



Statement of Accounts

2009-10

Cheshire Fire Authority
Statement of Accounts 2009-10

CONTENTS

	Page
Explanatory Forward	2 - 4
Statement of Responsibilities for the Statement of Accounts	5
Statement of Accounting Policies	6 - 14
 CORE FINANCIAL STATEMENTS	
Income and Expenditure Account	15
Statement of the Movement on the General Fund Balance	16
Note of Reconciling Items for the Statement of Movement on the General Fund Balance	17
Statement of Total Recognised Gains and Losses (STRGL)	18
Balance Sheet	19
Cash Flow Statement	20
Firefighters' Pension Fund - Statement	21
Notes to the Core Financial Statements	22 - 45
Annual Governance Statement	46 - 59

EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS by The Treasurer

The following pages comprise Cheshire Fire Authority's (the Authority) Statement of Accounts for the year ended 31 March 2010, 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 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, focusing 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 the 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 Statement of Accounts has been prepared in accordance with the 2009 Statement of Recommended Practice ('the SORP'); the most material effect of the changes introduced by the new SORP is to change the way that Council Tax income is accounted for – in line with common accounting practice, Council Tax income is now shown on an accrual basis, that is to say that which should have been paid in the year, not simply that which has been received.

The following paragraphs provide an explanation of the 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 Authority's stewardship of public money. They show the resources available and how they are used by budget managers in delivering fire and rescue services to our communities.

Cheshire Fire Authority and Local Government Reorganisation

2009-10 was the 12th year of the Combined 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.

With effect from 1 April 2009, the structure of Local Government in Cheshire 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 Authority is an independent body, legally separate from its constituent authorities and comprises 23 Fire Authority Members from the four constituent authorities plus 3 independent members.

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 Authority manages its affairs to secure economic, efficient and effective use of resources and to safeguard its assets. Ensuring that the Authority's accounts represent a true and fair view of its financial position is part of that responsibility.

Fire Authority Funding

The Authority receives its funding from two main sources:

1. *Revenue Support Grant (RSG) and National Non-Domestic Rates (NNDR)*
For 2009-10 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 Councils as collection authorities.

In 2009-10 the Authority set its net revenue budget at £42.07m. Funding was provided by the Council Tax precept which generated £24.04m (57% of the Authority's total funding) with the balance of £18.03m (43%) provided by Revenue Support Grant and National Non-Domestic Rates. The Authority also agreed to fund £2.0m of new capital schemes in 2009-10 to be financed via a combination of prudential borrowing and revenue funding – typically borrowing for capital purposes is accessed via the Public Works Loans Board, with additional funding provided through a contribution from the revenue budget of the Authority and Government capital grant.

Analysis of 2009-10 Actual Spend

Overall, there has been an overspend of £42k against the net revenue budget of £42.07m, with further analysis in the table over the page. The variances were primarily as a result of savings on vacant posts and an under-recovery of investment income caused by historically low interest rates.

Service Area	Over\underspend) £'000
Firefighting and Rescue Operations	47
Community Safety	(68)
Support Services	(184)
Corporate budgets	247
Total	42

The main Income and Expenditure Account variances compared to 2008-09 are as a result of the valuation of our fixed assets in 2008-09 generating an impairment charge in that year, and changes in FRS 17 pension charges.

Expenditure on capital projects in 2009-10 (incorporating both expenditure on capital projects brought forward and new 2009-10 schemes) totalled £5m which includes investment of £2,395k on the HQ extension, £446k on adaptations and maintenance of fire stations, £578k on replacement appliances and £371k on midi appliances. £2.8m will be carried forward to deliver schemes in 2010-11, including £582k on the HQ extension. More detail on capital expenditure and funding is provided in notes 10 and 11 to the financial statements.

Significant Developments

In 2009-10 the Authority set its Council Tax increase at 2.9% which was once again among the lowest in the Country, following on from increases of 2.8% in 2008-09 and just 1.5% in 2007-08. The average Council Tax precept from the Fire Authority in 2009-10 was £64.53, which equates to £1.24 per week for the average household.

It is clear that tackling the annual budget deficit is the number one priority for the new Government, with reductions in grant funding expected across all public sector organisations (although the detail may not become apparent until later in 2010-11). Further compounding the financial scenario is a proposal to freeze Council Tax which it is understood will impact at least in 2011-12. However, the Authority has a well developed Medium Term Financial Plan and has made some very prudent assumptions about future levels of funding, with the objective of ensuring that it can continue to provide a quality, value for money service to its stakeholders.

The Authority has received unqualified opinions on its accounts from its external auditors (currently the Audit Commission) every year and in the 2009 Organisational Assessment was rated as 'Performing Well'. With the announcement of the demise of the Comprehensive Area Assessment regime, the Authority looks forward to responding to any new form of inspection with a view to demonstrating that it is well placed to continue to provide a high quality service which works in partnership with other areas of the public, private 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 £368m, 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

In accordance with the decision of Cheshire Fire Authority on 15 September 2010, I hereby approve the Statement of Accounts for Cheshire Fire Authority for the year ended 31 March 2010.

.....

Councillor David Topping
Cheshire Fire Authority

Date : 15 September 2010

Responsibilities of the Treasurer to the Cheshire Fire Authority

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

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

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

The Treasurer has also:

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

The Treasurer's Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of Cheshire Fire Authority at the accounting date and its income and expenditure for the year ended 31 March 2010 and that events after this date and prior to the formal approval of the Accounts have been properly considered.

.....

Darren Griffiths
Treasurer to Cheshire Fire Authority

Date : 15 September 2010

STATEMENT OF ACCOUNTING POLICIES

I. GENERAL PRINCIPLES

The Statement of Accounts summarises Cheshire Fire Authority's (the Authority's) transactions for the 2009-10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A Statement of Recommended Practice* (the SORP). The accounting convention adopted is historic cost, modified by the revaluation of certain categories of tangible 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, charges and rents due from customers are accounted for as income at the date the Authority provides the relevant 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. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Council Tax income included in the Income and Expenditure Account for the year is the actual Council Tax income owing to the Authority for the year and billed on the Authority's behalf. This is a change in accounting policy required for 2009-10.

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 when it is certain that reimbursement will be received.

III. RESERVES

The Authority sets aside specific amounts as reserves for 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 to be charged 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 2009-10 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.
- **Collection Fund Adjustment Account** - this reserve reflects the difference between income included in the Income and Expenditure Account and the amount which we are required to charge to the General Fund.

Earmarked Reserves

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

- **Usable Capital Receipts** - 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 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.
- **Unitary Performance Group Reserve** - resources for local managers to facilitate the engagement of partners in community safety activities.
- **IRMP Reserve (Operational Focus)** - the purpose of this reserve is to fund operational training facilities. These are now being developed as part of the extension and improvement works at Headquarters. In order to allow this funding to be applied, the reserve has been transferred to the capital reserve.

Other Reserves

- **Capital Reserve** – these are funds set aside for capital schemes that have been deferred or are in progress.
- **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)

Whether paid on account, by instalments or in arrears, 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 or 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 West and Chester 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 5.5% (based on the gross redemption yield on the ibovx 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 fund 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 from it.

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 - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Corporate and Democratic Core - costs relating to the Authority’s status as a democratic organisation.

Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

VIII. INTANGIBLE FIXED ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Authority (e.g. software licences) is capitalised when it will bring benefits to the Authority for more than one financial year. The balance is amortised to the relevant revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

Depreciation is provided for on all intangible assets, with charges commencing in the year of acquisition. Depreciation is calculated on the straight line method over the use of the asset's useful life. The estimated useful life for intangible assets is 5 years.

IX. 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 an asset (e.g. 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 are then carried in the Balance Sheet using the following measurement bases:

- Specialised operational properties – depreciated replacement cost.

Depreciated Replacement Cost 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’.

- Non specialised operational properties – existing use value.

Existing Use Value 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’.

- Non-operational properties – market value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, and Land and Buildings are revalued 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.

All property is re-valued every 5 years. 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

Fire Stations: Depreciated Replacement Cost

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

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.

Vehicles, plant and equipment - straight-line allocation over the asset's useful life: appliances 13 years, hydraulic platforms/ turntable ladders 20 years and other vehicles and equipment 5 to 15 years.

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.

Assets under construction at the year end are not depreciated until they are fully operational.

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.

X. 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.

XI. LEASES

Finance leases

The Authority accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Authority. Rentals payable are apportioned between:

A charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

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 useful life.

Operating leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. 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.

XII. 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 Authority's borrowings, 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 or 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.

XIII. 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 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 to other organisations, 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 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 Authority.

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.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any accumulated gains/ losses recognised in the STRGL.

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 (fixed or determinable payments) or fair value falls below cost, the 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).

XIV. STOCKS AND WORK IN PROGRESS

Stocks of specialised fire fighter clothing and uniforms, vehicle spares and fuel are shown at the lower of 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.

XV. 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.

XVI. INTEREST IN COMPANIES AND OTHER ENTITIES

The Authority has an interest in three entities, 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.

XVII. 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 2009-10

Net Expenditure 2008-09 Restated £000		note	Gross Expenditure 2009-10 £000	Gross Income 2009-10 £000	Net Expenditure 2009-10 £000
5,617	Community fire safety		4,824	(262)	4,562
35,041	Fire fighting and rescue operations		33,111	(1,801)	31,310
736	Corporate and democratic core		661	-	661
1,019	Non distributed costs		100	-	100
42,413	Net Cost of Services	1	38,696	(2,063)	36,633
326	Interest payable and similar charges				315
(461)	Interest and investment income				(84)
16,836	Pensions interest cost and expected return on pensions	9			17,408
59,114	Net Operating Expenditure				54,272
(23,374)	Precepts (Council Tax)				(24,042)
(2,129)	General government grants	7			(3,382)
(15,297)	Non-domestic rates redistribution				(14,652)
18,314	Deficit for the Year				12,196

There were no acquisitions or discontinued operations during the financial year.

CHESHIRE FIRE AUTHORITY - STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE 2009-10

2008-09	2009-10
Restated	
£000	£000
18,314 Deficit for the year on the Income and Expenditure Account	12,196
Net additional amount required by statute and non-statutory proper practices to be debited <u>(18,417)</u> or credited to the General Fund Balance for the year	<u>(12,154)</u>
(103) (Increase) / decrease in General Fund Balance for the Year	42
(6,065) General Fund Balance brought forward	(6,168)
<u>(6,168)</u> General Fund Balance carried forward	<u>(6,126)</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 and grant 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 following 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 2009-10

2008-09 Restated £000	note	2009-10 £000	2009-10 £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>			
(58) Amortisation of intangible fixed assets	10	(188)	
(5,942) Depreciation and impairment of fixed assets	10	(1,892)	
27 Government Grants Deferred amortisation		69	
92 Appropriation to collection fund adjustment account		10	
(24,350) Net charges made for retirement benefits in accordance with FRS 17	9	(23,379)	
(30,231)			(25,380)
<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>			
246 Minimum revenue provision for capital financing	8	296	
404 Capital expenditure charged in year to the General Fund Balance		-	
Employer's contributions payable to the Pensions Account and retirement 10,752 benefits payable direct to pensioners	9	11,682	
11,402			11,978
<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>			
166 Voluntary revenue provision for capital financing	8	200	
246 Net transfer to or from earmarked reserves		1,048	
412			1,248
(18,417)			(12,154)
Net additional amount required to be credited to the General Fund Balance for the year			

CHESHIRE FIRE AUTHORITY - STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES 2009-10

The Statement of Total Recognised Gains and Losses brings together all gains and losses for the period, and shows the aggregate increase in the Authority's net worth. In addition to the surplus/deficit 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.

2008-09 Restated £000	note	2009-10 £000
18,314 Deficit on the Income and Expenditure Account for the year		12,196
(4,734) Surplus arising on revaluation of fixed assets	10	-
(25) Surplus arising on adjustment to capital		-
Actuarial (gains) and losses on pension fund assets and liabilities		
2,514 - Local Government Pension Scheme	9	8,366
(7,500) - Firefighters Pension Scheme	9	93,700
8,569 Total Recognised (Gains) / Losses for the year		114,262

The prior period adjustment relating to Council Tax income resulted in a new reserve, the Collection Fund Adjustment Account. To 31st March 2009 the cumulative value of this reserve was £154k.

CHESHIRE FIRE AUTHORITY – BALANCE SHEET AS AT 31 MARCH 2010

31-Mar-09 Restated £000	£000	Note	31-Mar-10	
			£000	£000
			Fixed Assets	
100			508	
			Intangible Fixed Assets	
			Tangible Fixed Assets-Operational Assets	
30,074			29,556	
2,610			3,095	
1,420			1,473	
			Non-Operational Assets	
			3,080	
512				
	34,716			37,712
		10		
			Total Fixed Assets	
	193			
		30		-
	34,909			37,712
			Total Long Term Assets	
			Current Assets	
258		14	308	
8,256		15	7,224	
4,266		16	4,006	
6			6	
14			2	
2,494			2,444	
	15,294			13,990
	50,203			51,702
			Total Assets	
			Current Liabilities	
(5,819)		17	(6,976)	
-			(192)	
	(5,819)			(7,168)
			Total Assets less Current Liabilities	
	44,384			44,534
			Long Term Liabilities	
(46)		18	(46)	
(146)			(803)	
(6,439)		19	(6,439)	
(114)		13	(105)	
(254,434)		9	(368,197)	
	(261,179)			(375,590)
			TOTAL ASSETS LESS TOTAL LIABILITIES	
	(216,795)			(331,056)
			Financed by:	
		23	Notional Accounts	
4,734			4,734	
(254,434)			(368,197)	
154			165	
22,434			20,919	
	(227,112)			(342,379)
		23	Earmarked Reserves	
915			2,362	
289			289	
1,290			1,550	
1,011			742	
201			254	
443			-	
6,168			6,126	
	10,317			11,323
			TOTAL NET WORTH	
	(216,795)			(331,056)

CHESHIRE FIRE AUTHORITY - CASH FLOW STATEMENT 2009-10

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 Cheshire Fire Authority during the year.

2008-09 £000	Note	2009-10 £000
Revenue Activities		
<u>Cash Outflows</u>		
(32,022)		(35,188)
(10,968)		(5,089)
(42,990)		(40,277)
<u>Cash Inflows</u>		
1,924		1,995
374		-
2,129	7	3,382
15,297		14,652
23,295		24,018
43,019		44,047
29 Revenue Activities Net Cash Inflow	24	3,770
Returns on Investments and Servicing of Finance		
<u>Cash Outflows</u>		
(330)		(310)
(12)		(5)
<u>Cash Inflows</u>		
720		122
378 Servicing of Financing Activities Net Cash Inflow		(193)
Capital Activities		
<u>Cash Outflows</u>		
(2,056)		(5,002)
-		-
<u>Cash Inflows</u>		
-		-
-		726
-		193
(2,056)		(4,083)
(1,649) Net Cash Inflow / (Outflow) Before Financing		(506)
Financing		
<u>Cash Outflows</u>		
-		-
(15)		(8)
<u>Cash Inflows</u>		
-		-
(15) Financing - Net Increase / (Decrease) in Cash		(8)
Management of Liquid Resources		
3,534	26	260
1,870 Net Increase / (Decrease) in Cash	25	(254)

CHESHIRE FIRE AUTHORITY - FIREFIGHTERS' PENSION FUND 2009-10

2008-09			2009-10	
£000	£000		£000	£000
		Contributions Receivable		
		<u>Employer contributions</u>		
(3,223)		1992 Firefighters Pension Scheme	(2,821)	
(341)		2006 New Firefighters Pension Scheme	(455)	
	(3,564)			(3,276)
	(197)	Actuarial charges re early retirements		(147)
	(3,761)	Re Ill health retirements taking place		(3,423)
		<u>Member (employee) contributions</u>		
(1,665)		1992 Firefighters Pension Scheme	(1,456)	
(267)		2006 New Firefighters Pension Scheme	(353)	
	(1,932)			(1,809)
	(240)	Transfers in		
		Transfer values receivable from other schemes		(208)
	(5,933)	Total Amount Receivable		(5,440)
		Benefits Payable		
7,771		On-going pension payments	8,627	
4,825		Commutations and lump sum retirements benefits	2,711	
12		Lump sum death benefits	142	
12,608		Total Benefits Payable	11,480	
76		Interest and administration charges	11	
-		Transfer Values Payable to other Schemes	585	
	12,684	Total Amount Payable		12,076
	6,751	Net amount payable/ receivable for the year before top up grant receivable from central government		6,636
	(6,751)	Top up grant receivable from central government		(6,636)
	-	Net amount payable/ receivable for the year		-
		Note re Top up Grant Receivable		
	(6,751)	Amount receivable as above		(6,636)
	2,290	Less received at 31 March		3,308
	(4,461)	Amount due at year end		(3,328)
		Net Assets Statement as at 31 March		
31-Mar-09			31-Mar-10	
£000			£000	
4,461		Debtor - Top up grant receivable 2008-09 from Government	-	
-		Debtor - Top up grant receivable 2009-10 from Government	3,328	
		Creditor - Amount due to CLG overpaid 2007-08	(321)	
	(778)	Other current liabilities	(149)	
	3,683	Net Assets as at 31 March		2,858

Please see core financial statement note 20 for further detail.

NOTES TO THE CORE FINANCIAL STATEMENTS

1 Income and Expenditure Account

The Income and Expenditure Account uses national standard definitions of services as laid down by the Best Value Accounting Code of Practice (BVACOP). The table below re-analyses the Net Cost of Services in the Income and Expenditure Account in the form of CIPFA subjective analysis.

<u>Category of Expenditure</u>	2009-10 £000	2008-09 £000
Employees		
Uniformed	24,746	24,550
Non Uniformed	8,215	7,649
Other Employee Costs	940	925
	33,901	33,124
Overheads:		
Third Party Payments	1,041	1,213
Capital Charges	2,072	6,000
Members' Allowances	127	109
Premises	1,841	1,942
Supplies, Services and Other Expenses	3,919	3,888
Transport	1,357	1,317
	10,357	14,469
Pensions:		
Pensions FRS17	(5,711)	(3,238)
Pensions	149	202
	(5,562)	(3,036)
Gross Cost of Services	38,696	44,557
Service Income	(2,063)	(2,144)
Net Cost of Services	36,633	42,413

2 Income

	2009-10 £000	2008-09 £000
Sales	43	40
Fees	156	130
Prince's Trust	475	466
Other Income	1,389	1,508
	2,063	2,144

3 Members' Allowances

In accordance with the Local Authorities Regulations (Members' Allowances) 2003, the total amount spent on Members' Allowances in 2009-10 was £127,149 (2008-09 £109,050).

The total amount paid in 2009-10 to Members for travel and subsistence, training and conferences was £33,849 (2008-09 £28,447).

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 will be published in the local press in July stating that details may be obtained from the Authority on request.

4 Officers' Remuneration

4a) Senior Officers whose salary is £150,000 or more per year:
Nil disclosure for 2009-10 and 2008-09.

4b) Senior Officers whose salary is between £50,000 and £150,000 per year:

Post Title	Dates in post	Gross annualised salary (note a) £	Salary (including fees & allowances) £	Compensation for loss of office £	Benefits in kind. (note b) £	Total remuneration excluding pension contributions £	Pension contributions £	Total remuneration including pension contributions £
2009-10		£	£	£	£	£	£	£
Chief Fire Officer (A)	01.04.09 – 04.10.09	149,157	76,333	-	-	76,333	15,471	91,804
Chief Fire Officer (B)	05.10.09 – 31.03.10	140,000	62,678	-	-	62,678	13,351	76,029
Deputy Chief Fire Officer (A)	01.04.09 – 04.10.09	118,967	65,625	-	-	65,625	14,050	79,675
Deputy Chief Fire Officer (B)	Full year	118,967	117,421	-	-	117,421	25,081	142,502
Deputy Chief Fire Officer (C)	01.04.09 - 24.07.09	113,302	34,280	80,185	2,492	116,957	5,657	122,614
Assistant Chief Fire Officer	19.10.09 – 31.03.10	81,788	41,584	-	1,175	42,759	8,929	51,688
Director of People and Organisational Development	01.05.09 – 31.03.10	68,513	62,803	-	241	63,044	10,991	74,035
Director of Finance & Corporate Planning and Treasurer	Full year	68,513	65,546	-	1,649	67,195	11,471	78,666
2009-10 TOTALS			526,270	80,185	5,557	612,012	105,001	717,013
2008-09		£	£	£	£	£	£	£
Chief Fire Officer	Full year	141,935	149,622	-	-	149,622	31,869	181,491
Deputy Chief Fire Officer (A)	Full year	113,302	117,992	-	-	117,992	24,970	142,962
Deputy Chief Fire Officer (B)	Full year	113,302	117,992	-	-	117,992	24,970	142,962
Deputy Chief Fire Officer (C)	Full year	113,302	101,749	-	7,910	109,659	17,762	127,421
Head of Finance & Governance and Treasurer	Full year	64,558	70,057	-	2,131	72,188	12,260	84,448
2008-09 TOTALS			557,412	-	10,041	567,453	111,831	679,284

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

Note b: Benefits in kind consists of taxable benefits relating to car lease and mileage payments.

4c) The numbers of employees whose remuneration, excluding employer's pension contributions, was £50,000, or more in bands of £5,000 are:

Remuneration band	Number of employees	
	2009-10	2008-09
£50,000 - £54,999	15	6
£55,000 - £59,999	6	3
£60,000 - £64,999	3	3
£65,000 - £69,999	2	2
£70,000 - £74,999	1	1
£75,000 - £79,999	1	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	1
£110,000 - £114,999	-	-
£115,000 - £119,999	2	2
£120,000 - £124,999	-	-
£125,000 - £129,999	1	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	-	-
£145,000 - £149,999	-	1

5 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.

Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides a significant portion of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. Revenue Support Grant in 2009-10 was £3,382k (2008-09 £2,129k) and NNDR in 2009-10 was £14,652k (2008-09 £15,927k). In addition, the top-up grant in respect of the Firefighters' Pension fund in 2009-10 was £6,636k (2008-09 £6,751k). The Authority received £725k Capital grant from Central Government (2008-09 nil).

As at 31 March 2010, the amount due from Central Government in relation to pension fund top-up grant was £3,328k.

Other Public Bodies

Transactions with other public bodies (principally the Unitary Councils of Cheshire West and Chester, Cheshire East, Halton, and Warrington) have been disclosed within the core financial statements and notes to the accounts.

The following tables show balances with billing authorities with relation to Council Tax.

Balances as at 31 March 2009	Cheshire East	Cheshire West and Chester	Halton	Warrington	Total
Council Tax arrears	420	340	165	438	1,363
Council Tax impairments	(104)	(142)	(118)	(255)	(619)
Council Tax overpayments & prepayments	(174)	(64)	(14)	(57)	(309)
Debtors	29	0	34	102	165
Creditors	(211)	(62)	(33)	(139)	(446)

Balances as at 31 March 2010	Cheshire East	Cheshire West and Chester	Halton	Warrington	Total
Council Tax arrears	509	356	171	477	1,513
Council Tax impairments	(91)	(149)	(133)	(300)	(673)
Council Tax overpayments & prepayments	(178)	(167)	(12)	(65)	(422)
Debtors	27	0	0	0	27
Creditors	(240)	(40)	(43)	(112)	(435)

Income from Council Tax precepts broken down by Billing Authority is as follows:

Billing Authority	2009-10 £000	2008-09 £000
Cheshire East	(9,329)	(8,971)
Cheshire West & Chester	(7,792)	(7,623)
Halton Borough Council	(2,448)	(2,372)
Warrington Borough Council	(4,473)	(4,408)
Total	(24,042)	(23,374)

Transactions with the Cheshire Pension Fund have been disclosed within the core financial statements and notes to the accounts.

Transactions with Members and Officers

The Fire Authority consists of 26 members, 23 of whom are nominated by the constituent local authorities (the Unitary Councils of Cheshire West and Chester, Cheshire East, Halton, and Warrington). Payments made to members are disclosed in Note 3.

There is one material transaction to disclose in respect of Chief Officers or their close family. 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 Director of Finance and Corporate Planning is on the FRAML Board of Directors.

6 Audit Costs

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

	2009-10 £000	2008-09 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor – current year	68	66
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
	68	70

7 General Government Grants

	2009-10	2008-09
	£000	£000
Revenue Support Grant (RSG)	3,382	2,129
	<u>3,382</u>	<u>2,129</u>

8 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 £7,402k. 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.

	2009-10	2008-09
	£000	£000
Minimum repayment provision at 4.0%	296	246
Voluntary repayment provision at 2.7%	200	166
Total	<u>496</u>	<u>412</u>

9 Retirement Benefits

Participation in Pension 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 2009-10 by Cheshire West and Chester Borough 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 2009-10 are shown in the statement on page 21.

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 £000		Firefighters' Pension Scheme £000	
	2009-10	2008-09	2009-10	2008-09
	£000	£000	£000	£000
Income and Expenditure Account				
Net Cost of Services:				
Current Service Cost	571	595	5,300	5,900
Past Service Cost	-	219	100	800
Net Operating Expenditure				
Interest Cost	1,197	1,207	17,000	16,700
Expected Return on Assets in the Scheme	(789)	(1,071)	-	-
Net Charge to the Income and Expenditure Account	979	950	22,400	23,400
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 	(979)	(950)	(22,400)	(23,400)
Actual amount charged against the General Fund Balance for Pensions in the year:				
<ul style="list-style-type: none"> Employers' Contributions payable to Scheme 	982	852		
<ul style="list-style-type: none"> Retirement Benefits payable to pensioners 			12,500	12,100
<ul style="list-style-type: none"> Contributions by scheme participants 			(1,800)	(2,200)

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £102,066k (2008-09 gain of £4,986k) 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 £123,329k.

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	
	2009-10	2008-09	2009-10	2008-09
	£000	£000	£000	£000
1 April	17,176	17,164	249,400	243,400
Current Service Cost	571	595	5,300	5,900
Interest cost	1,197	1,207	17,000	16,700
Contributions by scheme participants	364	317	1,800	2,200
Actuarial (gains) and losses	12,106	(1,868)	93,700	(7,500)
Benefits paid	(578)	(458)	(12,500)	(12,100)
Past service costs	-	219	100	800
31 March	30,836	17,176	354,800	249,400

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

	2009-10	2008-09
	£000	£000
1 April	12,142	14,681
Expected rate of return	789	1,071
Actuarial gains and (losses)	3,740	(4,321)
Employer contributions	982	852
Contributions by scheme participants	364	317
Benefits paid	(578)	(458)
31 March	17,439	12,142

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 £4,530k (2008-09 (£3,259k)).

Scheme History

	2005-06	2006-07	2007-08	2008-09	2009-10
	£000	£000	£000	£000	£000
Present value of liabilities					
Local Government Pension Scheme	(13,700)	(14,200)	(17,164)	(17,176)	(30,836)
Firefighters Pension Scheme	(282,200)	(277,000)	(243,400)	(249,400)	(354,800)
Fair value of assets in the Local Government Pension Scheme	10,550	11,850	14,681	12,142	17,439
Surplus/(deficit) in the scheme					
Local Government Pension Scheme	(3,150)	(2,350)	(2,483)	(5,034)	(13,397)
Firefighters Pension Scheme	(282,200)	(277,000)	(243,400)	(249,400)	(354,800)
Total	(285,350)	(279,350)	(245,883)	(254,434)	(368,197)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £368 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 £331 million at 31 March 2010. 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	
	2009-10	2008-09	2009-10	2008-09
	%	%	%	%
Long term expected rate of return on assets in the scheme				
Equities	7.8	7.0	-	-
Bonds	5.0	5.4	-	-
Property	5.8	4.9	-	-
Cash	4.8	4.0	-	-
Mortality assumptions:				
Longevity for current pensioners (LGPS scheme at 65 & Firefighters' scheme at 60)				
Men	20.8 years	19.6 years	27.6 years	27.6 years
Women	24.1 years	22.5 years	31.0 years	31.0 years
Longevity for future pensioners (LGPS scheme at 65 & Firefighters' scheme at 60)				
Men	22.3 years	20.7 years	29.2 years	29.2 years
Women	25.7 years	23.6 years	32.7 years	32.7 years
Rate of inflation	3.8	3.1	3.8	3.1
Rate of increase in salaries	5.3	4.6	5.3	4.6
Rate of increase in pensions	7.1	3.1	3.8	3.1
Rate for discounting scheme liabilities	5.5	6.9	5.5	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 2010	31 March 2009
	%	%
Equities	73	68
Bonds	14	17
Property	5	8
Cash	8	7

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2009-10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010.

Local Government Pension Scheme

	2005-06	2006-07	2007-08	2008-09	2009-10
	%	%	%	%	%
Differences between the expected and actual return on assets	15.7	(0.4)	9.8	(35.6)	21.4
Experience gains and losses on liabilities	0.6	(0.1)	(31.8)	-	-

Firefighters' Pension Scheme

	2005-06 %	2006-07 %	2007-08 %	2008-09 %	2009-10 %
Differences between the expected and actual return on assets	NA	NA	NA	NA	NA
Experience gains and losses on liabilities	0.6	1.2	(4.1)	(1.3)	3.4

Projected Pension Expense for the year to 31 March 2011

For the Local Government Pension Scheme, the Employer's contribution is projected to be approximately £953k.

For the Firefighters' Pension Scheme, the projected net benefit expenditure is £11,680.

10 Fixed Assets

Movement on Fixed Assets

The figures below provide information on the movement of fixed assets held by the Authority during 2009-10. Following the introduction of capital asset accounting, the fixed assets are shown at their current value (see Statement of Accounting Policies).

Operational Assets

Operational Assets held by the Authority are of the following types:

- Land and Buildings represents a portfolio of properties including 24 Fire Stations, 54 residential properties for rental by firefighters, the headquarters office premises and workshops.
- Vehicles includes operational and support vehicles.
- Equipment includes firefighting equipment and office furniture and machinery.

Valuation Information

The entire building stock of the Authority was revalued by Edward Cottrell BSc (Hons.) MRICS, of Kenneymoore Property Consultants, as at 31 March 2009. The basis for revaluation is described in the Statement of Accounting Policies. There have been no material changes in valuation during the year.

Operational Assets	Land and Buildings £000	Vehicles £000	Plant and Equipment £000	Total £000
Cost or valuation				
At 1 April 2009	38,740	8,039	5,385	52,164
Additions	446	1,030	586	2,062
Disposals	-	(100)	(2,309)	(2,409)
Reclassifications	-	-	(563)	(563)
Revaluations	-	-	-	-
At 31 March 2010	39,186	8,969	3,099	51,254

	Land and Buildings £000	Vehicles £000	Plant and Equipment £000	Total £000
Depreciation and impairments				
At 1 April 2009	(8,666)	(5,429)	(3,965)	(18,060)
Charge for 2009-10	(964)	(545)	(383)	(1,892)
Disposals	-	100	2,309	2,409
Reclassifications	-	-	413	413
Revaluations	-	-	-	-
At 31 March 2010	(9,630)	(5,874)	(1,626)	(17,130)
Balance Sheet amount at 31 March 2010	29,556	3,095	1,473	34,124
Balance Sheet amount at 1 April 2009	30,074	2,610	1,420	34,104

Non Operational Assets (Assets under Construction)

The most significant element within assets under construction is the extension works to the headquarters at Winsford. This category also includes development costs for IT systems such as the Miquet asset records system and an integrated Human Resources package.

Non Operational Assets	Assets under construction £000
Cost or valuation	
At 1 April 2009	512
Additions	2,615
Disposals	-
Reclassifications	(47)
Revaluations	-
At 31 March 2010	3,080
Depreciation and impairments	
At 1 April 2009	-
Charge for 2009-10	-
Disposals	-
Reclassifications	-
Revaluations	-
At 31 March 2010	-
Balance Sheet amount at 31 March 2010	3,080
Balance Sheet amount at 1 April 2009	512

Intangible Assets (Purchased Software and Licences)

Intangible assets consists of 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.

Intangible Assets	Purchased software & licences £000
Original cost	158
Amortisations to 1 April 2009	(58)
Balance at 1 April 2009	100
Reclassifications in year	197
Expenditure in year	399
Written off to revenue in year	(188)
Balance at 31 March 2010	508

11 Capital Expenditure and Financing

Capital investment	2009-10 £000	2008-09 £000
Operational assets	2,062	1,434
Non operational assets	2,615	421
Intangible assets	399	25
	5,076	1,880

Sources of finance	2009-10 £000	2008-09 £000
Borrowing	2,851	1,017
Revenue contribution	1,500	815
Government grants and other contributions	725	48
	5,076	1,880

The revenue contribution consists of £1,004k which has been transferred to the capital reserve to fund schemes within the capital programme. The capital reserve will offset the future depreciation charges of those schemes. The balance of £496k represents the minimum revenue provision (Note 8).

12 Capital Commitments

As at 31 March 2010, the Authority had the following commitments under capital contracts:

	2009-10 £000
Headquarters Extension	582
Human Resources system	52
Miquet system	39
Agresso system upgrade	47
Poynton Station	74
Secondary control	113
Total	907

13 Leases

Payments made under operating leases in 2009-10 totalled £402,128 (2008-09 £378,968). All expenditure on leases relates to vehicles.

The Authority was committed at 31 March 2010 to making payments of £381,834 under operating leases, comprising the following:

	2009-10
	£000
Leases expiring in 2010-11	210
Leases expiring between 2011-12 and 2014-15	172
	<u>382</u>

The Authority has a training vehicle held under a finance lease and accounted for as part of the tangible fixed assets. The rental payable under the arrangement in 2009-10 was £13,551, charged to the Income & Expenditure Account as £5,471 finance costs (debited to interest payable and other charges) and £8,080 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 table shows the accumulated depreciation for the asset held under a finance lease:

	2009-10	2009-10
	£	£
Cost or Valuation		128,743
Accumulated Depreciation		
As at 1 April 2009	(15,064)	
Charge for 2009-10	<u>(8,080)</u>	
As at 31 March 2010		<u>(23,144)</u>
Balance sheet amount at 31 March 2010		<u>105,599</u>

Outstanding obligations to make payment under this lease (excluding finance costs) at 31 March 2010, accounted for as part of deferred liabilities, are as follows:

	2009-10
	£
Obligations payable in 2010 -2011	8,469
Obligations payable between 2011-2012 and 2014-2015	38,154
Obligations payable after 2015-2016	58,976
Total	<u>105,599</u>

14 Stocks

	2009-10	2008-09
	£000	£000
Workshops	102	103
Uniform	128	96
Firefighting	43	40
General	35	19
	<u>308</u>	<u>258</u>

15 Debtors and prepayments

	2009-10	2008-09
	£000	Restated £000
General debtors greater than 1 year old	1	96
General debtors less than 1 year old	6,275	7,837
Prepayments	948	323
	<u>7,224</u>	<u>8,256</u>

Following a review of outstanding debt, a provision of £16,164 has been established to provide for the future write off of bad debts.

16 Investments

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

	2009-10	2008-09
	£000	£000
Investments	4,006	4,266
	4,006	4,266

17 Creditors

	2009-10	2008-09
	£000	Restated £000
Trade creditors	2,976	1,446
Employee pay accruals	1,815	2,606
Deferred grants	573	1,012
Collection fund (Billing authorities) creditor	731	446
Council tax overpayments & prepayments	881	309
	6,976	5,819

18 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.

19 Loans Outstanding - Long Term Borrowing

As at 31 March 2010 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. Interest payable during the year totalled £308,946.

Loan Type	2009-10	2008-09
	£000	£000
Public Works Loan Board (PWLB)	6,439	6,439
Balance at 31 March	6,439	6,439

All the Authority's long term borrowing is with the Public Works Loan Board (PWLB). The PWLB has calculated the fair value of our debt as £6,794,941.

Loan Maturity	2009-10	2008-09
	£000	£000
Up to 2 years	600	-
Over 2 and up to 5 years	437	1,037
Over 5 and up to 10 years	1,202	322
Over 10 years	4,200	5,080
Total Balance at 31 March	6,439	6,439

20 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 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.

21 The Euro

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

22 Prior period adjustments

Up to 2008-09 the SORP required the Council Tax income included in the Income and Expenditure Account to be the amount that under regulation was paid from the Collection fund to the major preceptor. From the year commencing 1 April 2009, the Council Tax income included in the Income and Expenditure Account for the year shall be the accrued income for the year.

Adjustment required to re-state 2008-09 Accounts	Dr	Cr
	£000	£000
- 1 April 2008 balance sheet		
Debtors / Creditors – Billing Authority	62	
Collection Fund Adjustment Account		62
- Income and Expenditure Account		
Collection Fund surplus / deficit		92
- SMGFB		
Appropriation to Collection Fund Adjustment Account	92	
- Balance sheet		
Collection Fund Adjustment Account		154
Council Tax arrears (Debtor)	1,363	
Council Tax impairments		619
Council Tax overpayments & prepayments (Creditor)		309
Debtors (Billing Authority)	165	
Creditors (Billing Authority)		446

23 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 2009-10

Reserve	Balance at 1 April 2009 - Restated	Net movement in the year	Balance at 31 March 2010	Purpose of Reserve	Further detail of movements
	£000	£000	£000		
Notional Accounts					
Revaluation Reserve	4,734	-	4,734	Gains on revaluation of fixed assets not yet realised through sales	Revaluation of property
Pensions Account (FRS17)	(254,434)	(113,763)	(368,197)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	See note 9 to the Accounts
Collection Fund adjustment account	154	11	165	Reserve reflects the difference included in the I&E account and the amount charged to the General Fund	
Capital Adjustment Account	22,434	(1,515)	20,919	Store of capital resources set aside to meet past expenditure	See further detail in accounting policies
	(227,112)	(115,267)	(342,379)		
Earmarked Reserves					
Capital Receipts	289	-	289	Proceeds of fixed asset sales available to meet future capital expenditure	See further detail in accounting policies
Resource Centre Managers'	1,290	260	1,550	Resources available to meet future identified expenditure in resource centre managers area	
Community Risk Reduction	1,011	(269)	742	Resources to meet the costs of home safety assessments and other community safety initiatives up until 2011	
UPG Managers Reserve	201	53	254	Resources earmarked for facilitating partner engagement in community safety activities	
IRMP Reserve (Operational Focus)	443	(443)	-	Resources earmarked for funding operational training facilities	Transferred to capital reserve
	3,234	(399)	2,835		
Other Reserves					
Capital Reserve	915	1,447	2,362	Resources earmarked for specific future capital costs	Used to fund capital expenditure in future years
General Fund	6,168	(42)	6,126	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
	7,083	1,405	8,488		

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

	2009-10	2008-09
	£000	Restated £000
Surplus / (Deficit) for the year	(12,196)	(18,314)
Reconciling items for the statement of movement	12,154	18,417
Increase/ (decrease) in General Fund Balance for the year	(42)	103
<u>Add back items shown elsewhere in the Statement</u>		
Interest paid	315	342
Interest received	(122)	(720)
<u>Other adjustments</u>		
(Increase) / decrease in stocks	(50)	17
(Increase) / Decrease in non capital debtors & prepayments	1,353	(2,942)
Increase / (Decrease) in non capital creditors	762	1,777
Other non-cash movements and capital accruals	1,554	1,452
Revenue Activities Net Cash Flow	3,770	29

25 Cash flow statement - Reconciliation of the movement in cash

	As at 31/03/10 £000	As at 31/3/09 £000	Movement during year £000
Cash in Hand	6	6	-
Cash at Bank and cash in transit	2,254	2,508	(254)
	2,260	2,514	(254)

26 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

Financing	As at 31/03/10 £000	As at 31/3/09 £000	Movement during year £000
Long term borrowing	(6,439)	(6,439)	-
Borrowing – due within 12 months	-	-	-
	(6,439)	(6,439)	-
Management of Liquid Resources	As at 31/03/10 £000	As at 31/3/09 £000	Movement during year £000
Investments	4,006	4,266	(260)
	4,006	4,266	(260)

	As at 31/03/10 £000	As at 31/3/09 £000
Increase / (Reduction) in cash in the period	(254)	1,870
Cash inflow from increase in debt	-	-
Cash inflow from reduction in liquid resources	(260)	(3,534)
Movement in net debt for period	(514)	(1,664)
Net funds at 1 April	341	2,005
Net funds at 31 March	(173)	341

27 Definition of Liquid Resources

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

28 Disclosure of Financial Instruments

The Instruments disclosed in the Balance Sheet are made up of the categories of Financial Instruments shown in the table below. All financial liabilities and financial assets represented by loans and receivables are carried at their amortised cost.

(a) Financial Liabilities at Amortised Cost

	Long Term		Current	
	31 st March 2010	31 st March 2009 (Restated)	31 st March 2010	31 st March 2009 (Restated)
	£000	£000	£000	£000
Borrowing	6,439	6,439	-	-
Operational Creditors	46	46	3,227	2,665
Bank Overdraft	-	-	192	-
Total Borrowings	6,485	6,485	3,419	2,665

(b) Financial Assets at Amortised Cost

	Long Term		Current	
	31 st March 2010	31 st March 2009 (Restated)	31 st March 2010	31 st March 2009 (Restated)
	£000	£000	£000	£000
Investments	-	-	4,006	4,266
Operational Debtors	-	-	627	1,095
Imprest & Cash	-	-	2,452	2,514
Total Loans and Receivables	-	-	7,085	7,875

(c) Available for Sale Assets

The Authority does not hold any Available for Sale Assets.

(d) Fair Value of Assets and Liabilities held 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 2010
- 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 2010		31 March 2009 restated	
	Carrying value	Fair value	Carrying value	Fair value
	£000	£000	£000	£000
Financial liabilities	9,904	10,260	9,150	9,984
Loans and receivables	7,085	7,085	7,875	7,875

(e) Gains or losses on Financial Instruments

The Gains or Losses on Financial Instruments recognised in the Income and Expenditure Account in 2009-10 are made up as follows:

	Financial Liabilities	Financial Assets	Total
	£000	£000	£000
Interest payable	(315)		(315)
Impairment losses (Bad debt provision)		(14)	(14)
Interest payable & similar charges	(315)	(14)	(329)
Interest & Investment Income		84	84
Net gain/(loss) for the year	(315)	70	(245)

For comparison, the Gains or Losses on Financial Instruments recognised in the Income and Expenditure Account in 2008-09 are made up as follows:

	Financial Liabilities	Financial Assets	Total
	£000	£000	£000
Interest payable	(326)		(326)
Impairment losses (Bad debt provision)		(37)	(37)
Interest payable & similar charges	(326)	(37)	(363)
Interest & Investment Income		461	461
Net gain/(loss) for the year	(326)	424	98

29 Risks arising from Financial Instruments

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

- Liquidity risk – the possibility that the Authority might not have enough money available to pay its bills
- Credit risk – the possibility that those who owe the Authority money may fail to pay
- Market risk – the possibility that the Authority loses money as a result of changes in such measures as interest rates and stock market movements
- Interest rate risk – the possibility that unexpected changes in interest rates will expose the Authority to higher costs or less income than it has budgeted for
- Exchange rate risk – the possibility that unexpected changes in exchange rates expose the Authority to higher costs or less income than it has budgeted for
- Inflation risk- the possibility that unexpected changes in inflation expose the Authority to higher costs or less income than it has budgeted for
- Refinancing risk – the possibility that when loans mature, the authority is unable to secure refinancing where necessary on terms that reflect the assumptions made in the Authority's budget
- Legal and regulatory risk – the possibility that either ourselves, or a third party we deal with in relation to treasury management activities, acts outside legal powers or regulatory requirements leading to a loss

- Fraud, error and corruption risk – the possibility that the Authority may fail to employ adequate systems, procedures and other arrangements which identify and prevent losses through fraud, error or corruption.

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 2009-10 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 which were approved by the Authority in the annual Treasury Management Strategy.

General Statement

The Treasurer is responsible for designing, implementing and monitoring all arrangements for the identification, management and control of treasury management risk. He is required to report at least annually on the adequacy/suitability of the management and control of treasury management risk. Where necessary he will report urgently the circumstances of any actual or likely difficulties in achieving the Authority's objectives in this regard.

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 (PWLB loans and long term creditor) is as follows:

	2009-10	2008-09
	£000	Restated £000
Between one and two years	600	-
Between two and five years	483	1,083
More than five years	5,402	5,402
Total	6,485	6,485

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

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 £10 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 collectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2010	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2010	Estimated maximum exposure to default and uncollectability	Estimated maximum exposure at 31 March 2010
	£000	%	%	£000	£000
Deposits with banks and financial institutions	4,006	-	-	-	-

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 £192k 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.

	2009-10	2008-09
	£000	Restated £000
Less than three months	133	53
Three to six months	56	7
Six months to one year	2	11
More than one year	1	96
Total	<u>192</u>	<u>167</u>

Market Risk

Market risk is the risk of fluctuations in the principal value of the Authority's investments. The authority seeks to ensure that its Treasury Management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and protects itself from the effects of such fluctuations. In practice, the Authority confines itself to low risk investments where the possibility of loss of principal or investment income is negligible. The limits are determined and set through the Annual Investment Strategy.

During 2009-10 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.

Interest Rate Risk

Interest rate risk is the risk that unexpected changes in interest rates expose the Authority to higher costs or less income than budgeted. The Authority seeks to minimise this risk by working with Warrington Borough Council, our Treasury Management partners, to agree a strategy in relation to investment and debt portfolios, which is reflected in its Treasury Management Strategy document. The strategy is reviewed regularly to ensure that it remains relevant.

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.

Exchange Rate Risk

Exchange rate risk is the risk that unexpected changes in exchange rates expose the Authority to higher costs or less income than have been budgeted for. The Authority currently has minimal exposure to exchange rate risk.

Inflation Risk

Inflation risk is the risk that unexpected changes in inflation expose the Authority to higher costs or less income than have been budgeted for. The Authority has minimal exposure to inflation risk at present as inflation has not been at high levels for the last decade and is not expected to return to such levels in the near future.

Refinancing Risk

Refinancing risk is the risk that when loans or other forms of capital financing mature they cannot be refinanced where necessary on terms which reflect the assumptions made in formulating revenue and capital budgets. The Authority will ensure that its borrowing arrangements are negotiated, structured and documented. It will ensure that the maturity profiles of its borrowings are managed. It will seek to ensure that terms offered for renewal or refinancing are as competitive and favourable to the Authority as can reasonably be achieved in light of the market conditions prevailing at the time.

Legal and Regulatory Risk

Legal and regulatory risk is the risk that either the Authority or a third party with which it is dealing in relation to treasury management activities acts outside of its power or regulatory requirements and as a result the Authority incurs a loss. The Authority will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy as contained in the annual Treasury Management Strategy, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions which may effect the Authority, particularly with regard to duty of care and fees charged.

The Authority only invests with counterparties in accordance with the requirements of its Treasury Management Strategy. Advice in these matters is provided by our Treasury Management partner, Warrington Borough Council.

The Chief Financial Officer is the Treasurer and Director of Finance and Corporate Planning. He is responsible for ensuring that all financial matters of the Authority are conducted in a prudent manner in accordance with financial regulations.

The Authority recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

Fraud, Error and Corruption, and Contingency Management

Fraud and error and corruption risk is the risk that the Authority may fail to employ adequate systems, procedures and other arrangements which identify and prevent losses through such occurrences. The Authority will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures and will maintain effective contingency management arrangements, to these ends. The Authority will therefore:

- a) Ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks
- b) Engage with a Treasury Management partner which helps mitigate risks
- c) Ensure that system controls are robust
- d) Ensure that the Authority has proper audit procedures in place.

30 Fire and Rescue Authorities Mutual Limited (FRAML)

The Authority was one of five Fire and Rescue Authorities that together set up FRAML, a company regulated by the Financial Services Authority. Each Fire Authority provided a capital guarantee (in Cheshire's case £193k) to capitalise the company and paid an insurance premium to the company in return for insurance cover. In the event that the company incurred a loss, it could require each Authority to pay an additional contribution up to the equivalent of 100% of the insurance premium paid by that Authority during the financial year. No provision was made for this payment as the financial performance of the company was positive. Any profits made by the company could be distributed amongst its members.

Following a 2008 court case involving a similar entity, the London Authorities Mutual, the legality of FRAML was brought into question and as a result the Authority transferred its insurances to a commercial insurance provider. The Directors of FRAML, including a representative from each participating Fire Authority (in Cheshire's case the Director of Finance and Corporate Planning), elected to wind up the company using a formal Scheme of Operations agreed with the Financial Services Authority. As a result, the £193k capital guarantee initially provided by the Authority was repaid in 2009-10 and the only outstanding financial issue is an estimated £15k of surplus due to the Authority. This will be repaid once the costs of winding up the company have been met by FRAML and the final surplus is confirmed.

At the present time, the Director of Finance and Corporate Planning remains a Director of FRAML, but clearly this appointment will cease once the company has been finally wound-up.

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 (RMB) 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 2009-10 by working collaboratively.

Significant work has also taken place in 2009-10 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 2010 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 – January 2012
- Merseyside – March 2012
- Cumbria – May 2012
- Cheshire – May 2012
- Lancashire – May 2012

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 2009-10 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 operational in providing a public service and is not expected to become so until January 2012 at the earliest.
- The only trading activity of the Company is currently the use of facilities at the building which is charged out accordingly to other Fire Authorities and organisations.
- The Authority's share of the gross administrative expenses of the company in the financial year 2009-10 (20% of £2.098m) 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 Communities and Local Government.
- The liability of the Authority is limited to a maximum of £1.

Below shows the key Information from the Draft Financial Statements of NW FireControl:

Accounts Information	Year Ended 2009-10 £000	Period Ended 2008-09 £000
Net Assets	43	1
Profits Before Taxation	68	2
Profits After Taxation	56	2
Debtor Balance (GMFRS)	31	-
Creditor Balance (GMFRS)	262	132

The Company's Financial Statements can be obtained from Companies House with the deadline for submission as 31/12/2010 for the final audited 2009-10 accounts.

The position regarding Group Accounts will be reviewed for the 2010-11 financial year as the Regional Control project moves closer towards cutover and providing an operational service to the regional Fire Authorities.

33 Post Balance Sheet Events – Non-Adjusting

Retained (On-call) Firefighters Prevention of Less Favourable Treatment

The Fire Brigades Union were successful in two test cases against Fire Authorities in contesting that retained firefighters (now known in Cheshire as 'on-call firefighters') had received less favourable treatment than their wholetime equivalents under the part-time workers' regulations.

The National Joint Council for Local Authority Fire and Rescue Services and the Fire Brigades Union were asked by the Employment Tribunal to negotiate a settlement in respect of their finding. At the time of writing an 'in principle' agreement has been reached between the two parties which covers the reference period 1st July 2000 to 30th June 2010 and Fire Authorities have been advised that formal agreement should be reached shortly.

Headline settlement figures have been provided for each rank of on-call firefighter which assumes that the employee was in service for the full ten years between 2000 and 2010. Clearly this will not be the case for all individuals and the final cost for Cheshire Fire Authority is also dependent upon takeup. As a result, at this stage, it is only possible to provide a range of likely liability and in Cheshire's case this is somewhere between £55,200 and £278,240.

Change in basis of public sector pensions increases

The Chancellor of the Exchequer announced in his Emergency Budget on 22nd June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of the Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of the Authority's FRS17 liabilities as follows:

Combined firefighter pension scheme:

Reduction in liabilities and balance sheet deficit of 7% or £24,836k

Local Government Pension Scheme:

Reduction in liabilities of 5% or £1,542k.

Reduction in balance sheet deficit of 12% or £1,608k.

ANNUAL GOVERNANCE STATEMENT - CHESHIRE FIRE AUTHORITY

1. Introduction and Background to the Annual Governance Statement

The governance framework comprises the systems and processes, culture and values, for the direction and control of the Authority and its activities. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and effective services.

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 revised Code of Corporate Governance 2007 and internal control framework are summarised in **Appendix 1** and shown in detail in **Appendix 3**.

2. Scope of Responsibility

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

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 an 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.

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 objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

The system of internal control (*see Appendix 1*) is a significant part of that framework and its purpose is to manage risk to a reasonable level, it cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing annual cycle designed to

ANNUAL GOVERNANCE STATEMENT - CHESHIRE FIRE AUTHORITY

identify, prioritise & 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.

The Authority ensures compliance with established policies, legislation and regulations. The information regarding policies is held in our Service Information System (SIS) on the intranet, and these are continually reviewed and developed through the introduction of new policies and procedures when required.

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, Environment, 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.
- Constitution
- A series of formal policies which govern the activities of the Service.

Policy and decision making process

The Leadership Board carries out a continuous assessment of the implementation of policies and procedures throughout the organisation, including following up on progress against actions plans.

The Authority has meaningful democratic control over its activities via an approved Committee structure with agreed powers and duties that are reviewed annually. The Authority has a written Constitution, which is published and sets out how the Authority operates, how decisions are made and the process and procedures which are followed to ensure these are efficient, transparent and accountable to the communities of Cheshire, Halton & Warrington.

The Authority also runs Member away-days to engage Members in the discussions and issues of the Service in more detail and in an informal environment.

Identifying and communicating the Authority's vision and outcomes to the communities of Cheshire, Halton & Warrington

After consulting with the communities of Cheshire Halton & Warrington and service users, assessing current risks and service priorities, the Authority prepares an Integrated Risk Management Plan (IRMP) that sets out the vision and aims and objectives for the organisation. IRMP six covered the period 2009-2010.

ANNUAL GOVERNANCE STATEMENT - CHESHIRE FIRE AUTHORITY

4. Review of Effectiveness

Cheshire Fire Authority formally 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 and is then reported to Members.

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

Member Scrutiny

A programme of formal Member meetings is scheduled throughout the year, although this may be supplemented as and when the need arises:

- 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 Task Group (member of the E&D Task Group)
- Environment (member of the Environment Project Board)
- Health & Safety (Chair of H&S Committee)
- Procurement
- Finance
- Older People
- Young People
- Performance Management
- Information and ICT (member of ICT Steering Group)
- Commercial/Business Risk Reduction
- Industrial Relations (Chair of Joint Consultative Committee)
- Risk Management Board (2 Members on the Board)
- Member Development (Chair of Member Training & Development Group)

External Scrutiny

The Authority encourages external scrutiny of its activities via:

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

External Audit

External audit services are carried out by the District Auditor on behalf of the Audit Commission. Under the revised Code of Audit Practice, the District Auditor is required to focus on corporate performance management and financial management arrangements, as these form a key part of the system of internal control.

ANNUAL GOVERNANCE STATEMENT - CHESHIRE FIRE AUTHORITY

Internal Audit

The Authority has a strong Internal Audit function arrangement with RSM Tenon which also has well-established protocols for working with External Audit.

During 2009-10 a number of internal audits have taken place which provides an independent qualified assurance level and/or Audit Opinion by Internal Audit. The Annual Internal Audit Plan is developed with a view to assessing the extent to which operational and strategic risks are effectively managed. The list of completed internal audits during 2009-10 is:

- Partnerships
- Operation Station Visits
- Payroll
- VAT
- Exeter Database
- Heritage Building
- Insurance
- Estates
- Procurement
- Health & Safety
- Service Wide Business Continuity
- Risk Management
- Key Financial Controls
- Follow up
- Counter Fraud Thematic
- Governance

Independent Review Board

The Authority has appointed noted external representatives of other public and private organizations to provide further independent challenge to the Leadership Team about the direction and performance of the Authority.

Other Stakeholders

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

Internal Review

Cheshire Fire Authority 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 Development Group – directs workforce planning, structures and processes
- Risk Management Board – approval and regular monitoring of the corporate risk register and risk management framework
- Programme Board – scrutinise cross cutting identified IRMP projects
- ICT Steering Group – steer direction of ICT services

All Scrutiny Boards have agreed Terms of Reference.

ANNUAL GOVERNANCE STATEMENT - CHESHIRE FIRE AUTHORITY

Year End Review

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.
2. Obtaining assurances from Heads of Department that key elements of our control framework were in place and effective during the year 2009-10 and identify areas for action where they may have identified control weaknesses.
3. Conducting a review/audit of our 'corporate risks' and management of those risks in line with our Risk Management Framework and Policy. See Appendices 2 and 4.
4. Ongoing implementation of agreed audit recommendations reported by internal/external audit.

Management Structure

The Service has a clear management structure with defined roles and responsibilities including a Leadership Team made up of the Chief Fire Officer, Deputy Chief Fire Officer, Assistant Chief Fire Officer, Director Finance & Corporate Planning and Director of Organisation & People Development. This team is supported by the Service Management Team (SMT).

Members and the Service Management Team 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 Plan, and associated plans including Department, Unitary and Community Action plans.

Audit - Key Comments

The success of the Authority's management and internal control arrangements are demonstrated in the key messages below quoted in the Audit Commission Annual Audit Letter and the Internal Audit Annual Report

Audit Commission:

"The Authority has a clear vision for Fire Authority in its area and actively engages in the community to help shape and deliver those services"

"There are good governance arrangements, a clear vision and a sensible approach to partnership arrangements"

"Risk management and business planning are well integrated..."

"The Authority plans, organises and develops its workforce effectively"

RSM Tenon

Internal Audit provided positive assurance levels on Governance (amber), Risk Management (Green) and Internal Control (Green). The following specific comments were also received:

Governance

We have undertaken a review of the processes in place to prepare the 2009-10 Annual Governance Statement, and have reviewed how evidence is collated to support that statement. The findings from our review were positive, and noted good practice in place to challenge the governance statement.

ANNUAL GOVERNANCE STATEMENT - CHESHIRE FIRE AUTHORITY

We have noted during the year that there has not been a consistent timely response to internal audit reports. This was also noted in our 2008-09 annual internal audit report. Whilst the Fire Authority has plans to improve the system for signing off management responses this will be rolled out in full during 2010-11.

Risk Management

In 2009-10, consideration had been given to an overview of the Fire Authority's arrangements for risk management. Specifically, we reviewed the reporting arrangements for risk management and reporting through to the Authority given that this was a key issue raised as part of the previous review undertaken during 2008-09. The review has also examined the progress made against agreed management actions for the recommendations included in the 2008-09 Risk Maturity report issued to the Authority as part of the 2008-09 Internal Audit plan.

Our review resulted in one fundamental and two merits attention recommendations being raised. The fundamental recommendation was in relation to the reporting arrangements in place to the Authority and its Committees in relation to risk management.

Internal Control

All assurance reports that have been issued by the Internal Audit service during 2009-10 have received positive levels of assurance.

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.

Organisational Assessment

The 2009 Organisational Assessment under the Comprehensive Area Assessment process assessed the Authority as 'Performing Well'. This included scores for Managing Performance of 3 (out of 4) and 2 out of 4 for Use of Resources. A separate review was undertaken of operational performance (although this did feed into the Organisational Assessment).

Service Assessment

The Service was subject to a peer review during 2009. The peer review was facilitated by the Improvement and Development Agency (IDeA) and the following statement of robustness was published:

"On the basis of the peer assessment undertaken, the review team has found that Cheshire Fire Authority is operationally effective, meeting its statutory duties and performing well against its key priorities.

It has had a sustained period of improving performance and a strong community risk management focus.

The Service works well with partners across its communities. It has produced a realistic self assessment which shows a good level of self awareness with some areas for improvements which require closer attention.

The Service has many strengths on which it can build and is generally making progress against the identified improvement areas. The team were impressed by the commitment and enthusiasm of the staff at all levels."

Monitoring Performance

During 2009-10 76% of the Authority's Key Performance Indicators (PI's) showed positive improvements (based on unaudited data).

ANNUAL GOVERNANCE STATEMENT - CHESHIRE FIRE AUTHORITY

Monitoring & Reporting

There is a formal quarterly system of monitoring and reporting on the achievements of our projects and activities identified within Departmental, Unitary and Community action plans and these reports are presented to Members.

5. Certification

To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year 2009-10.

There are two areas in which the Authority has identified the need for improved internal control, namely:

- 1) The Authority has identified the need to further develop its 72d process, which covers operational risk assessments to identify potential hazards to firefighters and to put in place control measures to remove, reduce or control these risks in order to provide as safe an operating environment as possible.

We have started to take steps to address this by:

- a) Deliver further CFP training to our operational crews in conjunction with Learning & Development
 - b) Amended 72d policy to be introduced during 2010-11
 - c) Monitor Compliance to the policy through Premises Risk Information Group (PRIG)
- 2) To expedite the production of final Internal Audit reports. This has already begun with the introduction of a new process for reporting management responses and ensuring that our internal audit supplier complies with agreed timescales.

We are satisfied that these measures along with a continual cycle of review and challenge, will ensure a robust governance framework for 2010-11 and beyond.

Signatures:

Fire Authority.....

Chief Fire Officer.....

Treasurer.....

Governance Arrangements CIPFA/SOLACE and Internal Control Framework
2009-10

APPENDIX 1

**SUMMARY
2009-10**

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>	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		4.5
Overall Code of Corporate Governance Compliance Score		4.5

Governance Arrangements CIPFA/SOLACE and Internal Control Framework
2009-10

APPENDIX 2

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)</i> Quarterly <i>Leadership Board – As scheduled</i> <i>Performance & Overview Committee</i> five times Annually <i>Performance Management Group</i> Every two months	4.5
Emergency Response – management of key risks	3 & 4	<i>Risk Management Board (RMB)</i> Quarterly <i>Leadership Board – As scheduled</i> <i>Performance & Overview Committee</i> Five times Annually <i>Local Resilience Forum</i> <i>Performance Management Group</i> Every two months	4
Corporate Services – management of key risks	5,6 & 7	<i>Risk Management Board (RMB)</i> Quarterly <i>Leadership Board – As scheduled</i> <i>Dept Mngt Teams – As scheduled</i> <i>Performance & Overview Committee</i> five times - Annually <i>Performance Management Group</i> Every two months	4
Overall Internal Control Assurance Score			4

Governance Arrangements CIPFA/SOLACE and Internal Control Framework 2009-10

Compliance/Assurance Self Assessment

APPENDIX 3

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	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	TB	
	<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	3.5	EM	
	<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	KB 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	4	DG	
Linked Evidence: IRMP 6, Partnership Strategy & Toolkit, Annual Report 2008/9, Integrated Corporate Planning Timetable					
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	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	5	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	3	MO	
	<i>Make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management</i>	2.2.1	3	MO	
	<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	5	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	MO	

Governance Arrangements CIPFA/SOLACE and Internal Control Framework 2009-10

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	5	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	5	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	3.5	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	3.5	EM	
Linked Evidence: Constitution (including Scheme of Delegation), Member Code of Conduct, Partnership Strategy & Toolkit, Integrated Corporate Planning Timetable					
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	5	JS	4.5
	<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	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	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	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	3.5	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	3	EM	
Linked Evidence: Member Code of Conduct, Staff Code of Conduct, Gifts/Hospitality Policy, Anti Fraud & Corruption Policy, Constitution, Partnership Toolkit, Corporate Governance Action Plan1-6					

Governance Arrangements CIPFA/SOLACE and Internal Control Framework 2009-10

Principles	Local Code/Control Framework	Ref	CFRS Owner /score	CFRS Overall score
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 acting on the outcome of constructive scrutiny Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	<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
	<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	5	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	TB
	<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	5	JS
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
Linked Evidence: Integrated Corporate Planning Timetable, Member Code of Conduct, Anti Fraud & Corruption Policy, Internal Audit Protocol, Whistle Blowing Procedure, Safe Call Procedure				
Core Principle five – Developing the capacity and capability of members and officers to be effective				
Supporting Principles: Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as such a group	<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
	<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	All stat officers
	<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

4.5

Governance Arrangements CIPFA/SOLACE and Internal Control Framework 2009-10

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>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	4
	<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	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	
Linked Evidence: Constitution					
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	4.5
	<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	5	CFO	
	<i>Produce an annual report on the activity of the scrutiny function</i>	6.1.2	5	DG	
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	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	5	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	3.5	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	5	JB	
Linked Evidence: IRMP 6, Communication Strategy, Community Engagement Strategy, BVPP					
Overall Governance Score			4.5		

Governance Arrangements CIPFA/SOLACE and Internal Control Framework
2009-10

APPENDIX 4

CF&RS INTERNAL CONTROL EVALUATION 09/10						
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	EM	4.5
	1.2	<i>Failure to deliver young persons programme</i>		4	EM	
	1.3	<i>Failure to obtain funding to deliver youth programmes</i>		4	EM	
	2.1	<i>Enforcement of fire safety legislation</i>	CRR2	3	MA	
	2.2	<i>Failure to Meet 10% Arson reduction by 2010</i>		5	MA	
	2.3	<i>Loss of Iconic Heritage Building</i>		3	MA	
	2.4	<i>Management of the 72d re-inspection programme</i>		3	MA	
Emergency Response	3.1	<i>Failure of the Local Resilience Forum (LFR) to pass on risk critical information</i>	ER1	4	KB	4
	3.2	<i>Failure to record incident stats appropriately</i>		3.5	DG	
	4.1	<i>Failure in mobilising systems</i>	ER2	5	KB	
	4.2	<i>Service standards not adhered to in all stations</i>		3	PH	
	4.3	<i>Loss of Staff as a result of Flu Pandemic, Strike Action or Business Continuity Event</i>		4	KB	
	4.4	<i>Inaccurate and or inadequate risk information available to fire incidents</i>		3	KB	
Corporate Services	5.1	<i>No Risks identified for CS1</i>	CS1			4
	6.1	<i>Failure to meet performance standards</i>	CS2	4.5	DG	
	6.2	<i>Failure to comply with equalities legislation</i>		3	TB	
	6.3	<i>Failure to properly consult</i>		3	TB	
	6.4	<i>Partnership Governance</i>	CS2	3	EM	
	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>		4.5	DG	
	7.4	<i>Failure to protect the Service's assets</i>		4	DL	
	7.5	<i>Disruption to Service Delivery during HQ new build</i>		4	DL	
	7.6	<i>Loss or corruption of data following a system failure</i>		3	DL	
Overall Internal Control Assurance Score				4		

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

Opinion on the accounting statements

I have audited the accounting statements, the firefighters' pension fund accounting statements and related notes of Cheshire Fire Authority for the year ended 31 March 2010 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, the Net Assets Statement and the related note. The accounting 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 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 published by the Audit Commission in April 2008.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the accounting 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 2009: A Statement of Recommended Practice 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).

I report to you my opinion as to whether the accounting statements, the firefighters' pension fund accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- 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 accounting 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 give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- The firefighters' pension fund accounting statements give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the firefighters' pension fund during the year ended 31 March 2010 and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, 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 published in May 2008 and updated in October 2009. 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 October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Cheshire Fire Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

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.



Julian Farmer
District Auditor
Audit Commission

1st Floor, Block 4, The Heath Business and Technical Park,
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17 September 2010