified opinion on the accounts. In their Audit Findings Report, they state that “the draft accounts were prepared to a good standard and were supported by clear working papers”. The report goes on to state , in the section dealing with the Value for Money, that “the Authority has good governance arrangements in place, with Members receiving financial and performance monitoring together, allowing appropriate conclusions to be drawn about the links between the two ” and “ the IRMP clearly sets out the Authority’s proposals until 2016-17.”

This gives assurance in relation to the Authority’s financial reporting processes and the Authority’s commitment to meeting its financial challenges.

Operational Assessment and Fire Peer Challenge

An external team visited CFRS in July 2012 for four days, as part of a review programme aimed at assessing the effectiveness of local fire and rescue services under the sector-led Performance and Improvement framework established jointly by the Chief Fire Officer's Association (CFOA) and the Local Government Association (LGA) in 2012.

The review team was invited to provide an independent view on the Fire Authority's future plans for change, in light of the funding challenges and ongoing transformation of the organisation. They carried out a general health check and review of leadership, capacity and governance, as well as an assessment of a number of key operational areas. An action plan was developed capturing all the outcomes of the review and progress monitored by SMT.

Identified Areas of Improvement for 2013-14

While the Authority believes that it currently has robust governance and internal control arrangements in place, there are areas for improvement which have been highlighted during the process of preparing the AGS and are scheduled to be addressed by Members and Officers:

Action No	Action	Department	When
1	Refresh of the Scheme of Delegation and Financial and Contract Rules	Finance/Legal & Democratic Services	2013-14
2	Clearer guidance on Programme Management	Planning Performance & Communications	2013
3	Refreshed Local Code of Corporate Governance and action plan	Planning Performance & Communications	2013
4	Continued development of monitoring partnership arrangements	Legal & Democratic Services	2013-14
5	Development and co-ordination of Operational Statement of Assurance	Planning Performance & Communications	2013

5. Certification

To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year 2012-13

We are satisfied that these measures along with a continual cycle of review and challenge, will ensure a robust governance framework for 2013-14 and beyond.

Signatures:

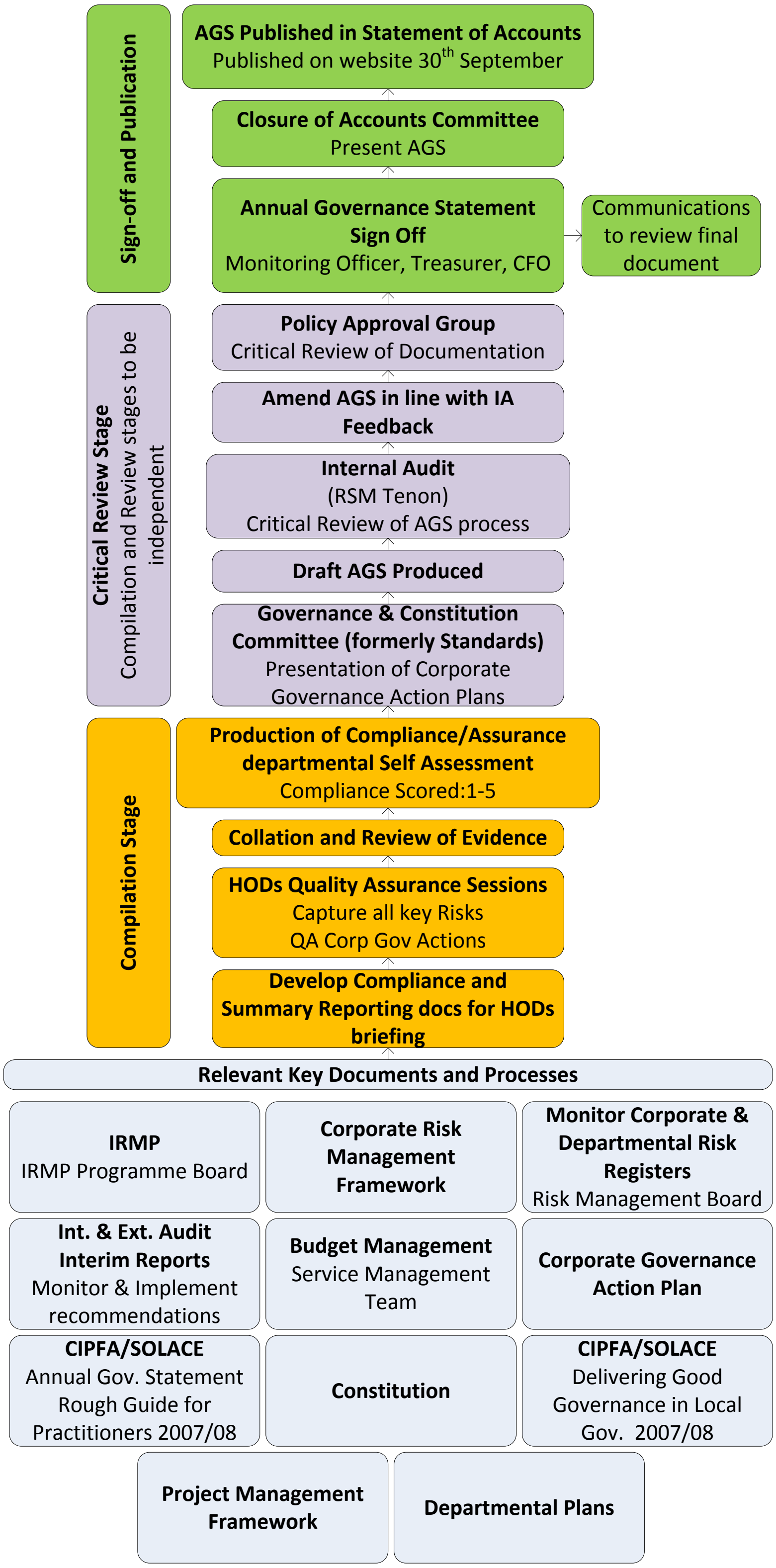
Fire Authority (Chair)……………………………………………………………………………

Chief Fire Officer……………………………………………………………………

Treasurer…………………………………………………………………………………

Appendix 1

Annual Governance Statement Process Map 2012/13



Mapped with reference to *The CIPFA/SOLACE, Annual Governance Statement Rough Guide for Practitioners (with effect from 2007/08)*

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

Opinion on the Authority financial statements

We have audited the financial statements of Cheshire Fire Authority for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 41. 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 2012/13.

This report is made solely to the members of Cheshire Fire Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer and auditor

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 Authority 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Cheshire Fire Authority as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 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 Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Cheshire Fire Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of Cheshire Fire Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Robin Baker
Associate Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Royal Liver Building
Liverpool
L3 1PS

23 September 2013