



Statement of Accounts

2008-09

Cheshire Fire Authority
Statement of Accounts 2008-09

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EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS **by The Treasurer**

The following pages comprise Cheshire Fire Authority's Statement of Accounts for the year ended 31 March 2009, giving all interested parties clear information about the Authority's finances.

This foreword summarises significant matters reported in the accounts, and provides an explanation of the Authority's overall financial position.

The Fire Authority's Statement of Accounts includes the following statements:

Statement of Accounting Policies – the purpose of this statement is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

Statement of Responsibilities for the Statement of Accounts – this sets out the respective responsibilities of the Cheshire Fire Authority and the Treasurer for the accounts.

The Annual Governance Statement – this summarises the Authority's responsibilities in the conduct of its business, the purpose and key elements of the system of internal control and the processes applied in maintaining, reviewing and developing the effectiveness of those control systems. It also addresses compliance with legal objectives, organisational priorities, corporate governance arrangements and performance management arrangements, focussing on the purpose of the Authority.

The Accounting Statements:

Income and Expenditure Account – reports the net cost for the year of all the functions for which the Authority is responsible and demonstrates how that cost has been financed from Government grants and income from local taxpayers.

Statement of Movement on General Fund Balance – whilst the surplus or deficit on the Income and Expenditure Account is the best measure of the Authority's financial result for the year, the movement on the general fund balance is also an important indicator of the Authority's stewardship.

Statement of Total Recognised Gains and Losses – not all gains and losses experienced by the Authority are reflected in the Income and Expenditure Account. However, when assessing the financial result for the period, the Statement of Total Recognised Gains and Losses considers all gains and losses.

Balance Sheet – this sets out the Authority's overall financial position at the year-end, showing its balances and reserves, its long-term liabilities and the fixed and net current assets employed in its operations, together with information on the fixed assets held.

Cash Flow Statement – this summarises the inflows and outflows of cash arising from the transactions with third parties for revenue and capital purposes.

The core financial statements are followed by a consolidated set of notes to the accounts covering all of the core statements.

In addition, the Statement of Accounts includes a summary of the revenue account in the form recommended by the Chartered Institute of Public Finance and Accountancy, in its Best Value Accounting Code of Practice.

The following paragraphs provide an explanation of the Fire Authority's financial activities. They review revenue and capital expenditure and performance against the Authority's overall budget.

Reporting the Accounts

The published accounts are an important element in demonstrating the Fire Authority's stewardship of public money. They show the resources available and how they are used by budget managers in delivering fire services to our communities.

Cheshire Fire Authority and Local Government Reorganisation

2008-09 was the 11th year of the Cheshire Fire Authority. Until 31 March 1998 Cheshire County Council was the Fire Authority for the Cheshire area and as such all expenditure, income, assets and liabilities relating to fire activities were included within the Statement of Accounts of the County Council. Following Local Government Reorganisation (LGR) in April 1998, Cheshire County Council, Halton Borough Council and Warrington Borough Council became fire authorities and were required to meet their obligations through a combined Cheshire Fire Authority (CFA).

With effect from 1 April 2009, the structure of Local Government in Cheshire has changed again following a further LGR. The effect of LGR has seen Cheshire County Council and the Borough Councils of Chester City Council, Ellesmere Port and Neston, Vale Royal, Crewe and Nantwich, Congleton, and Macclesfield become Cheshire East Council and Cheshire West and Chester Council. Consequently, the Authority now represents four constituent authorities, namely Cheshire East Council, Cheshire West and Chester Council, Halton Borough Council and Warrington Borough Council.

The CFA is an independent body, legally separate from its constituent authorities and comprises 23 Fire Authority Members drawn from the four constituent authorities.

The Fire Authority's Framework of Accountability

The Authority operates within a robust framework of accountability. The aim is to ensure that the Authority's financial systems are underpinned by sound internal controls. An Internal Audit service monitors the operation of these systems and controls. On page 5 is a statement of the Treasurer's responsibilities. This includes the requirement to ensure that the CFA manages its affairs to secure economic, efficient and effective use of resources and to safeguard its assets. Presenting the accounts on a fair basis is part of that responsibility.

Fire Authority Funding

The Local Government Act 2003 changed the status of Combined Fire Authorities to precepting bodies. The major implication of this change is the way in which the Authority is now funded. Prior to 1 April 2004, the Fire Authority was funded by way of levy on its constituent authorities. However, the Fire Authority now receives its funding from two main sources:

1. *Revenue Support Grant (RSG) and National Non-Domestic Rates (NNDR)*
For 2008-09 RSG and NNDR were distributed on the basis of the relative needs formula and resident population.
2. *Council Tax Precept*
To be set by the Authority and collected on its behalf by Unitary or District Borough Councils as collection authorities.

In 2008-09 the Authority set its net revenue budget at £40.747m. Funding was provided by the Council Tax precept which generated £23.321m (57% of the Authority's total funding) with the balance of £17.426 m (43%) provided by Revenue Support Grant and National Non-Domestic Rates. The Authority also agreed to fund £2m of new capital schemes in 2009-10 to be financed via a combination of prudential borrowing and revenue funding.

Analysis of 2008-09 Actual Spend

Actual expenditure for the year amounted to £40.644m. Overall, there has been an underspend of £103k against the net revenue budget of £40.747m. In previous years the Authority has reported an underspend against its

revenue budgets as a result of the time lag between firefighters retiring and replacements being trained and becoming competent firefighters. However, the retirement profile has now plateaued and the staff-related underspends of previous years are unlikely to be repeated in the near future.

The Authority also funded a capital programme of £2.7m in 2008-09 which comprises of schemes brought forwards from previous years and new capital schemes including a £700k investment in the operational fleet. The current economic climate has had an impact on our supplier market, particularly in relation to vehicles and as a result, only £1.6m of the £2.7m programme has actually been spent. The balance of £1.1m will be carried forwards and the remaining schemes delivered in 2009-10.

Significant Developments

In 2008-09 the Authority set its Council Tax increase at 2.8% which was amongst the lowest of all Fire Authorities in England. This followed an increase of 1.5% in 2007-08 which was the lowest of any precepting authority in the country. The average Council Tax precept from the Fire Authority in 2008-09 was £62.71, which equates to £1.21 per week for the average household.

It is anticipated that the current economic climate will have a significant effect on public sector finances which will become most apparent in the next Comprehensive Spending Review (effective from 2010-11). The Authority has a well developed Medium Term Financial Plan and has made some very prudent assumptions about future grant settlements from Government with the objective of ensuring that it can provide a quality, value for money service to its stakeholders, but recognise the impact that Council Tax increases have on local taxpayers.

The Authority has received unqualified opinions on its accounts from its external auditors (currently the Audit Commission) every year and has also been recognised as one of the top performing Fire Authorities in England by the 2008 Comprehensive Performance Assessment regime with the 'score' of 'Good and Improving Well'. The transition to the Comprehensive Area Assessment review will bring new challenges, but it is clear that the Authority is well placed to continue to provide a high quality service which works in partnership with other areas of the public and voluntary sectors to the benefit of its communities.

Significant Liabilities

Like other public bodies, the Authority is required to disclose the full estimated value of all its future pension liabilities in respect of both uniformed and non-uniformed staff. This figure, currently £254m, does not represent an immediate call on the Authority's resources, rather it shows the cost of all pension liabilities for current and retired staff, were they to fall due immediately.

Further Information

It is hoped that the information provided in this Statement of Accounts is clear and informative. Should you require any further information or if you have any comments, please contact Paul Vaughan (Finance Manager) on telephone number 01606 868815 or email paul.vaughan@cheshirefire.gov.uk. All of the Authority's key financial and other corporate documents are also available on our website www.cheshirefire.gov.uk.

Darren Griffiths
Treasurer
Cheshire Fire Authority

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

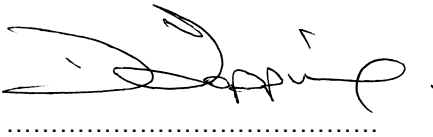
Responsibilities of the Cheshire Fire Authority

The 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 certify that this Statement of Accounts has received the full approval of Cheshire Fire Authority.



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16th September 2009

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Councillor David Topping
Cheshire Fire Authority

Date

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:

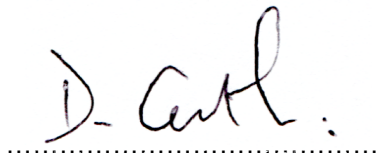
- Suitable accounting policies have been selected and applied consistently.
- Judgements and estimates made were reasonable and prudent.
- The Code of Practice has been complied with.

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 fairly the financial position of the Combined Fire Authority as at 31 March 2009 and that events after this date and prior to the formal approval of the Accounts have been properly considered.



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16th September 2009

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Darren Griffiths
Treasurer to Cheshire Fire Authority

Date

Independent auditor's report to Members of Cheshire Fire and Rescue Authority

Independent auditor's report to the Members of Cheshire Fire and Rescue Authority

Opinion on the financial statements

I have audited the accounting statements, the firefighters' pension fund accounting statements and related notes of Cheshire Fire and Rescue Authority for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The firefighters' pension fund accounting statements comprise the Fund Account and the Net Assets Statement. The financial statements and firefighters' pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Cheshire Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements, including the firefighters' pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

Independent auditor's report to Members of Cheshire Fire and Rescue Authority

I report to you my opinion as to whether the accounting statements, the firefighters' pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its firefighters' pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, the firefighters' pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the firefighters' pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the firefighters' pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the firefighters' pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the firefighters' pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements, the firefighters' pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, the firefighters' pension fund accounting statements and related notes.

Opinion

In my opinion:

- The accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United

Independent auditor's report to Members of Cheshire Fire and Rescue Authority

Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and

- The firefighters' pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the firefighters' pension fund during the year ended 31 March 2009 and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Authority's Responsibilities

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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for fire and rescue authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for fire and rescue authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Cheshire Fire and Rescue Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Independent auditor's report to Members of Cheshire Fire and Rescue Authority

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Judith Tench
(Officer of the Audit Commission)

First Floor Block 4
The Heath Technical and Business Park
The Heath
Runcorn WA7 4QF

16th September 2009

STATEMENT OF ACCOUNTING POLICIES

I. GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for 2008-09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008 – A Statement of Recommended Practice (the SORP), Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS). The general principles adopted in preparing the accounts are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounting convention adopted is historic cost, modified by the revaluation of fixed assets.

Accruals of income and expenditure

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

- Fees and charges due from customers are accounted for as income at the date the Authority provides the goods or services.
- 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 stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet
- Interest payable on borrowings and receivable on investments is accounted for 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 income 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.

Exceptions to these principles are minor cash income, day crew housing rent, some small elements of employee pay and energy costs, which are recorded on a receipts and payments basis rather than being apportioned between financial years. This departure from the SORP is not considered to be material, and the effect year on year would be minimal.

II. PROVISIONS

Provisions are made where an event has taken place that gives the Authority an obligation that probably requires settlement by a transfer of economic benefits, but where timing of the transfers is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet.

Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account. Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

III. RESERVES

The Authority sets aside specific amounts as reserves for the future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year and appears against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits, but they do not represent usable resources for the Authority – these reserves are explained in the relevant policies below. Further details on reserves held and the movements in reserves in 2008-09 are shown in the notes to the core financial statements.

Notional Accounts

These reserves represent purely accounting entries, without any actual cash effect.

- **Revaluation Reserve**
This reserve records the net gain from revaluations made after 1 April 2007.
- **Pension Reserve (FRS17)**
This reserve represents the disclosure requirements as laid out in FRS17.
- **Capital Adjustment Account**
This reserve reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

Earmarked Reserves

These reserves represent monies set aside for specific purposes. They include both revenue and capital reserves.

- **Capital Reserve - Schemes**
This reserve represents funds set aside for capital schemes that have been deferred or are in progress.
- **Capital Reserve - Unapplied Receipts**
With effect from 1 September 1998 all capital receipts can be used to finance capital expenditure. The receipts from the disposal of assets are used to help fund future capital programmes.
- **Resource Centre Managers Reserve**
The Authority operates a devolved budget management scheme. Any Member approved carry forwards on Service resource centre managers' budgets are transferred into this reserve. The reserve also includes specific approvals by Members to fund expenditure in future years.
- **Community Risk Reduction Reserve**
The purpose of this reserve is to meet the costs of home safety and other community safety initiatives up until 2011.
- **Performance Delivery Group (PDG) Reserve**
The purpose of this reserve is to provide local managers with a small budget to facilitate the engagement of partners in community safety related activities.
- **IRMP Reserve (Operational Focus)**
The purpose of this reserve is to fund operational training facilities.
- **General Reserve**
This represents resources available to meet the financial consequences of the Authority's risk profile and other unforeseen circumstances.

IV. GOVERNMENT GRANTS AND CONTRIBUTIONS (REVENUE)

Government grants and third party contributions and donations are recognised as income at the date that the Authority satisfies the conditions of entitlement to the grant / contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

V. RETIREMENT BENEFITS

Employees of Cheshire Fire Authority participate in two schemes:

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 scheme, is administered by Cheshire County Council in accordance with the Pension Regulations 2007 and 2008. The Authority currently pays an employer's contribution of 17.5% 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.

Employer contribution rates are reviewed every three years. The last review took place on 1 April 2007 and the next review will take place on 1 April 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 for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 6.9% (based on the gross redemption yield on the iBoxx Sterling Corporates Index, AA over 15 years)

The assets of the Local Government Pension Scheme attributable to the Authority are included in the Balance Sheet at their Fair Value. Assets are valued at bid value.

The Firefighter Pension Scheme for uniformed staff -

This is an unfunded scheme, meaning that there are no investment assets built up to meet the liability. That liability now resides in a local pensions account into which pension contributions are made and from which, pensions are paid. An original scheme commenced in 1992, and an additional scheme commenced in 2006, with both being administered through one fund. The cost of employer contributions into the local pensions account is charged to the Service revenue account. 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 the responsibility of Government.

The impact of these two 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 service earned this year – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Cost.
- 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 Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Cost.

- 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 Net Operating Expenditure in the Income and Expenditure Account.
- 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 Net Operating Expenditure in the Income and Expenditure Account.
- Gains/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 – charged to the Net Cost of Services in the Income and Expenditure Account 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 Statement of Total recognised Gains and Losses.
- Contributions paid to the pension schemes – cash paid as employer’s contributions to the pension fund.

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 funds in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance 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 funds and any amounts payable to the funds but unpaid at the year end.

VI. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable.

VII. 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 Best Value Accounting Code of Practice 2008 (BVACOP). The total absorption costing principle is used with the full cost of overheads and support services being 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.

VIII. TANGIBLE FIXED ASSETS

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Authority and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (eg repairs and maintenance) is charged to revenue as it is incurred.

Measurement: assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, 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 Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service account.

The Revaluation Reserve contains revaluations 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: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reduction in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by;

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account.
- Otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account 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 in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts.

Depreciation: depreciation is provided for on all assets with a determinable finite life (except investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use; with charges commencing in the year of acquisition.

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the life of the property as estimated by the valuer, usually 50 years.
- Vehicles, plant and equipment - straight-line allocation over the asset's useful life; appliances 13 years, hydraulic platforms/ turntable ladders 20 years and other equipment 5 to 15 years.

Fixed assets acquired under finance leases are included, together with a corresponding liability for future lease payments. Land and Building assets are reported on the Balance Sheet at the lower of net current replacement cost or net realisable value. Other assets are reported at cost.

All property is re-valued every 5 years. Assets under construction at the year end are not depreciated until they are fully operational.

The Authority's property portfolio was revalued by Edward Cottrell BSc (Hons) MRICS of Kenneymoore (Property Consultants), as at 31 March 2009. The basis of the valuation was as follows:

Day Crewed Housing: Market Value

Fire Service Headquarters: Existing Use Value, which is defined under UK Practice Statement 1.3 as:

'the estimated amount for which a property should exchange on the date of Valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing, wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause the market value to differ from that needed to replace the remaining service potential at least cost'.

Fire Stations: Depreciated Replacement Cost, which is defined in International Valuation Standards as:

'the current cost of replacing an asset with its modern equivalent asset, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation'.

Capital Receipts from the disposal of fixed assets are accounted for on an accruals basis.

Grants and contributions

Where grants and contributions are received which are identifiable to fixed assets with a finite useful life, the amounts are credited to the Capital Grants Deferred Account. The balance is then written down to revenue to balance depreciation charges made for the related assets in the relevant service account, in line with the depreciation policy applied to them.

IX. CHARGES TO REVENUE FOR FIXED ASSETS

Service revenue accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the Authority and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible fixed assets attributable to the Authority.

The Authority is not required to raise council tax to cover depreciation, impairments losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirements (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement). In addition to the 4.0%, the Authority makes a voluntary contribution of 2.7%. Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

X. LEASES

Finance leases

A finance lease occurs when the discounted minimum lease payments are 90% or more of the fair value. A finance lease transfers substantially all the risks and rewards of ownership of an asset to the lessee, other than legal title. Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated life.

Operating leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. An operating lease involves the lessee paying a rental for the hire of an asset for a period of time which is substantially less than its useful economic life. The lessor retains most of the risks and the rewards of ownership in the case of an operating lease. Rentals payable are charged to the relevant service revenue account on a straight – line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

Details of leases are shown in note 6 to the core financial statements.

XI. FINANCIAL LIABILITIES

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

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

XII. FINANCIAL ASSETS

Financial assets are classified into two types;

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets – assets that have a quoted market price and /or do not have fixed or determinable payments.

Loans and Receivables

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

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

Any gains and losses which arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-sale-Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market prices.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.
- Equity shares with no quoted market prices – independent appraisal of company valuations.

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

Any gains and losses which arise on derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the Statement of Total Recognised Gains and Losses.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

XIII. STOCKS AND WORK IN PROGRESS

Stocks of specialised fire fighter clothing and uniforms, vehicle spares and fuel are shown at cost, or net realisable value. Stocks of stationery and catering supplies are not included in the balance sheet as such stocks are incidental and deemed not to be material to the accounts. Note 13 to the statements provide further detail on stocks.

XIV. CONTINGENT ASSETS/ LIABILITIES

Contingent assets/ liabilities are not recognised in the Revenue Account or the Balance Sheet where there is not absolute certainty they will materialise. Where appropriate, they may feature as notes to the accounts if there is a reasonable likelihood of the event occurring.

XV. INTEREST IN COMPANIES AND OTHER ENTITIES

The Authority has an interest in three companies, the Fire and Rescue Authorities Mutual Limited (FRAML), the North West Regional Management Board and the NW Firecontrol Ltd, Comprehensive notes in respect of these are provided in the notes to the core financial statements, notes 29, 30 & 31.

XVI. PRIOR PERIOD ADJUSTMENTS / CHANGE IN ACCOUNTING POLICY

Comparative figures for the preceding year are restated when material adjustments applicable to prior years arise from changes to accounting policies or when fundamental errors have occurred.

CHESHIRE FIRE AUTHORITY - INCOME AND EXPENDITURE ACCOUNT 2008-09

Net Expenditure 2007-08 £000	note	Gross Expenditure 2008-09 £000	Gross Income 2008-09 £000	Net Expenditure 2008-09 £000
4,974 Community fire safety		5,908	(291)	5,617
34,728 Fire fighting and rescue operations		36,862	(1,821)	35,041
784 Corporate and democratic core		768	(32)	736
(193) Non distributed costs		1,019	-	1,019
40,293 Net Cost of Services	1	44,557	(2,144)	42,413
3 Loss on the disposal of fixed assets				-
311 Interest payable and similar charges				326
(612) Interest and investment income				(461)
14,906 Pension interest cost and expected return on pensions assets	11			16,836
54,901 Net Operating Expenditure				59,114
(22,390) Precepts (Council Tax)				(23,282)
(2,367) General government grants				(2,129)
(14,104) Non-domestic rates redistribution				(15,297)
16,040 Deficit for the Year				18,406

CHESHIRE FIRE AUTHORITY - STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2007-08 £000	2008-09 £000
16,040 Deficit for the year on the Income and Expenditure Account	18,406
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the <u>(16,309)</u> General Fund Balance for the year	<u>(18,509)</u>
(269) Increase in General Fund Balance for the Year	(103)
(5,796) General Fund Balance brought forward	(6,065)
<u>(6,065)</u> General Fund Balance carried forward	<u>(6,168)</u>

The Income and Expenditure Account shows the authority's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Authority's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the General Fund Balance.

NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2007-08 £000	note	2008-09 £000	2008-09 £000
<i>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</i>			
- Amortisation of intangible fixed assets	12	(58)	
(2,264) Depreciation and impairment of fixed assets	12	(5,942)	
27 Government Grants Deferred amortisation		27	
(3) Net loss on sale of fixed assets	12	-	
(23,889) Net charges made for retirement benefits in accordance with FRS 17	11	(24,350)	
(26,129)			(30,323)
<i>Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year</i>			
213 Minimum revenue provision for capital financing	10	246	
193 Capital expenditure charged in year to the General Fund Balance		404	
Employer's contributions payable to the Pensions Account and retirement benefits payable direct to pensioners	11	10,752	
9,282			11,402
<i>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</i>			
144 Voluntary revenue provision for capital financing	10	166	
394 Net transfer to or from earmarked reserves	21	246	
538			412
(16,309)			(18,509)
Net additional amount required to be credited to the General Fund Balance for the year			(18,509)

CHESHIRE FIRE AUTHORITY - STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The Statement of Total Recognised Gains and Losses brings together all gains and losses for the period, and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2007-08 £000	note	2008-09 £000
16,040 Deficit on the Income and Expenditure Account for the year		18,406
(4) Surplus arising on revaluation of fixed assets	12	(4,734)
- Surplus arising on adjustment to capital		(25)
Actuarial (gains) and losses on pension fund assets and liabilities		
209 - Local Government Pension Scheme		2,514
(48,700) - Firefighters Pension Scheme		(7,500)
<u>(32,455)</u> Total Recognised (Gains) / Losses for the year		<u>8,661</u>

CHESHIRE FIRE AUTHORITY - CASH FLOW STATEMENT 2008-09

This statement provides a link between the Balance Sheet at the beginning of the year, the Revenue Account for the year and the Balance Sheet at the end of the year. It looks at where the money came from and how it was spent for both revenue and capital activities and therefore reflects the changes in the financial structure of the Cheshire Fire Authority during the year.

2007-08 £000	Note	2008-09 £000
REVENUE ACTIVITIES		
<u>Cash Outflows</u>		
(31,295) Payments to and on behalf of employees		(32,022)
(7,535) Other operating cash payments		(10,968)
(38,830)		(42,990)
<u>Cash Inflows</u>		
783 Cash received for goods and services and other operating cash receipts		1,924
426 Specific Grants	26	374
2,367 Revenue Support Grant		2,129
14,104 National non-domestic rates payments from national pool		15,297
22,390 Precepts received (Council Tax)		23,295
40,070		43,019
1,240	22	29
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
<u>Cash Outflows</u>		
(427) Interest paid		(330)
- Interest element of finance lease rental payments		(12)
<u>Cash Inflows</u>		
483 Interest received		720
56		378
CAPITAL ACTIVITIES		
<u>Cash Outflows</u>		
(2,302) Purchase of fixed assets		(2,056)
(193) Purchase of long-term investments		-
<u>Cash Inflows</u>		
36 Capital Receipts - Sale of fixed assets		-
(2,459)		(2,056)
(1,163)		(1,649)
FINANCING		
<u>Cash Outflows</u>		
(200) Repayments of amounts borrowed		-
- Capital element of finance lease rental payments		(15)
<u>Cash Inflows</u>		
1,097 New loans raised		-
897		(15)
MANAGEMENT OF LIQUID RESOURCES		
(1,398) Net (Increase) / Decrease in short term deposits	24	(3,534)
1,132	23	1,870

CHESHIRE FIRE AUTHORITY - FIREFIGHTERS PENSION FUND 2008-09

2007-08 £000	£000		2008-09 £000	£000
		Contributions Receivable		
		<u>Employer contributions</u>		
(3,424)		Re members of 1992 Firefighters Pension Scheme	(3,223)	
(193)		Re members of 2006 New Firefighters Pension Scheme	(341)	
	(3,617)			(3,564)
(160)		Actuarial charges re early retirements	(161)	
(36)		Re Ill health retirements taking place in 2006-07	(36)	
	(196)	Re Ill health retirements taking place in 2007-08		(197)
	(3,813)			(3,761)
		<u>Member (employee) contributions</u>		
(1,769)		1992 Firefighters Pension Scheme	(1,665)	
(149)		2006 New Firefighters Pension Scheme	(267)	
	(1,918)			(1,932)
		Transfers in		
	(102)	Transfer values receivable from other schemes		(240)
	(5,833)	Total Amount Receivable		(5,933)
		Benefits Payable		
6,955		On-going pension payments	7,771	
3,174		Commutations and lump sum retirements benefits	4,825	
-		Lump sum death benefits	12	
10,129		Total Benefits Payable	12,608	
-		Interest and administration charges	76	
23		Transfer Values Payable to other Schemes	-	
	10,152	Total Amount Payable		12,684
	4,319	Net amount payable/ receivable for the year before top up grant receivable from central government		6,751
	(4,319)	Top up grant receivable from central government		(6,751)
	-	Net amount payable/ receivable for the year		-
		Note re Top up Grant Receivable		
	(4,319)	Amount receivable as above		(6,751)
	467	Less received at 31 March		2,290
	(3,852)	Amount due at year end		(4,461)

Net Assets Statement as at 31 March

2007-08 £000		2008-09 £000
169	Debtor - Top up grant receivable 2006-07 from Government	-
3,852	Debtor - Top up grant receivable 2007-08 from Government	-
-	Debtor - Top up grant receivable 2008-09 from Government	4,461
(321)	Less creditors -unpaid Lump Sum Retirement Benefits	(778)
(13)	Other current liability	-
3,687	Net Assets as at 31 March	3,683

NOTES TO THE CORE FINANCIAL STATEMENTS

- 1 Expenditure and income have been analysed in the Income and Expenditure Account. The subjective analysis is shown below.

<u>Category of Expenditure</u>		2008-09	2007-08
		£000	£000
Employees			
Uniformed		24,550	25,722
Non Uniformed		7,649	5,773
Other Employee Costs		925	746
		33,124	32,241
Overheads:			
Third Party Payments	Note 2	1,213	1,163
Capital Charges		6,000	2,264
Members Allowances	Note 3	109	113
Premises		1,942	1,358
Supplies, Services and Other Expenses		3,888	3,466
Transport		1,317	1,010
		14,469	9,374
Pensions:			
Pensions FRS17		(3,238)	(193)
Pensions		202	511
		(3,036)	318
Gross Cost of Service per BVACOP		44,557	41,933
Service Income	Note 4	(2,144)	(1,640)
Net Cost of Service		42,413	40,293

2 Third Party Payments

		2008-09	2007-08
		£000	£000
Payments to	Staffordshire	26	20
	Merseyside	22	9
Services Bought In		1,165	1,134
		1,213	1,163

Sections 13-16 of the Fire and Rescue Services Act 2004 refer to aid arrangements provided by neighbouring fire authorities. In certain circumstances this aid is chargeable and in 2008-09 and 2007-08, the costs incurred are shown above.

3 Members Allowances

In accordance with the Local Authorities Regulations (Members Allowances) 2003, the total amount spent on Members' allowances in 2008-09 was £109,050 (2007-08 £104,734).

Member Allowances are approved by the Authority after consideration of the advice and recommendations of an Independent Panel. As required under the appropriate regulations, the Authority publishes annual details of the sums paid by it to each Member of the Authority in respect of those allowances to which they are entitled. An appropriate notice is published in the local press (usually in July) stating that details may be obtained from the Authority on request.

4 Income

	2008-09	2007-08
	£000	£000
Sales	40	27
Fees	130	382
Prince's Trust	466	304
Other Income	1,508	927
	2,144	1,640

5 Publicity

Per the requirements of Section 5 (1) of the Local Government Act 1986, the Authorities spending on publicity during 2008-09 was £231,152 (2007-08 was £214,955).

	2008-09	2007-08
	£000	£000
Recruitment advertising	126	112
Publicity	91	97
Other advertising	14	6
	231	215

6 Leases

Payments made under operating leases in 2008-09 totalled £378,968 (2007-08: £333,289). All expenditure on leases relates to vehicles.

The Authority was committed at 31 March 2009 to making payments of £314,644 under operating leases, comprising the following:

	2008-09
	£000
Leases expiring in 2009-10	161
Leases expiring between 2010-11 and 2013-14	154
	315

The Authority has a training vehicle held under a finance lease. The rental payable under the arrangement in 2008-09 was £13,551, charged to the Income & Expenditure Account as £5,842 finance costs (debited to interest payable and other charges) and £7,709 relating to the write-down of obligations to the lessor (debited as part of the appropriation to capital adjustment account in the Statement of Movement on the General Fund Balance).

The following asset is held under finance lease by the Authority, accounted for as part of the tangible fixed assets;

	2008-09
	£000
Value as 1 April 2008	121
Repayment of principal	(8)
Value as 31 March 2009	113

Outstanding obligations to make payment under this lease (excluding finance costs) at 31 March 2009, accounted for as part of deferred liabilities, are as follows:

	2008-09
	£000
Obligations payable in 2009-10	8
Obligations payable between 2010-11 and 2013-14	36
Obligations payable after 2014-15	69
	<u>113</u>

7 Officers Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more was;

Remuneration band	2008-09	2007-08
	Number of employees	
£50,000 - £59,999	9	8
£60,000 - £69,999	5	3
£70,000 - £79,999	1	1
£80,000 - £89,999	0	0
£90,000 - £99,999	0	2
£100,000 - £109,999	1	1
£110,000 - £119,999	2	0
£120,000 - £129,999	0	0
£130,000 - £139,999	0	1
£140,000 - £149,999	1	0

8 Related Party Transactions

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. 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 number of these transactions have already been disclosed within the financial statements, as follows:

- (1) Transactions with other public bodies (i.e. Cheshire County Council and the district councils of Cheshire) have been disclosed within the revenue account and the cash flow statement, as well as in the other notes to the accounts.
- (2) Transactions with the Cheshire Pension Fund have been disclosed within the statement of accounting policies and notes to the revenue account.
- (3) Transactions with Central Government have been disclosed within the revenue account and the cash flow statement, as well as in the other notes to the accounts.

There is one material transaction to disclose in respect of Members, Chief Officers, (including their close family) and the Fire Authority.

- The Board of Directors of the Fire and Rescue Authorities' Mutual Limited (FRAML) insurance company comprises representatives from member Fire and Rescue Authorities as well as independent specialists. Disclosure has been made of the fact that the Head of Finance and Governance is on the FRAML Board of Directors.

9 Audit Costs

The Authority incurred the following fees relating to external audit and inspection:

	2008-09	2007-08
	£000	£000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor – current year	66	59
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor – prior year	3	-
Fees payable in respect of other services provided by the appointed auditors	1	2
	70	61

10 Provision for the Repayment of Debt

The Authority is required by statute to set aside a minimum revenue provision for the repayment of external debt (at 4.0%). The figure used to calculate the annual provision for debt repayment was £6,141k. The Authority has decided to make an additional debt repayment provision (at 2.7%) to recognise the estimated life of the assets being financed through loans.

	2008-09	2007-08
	£000	£000
Minimum repayment provision at 4.0%	246	213
Voluntary repayment provision at 2.7%	166	144
	412	357

11 Retirement Benefits

Participation in Pensions Schemes

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two pension schemes:

- The Local Government Pension Scheme for non uniformed staff, administered during 2008-09 by Cheshire County Council – this is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- The Firefighters Pension Scheme for uniformed staff – this is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet actual pension payments as they become due. However, as from 1 April 2006, Firefighter contributions and employer's contributions are now paid into a pension scheme account, from which pension payments are made. Details of the pension scheme account for 2008-09 are shown in the statement on page 20.

Change in accounting policy

Under the 2008 SORP the Authority has adopted the amendment to FRS17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of the scheme assets at 31 March 2008 has been restated from £14,742k to £14,681k, a decrease of £61k, resulting in an increase of the pension deficit of £61k. Current and prior year surpluses have been unaffected by this change.

Non Uniformed Staff Pension Costs

In addition to employer contributions, Cheshire Fire Authority also made payments to fund costs of discretionary retirement benefits paid to employees who retire on the grounds of redundancy or in the efficiency of the service.

The capitalised costs of all such retirements are as follows:

	£000
Capitalised costs of Discretionary Retirements to 31 December 1999	263
Capitalised costs of Discretionary Retirements to 31 March 2001	133
Capitalised costs of Discretionary Retirements to 1 April 2002 to 31 March 2009	-
Total	396

These discretionary retirement costs have already been substantially provided for by way of uplift to employer contributions to the Fund or, in the case of retirements since 31 December 1999, by way of additional payment to the Fund.

Transactions Relating to Retirement Benefits

The Authority recognises the cost of retirement benefits in the Net 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 retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	Local Government Pension Scheme		Firefighters Pension Scheme	
	£000		£000	
	2008-09	2007-08	2008-09	2007-08
	£000	£000	£000	£000
Income and Expenditure Account				
Net Cost of Services:				
Current Service Cost	595	783	5,900	8,200
Past Service Cost	219	-	800	-
Net Operating Expenditure				
Interest Cost	1,207	779	16,700	15,000
Expected Return on Assets in the Scheme	(1,071)	(873)	-	-
Net Charge to the Income and Expenditure Account	950	689	23,400	23,200
Statement of Movement in the General Fund Balance				
<ul style="list-style-type: none"> • Reversal of Net Charges made for Retirement Benefits in accordance with FRS17 	(950)	(689)	(23,400)	(23,200)
Actual amount charged against the General Fund Balance for Pensions in the year:				
<ul style="list-style-type: none"> • Employers Contributions payable to Scheme 	852	776		
<ul style="list-style-type: none"> • Retirement Benefits payable to pensioners 			9,900	8,100

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains of £4,986k (2007-08 £48,480k as restated) were included in the Statement of Total Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £21,324k.

Assets and liabilities in relation to retirement benefits

Reconciliations of present value of the scheme liabilities

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Firefighters Pension Scheme	
	2008-09	2007-08	2008-09	2007-08
	£000	£000	£000	£000
1 April	17,164	14,200	243,400	277,000
Current Service Cost	595	783	5,900	8,200
Interest cost	1,207	779	16,700	15,000
Contributions by scheme participants	317	260	2,200	1,600
Actuarial gains and losses	(1,868)	1,669	(7,500)	(48,700)
Benefits paid	(458)	(527)	(12,100)	(9,700)
Past service costs	219	-	800	-
31 March	17,176	17,164	249,400	243,400

Reconciliation of fair value of the scheme assets (Local Government Pension Scheme only)

	2008-09	2007-08
	£000	£000
1 April	14,681	11,850
Expected rate of return	1,071	873
Actuarial gains and losses	(4,321)	1,449
Employer contributions	852	776
Contributions by scheme participants	317	260
Benefits paid	(458)	(527)
31 March	12,142	14,681

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 (£3,259k) (2007-08 (£556k)).

Scheme History

	2004-05	2005-06	2006-07	2007-08	2008-09
	£000	£000	£000	£000	£000
Present value of liabilities					
Local Government Pension Scheme	(11,070)	(13,700)	(14,200)	(17,164)	(17,176)
Firefighters Pension Scheme	(241,300)	(282,200)	(277,000)	(243,400)	(249,400)
Fair value of assets in the Local Government Pension Scheme	7,870	10,550	11,850	14,681	12,142
Surplus/(deficit) in the scheme					
Local Government Pension Scheme	(3,200)	(3,150)	(2,350)	(2,483)	(5,034)
Firefighters Pension Scheme	(241,300)	(282,200)	(277,000)	(243,400)	(249,400)
Total	(244,500)	(285,350)	(279,350)	(245,883)	(254,434)

The Authority has elected not to restate fair value scheme assets for 2004-05 and 2005-06 as permitted by FRS 17 (as revised).

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £254 million has a substantial impact on the net worth of the Authority as shown in the Balance Sheet, resulting in a negative overall balance of £217 million at 31 March 2009. 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, as assessed by the scheme's actuary.
- The only liability for the Authority in relation to the deficit on the Firefighters Pension Scheme is the future employer's contributions.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Firefighters Pension Scheme and the Local Government Pension Scheme liabilities have been assessed by Hymans Robertson and Co, an independent firm of actuaries. The main assumptions used in their calculations are shown in the following table:

	Local Government Pension Scheme		Firefighters Pension Scheme	
	2008-09	2007-08	2008-09	2007-08
	%	%	%	%
Long term expected rate of return on assets in the scheme				
Equity investments	7.0	7.7	-	-
Bonds	5.4	5.7	-	-
Property	4.9	5.7	-	-
Cash	4.0	4.8	-	-
Mortality assumptions:				
Longevity for current pensioners (LGPS scheme at 65 & Firefighters scheme at 60)				
Men	19.6	19.6	27.6	25.4
Women	22.5	22.5	31.0	28.4
Longevity for future pensioners (LGPS scheme at 65 & Firefighters scheme at 60)				
Men	20.7	20.7	29.2	26.1
Women	23.6	23.6	32.7	29.1
Rate of inflation	3.1	3.6	3.1	3.6
Rate of increase in salaries	4.6	5.1	4.6	5.1
Rate of increase in pensions	3.1	3.6	3.1	3.6
Rate for discounting scheme liabilities	6.9	6.9	6.9	6.9
Take up of option to convert annual pension into retirement lump sum	50	50	90	90

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 2009	31 March 2008
	%	%
Equity Investments	68	72
Bonds	17	13
Property	8	10
Cash	7	5

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2008-09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009.

Local Government Pension Scheme

	2004-05 %	2005-06 %	2006-07 %	2007-08 %	2008-09 %
Differences between the expected and actual return on assets	3.2	15.7	(0.4)	9.8	(35.6)
Experience gains and losses on liabilities	(2)	0.6	(0.1)	(31.8)	-

Firefighters Pension Scheme

	2004-05 %	2005-06 %	2006-07 %	2007-08 %	2008-09 %
Differences between the expected and actual return on assets	NA	NA	NA	NA	NA
Experience gains and losses on liabilities	(9.2)	0.6	1.2	(4.1)	(1.3)

12 Fixed Assets

Movement on Fixed Assets

The figures below provide information on the movement of fixed assets held by the Authority during 2008-09. Following the introduction of capital asset accounting, the fixed assets are shown at their current value (see Statement of Accounting Policies).

Operational Assets	Land & Buildings	Vehicles	Equipment	Total
	£000	£000	£000	£000
Gross Book Value at 31 March 2008	33,124	8,084	5,062	46,270
Less Accumulated Depreciation	(3,709)	(5,169)	(3,540)	(12,418)
Net Book Value at 31 March 2008	29,415	2,915	1,522	33,852
<i>Movement in 2008-09</i>				
Additions	945	254	235	1,434
Reclassifications	(88)	-	88	-
Revaluations	4,734	-	-	4,734
Disposals	-	(299)	-	(299)
Depreciation / Impairment	(4,957)	(559)	(425)	(5,941)
Depreciation on disposals	-	299	-	299
Adjustment	25	-	-	25
Net Book Value at 31 March 2009	30,074	2,610	1,420	34,104
Non Operational Assets				
	Land & Buildings	Vehicles	Equipment	Total
	£000	£000	£000	£000
Gross Book Value at 31 March 2008	213	-	-	213
Less Accumulated Depreciation	-	-	-	-
Net Book Value at 31 March 2008	213	-	-	213
<i>Movement in 2008-09</i>				
Additions	281	-	141	422
Write off to revenue in year	(123)	-	-	(123)
Net Book Value at 31 March 2009	371	-	141	512
Intangible Fixed Assets				
	Land & Buildings	Vehicles	Equipment	Total
	£000	£000	£000	£000
Gross Book Value at 31 March 2008	-	-	132	132
<i>Movement in 2008-09</i>				
Expenditure in year	-	-	26	26
Written off to revenue in year	-	-	(58)	(58)
Net Book Value at 31 March 2009	-	-	100	100

Notes on Non Operational Assets

Property non operational assets relates to the costs of the extension works to the Fire Headquarters at Winsford. Non operational assets - equipment, represents spending on new computer applications in respect of asset recognition, mobilisation and reporting of management information, and a display unit.

Notes on Intangible Assets

Equipment intangible assets represents software held in respect of the control and command mobilisation system, and Microsoft office updates. The cost is being written off over the five year life of the software.

Capital Expenditure and Financing

	2008-09	2007-08
	£000	£000
Capital investment		
Operational assets	1,434	2,364
Non operational assets	421	140
Intangible assets	25	-
	1,880	2,504

	2008-09	2007-08
	£000	£000
Sources of finance		
Borrowing	1,017	1,097
Revenue contribution	815	193
Capital receipts	-	36
Government grants and other contributions	48	7
Capital Reserve	-	1,171
	1,880	2,504

Valuation Information

The following statement shows the progress of the Authority's rolling programme for the revaluation of fixed assets. The valuations were carried out by Edward Cottrell BSc (Hons) MRICS, of Kenneymoore Property Consultants on 31 March 2009. The basis for them is set in the statement of accounting policies.

	Property	Vehicles	Equipment	Total
	£000	£000	£000	£000
Valued at historical cost	-	2,610	1,420	4,030
Valued at current value in 2008-09				
Property	30,074	-	-	30,074
Total	30,074	2,610	1,420	34,104

13 Stocks

	2008-09	2007-08
	£000	£000
Workshops and equipment		
Workshops	103	92
Uniform	96	120
Firefighting	40	43
General	19	20
	258	275

14 Debtors and prepayments

	2008-09	2007-08
	£000	£000
General debtors greater than 1 year old	96	53
General debtors less than 1 year old	6,928	4,794
Prepayments	323	206
	7,347	5,053

Following a review of outstanding debt, a provision of £36,500 has been established to provide for the future write off of bad debts.

15 Investments

During 2008-09 where it is clear that the surpluses are available for more than one month, money is invested on the money market. With effect from April 2008, Warrington Borough Council undertake the Fire Authority's treasury management transactions.

	2008-09	2007-08
	£000	£000
Investments	4,266	8,088
	4,266	8,088

16 Creditors

	2008-09	2007-08
	£000	£000
Trade creditors	1,446	1,723
Employee pay accruals	2,606	1,494
Deferred grants	1,012	968
	5,064	4,185

17 Pension Liability - Long Term Creditors

The long term creditor of £46,282 represents the unpaid costs of any non-uniformed staff early retirements. These costs are paid out over a period up to 5 years.

18 Loans Outstanding - Long Term Borrowing

As at 31 March 2009 long term debt outstanding was £6,439,000. During the year no further loans were taken out and no principal was re-paid. The following tables analyse long term borrowing by type and debt maturity.

	2008-09	2007-08
Loan Type	£000	£000
Public Works Loan Board (PWLB)	6,439	6,439
Balance at 31 March	6,439	6,439

	2008-09	2007-08
Loan Maturity	£000	£000
1 - 2 Years	0	0
2 - 5 Years	1,037	1,037
5 - 10 Years	322	322
10 Years and above	5,080	5,080
Balance at 31 March	6,439	6,439

19 Firefighters Pension Fund

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 the Communities and Local Government (CLG). Similarly, any surplus on the Fund would be payable by the employer to the CLG. The deficit / surplus 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 8.5% of their gross pay (compared to 11% 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 re the 1992 Scheme and 11% of gross pay re the 2006 Scheme, together with formulae 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.

20 The Euro

The Authority has not yet incurred any costs in preparing for currency conversion to the Euro.

21 Reserves

The Authority keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily and earmarked to fund future spending plans.

Movements in Reserves in 2008-09

Reserve	Balance at 1 April 2008	Net movement in the year	Balance at 31 March 2009	Purpose of Reserve	Further detail of movements
	£000	£000	£000		
Notional Accounts					
Revaluation Reserve	4	4,730	4,734	Gains on revaluation of fixed assets not yet realised through sales	Revaluation of property
Pensions Account (FRS17)	(245,822)	(8,612)	(254,434)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	See note 11 to the Accounts
Capital Adjustment Account	27,927	(5,493)	22,434	Store of capital resources set aside to meet past expenditure	See further detail in accounting policies
	(217,891)	(9,375)	(227,226)		
Earmarked Reserves					
Usable Capital Receipts	289	-	289	Proceeds of fixed asset sales available to meet future capital expenditure	See further detail in accounting policies
Resource Centre Managers'	538	752	1,290	Resources available to meet future identified expenditure in resource centre managers area	
Community Risk Reduction	1,431	(420)	1,011	Resources to meet the costs of home safety assessments and other community safety initiatives up until 2011	
PDG Managers Reserve	288	(87)	201	Resources earmarked for facilitating partner engagement in community safety activities	
IRMP Reserve (Operational Focus)	443	-	443	Resources earmarked for funding operational training facilities	
	2,989	245	3,234		
Other Reserves					
Capital Reserve	549	366	915	Resources earmarked for specific future capital costs	Used to fund capital expenditure in future years
General Fund	6,065	103	6,168	Resources available to meet the financial consequences of the Authority's risk profile and other unforeseen circumstances	Statement of Movement on the General Fund Balance
	6,614	469	7,083		

22 Reconciliation between the net surplus / deficit on the Income and Expenditure Account to the revenue activities net cash flow in the Statement

	2008-09	2007-08
	£000	£000
Surplus / (Deficit) for the year	(18,406)	(16,040)
Reconciling items for the statement of movement	18,509	16,305
Increase in General Fund Balance for the year	103	265
 <u>Add back items shown elsewhere in the Statement</u>		
Interest paid	342	494
Interest received	(720)	(483)
 <u>Other adjustments</u>		
(Increase) / decrease in stocks	17	(175)
(Increase) / Decrease in non capital debtors & prepayments	(2,033)	(660)
Increase / (Decrease) in non capital creditors	1,022	747
Other non-cash movements and capital accruals	1,298	1,052
 <hr/>		
Revenue Activities Net Cash Flow	29	1,240

23 Cash flow statement - Reconciliation of the movement in cash

	As at 31/03/09 £000	As at 31/3/08 £000	Movement during year £000
Cash in Hand	6	8	(2)
Cash at Bank and cash in transit	2,508	636	1,872
	2,514	644	1,870

24 Cash flow statement - Reconciliation of the items shown within the financing and management of liquid resources sections of the cash flow statement to the related items in the opening and closing balance sheets for the period

	As at 31/03/09 £000	As at 31/3/08 £000	Movement during year £000
Financing			
Long term borrowing	(6,439)	(6,439)	-
Borrowing – due within 12 months	-	-	-
	(6,439)	(6,439)	-
Management of Liquid Resources			
Investments	4,266	7,800	(3,534)
	4,266	7,800	(3,534)

	As at 31/03/09 £000	As at 31/3/08 £000
Increase / (Reduction) in cash in the period	1,870	1,132
Cash inflow from increase in debt	0	(964)
Cash inflow from reduction in liquid resources	(3,534)	(1,400)
Movement in net debt for period	(1,664)	(1,232)
Net funds at 1 April	2,005	3,235
Net funds at 31 March	341	2,003

25 Definition of Liquid Resources

Liquid resources have been defined as the short term investments that are disclosed on the face of the balance sheet.

26 Analysis of Specific Grants for 2008-09

	2008-09 £000	2007-08 £000
Kooldown	-	6
New Burden	-	59
Regional Control	-	118
New Dimensions	-	75
Cheshire Safer Roads Partnership	20	-
LPSA – performance reward grant	35	-
CLG – Council Tax leaflet grant	1	-
Respect	318	-
ODPM Smoke Alarm	-	168
Total	374	426

The above table represents the specific grants cash received and applied in 2008-09 and 2007-08

27 Fair values of assets and liabilities carried at amortised cost

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

- For PWLB loans, interest rates prevailing at 31 March 2009
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values are calculated as follows:

	31 March 2009		31 March 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	11,549	12,293	10,702	10,976
The fair value is more than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest at higher than current market rates increases the amount that the Authority would have to pay if the lender agreed to early repayment of the loans				
Loans and receivables	14,127	14,127	13,775	13,775
The Authority has entered into a capital guarantee for The Fire and Rescue Authorities' Mutual Limited, which provides insurance cover on a mutual basis to members. The carrying amount of this guarantee is £193k. There is no market for this investment. The Authority has no intention to dispose of this investment.				

28 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 rate and stock market movement.
- Price risk – the possibility that financial loss might arise to the authority as a result of movements in the prices of shares.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. During 2008-09 the Authority used Warrington Borough Council to manage its Treasury Management activities. In this way the Authority was able to minimise risk by making use of the Council's expertise in this area. The Authority determined, in conjunction with the Council, policies in respect of interest rate risk, credit risk and the investment of surplus cash, which were approved by the Authority in the annual treasury management strategy.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's debtors. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of A in the long term and F1 in the short term. The Authority has a policy of placing not more than £5 million with any single counterparty. Customers 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 following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2009	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2009	Estimated maximum exposure to default and uncollectability	Estimated maximum exposure at 31 March 2009
	£000	%	%	£000	£000
Deposits with banks and financial institutions	4,266	-	-	-	-

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

The Authority does not have significant exposure to risk in respect of debtors, as most of the Authority's income is received from Government Grant and Council Tax. The Authority does not generally allow credit, and although £167k on debtors is past the due date for payment, the Authority does not feel that is exposed to significant risks in relation to its debtors. The past due amount can be analysed as follows.

	2008-09	2007-08
	£000	£000
Less than three months	53	162
Three to six months	7	12
Six months to one year	11	69
More than one year	96	46
Total	167	289

Liquidity risk

The Authority has a comprehensive cash flow management system which 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 during specified periods. The strategy is to ensure that not more than 25% of loans are due to mature within any rolling five year period through a combination of planning new loans taken out and (where it is economic to do so), making early repayments.

The maturity analysis of financial liabilities is as follows:

	2008-09	2007-08
	£000	£000
Less than one year	5,064	4,216
Between one and two years	-	-
Between two and five years	1,083	1,084
More than five years	5,402	5,402
Total	11,549	10,702

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

Market risk

The Authority is exposed to risk because of its exposure to interest rate movements on its borrowing and investments. The Authority has a policy to fix the interest rate on its borrowings and investments. This is because it wishes to have cost certainty and feels that this policy is most appropriate in the current volatile economic climate. In addition the Authority has relatively small loans and investment portfolios, which makes offsetting risk by having a mixed portfolio more difficult.

During 2008-09 the Authority has used Warrington Borough Council to manage its investment portfolio. This has the benefit of allowing the Authority to make use of the Council's expertise in Treasury Management.

Price Risk

The Authority has a long term investment of £1 in a Joint Venture (see disclosure note 31). There is no market for this investment and it is not anticipated that the value of the investment will vary.

29 Capital Commitments

As at 31 March 2009, the Authority had the following commitments under capital contracts:

	2008-09
	£
Headquarters Extension	2,255,311
Human Resources system	41,879
Miquet system	97,040
Total	2,394,230

30 Contingent Liability and Post Balance Sheet Event

Fire and Rescue Authorities Mutual Limited.

The Authority is one of five Fire and Rescue Authorities that have together set up FRAML, a company regulated by the Financial Services Authority which provides insurance cover for its members. Each member Authority pays to the company an insurance premium for cover provided. In the event that the company incurs losses the company may 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. No provision has been made in the accounts for a supplementary call on contributions.

A number of London Borough Council's formed the London Authorities Mutual (LAML) which is a very similar concept to FRAML. The legality of LAML has been the subject of a case taken to the High Court, which ruled in April 2008 that the participation of the London Borough of Brent in LAML was 'ultra vires'. This ruling was upheld on appeal in June 2009. Following the ruling in 2008, the Authority transferred its insurances to a commercial insurance provider in order to ensure that it had valid insurance cover. The appeal ruling places into some doubt the continued existence of FRAML, but no decision has yet been taken by the FRAML Board of Directors.

Consideration has been given to writing off the capital guarantee (£193k) provided by Cheshire Fire Authority to FRAML. However, given the strong financial position of FRAML (which means that the capital guarantee would likely be repaid), it is felt that this would be overly cautious and not in the best interests of the taxpayer.

Both the Authority's Treasurer and Monitoring Officer will continue to monitor the status of FRAML.

31. North West Fire And Rescue Management Board

The Fire and Rescue National Framework 2008-11 sets out the Government's priorities and objectives for the Fire and Rescue Services. It is a strategic plan which outlines the expectations to be delivered by both Fire and Rescue Authorities and Regional Management Boards. The framework sets out the balance that is believed to be needed for delivery at local, national and regional level. The statutory Authority for the Framework is provided by the Fire and Rescue Services Act 2004.

The intention from the creation of Regional Management Boards is to increase efficiency, effectiveness and enhanced resilience for all fire authorities by delivering shared services and reducing duplication of effort. In particular, RMBs are expected to deliver:

1. Resilience to emergencies, especially potential chemical, biological, radiological or nuclear attack
2. Specialist or common services where appropriate:
 - Fire investigation
 - Procurement
 - Training
 - Personnel Management and Human Resources Management
3. Regional Control Rooms

The five fire authorities in the North West (Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside) formed a joint committee (The North West Fire and Rescue Management Board) in February 2004. The committee is comprised of councillors from the five constituent authorities.

The region has conducted significant work in 2008-09 by working collaboratively.

Significant work has also taken place in 2008-09 in support of the national FiReControl Project. This project is sponsored by Communities and Local Government (CLG) and is a national project replacing 42 Control Rooms across England and Wales which will provide an integrated and modern network of nine Regional Control Centres (RCCs). They will be able to receive calls and mobilise resources across the country. The North West RCC will be located at Warrington, Cheshire. Funding to support this project at a regional level has been provided to the North West Fire and Rescue Management Board in the form of New Burdens grant from CLG.

The Statement of Accounts of the Board for the year ended 31 March 2009 are available from Mr Ged Murphy, Treasurer to the Board, Greater Manchester Fire and Rescue Authority, 146 Bolton Road, Swinton, Manchester, M27 8US; Tel 0161 608 4001, and on the Authority's website www.manchesterfire.gov.uk

32. NW FiReControl Limited

NW FiReControl 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.

The company has five members, the Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside Fire & Rescue Authorities (FRAs). The liability of each member in the event of the company being wound up is limited and shall not exceed £1.

Each member of the company has the right to appoint 2 directors, who are Councillors appointed to their respective FRAs. All directors have equal voting rights.

The member FRAs will not be expected to pay for the provision of services by the company until such time as their control room 'cuts over' to the Regional Control Centre. The current timetable for cutover is:

- Greater Manchester – February 2011
- Merseyside – June 2011
- Cumbria – August 2011
- Cheshire – August 2011
- Lancashire – August 2011

Until cutover takes place, all expenditure incurred by the company is being funded by a section 31 grant from Communities and Local Government. 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.

In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice (the SORP), the Authority has considered any requirement for the preparation of Group Accounts as a result of its relationship with NW FiReControl Limited.

It has been determined that the company will be accounted for as a joint venture for Group Accounts purposes within the accounts of the Authority. This has been determined by following guidance in the SORP.

However on the basis of materiality it has been determined that Group Accounts are not required for the financial year 2008-09 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 until the cutover into the Regional Control Centre.
- The company is not yet trading and is not expected to do so until February 2011 at the earliest.
- The Authority's share of the gross administrative expenses of the company in the financial year 2008-09 (20% of £810,000) 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 entire cost of running the company is covered by section 31 grant from the Department for Communities and Local Government.
- The liability of the Authority is limited to a maximum of £1.

The position regarding Group Accounts will be reviewed for the 2009-10 financial year as the Regional Control project moves closer towards cutover and the increased level of turnover will be assessed in that period.

ANNUAL GOVERNANCE STATEMENT - CHESHIRE FIRE & RESCUE SERVICE

1. Introduction and Background to the Annual Governance Statement

The purpose of the Annual Governance Statement is to demonstrate and evidence that there is a culture of continuous review of the effectiveness of the Authority's governance arrangements and internal control framework, performance and risk management systems. This allows an assurance of their effectiveness to be provided and also demonstrates compliance to the 2007 Code of Corporate Governance by regular monitoring and scrutiny of the Authority's Corporate Governance Action plan which addresses any identified areas of improvement.

In August 2006 the Department of Communities and Local Government issued additional guidance to clarify 'proper practice' in relation to internal control. The clarification refers to certain key CIPFA documents:

- *Statement of Internal Control: meeting the requirements of the Accounts and Audit Regulations 2003 (CIPFA 2004)*
- *Corporate Governance in Local Government: A Keystone for Community Corporate Governance (CIPFA/SOLACE 2001). Updated by Delivering Good Governance in Local Government (CIPFA/SOLACE 2007)*

A full summary of the key elements of the Authority's compliance with the Code of Corporate Governance 2007 and internal control framework are detailed in **Appendix 1**.

2. Scope of Responsibility

In discharging its statutory responsibilities, Cheshire Fire Authority is responsible for ensuring that proper governance arrangements are in place, which are efficient & effective and manage its identified key risks. The Authority has approved and adopted a local Code of Corporate Governance, which is consistent with the principles and aligns to the requirements of CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*

The Authority through its elected Members and officers is responsible for ensuring that its business is conducted in accordance with legislation and proper standards.

ANNUAL GOVERNANCE STATEMENT - CHESHIRE FIRE & RESCUE SERVICE

3. The Authority's Governance Arrangements and Framework of Internal Control

The Authority's governance and internal control framework includes the systems, processes, culture & core values by which it is led, directed and controlled and engages with the communities of Cheshire. It includes arrangements to monitor the achievement of its strategic aims and objectives.

The system of internal control (**see Appendix 1**) is a large part of that framework and its purpose is to manage risk to a reasonable level, therefore providing reasonable assurance on the effectiveness of its policies, systems & processes. The system of internal control is based on an ongoing annual cycle designed to identify, analyse & respond to risks aligned to the achievement of Cheshire Fire Authority aims and objectives, evaluate the likelihood & impact of these risks being realised, and provide assurance on the management and control of these risks.

In summary the Authority's corporate governance arrangements and internal control environment includes:

- A high level vision which is embedded in the service planning, delivery, risk and performance management frameworks
- An established structure of Authority and Committee meetings with formal terms of reference (ToR)
- A Monitoring Officer responsible for ensuring the legality of Authority actions
- A responsible Financial Officer to ensure effective administration of financial affairs
- A system of Member champions of discrete areas such as Equality & Diversity, Finance and Procurement
- Comprehensive budget setting and monitoring framework
- A local Code of Corporate Governance action plan
- A dynamic risk management framework and corporate risk register
- Published Anti-Fraud and Corruption and Whistleblowing policies
- A comprehensive performance management framework with clearly defined and stretching performance targets.
- 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.
- A series of formal policies which govern the activities of the Service.

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4. Review of Effectiveness

Cheshire Fire Authority reviews the effectiveness of its governance action plan five times a year. This review is undertaken by senior officers and managers within the organisation who have the responsibility and accountability for the development and maintenance of our governance arrangements and internal control framework.

The effectiveness of the Authority's systems of internal control are subject to frequent internal/external challenge and scrutiny:

Member Scrutiny

A programme of formal Member meetings throughout the year including:

- 5 x Fire Authority
- 5 x Policy Committee
- 5 x Performance & Overview Committee
- 5 x Standards Committee

Member Champions

Cheshire Fire Authority has appointed 'Member Champions' whose role is to challenge and scrutinise progress in the areas of:

- Equality & Diversity via Equality Task Group
- Environment via Environment Project Board
- Health & Safety via Health & Safety Committee
- Procurement
- Finance
- Older People
- Young People
- Performance Management
- Information and ICT
- Commercial/Business Risk Reduction
- Industrial Relations
- Risk Management Board

External Scrutiny

The Authority encourages external scrutiny of its activities via:

- External audit (Audit Commission)
- Internal auditors (Bentley Jennisons)
- Independent Review Board
- Other stakeholders via corporate publications and consultation meetings

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Standards Committee review and challenge our governance arrangements & risk management framework throughout the year.

We actively publish all key policies procedures and external assessments on our website to demonstrate transparency and encourage greater public scrutiny,

During 2008-09 a number of internal and external planned audits have also taken place which provide an independent qualified assurance level and/or Audit Opinion by Internal and External Audit. The Annual Audit Plan is focused on providing assurance that operational and strategic risks are effectively managed. The list of completed internal audits during 2008-09 are:

Internal Audit Report	Assurance Level/Audit Opinion
Corporate Planning & Performance Management and reporting	Substantial
Operational Stock Management	Substantial
Operational Station Visits – Financial Controls	Substantial
Payroll – Key Controls	Adequate
Capital Project Management – Headquarters Extension	Substantial
ICT Backup and Recovery procedures	Adequate
Budgetary Control	Substantial
Operational Call Management	Substantial
Risk Maturity	Risk Managed
Corporate Governance - Information flows and reporting lines	Substantial

Cheshire Fire & Rescue Service operates a series of scrutiny boards chaired by senior officers, these include:

- Budget Management Board(BMB) – oversees financial management in the Service
- Performance Management Group – scrutinise performance across the Service
- Resources Forum – directs workforce planning, structures and processes
- Risk Management Board – approval and regular monitoring of the corporate risk register and risk management framework
- Organisational Development Group(ODG) – oversees appropriate training and development

The 'year end' review and evaluation process of our governance arrangements and internal control environment included:

1. Ongoing review, healthcheck & evaluation/self assessment of our governance arrangements against the best practice framework published in 2007 by CIPFA/SOLACE which also identifies and captures actions to deliver areas for improvement.

ANNUAL GOVERNANCE STATEMENT - CHESHIRE FIRE & RESCUE SERVICE

2. Obtaining assurances from departmental & functional managers that key elements of our control framework were in place and effective during the year and identify areas for action where they may have identified control weaknesses– **See Appendix 1.**
3. Conducting a review/audit of our 'corporate risks' and management of those risks in line with our Risk Management Framework and Policy.
4. Ongoing implementation of agreed audit recommendations reported by internal/external audit.

Senior Management Team (SMT)

The Service is led at officer level by Chief Fire Officer with the support of three Principal Officers and eight Area Managers with departmental and operational responsibilities who collectively form the Senior Management Team (SMT)

SMT in conjunction with Members are responsible for the delivery of Cheshire Fire Authority's Vision – *A Cheshire where there are no preventable deaths, injuries or damage from fires and other emergencies* and the key priorities, supporting aims and objectives which reflect, community, regional and national issues. These key objectives are consistently evidenced within the planning documents including the Authority's Integrated Risk Management and Corporate Plan, and associated plans including Functional, Department, Unitary and Station Action plans.

Audit Commission - Key Comments

The success of the Authority's management and internal control arrangements are demonstrated in the key messages below which are included in the Annual Audit Letter:

'The Authority is improving well. In particular it performs well in its priority areas and there are robust plans for future improvement'.

'The Authority works effectively in partnership to target vulnerable and hard to reach groups through initiatives such as Fire and Flu and the RESPECT programme'.

'Community safety activity has delivered improved outcomes for the wider community including reducing fires and injuries, malicious false alarms and increasing the number of people who escaped unhurt from incidents'.

'There is a positive focus on diversity and equality within the workforce which has led to some improvements'.

ANNUAL GOVERNANCE STATEMENT - CHESHIRE FIRE & RESCUE SERVICE

Opinion on Financial Statements

The Audit Commission Act 1998 and the Code of Practice require the Authority's external auditors to give an opinion as to whether the statement of accounts present fairly the financial position of the Authority. The Audit Commission issued an **unqualified audit opinion** on the statement of accounts.

Use of Resources (Auditors Judgment)

The Authority's internal control and performance management frameworks were assessed under the Use of Resources regime. The Authority achieved a **score of 3** – good and improving well.

Monitoring Performance

During 2008-09 69% of our Performance Indicators (PI's) showed positive improvements based on unaudited data.

5. Certification

To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year 2008-09.

The Authority has identified the need to further develop its arrangements to ensure that all partnerships provide value for money and are underpinned by sound governance. We have started to take steps to address this by:

1. Implementing of a monitoring /audit process to ensure compliance.
2. A review of our partnership evaluation methodology
3. Further development of the Partnership Toolkit
4. An appointment of an Innovations & Partnership officer, whose role is to monitor and audit all partnerships.

We are satisfied that these measures along with a continual cycle of review and challenge, will ensure a robust governance framework for 2009-10 and beyond.

Signatures:

Fire Authority.....

Chief Fire Officer.....

Treasurer.....

Governance Arrangements CIPFA/SOLACE and Internal Control Framework
2008-09

APPENDIX 1

**SUMMARY
2008/09**

Corporate Governance – CIPFA/SOLACE 2007 Core Principles	Reporting/ Scrutiny Committee Frequency	CFRS Overall compliance score
Core Principle 1 Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.	<i>Standards Committee Five times - Annually</i>	3/4
Core Principle 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles		4/5
Core Principle 3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour		4/5
Core Principle 4 Taking informed transparent decisions which are subject to effective scrutiny and managing risk		4/5
Core Principle 5 Developing the capacity and capability of members and officers to be effective		4
Core Principle 6 Engaging with local people and other stakeholders to ensure robust public accountability		4
Overall Governance Compliance Score		4

Internal Control Evaluation	Index Ref No	Reporting/ Scrutiny Frequency	CFRS Overall Assurance score
Community Risk Reduction – management of key risks	1&2	<i>Risk Management Board (RMB) Quarterly</i> <i>Policy Board – As scheduled Performance & Overview Committee five times Annually</i> <i>Performance Management Group Monthly</i>	4

Governance Arrangements CIPFA/SOLACE and Internal Control Framework
2008-09

<i>Internal Control Evaluation</i>	<i>Index Ref No</i>	<i>Reporting/ Scrutiny Frequency</i>	<i>CFRS Overall Assurance score</i>
Emergency Response – management of key risks	3 & 4	<i>Risk Management Board (RMB)</i> Quarterly <i>Policy Board – As scheduled</i> <i>Performance & Overview Committee</i> Five times Annually <i>Local Resilience Forum</i> <i>Performance Management Group</i> Monthly	3
Corporate Services – management of key risks	5,6 & 7	<i>Risk Management Board (RMB)</i> Quarterly <i>Policy Board – As scheduled</i> <i>Performance & Overview Committee</i> five times - Annually <i>Performance Management Group</i> Monthly	4
Overall Internal Control Assurance Score			4

Governance Arrangements CIPFA/SOLACE and Internal Control Framework 2008-09

Compliance/Assurance Self Assessment

Principles	Local Code/Control Framework	Ref	CFRS Owner /score	CFRS Overall score	
Core Principle One – Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area					
<p>Supporting Principles Exercising strategic leadership and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and Service users</p> <p>Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning</p> <p>Ensuring that the authority makes best use of resources and the tax payers and service users receive excellent value for money</p>	<i>Develop & Promote the authority's purpose and vision</i>	1.1	4	TB	3/4
	<i>Review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements</i>	1.1.1	4	JS	
	<i>Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners</i>	1.1.2	2/3	DG PH	
	<i>Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance</i>	1.1.3	5	DG TB	
	<i>Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available</i>	1.2	3	TB	
	<i>Put in place effective arrangements to identify and deal with failure in service delivery</i>	1.2.1	3	RG DG TB	
	<i>Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions</i>	1.3	3/4	DG	
Core Principle Two – Members and officers working together to achieve a common purpose with clearly defined functions and roles					
<p>Supporting Principles Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function</p> <p>Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard</p> <p>Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other.</p>	<i>Set out a clear statement of the respective roles and responsibilities of the executive and of the executive members individually and the authority's approach towards putting this into practice</i>	2.1	4/5	JS	4/5
	<i>Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers</i>	2.1.1	4	JS	
	<i>Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation, and ensure that it is monitored and updated when required</i>	2.2	5	JS	
	<i>Make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management</i>	2.2.1	5	JS	
	<i>Develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained</i>	2.2.2	4	JS	
	<i>Make a senior officer (the S151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.</i>	2.2.3	5	DG	
	<i>Make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are compiled</i>	2.2.4	5	KF	

Governance Arrangements CIPFA/SOLACE and Internal Control Framework 2008-09

Principles	Local Code/Control Framework	Ref	CFRS Owner /score	CFRS Overall score	
	<i>Develop protocols to ensure effective communications between members and officers in their respective roles</i>	2.3	4	JS	
	<i>Set out terms and conditions of remuneration of members and officers and effective structure for managing the process, including an effective remuneration panel (if applicable)</i>	2.3.1	5	JS	
	<i>Ensure that effective mechanisms exist to monitor service delivery</i>	2.3.2	4	TB	
	<i>Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated</i>	2.3.3	4	DG TB	
	<i>When working in partnership, ensure those members are clear about their roles and responsibilities both individually and collectively in relation to partnership and to the authority</i>	2.3.4	3/4	JS	
	<i>When working in partnership</i> <ul style="list-style-type: none"> - ensure that there is clarity about legal status of the partnership - ensure that representatives of organisation both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions 	2.3.5	2/3	PH	
Core Principle Three – Promoting values for the authority and demonstrating the values of good governance through upholding high standards and behaviour					
Supporting Principles: Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance Ensuring that organisational values are put into practice and are effective	<i>Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect</i>	3.1	4/5	JS JH	4
	<i>Ensure that standards of conduct and personal behaviour expected of members and staff and between authority, its partners and the community are defined and communicated through codes of conduct and protocols</i>	3.1.1	4/5	JS	
	<i>Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice</i>	3.1.2	4/5	JS	
	<i>Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners</i>	3.2	4/5	JB	
	<i>Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice</i>	3.2.1	3/4	TB DG	
	<i>Develop and maintain an effective standards committee</i>	3.2.2	5	JS	
	<i>Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority</i>	3.2.3	4	DG TB	
	<i>In pursuing the vision of partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners behaviour both individually and collectively</i>	3.2.4	2/3	PH	
Core Principle four - Taking informed and transparent decision which are subject to effective scrutiny and managing risk					
Supporting Principles: Being rigorous and transparent about how decisions are taken and listening and	<i>Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible</i>	4.1	5	JS	

**Governance Arrangements CIPFA/SOLACE and Internal Control Framework
2008-09**

Principles	Local Code/Control Framework	Ref	CFRS Owner /score	CFRS Overall score	
<p>acting on the outcome of constructive scrutiny</p> <p>Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs</p>	<i>Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible</i>	4.1	5	JS	4/5
	<i>Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.</i>	4.1.1	4	JS	
	<i>Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.</i>	4.1.2	5	JS DG	
	<i>Develop and maintain effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee</i>	4.1.3	5	DG JS	
	<i>Ensure that effective transparent and accessible arrangements are in place for dealing with complaints</i>	4.1.4	4	NW	
	<i>Ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for purpose relevant, timely and gives clear explanations of technical issues and their implications</i>	4.2	4	DG	
	<i>Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately</i>	4.2.1	4	DG	
Ensuring that an effective risk management system is in place	<i>Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs</i>	4.3	4	DG	
	<i>Ensure that effective arrangements for whistle-blowing are in place to which officers, staff and all those contracting with or appointed by the authority have access</i>	4.3.1	4	NW	
Using their legal powers to the full benefit of the citizens and communities in their area	<i>Actively recognises the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities</i>	4.4	5	DG	
	<i>Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law</i>	4.4.1	5	DG	
	<i>Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law</i> – rationally, legality and natural justice – into their procedures and decision making processes-+	4.4.2	5	DG	
Core Principle five – Developing the capacity and capability of members and officers to be effective					
<p>Supporting Principles: Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles</p> <p>Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as such a group</p>	<i>Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis</i>	5.1	4	JS JB	4
	<i>Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority</i>	5.1.1	4	JS SM JB	
	<i>Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively.</i>	5.2	4	JS SM JB	
	<i>Develop skills on a continuing basis to improve performance including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.</i>	5.2.1	4	JS	

Governance Arrangements CIPFA/SOLACE and Internal Control Framework 2008-09

Principles	Local Code/Control Framework	Ref	CFRS Owner /score	CFRS Overall score
Encouraging new talent for membership of the authority so that best use can be made of individual's skills and resources in balancing continuity and renewal	<i>Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might for example, aim to address any training or development needs</i>	5.2.2	5	JS
	<i>Ensure the effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority,</i>	5.3	3/4	TB
	<i>Ensure that career structures are in place for members and officers to encourage participation and development</i>	5.3.1	4	JS
Core Principle six – Engaging with local people and other stakeholders to ensure robust public accountability				
Supporting Principles: Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships	<i>Make clear to themselves, all staff and the community to whom they are accountable and for what.</i>	6.1	4	TB
	<i>Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required</i>	6.1.1	4	KF SM
	<i>Produce an annual report on the activity of the scrutiny function</i>	6.1.2	5	KF
Taking an active and planned approach to dialogue with an accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnerships or by commissioning	<i>Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure that they operate effectively</i>	6.2	3/4	TB
	<i>Hold meetings in public unless there are good reasons for confidentiality</i>	6.2.1	5	JS
	<i>Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands</i>	6.2.2	3	TB
	<i>Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consulters to demonstrate what has change as a result</i>	6.2.3	3/4	TB
	<i>On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period</i>	6.2.4	4	TB
	<i>Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper to do so</i>	6.2.5	3/4	TB
Making best use of human resources by taking an active and planned approach to meet responsibility to staff	<i>Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making</i>	6.3	3/4	JB
Overall Governance Score			4	

Governance Arrangements CIPFA/SOLACE and Internal Control Framework
2008-09

CF&RS INTERNAL CONTROL EVALUATION 08/09

Function	Internal Ref	Principal Risk	Objective	Assurance Score/ Owner		CFRS Overall Score
Community Risk Reduction	1.1	<i>Failure to meet the 20% reduction in accidental fire deaths by 2010</i>	CRR1	5	PH	4
	1.2	<i>Failure to deliver young persons programme</i>		4	PH	
	1.3	<i>Failure to obtain funding to deliver youth programmes</i>		4	PH	
	1.4	<i>Failure to negotiate LAA's for Cheshire Halton & Warrington</i>		4	PH	
	2.1	<i>Failure to conduct audit on identified high risk premises under Fire Safety Order</i>	CRR2	4	AE	
	2.2	<i>Failure to Meet 10% Arson reduction by 2010</i>		4	AE	
Emergency Response	3.1	<i>Failure of the Local Resilience Forum (LFR) to pass on risk critical information</i>	ER1	3	RG	3
	4.1	<i>Failure in mobilising systems</i>	ER2	4	RG	
	4.2	<i>Service standards not adhered to in all stations</i>		3	JR	
	4.3	<i>Industrial action as a result of change agenda or specific industrial issues impacting on our ability to deliver an adequate service</i>		3	RG	
Corporate Services	5.1	<i>Failure to have a operationally competent workforce i.e. themed training</i>	CS1	3	JT	4
	6.1	<i>Failure to meet performance standards</i>	CS2	4	DG	
	6.2	<i>Failure to protect our data</i>		4	DG	
	6.3	<i>Demonstrate inappropriate behaviour or actions whilst engaging with vulnerable members of the community</i>		4	PH	
	6.4	<i>Failure to comply with equalities legislation</i>		3	TB	
	6.5	<i>Failure to properly consult</i>		4	TB	
	6.6	<i>Impact/disruption in achievement of CFRS objectives due to LGR</i>		4	TM MM	
	7.1	<i>Failure of financial/payroll systems to deliver organisational requirements</i>	CS3	3	DL DG	
	7.2	<i>Failure to deliver medium term financial plan based on sound corporate and financial management</i>		4/5	DG	
	7.3	<i>Failure to deliver VFM with our major partnerships</i>		3	DG	
	7.4	<i>Failure to protect the Service's assets</i>		4	DL	
	Overall Internal Control Assurance Score				4	