Statement of Accounts

2010-11

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CHESHIRE FIRE AUTHORITY

Statement of Accounts 2010-11

CONTENTS

1. INTRODUCTION

This document comprises Cheshire Fire Authority's Statement of Accounts for the year 2010-11. This foreword explains the structure of the Accounts and also considers the overall financial position of the Authority in the context of the economic environment within which we operate.

The production and presentation of the Accounts is determined by the Code of Accounting Practice 2011, which is published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This has changed significantly this year as a result of the need for Local Authorities to fully embrace the requirements of International Financial Reporting Standards (IFRS). This impacts on a number of areas within the Accounts, most particularly the presentation of non current assets, the recognition of the potential financial impact of leave accrued but not taken in the year and the way in which we now treat grant income. In some cases the adoption of the new standards has led to a need to restate the previous year's accounts (using what is known as a prior period adjustment) to ensure that comparisons between the current and previous year remain valid. Where this has happened we have included an explanation as a note to the accounts (see note 8). The impact of IFRS is more fully explained in The Statement of Accounting Policies below.

Although we make every effort to avoid it, the way in which the Accounts are presented involves the use of some technical language. In order to facilitate better understanding of the Accounts a glossary is included which explains what these terms mean.

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

2. THE STATEMENT OF ACCOUNTS

2.1 THE FINANCIAL STATEMENTS

Movement in Reserves Statement (MiRS)

The Comprehensive Income and Expenditure Statement includes all the financial transactions for which the Authority is responsible. Not all of these transactions impact on the Authority's General Fund. The MiRS reconciles the balance on the Comprehensive Income and Expenditure Statement with the movement in the General Fund, showing how differences are appropriated to reserves.

The Comprehensive Income and Expenditure Statement (CI&E)

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

Balance Sheet

The Balance Sheet sets out the Authority's overall financial position at the 31 March 2011, showing its balances and reserves, its long term liabilities, the non current and current assets employed in its operations, together with information on its non current assets.

Cash Flow Statement

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

The Pension Fund Account

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

2.2 SUPPORTING INFORMATION

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

Statement of Responsibilities for the Statement of the Accounts

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

Statement of Accounting Policies

The purpose of the Statement of Accounting Policies is to determine the basis for the recognition, measurement and disclosure of transactions and other events in the accounts, making clear, for each type of transaction, the criteria applied for inclusion and presentation.

The Annual Governance Statement

This summarises the Authority's responsibilities in the conduct of its operations, the purpose and key elements of the system of internal control and the processes applied in maintaining, reviewing and developing the effectiveness of 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.

3. FINANCIAL PERFORMANCE IN THE YEAR

Where did we get our funding from?

The Authority receives over half its funding (57%) from local taxpayers, by way of precepts levied on the four local authorities (Cheshire East, Cheshire West and Chester, Halton and Warrington). The precept levied in 2010-11 equated to £66.43 on a Band D property.

The balance of the funding we received was from Central Government (43%) from National Non Domestic Rates and Government Grants. Details are shown in the table below.

	£000	%
Local Taxpayers (Council Tax)	24,794	57
National Non Domestic Rates	16,260	38
Government Grants	2,361	5
Total	**43,415**	**100**

Performance against budget

The Authority budgeted to break even, so that expenditure and income were equal. The Authority budget includes two elements; some of the budget, which relates to investment income and providing for pay awards and inflation, is managed directly by the Fire Authority. However, the bulk of the budget is spent directly by the Service on behalf of the Authority. We monitor these budgets separately.

The Authority element of the budget is underspent by £311k. This is as a result of the economic factors described below in sections 12 and 13 to this foreword. Investment income is significantly reduced as a result of the historically low interest rates available in the banking sector. However, this has been more than offset by the effects of the period of pay restraint which we are experiencing meaning that we have not needed to apply inflationary increases to pay budgets.

The Service outturn underspend is £875k when compared to the revised budget. There are a number of factors contributing to this, and brief explanations are given below.

The Authority's Medium Term Financial Plan ('MTFP') is predicated on the realisation of significant savings and efficiencies. Some of the Service's departments, noticeably Community Fire Protection, Finance & Corporate Planning and Community Safety have anticipated this need in 2010-11 and begun to realise some efficiencies early. Other underspends have occurred in Policy, Planning and Resilience where some posts have been held vacant and there has been restraint on equipment spending (however we have invested heavily in new equipment this year through use of capital funds), Executive Management and Communications where costs have generally been held down, and Transport where maintenance and fuel costs have been lower than anticipated. It should also be noted that at the mid-year review, the Authority agreed to ring-fence £326k (which includes the Service contingency) for investment in the ICT infrastructure – this funding will be used in 2011-12 and 2012-13. A summary of the outturn position is shown below.

This underspend should be seen in the context of continued excellent performance against our plans and targets. We are committed to ensuring that we deliver the best possible service to the communities of our constituent authorities, whilst ensuring that we keep a tight rein on our expenditure.

Service Area	Over(Underspend) £000
Firefighting and rescue operations	(23)
Community Fire Protection	(141)
Community Safety	53
Support Services	(438)
Authority budgets	(311)
Ring-fenced ICT reserve	(326)
Total	**(1,186)**

Capital Expenditure

The Authority invested £3,390k in non current assets during the year. Some of this expenditure was against schemes included in the capital programme for 2010-11, whilst some had carried forward from previous years. It is the nature of capital expenditure that some schemes do span financial years. We are well within our target for unplanned slippage against our capital expenditure plans.

The key achievement of the year was the completion of the scheme to extend and upgrade the headquarters and training facilities at Winsford. In addition the Authority invested in a new smoke house for training in Macclesfield; undertook refurbishment work at a number of stations; purchased three new appliances (this scheme will be completed in 2011-12); invested heavily in state of the art personal protective equipment and new breathing apparatus for firefighters; and financed the installation of the new Command and Control system at Winsford.

4. MATERIAL ASSETS AND LIABILITIES

The Authority completed the Service HQ extension during the year and acquired new Breathing Apparatus equipment and Personal Protection Equipment for Firefighters. The Authority has not incurred any new material liabilities.

5. PENSIONS LIABILITY

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

The Firefighters' Pension schemes are unfunded, which means that there are no underlying assets which fund them, but rather that liabilities are funded as they fall due out of the annual income to the scheme. The requirements of International Accounting Standard 19 (previously Financial Reporting Standard 17) means that the Authority must account in the current year for the liability which it incurs as an employer for future pension costs. This leads to a liability on the Authority's Balance Sheet of £316,153k, which is based on a calculation by the Authority's actuaries of these future costs. At present, all deficits on the Firefighters' Pension Scheme are funded by Government through payment of a specific grant to the Authority.

6. UNUSUAL ITEMS

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

7. CHANGES IN ACCOUNTING POLICY

The impact of International Financial Reporting Standards

The Authority has changed its Accounting Policies, because of the requirements of International Financial Reporting Standards. These are universal Standards of accounting practice which are being introduced for the first time this year. This has had a particular impact in the following areas:

Fixed Assets and the requirement to componentise.

The impact of this is that Non Current Assets may not any longer be considered as a whole in regard to asset life and depreciation (which is an accounting estimate designed to charge into the Comprehensive Income and Expenditure Statement an amount for the consumption of the non current assets each year), but must be considered as constituent components, each potentially with a different life and therefore rate of depreciation. However, in order to avoid unnecessary complexity, authorities may set an asset value below which we will not apply componentisation. We have reviewed our non current assets and consider that they are all below this de minimis level, except for the Service Headquarters. However work by the Valuer, supported by members of the Facilities and Finance Teams has indicated that no element of the Head Quarters building needs a separate asset life.

Accrued Leave

This assesses, in financial terms, the impact of employee leave due but not taken by each year end, and is required to be disclosed by International Financial Reporting Standards. We recognised the need to do this in the accounts for 2009-10, and did include an accrual in those accounts. What has changed now is that whilst we will still have to account for accrued leave, IFRS requires us not to show the impact on the General Fund, but rather create a reserve specifically for the purpose of containing these costs.

Capital Grants

The Authority received £1,037k in capital grants in 2010-11, mostly from Central Government (£922k), and some (£115k) from the North West Improvement and Efficiency Partnership, the latter specifically to enable the development of community boxing gym facilities at Warrington Station. Under previous standards such grants would not have been recognised as income in the Comprehensive Income and Expenditure Statement when received, but rather held on the balance sheet and treated as income only when the depreciation of non current assets was charged to the Comprehensive Income and Expenditure Statement; in effect funding the asset as it was used. Under IFRS we are required to treat capital grants as income on receipt, and fund the non current asset immediately.

Apart from those changes detailed in this section of the foreword which have resulted from the implementation of IFRS, there have been no other significant changes to our Accounting Policies.

8. CURRENT BORROWING FACILITIES

In line with our Treasury Management Strategy we have recently been using cash balances to fund capital expenditure, as the poor investment returns available to us make this the most cost effective solution. We did not therefore enter into any new loans during the year, leaving us with outstanding loans of £6,439k borrowed from the Public Works Loans Board. £600k of this is repayable in September 2011, and we do not anticipate a need to replace it. In addition we have a small outstanding loan facility (£28k) with SALIX, a not for profit company which helps Public Sector organisations fund projects using green technology.

Beyond that described in the section on Capital Expenditure above, we have not acquired any major assets in the year, and neither have we disposed of any.

9. SOURCES OF FUNDS FOR CAPITAL

We still retain healthy cash balances which are the first port of call for funding capital expenditure. We also have some headroom when we compare our actual borrowings with the boundaries we calculate as part of our Prudential Code. The key remains our ability to contain the potential impact from any capital funding decisions within our revenue budget, and we have considered this as part of our MTFP.

10. SIGNIFICANT PROVISIONS, CONTINGENCIES AND MATERIAL WRITE OFFS

We have a Risk Management Framework which identifies significant risks and where those risks are clearly financial in nature they are designated as such and considered regularly at Budget Management Board, which considers financial matters and is chaired by the Director of Finance and Corporate Planning. Through this process, we have identified a provision which we are disclosing in our Financial Statements. We have not identified any contingent liabilities. Neither have we incurred any significant write offs during the year, and we do not anticipate any such write offs in the future.

11. MATERIAL EVENTS AFTER THE BALANCE SHEET EVENT

There have been no material events after the Balance Sheet date which merit comment in the Financial Statements.

12. IMPACT OF THE CURRENT ECONOMIC CLIMATE

The impact of the current economic climate has been considered and taken into account in our MTFP. Within 2010-11 we have been able to absorb some immediate impacts (for example the poor return on investments, the impact of some increased costs from inflationary pressure etc) by prudent use of resources and recognising efficiencies earlier than anticipated. The vast majority of our income is from local taxpayers or Central Government grant, and we recognise future pressures on these sources in our MTFP.

We have a balance on our general fund of £7,326k at 31 March 2011. The Director of Finance and Corporate Planning is required, as part of the budgetary process, to risk assess the adequacy of our reserves. The risk assessment for 2011-12 shows that the reserve level is adequate, but the level is constantly under review in the light of any new risks which might have a financial impact. In addition to the General Fund level, the members of the Authority have prudently earmarked some reserves to meet local Community Fire Safety need, to meet the future costs of home safety assessments and other community initiatives and to help the Authority deliver IRMP 8.

The value of our non current assets is largely property related, and we are mindful that a downturn in property values might lead to some reduction in value which would impact on the worth of our business. We carried out an impairment review in March 2011, and whilst this did show some small impairment in property values for our day crew houses, it was not significant enough for us to consider including it in the Financial Statements. We did see an impairment (a charge to the Comprehensive Income and Expenditure Account as a result of a reduction in value) in respect of our headquarters, but this was wholly expected as we have recently carried out a major extension to the headquarters and such an impairment is commonly the short term result of such capital investment. We will derive considerable benefit from the facilities, particularly from the state of the art training facilities, which it is not possible to quantify financially.

13. FUTURE PLANS

The main change to the environment in which we operate has been the change of Government in May 2010 and in particular our need to consider the potential impact of the budget and new Comprehensive Spending Review on our plans. We had anticipated the need for prudence as the impact of the financial crisis became clear, and developed our four year strategy and Integrated Risk Management Plan 8 (IRMP 8) for 2011-12 in the light of this. The plan contains some key developments which we believe will improve service delivery and make us more efficient. The plan also presents our MTFP which takes us forward four years and demonstrates that the period will be challenging, in particular as we move into years 3 and 4, where there is considerable uncertainty. The Authority has set challenging savings targets, but will seek to protect the quality of service delivery. The MTFP takes into account a continuing Capital Programme, focussing on the financial implications of our Asset Management Strategy. We have also identified funds to help us develop our ICT capability and resilience.

The year also saw the Government announce the cessation of the FireControl project, but our strategic decision to develop our Command and Control resilience means that we are able to meet the challenge that poses. We are at the heart of discussions about how best to the deliver the control function in the future, and are likely to enter into an arrangement with Cumbria Fire and Rescue Service which we believe will assist them in finding a short-term solution for their Control function.

We do not anticipate any significant changes to our statutory functions in the immediate future, but we await the outcome of the Fire Futures Review with interest.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Responsibilities of Cheshire Fire Authority

Cheshire Fire Authority is required to:

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

Statement from Cheshire Fire Authority

I hereby approve the Statement of Accounts for Cheshire Fire Authority for the year ended 31 March 2011.

……………………………………

Councillor David Topping
Cheshire Fire Authority

Date: 14 September 2011

Responsibilities of the Treasurer to 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 2011 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: 14 September 2011

CHESHIRE FIRE AUTHORITY - MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance	(Usable) Capital Receipts	Resource Centre Managers Reserves	Community Risk Reduction Reserve	UPG Managers Reserve	IRMP Reserve	Capital Reserve	**Total Usable Reserves**	Pensions Reserve	Revaluation Reserve	Collection Fund Adjustment Account	Accumulated Absences Account	Capital Adjustment Account	**Total Other Reserves**	**Total Authority Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2009 (restated)	(6,168)	(289)	(2,343)	(1,011)	(201)	(443)	(915)	**(11,370)**	265,134	(4,734)	(154)	-	(22,580)	**237,666**	**226,296**
Movement in reserves during 2009-10															
Surplus or deficit on the provision of services	13,268	-	-	-	-	-	-	**13,268**	-	-	-	-	-	**-**	**13,268**
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	**-**	105,666	-	-	-		**105,666**	**105,666**
Total Comprehensive Income and Expenditure	13,268	-	**-**	**-**	**-**	**-**	**-**	**13,268**	**105,666**	**-**	**-**	**-**	**-**	**105,666**	**118,934**
Adjustments between accounting basis and funding basis under regulations															
-depreciation & impairment of fixed assets	(2,080)	-	-	-	-	-	-	**(2,080)**	-	-	-	-	2,080	**2,080**	**-**
-financing costs - statutory adjustment	-	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	**-**
-pension costs - statutory adjustment	(13,097)	-	-	-	-	-	-	**(13,097)**	13,097	-	-	-	-	**13,097**	**-**
-capital expenditure charged to revenue	-	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	**-**
-capital grants - statutory adjustment	726	-	-	-	-	-	-	**726**	-	-	-	-	(726)	**(726)**	**-**
-Council Tax - statutory adjustment	11	-	-	-	-	-	-	**11**	-	-	(11)	-	-	**(11)**	**-**
-Accumulated Absences - statutory adjustment	(340)	-	-	-	-	-	-	**(340)**	-	-	-	340	-	**340**	**-**
-Statutory provision for debt repayment(MRP &VRP)	496	-	-	-	-	-	-	**496**	-	-	-	-	(496)	**(496)**	**-**
Net increase / decrease before transfers to earmarked reserves	**(1,016)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,016)**	**118,763**	**-**	**(11)**	**340**	**858**	**119,950**	**118,934**
Transfers to / from earmarked reserves	718	-	70	269	(53)	443	(1,447)	**-**	-	-	-	-	-	**-**	**-**
(Increase) / Decrease in 2009-10	**(298)**	**-**	**70**	**269**	**(53)**	**443**	**(1,447)**	**(1,016)**	**118,763**	**-**	**(11)**	**340**	**858**	**119,950**	**118,934**
Balance at 31 March 2010 (restated) carried forward	**(6,466)**	**(289)**	**(2,273)**	**(742)**	**(254)**	**-**	**(2,362)**	**(12,386)**	**383,897**	**(4,734)**	**(165)**	**340**	**(21,722)**	**357,616**	**345,230**

CHESHIRE FIRE AUTHORITY - MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance	(Usable) Capital Receipts	Resource Centre Managers Reserves	Community Risk Reduction Reserve	UPG Managers Reserve	IRMP Reserve	Capital Reserve	**Total Usable Reserves**	Pensions Reserve	Revaluation Reserve	Collection Fund Adjustment Account	Accumulated Absences Account	Capital Adjustment Account	**Total Other Reserves**	**Total Authority Reserves**
Balance at 31 March 2010 (restated) brought forward	(6,466)	(289)	(2,273)	(742)	(254)	-	(2,362)	**(12,386)**	383,897	(4,734)	(165)	340	(21,722)	**357,616**	**345,230**
Movement in reserves during 2010-11															
Surplus or deficit on the provision of services	(22,436)	-	-	-	-	-	-	**(22,436)**	-	-	-	-	-	-	**(22,436)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(44,665)	-	-	-	-	**(44,665)**	**(44,665)**
Total Comprehensive Income and Expenditure	(22,436)	-	**-**	**-**	**-**	**-**	**-**	**(22,436)**	**(44,665)**	**-**	**-**	**-**	**-**	**(44,665)**	**(67,101)**
Adjustments between accounting basis and funding basis under regulations														-	-
-depreciation & impairment of fixed assets	(4,738)	-	-	-	-	-	-	**(4,738)**	-	45	-	-	4,693	**4,738**	-
-financing costs - statutory adjustment	-	-	-	-	-	-	1,189	**1,189**	-	-	-	-	(1,189)	**(1,189)**	-
-pension costs - statutory adjustment	23,079	-	-	-	-	-	-	**23,079**	(23,079)	-	-	-	-	**(23,079)**	-
-capital expenditure charged to revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-capital grants - statutory adjustment	1,037	-	-	-	-	-	-	**1,037**	-	-	-	-	(1,037)	**(1,037)**	-
-Council Tax - statutory adjustment	(171)	-	-	-	-	-	-	**(171)**	-	-	171	-	-	**171**	-
-Accumulated Absences - statutory adjustment	(261)	-	-	-	-	-	-	**(261)**	-	-	-	261	-	**261**	-
-Statutory provision for debt repayment(MRP &VRP)	754	-	-	-	-	-	-	**754**	-	-	-	-	(754)	**(754)**	-
Net increase / decrease before transfers to earmarked reserves	**(2,736)**	**-**	**-**	**-**	**-**	**-**	**1,189**	**(1,547)**	**(67,744)**	**45**	**171**	**261**	**1,713**	**(65,554)**	**(67,101)**
Transfers to / from earmarked reserves	1,876	-	(1,587)	-	(20)	-	(269)	-	-	-	-	-	-	-	-
(Increase) / Decrease in 2010-11	**(860)**	**-**	**(1,587)**	**-**	**(20)**	**-**	**920**	**(1,547)**	**(67,744)**	**45**	**171**	**261**	**1,713**	**(65,554)**	**(67,101)**
Balance at 31 March 2011 carried forward	**(7,326)**	**(289)**	**(3,860)**	**(742)**	**(274)**	**-**	**(1,442)**	**(13,933)**	**316,153**	**(4,689)**	**6**	**601**	**(20,009)**	**292,062**	**278,129**

For further details on Usable and Other Reserves, see Notes 25 and 26.

CHESHIRE FIRE AUTHORITY - COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure (CI&E) statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2009-10 Restated					2010-11		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**		Note	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
4,913	(212)	4,701	Community fire safety		5,628	(210)	**5,418**
33,713	(1,452)	32,261	Fire fighting and rescue operations		40,154	(1,490)	**38,664**
669	-	669	Corporate and democratic core		712	(1)	**711**
100	-	100	Non-distributed costs	46	(42,110)	-	**(42,110)**
39,395	**(1,664)**	**37,731**	**Cost of services**		**4,384**	**(1,701)**	**2,683**
19,212	(873)	18,339	Financing and investment income and expenditure	11	20,513	(1,351)	**19,162**
-	(42,802)	(42,802)	Taxation and non-specific grant income	12	-	(44,281)	**(44,281)**
		13,268	**(Surplus)/ Deficit on Provision of Services**				**(22,436)**
		105,666	Actuarial (gains)/ losses on pension assets and liabilities	45			**(44,665)**
		118,934	**Total Comprehensive Income and Expenditure**				**(67,101)**

CHESHIRE FIRE AUTHORITY - BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

01/04/2009 Restated £000	31/03/2010 Restated £000		Note	31/03/2011 £000	31/03/2011 £000
30,074	29,556	Land and buildings	13	30,451	
4,030	4,568	Vehicles and equipment	13	4,629	
512	3,080	Assets under construction	13	588	
100	508	Intangible assets	15	621	
193	-	Long-term investments	38 d	-	
34,909	**37,712**	**Total long-term assets**			**36,289**
4,266	4,006	Short-term investments	16	4,005	
258	308	Inventories	18	271	
8,256	7,224	Short-term debtors	20	3,507	
2,514	2,452	Cash and cash equivalents	21	5,394	
15,294	**13,990**	**Total current assets**			**13,177**
50,203	**51,702**	**Total assets**			**49,466**
-	(192)	Bank overdraft	21	-	
-	-	Short-term borrowing	16	(608)	
(4,766)	(6,253)	Short-term creditors	23	(4,590)	
(4,766)	**(6,445)**	**Total current liabilities**			**(5,198)**
45,437	**45,257**	**Total assets less current liabilities**			**44,268**
(46)	(46)	Long-term creditors	17	(46)	
-	-	Provisions	24	(242)	
(6,439)	(6,439)	Long-term borrowing	16	(5,859)	
(114)	(105)	Deferred liabilities	40	(97)	
(265,134)	(383,897)	Net pension liability (IAS19)	45	(316,153)	
(271,733)	**(390,487)**	**Total long-term liabilities**			**(322,397)**
(226,296)	**(345,230)**	**Net assets**			**(278,129)**
(11,370)	(12,386)	Usable reserves	25 , MiRS		(13,933)
237,666	357,616	Unusable reserves	26 , MiRS		292,062
226,296	**345,230**	**Total reserves**			**278,129**

CHESHIRE FIRE AUTHORITY - CASH FLOW STATEMENT 2010-11

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash flows have been generated for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2009-10 Restated £000		Note	**2010-11 £000**
13,268	**Net (surplus)/ deficit on the provision of services**	CI&E	**(22,436)**
(17,823)	Adjustments for non-cash movements	27	15,720
(8)	Adjustments for investing and financing activities	29	(8)
(4,563)	**Net cash flows from Operating Activities**		**(6,724)**
4,809	Investing activities	28	3,610
8	Financing activities	29	(20)
254	**Net (increase)/ decrease in cash and cash equivalents**		**(3,134)**
2,514	Cash and cash equivalents at the beginning of the reporting period	21	2,260
2,260	Cash and cash equivalents at the end of the reporting period	21	5,394
254	**Net (increase)/ decrease in cash and cash equivalents**		**(3,134)**

CHESHIRE FIRE AUTHORITY - FIREFIGHTERS' PENSION FUND 2010-11

2009-10 £000	2009-10 £000		2010-11 £000	2010-11 £000
		Contributions Receivable		
		Employer contributions		
(2,821)		1992 Firefighters' Pension Scheme	(2,765)	
(455)		2006 New Firefighters' Pension Scheme	(605)	
	(3,276)			(3,370)
		Actuarial charges re: Early retirements		
	(147)	Re: Ill health retirements		(222)
	(3,423)			**(3,592)**
		Member Contributions		
(1,456)		1992 Firefighters' Pension Scheme	(1,429)	
(353)		2006 New Firefighters' Pension Scheme	(467)	
	(1,809)			(1,896)
		Transfers in		
	(208)	Transfers in from other pension funds		(131)
	(5,440)	**Total Amount Receivable**		**(5,619)**
		Benefits payable		
8,627		Pensions	9,150	
2,711		Commutation of pensions and lump sum	2,458	
142		Lump sum death benefits	-	
	11,480	**Total Benefits payable**		**11,608**
		Payments to and on account of leavers		
	585	Individual transfers out to other schemes		163
	11	**Administrative expenses**		1
	12,076	**Total Amount payable**		**11,772**
	6,636	**(Surplus) / deficit for the year before top-up grant from central government**		**6,153**
	(6,636)	Top-up grant receivable from central government		(6,153)
	-	**Net amount payable / receivable for the year**		**-**

Net Assets Statement

31/03/2010 £000		31/03/2011 £000
	Current Assets	
3,315	Top-up grant receivable from the Government	892
13	Contributions due from fire authority	13
	Current Liabilities	
(149)	Contributions received in advance	(135)
(321)	Top-up grant payable to the Government	(1)
2,858	**Net Assets as at 31 March**	**769**

For further detail, please see notes to the financial statements, notes 38 & 45.
There are no changes to the Pension Fund accounts as a result of transition to IFRS.

The following pages show the notes to Cheshire Fire Authority Financial Statements 2010-11, a listing of the notes is shown below.

1 Accounting Policies

I General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010-11 financial year and its position at the year end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11 and the Best Value Accounting Code of Practice 2010-11, supported by International Financial Reporting Standards (IFRS).

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

II Accruals of Income and Expenditure

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

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

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

III Cash and Cash Equivalents

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

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

IV Exceptional Items

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

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

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

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

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

VI Charges to Revenue for Non-Current Assets

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

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

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

VII Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post-Employment Benefits

Employees of the Authority are members of three separate pension schemes:
The Local Government Pension Scheme, administered by Cheshire West and Chester Council;
The Firefighters' Pension Schemes (original 1992 and new 2006).

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. Assets are valued at bid value.

Employer contribution rates are reviewed every three years. The last review took 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 by 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 iboxx Sterling Corporates Index, AA over 15 years).

The Firefighters' Pension Schemes for uniformed staff -

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

Firefighters' Injury Schemes -

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

The impact of these three pension schemes is identified in the revenue account and balance

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 - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

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

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

Discretionary Benefits

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

VIII Events After the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events

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

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

IX Financial Instruments

Financial Liabilities

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

The Authority's borrowings in the Balance Sheet represent the outstanding principal repayable (plus any accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets (Loans and Receivables)

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

X Foreign Currency Translation

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

XI Government Grants and Contributions

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

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

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

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

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

XII Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Expenditure on the development of the Authority's website is capitalised as the website is not primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement with charges commencing in the year of acquisition. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

XIII Interests in Companies and Other Entities (Group Accounts)

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

XIV Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the first in first out (FIFO) costing formula.

XV Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

XVI 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 2010-11 (BVACOP). The total absorption method is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

XVII Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

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

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives and / or low values, depreciated historical cost basis is used as a proxy for fair value.

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

Componentisation

The Authority is required under new International Financial Reporting Standards to recognise the individual components of its non-current assets and depreciate them separately where necessary. This requirement does not have to be applied retrospectively to all assets but is triggered when assets are acquired, revalued or significantly enhanced. The Authority can also apply a de minimis level below which assets are not considered to be material, and has set this level at £2m or approximately 5% of the total carrying value of assets in the Balance Sheet.

The Authority will take components to be significant if they represent at least 20% of the total cost of the asset. However, components only need to be recognised when they have different useful lives and / or depreciation methods, which does not apply with CFRS Headquarters.

XVIII Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

XIX Reserves

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

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

XX Revenue Expenditure Funded from Capital under Statute

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

XXI VAT

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

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

Heritage Assets

Heritage Assets are to be recognised as a separate class of assets for the first time in the Authority's 2011-12 financial statements, in accordance with FRS 30.

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

The Authority has no Heritage Assets.

3 Critical judgements in applying Accounting Policies

In applying the Accounting Policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to reduce levels of service provision.

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

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

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, plant and equipment (See Note 13)	Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, although the Authority does not feel that this poses any immediate quantifiable risk.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £38k for every year that useful lives had to be reduced.
Pensions Liability (See Note 45)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement age and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. Sensitivity analyses in respect of the Firefighters' and Local Government Pension schemes are shown below, together with the monetary value that would result if they came to fruition.

	FIREFIGHTERS' PENSION SCHEME (COMBINED)		LOCAL GOVERNMENT PENSION SCHEME	
Change in financial assumptions at year ended 31 March 2011	Approximate increase to Employer Liability	Approximate monetary amount	Approximate Increase to Employer Liability	Approximate monetary Amount
	%	£000	%	£000
0.5% decrease in real discount rate	9%	27,700	11%	2,556
1 year increase in member life expectancy	3%	9,000	3%	742
0.5% increase in the salary increase rate	1%	4,100	3%	786
0.5% increase in the pensions increase rate (CPI)	8%	23,200	7%	1,754

5 Material items of income and expense

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

6 Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Treasurer on 14 September 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for events which took place after 31 March 2011 as although they provide information that is relevant to an understanding of the Authority's financial position, they do not relate to conditions at that date.

7 Adjustments between Accounting Basis and Funding Basis under regulations

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

8 Prior period adjustments

The Statement of Accounts for 2010-11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent amounts presented in the Statement of Accounts for 2009-10.

The following tables explain the material differences between the amounts presented in the 2009-10 financial statements and the equivalent amounts presented in the 2010-11 financial statements.

Short-term accumulating absences

Short-term accumulating absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken to 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

The Authority recognised this issue during 2009-10, and made an entry in the Income and Expenditure Account, for a total amount of £340k. The change to IFRS has resulted in the following changes being made to the 2009-10 Financial Statements:

	2009-10 Statements £000	Adjustments Made £000
31 March 2010 Balance Sheet		
Accumulated Absences Account	-	340
2009-10 Comprehensive Income and Expenditure Statement		
Appropriation to Accumulated Absences Account	-	(340)

Leases

The Authority has considered its position in relation to leases. No changes have resulted from the application of IFRS.

Capital Grants

Under the Code, grants and contributions for Capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

This has resulted in the following changes being made to the 2009-10 financial statements:

	2009-10 Statements £000	Adjustments Made £000
Opening 1 April 2009 Balance Sheet		
Government Grants Deferred Account	(146)	146
Capital Adjustment Account	(22,434)	(146)
31 March 2010 Balance Sheet		
Government Grants Deferred Account	(803)	803
Capital Adjustment Account	(20,919)	(803)
2009-10 Comprehensive Income and Expenditure Statement		
Taxation and non specific grant income	(42,076)	(725)
Net Cost of services (Income)	(2,063)	69

Revenue Grants

We have reviewed our treatment of revenue grants under the code, and have identified grants without conditions which we have transferred from creditors to reserves.

This has resulted in the following changes being made to the 2009-10 financial statements:

	2009-10 Statements £000	Adjustments Made £000
Opening 1 April 2009 Balance Sheet		
Creditors	(5,819)	1,053
Resource Centre Managers' Reserve	(1,290)	(1,053)
31 March 2010 Balance Sheet		
Creditors	(6,976)	723
Resource Centre Managers' Reserve	(1,550)	(723)
2009-10 Comprehensive Income and Expenditure Statement		
Net Cost of services (Income)	(2,063)	330
2009-10 Movement in Reserves Statement		
Transfer from earmarked reserves	260	(330)

Firefighters' Injury Benefits

Under the Firefighters' Compensation Scheme (England) Order 2006, a firefighter receives an injury award where they have retired and are permanently disabled because of an injury received in the execution of their duty. Under IFRS we are required to account for contingent future injury liabilities as long term employee benefits. Under UK standards we were not required to account for this liability, therefore the following amendments have been made to the 2009-10 financial statements:

	2009-10 Statements £000	Adjustments Made £000
Opening 1 April 2009 Balance Sheet		
Net Pension Liability	(254,434)	(10,700)
Pensions Reserve	254,434	10,700
2009-10 Comprehensive Income and Expenditure Statement		
Cost of services	36,633	700
Financing and investment income and expenditure	17,639	700
Actuarial (gains)/ losses on pensions assets and liabilities	102,066	3,600
2009-10 Movement in Reserves Statement		
Pension costs - statutory adjustment	(11,697)	(1,400)
31 March 2010 Balance Sheet		
Net pension liability	(368,197)	(15,700)
Pensions reserve	368,197	15,700

9 Transfers to / from Earmarked Reserves

Please refer to the Movement in Reserves Statement and note 25.

10 Other Operating Expenditure

There was no Other Operating Expenditure in 2010-11.

11 Financing and Investment Income and Expenditure

2009-10 Restated Net Expenditure £000		2010-11 Gross Expenditure £000	2010-11 Gross Income £000	2010-11 Net Expenditure £000
310	Interest payable on debt	309	-	309
5	Interest payable on finance leases	5	-	5
(84)	Interest income	-	(92)	(92)
18,897	Pensions interest cost	20,199	-	20,199
(789)	Expected return on pensions assets	-	(1,259)	(1,259)
18,339	**Total**	**20,513**	**(1,351)**	**19,162**

12 Taxation and non-specific grant income

2009-10 Restated Income £000		2010-11 Income £000
(24,042)	Council tax income	(24,623)
(14,652)	Non-domestic rates	(16,260)
(3,382)	Revenue Support Grant	(2,361)
(726)	Capital grants and contributions	(1,037)
(42,802)	**Total**	**(44,281)**

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

13 Property, Plant and Equipment

	Land and Buildings £000	Vehicles £000	Plant & Equipment £000	Assets under Construction £000	Total £000
Cost or valuation					
At 1 April 2009 (restated)	**30,074**	**8,039**	**5,385**	**512**	**44,010**
Additions	446	1,030	586	2,615	**4,677**
Derecognitions	-	(100)	(2,309)	-	**(2,409)**
Reclassifications	-	-	(563)	(47)	**(610)**
As at 31 March 2010	**30,520**	**8,969**	**3,099**	**3,080**	**45,668**
Accumulated depreciation and impairment					
At 1 April 2009 (restated)	**-**	**(5,429)**	**(3,965)**	-	**(9,394)**
Depreciation charge	(964)	(545)	(383)	-	**(1,892)**
Derecognitions	-	100	2,309	-	**2,409**
Reclassifications	-	-	413	-	**413**
As at 31 March 2010	**(964)**	**(5,874)**	**(1,626)**	-	**(8,464)**
Net book value:					
At 31 March 2010	**29,556**	**3,095**	**1,473**	**3,080**	**37,204**
At 1 April 2009 (restated)	**30,074**	**2,610**	**1,420**	**512**	**34,616**

	Land and Buildings £000	Vehicles £000	Plant & Equipment £000	Assets under Construction £000	Total £000
Cost or valuation					
At 1 April 2010 (restated)	**30,520**	**8,969**	**3,099**	**3,080**	**45,668**
Additions	1,473	30	1,276	468	**3,247**
Revaluations recognised in the Surplus/ Deficit on Provision of Services	(2,425)	-	-	-	**(2,425)**
Derecognitions	(67)	(146)	(826)		**(1,039)**
Reclassifications	2,765	-	-	(2,960)	**(195)**
As at 31 March 2011	**32,266**	**8,853**	**3,549**	**588**	**45,256**
Accumulated depreciation and impairment					
At 1 April 2010	**(964)**	**(5,874)**	**(1,626)**	-	**(8,464)**
Depreciation charge	(1,130)	(478)	(530)	-	**(2,138)**
Impairment losses / (reversals) recognised in the Surplus/ Deficit on Provision of Services	279	-	(237)	-	**42**
Derecognitions	-	146	826	-	**972**
Reclassifications					**-**
As at 31 March 2011	**(1,815)**	**(6,206)**	**(1,567)**	-	**(9,588)**
Net book value:					
At 31 March 2011	**30,451**	**2,647**	**1,982**	**588**	**35,668**
At 1 April 2010	**29,556**	**3,095**	**1,473**	**3,080**	**37,204**

Depreciation

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

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

Capital Commitments

At 31 March 2011, the Authority has entered into contracts for the construction or enhancement of Property, Plant and Equipment in 2011-12 budgeted costs of £312,000. Similar commitments at 31 March 2010 were £907,000.

31 March 2010 £000		31 March 2011 £000
582	Headquarters Extension	49
52	Human Resources System	-
39	Miquest System	-
47	Agresso System Upgrade	-
74	Poynton Station	2
113	Secondary Control	-
-	Appliances	188
-	Frodsham Refurbishment	2
-	Warrington Boxing Club	2
-	Macclesfield Smoke House	4
-	Wilmslow Refurbishment	65
907	**Total**	**312**

Effects of changes in estimates

There have been no material changes in accounting estimates in 2010-11.

Revaluations

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

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

The Headquarters were revalued at 31 March 2011 at Existing Use Value by the Authority's valuer in recognition of recent significant extension work. Other non current assets are valued at historic cost.

Review of Cost or Valuation and Accumulated Depreciation

The Authority undertook a review of the presentation of the Cost or Valuation and Accumulated Depreciation of its Non Current Assets as part of the preparatory work for IFRS. As a result we have made the following adjustments to Cost or Valuation and Accumulated Depreciation in respect of Property, Plant and Equipment in 2009-10. The changes have no effect on the net cost of Non Current Assets.

	2009-10 Statements £000	Adjustments made £000
Cost or Valuation	39,186	(8,666)
Accumulated Depreciation	(9,630)	8,666

14 Investment Properties

The Authority does not have any investment properties.

15 Intangible Assets

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

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

	Intangible (Purchased) Assets £000
Balance at 1 April 2009 (Restated):	
Gross carrying amount	158
Accumulated amortisation	(58)
Net carrying amount at 1 April 2009	**100**
Reclassifications	610
Purchases	399
Impairment losses recognised in the Surplus/ Deficit on the Provision of Services	(601)
Net carrying amount at 31 March 2010	**508**
Of which:	
• Gross carrying amount	1,167
• Accumulated amortisation	(659)
Balance at 1 April 2010:	
Gross carrying amount	1,167
Accumulated amortisation	(659)
Net carrying amount at 1 April 2010	**508**
Reclassifications	195
Purchases	143
Impairment losses recognised in the Surplus/ Deficit on the Provision of Services	(225)
Net carrying amount at 31 March 2011	**621**
Of which:	
• Gross carrying amount	1,505
• Accumulated amortisation	(884)

16 Financial Instruments

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

	Long Term			Current		
	31/03/11	31/03/10	01/04/09	31/03/11	31/03/10	01/04/09
	£000	£000	£000	£000	£000	£000
Investments						
Loans and receivables						
- Investments	-	-	-	4,005	4,006	4,266
- Imprest and cash	-	-	-	5,394	2,452	2,514
Total Investments	-	-	-	9,399	6,458	6,780
Debtors						
- Loans and receivables				465	627	1,095
Borrowings						
Financial liabilities at amortised cost						
- PWLB	(5,839)	(6,439)	(6,439)	(600)	-	-
- Salix	(20)	-	-	(8)	-	-
- Overdraft	-	-		-	(192)	-
Total Borrowings	(5,859)	(6,439)	(6,439)	(608)	(192)	-
Creditors						
Financial liabilities at amortised cost	(46)	(46)	(46)	(1,761)	(3,227)	(2,665)

Income, Expense, Gains and Losses - 2010-11

	Financial liabilities at amortised cost 2010-11 £000	Financial Assets: Loans and Receivables 2010-11 £000	Total 2010-11 £000
Interest expense	(314)	-	**(314)**
Impairment losses (bad debt provision)	-	(2)	**(2)**
Total expense in Surplus or Deficit on the Provision of Services	**(314)**	**(2)**	**(316)**
Interest income	-	92	**92**
Total income in Surplus or Deficit on the Provision of Services	**-**	**92**	**92**
Net gain / (loss) for the year	**(314)**	**90**	**(224)**

Income, Expense, Gains and Losses - 2009-10

	Financial liabilities at amortised cost 2009-10 £000	Financial Assets: Loans and Receivables 2009-10 £000	Total 2009-10 £000
Interest expense	(315)	-	**(315)**
Impairment losses (bad debt provision)	-	(14)	**(14)**
Total expense in Surplus or Deficit on the Provision of Services	**(315)**	**(14)**	**(329)**
Interest income		84	**84**
Total income in Surplus or Deficit on the Provision of Services	-	84	84
Net gain / (loss) for the year	**(315)**	**70**	**(245)**

Fair Values of Assets and Liabilities

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

- for the PWLB loans, interest rates prevailing at 31 March 2011;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

	31 March 2011		31 March 2010 Restated	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities	8,274	8,767	9,904	10,260

	31 March 2011		31 March 2010	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and receivables	9,864	9,864	7,085	7,085

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

17 Pension Liability - Long Term Creditors

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

1 April 09 £000	31 March 10 £000		31 March 11 £000
(46)	(46)	Long term creditors	(46)
(46)	**(46)**		**(46)**

18 Inventories

	Workshops £000	Uniform £000	Firefighting & General £000	Total £000
Balance outstanding 1 April 2009	**103**	**96**	**59**	**258**
Purchases 2009-10	58	294	152	504
Recognised as an expense in the year	(57)	(260)	(134)	(451)
Written off balances 2009-10	(2)	(2)	1	(3)
Balance outstanding at 31 March 2010	**102**	**128**	**78**	**308**
Balance outstanding at 1 April 2010	**102**	**128**	**78**	**308**
Purchases 2010-11	42	211	103	356
Recognised as an expense in the year	(51)	(234)	(109)	(394)
Written off balances 2010-11	-	1	-	1
Balance outstanding at 31 March 2011	**93**	**106**	**72**	**271**

19 Construction Contracts

The Authority had no significant construction projects in progress at 31 March 2011.

20 Debtors (Amounts Receivable)

1 April 09 £000	31 March 10 £000		31 March 11 £000
6,251	3,940	Central Government bodies	1,333
354	378	Other local authorities	185
40	16	NHS bodies	40
2	-	Public corporations and trading funds	1
1,609	2,890	Other entities and individuals	1,948
8,256	**7,224**		**3,507**

21 Cash and Cash Equivalents

1 April 09 £000	31 March 10 £000		31 March 11 £000
20	8	Cash held by the Authority	7
2,494	2,444	Bank current accounts	5,387
-	(192)	Bank overdraft	-
2,514	**2,260**	Total cash and cash equivalents	**5,394**

22 Assets Held for Sale

The Authority has no assets held for sale.

23 Creditors (Amounts Payable) - Short-term creditors

1 April 09 Restated £000	31 March 10 Restated £000		31 March 11 £000
(1,766)	(1,334)	Central Government bodies	(1,008)
(701)	(1,925)	Other local authorities	(1,378)
-	(14)	Public corporations and trading funds	(8)
(2,299)	(2,980)	Other entities and individuals	(2,196)
(4,766)	**(6,253)**		**(4,590)**

24 Provisions

The Authority has identified potential historic pension costs for which it has created a provision of £242k in 2010-11 (£0 in 2009-10 and 2008-09).

25 Usable Reserves

1 April 09 Restated £000	31 March 10 Restated £000		31 March 11 £000
(6,168)	(6,466)	General Fund Balance	(7,326)
(289)	(289)	(Usable) Capital Receipts	(289)
		Earmarked revenue reserves	
(2,343)	(2,273)	- Resource Centre Managers	(3,860)
(1,011)	(742)	- Community Risk Reduction	(742)
(201)	(254)	- Unitary Performance Managers	(274)
(443)	-	- IRMP Reserve (Operational Focus)	-
(915)	(2,362)	Capital Reserve	(1,442)
(11,370)	**(12,386)**	**Total Usable Reserves**	**(13,933)**

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

General Fund Balance

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

(Usable) Capital Receipts

This reserve shows the proceeds of fixed asset sales available to meet future capital

Resource Centre Managers Reserves

These are funds available to meet future identified commitments in resource centre managers' areas.

Community Risk Reduction Reserve

These are resources to meet the cost of the Authority's programme of home safety assessments and other community safety initiatives.

UPGs Reserve

This reserve holds resources earmarked for facilitating partner engagement in community safety activities.

IRMP Reserve (Operational Focus)

These resources were earmarked for funding operational training facilities.

Capital Reserve

These are resources earmarked for specific capital costs, used to fund capital expenditure in future years.

26 Unusable Reserves

1 April 09 £000	31 March 10 £000		31 March 11 £000
(4,734)	(4,734)	Revaluation Reserve	(4,689)
(22,580)	(21,722)	Capital Adjustment Account	(20,009)
265,134	383,897	Pensions Reserve	316,153
(154)	(165)	Collection Fund Adjustment Account	6
-	340	Accumulated Absences Account	601
237,666	**357,616**	**Total Unusable Reserves**	**292,062**

Revaluation Reserve

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

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

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

2009-10 £000	Revaluation Reserve	2010-11 £000
(4,734)	**Balance at 1 April**	**(4,734)**
-	Difference between fair value depreciation and historical cost depreciation written off to the Capital Adjustment Account	45
(4,734)	**Balance at 31 March**	**(4,689)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

2009-10 (Restated) £000	Capital Adjustment Account	2010-11 £000	2010-11 £000
(22,580)	**Balance at 1 April**		**(21,722)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
1,892	• Charges for depreciation and impairment of non-current assets	2,130	
-	• Revaluation losses on Property, Plant and Equipment	2,383	
601	• Amortisation of intangible assets	225	
(413)	• Amounts of non-current assets written off on disposal or sale as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	-	
2,080			4,738
-	Adjusting amounts written out of the Revaluation Reserve		(45)
(20,500)	Net written out amount of the cost of non-current assets consumed in the year		(17,029)
	Capital financing applied in the year		
-	• Use of the Capital Receipts Reserve to finance new capital expenditure	(1,189)	
(726)	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,037)	
(496)	• Statutory provision for the financing of capital investment charged against the General Fund	(754)	
(1,222)			(2,980)
(21,722)	**Balance at 31 March**		**(20,009)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

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

2009-10 Restated £000	Pension Reserve	2010-11 £000
265,134	**Balance at 1 April**	**383,897**
105,666	Actuarial gains or losses on pensions assets and liabilities	(44,665)
24,779	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account	(13,110)
(11,682)	Employer's pensions contributions and direct payments to pensioners payable in the year	(9,969)
383,897	**Balance at 31 March**	**316,153**

Collection Fund Adjustment Account

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

2009-10 £000	Collection Fund Adjustment Account	2010-11 £000
(154)	**Balance at 1 April**	**(165)**
(11)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated in accordance with statutory requirements	171
(165)	**Balance at 31 March**	**6**

Accumulated Absences Account

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

2009-10 (Restated) £000	Accumulated Absences Account	2010-11 £000	2010-11 £000
-	**Balance at 1 April**		**340**
-	Settlement or cancellation of accrual made at the end of the preceding year	(340)	
340	Amounts accrued at the end of the current year	601	
340	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		261
340	**Balance at 31 March**		**601**

27 Cash Flow Statement - Operating Activities

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

2009-10 £000		2010-11 £000
(1,479)	Depreciation	(2,130)
-	Impairment and downward revaluation	(2,449)
(601)	Amortisation	(225)
(14)	Movement in impairment provision for bad debts	(2)
(1,413)	Movement in creditors	1,452
(1,013)	Movement in debtors	(3,726)
50	Movement in stock	(37)
(13,097)	Pension liability	23,079
(256)	Other non-cash items	(242)
(17,823)	Total adjustment for non-cash movements	**15,720**

The cash flows for operating activities include the following items:

2009-10 £000		2010-11 £000
122	Interest received	92
(310)	Interest paid	(314)
-	Dividends received	-

28 Cash Flow Statement - Investing Activities

2009-10 £000		2010-11 £000
5,002	Purchase of non-current assets	3,610
14,000	Purchase of short- and long-term investments	11,000
-	Other payments for investing activities	-
-	Proceeds from sale of non-current assets	-
(14,000)	Proceeds from investments	(11,000)
(193)	Other receipts from investing activities	-
4,809	**Net cash flows from investing activities**	**3,610**

29 Cash Flow Statement - Financing Activities

2009-10 £000		2010-11 £000
-	Cash receipts of short- and long-term borrowing	(32)
-	Other receipts from financing activities	-
8	Cash payments for the reduction of the outstanding liabilities relating to finance leases	8
-	Repayment of short- and long-term borrowing	4
-	Other payments for financing activities	-
8	**Net cash flows from financing activities**	**(20)**

30 Amounts Reported for Resource Allocation Decisions

Service Area	2010-11 £000 Revised budget	2010-11 £000 Outturn	2010-11 £000 Variance (under) / over spend
Firefighting and rescue operations			
Service delivery - Unitary Performance & Station Management	21,131	21,288	157
Service support - Policy, Planning & Resilience (excluding transport)	3,420	3,240	(180)
Community Fire Protection	1,981	1,840	(141)
Community Safety	2,391	2,444	53
Support Services			
Executive Management and Communications & Community Relations	1,690	1,582	(108)
Human Resources and Legal & Democratic services	3,072	3,016	(56)
Asset Management (excluding workshops)	4,633	4,615	(18)
Transport and workshops	1,698	1,606	(92)
Finance and Corporate Planning	760	695	(65)
Finance Resources	2,199	2,104	(95)
Health, Safety and Welfare	121	117	(4)
Unitary Performance Groups	100	100	-
The Authority	219	(92)	(311)
	43,415	42,555	(860)
Mid year review 2010-11 - Ring fenced ICT	-	(326)	(326)
Total expenditure reported for resource allocation decisions	**43,415**	**42,229**	**(1,186)**

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

	2010-11 £000
Total expenditure reported for resource allocation decisions	42,229
Pension costs calculated in accordance with IAS 19	(42,110)
Depreciation and impairment charged to CI&E	4,738
Minimum revenue provision	(754)
Capital grants received in year	(1,037)
Interest payable	(316)
Interest receivable	92
Accumulated absence	261
Net cost of IAS 19 pensions charged to CI&E	(94)
Transfer to reserves	(326)
CI&E Net Cost of Services	**2,683**

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

Subjective Analysis

2009-10 (Restated) £000		2010-11 £000	2010-11 £000
	Expenditure		
32,961	Employee pay	32,956	
940	Other employee expenses	631	
149	Pensions	224	
1,841	Premises	1,684	
1,357	Transport	1,372	
3,919	Supplies, services & other expenses	3,480	
1,041	Agency and contracted services	870	
718	Capital charges	1,104	
481	Finance resources	645	
127	Members' allowances	131	
-	Provision	242	
43,534	Total expenditure		43,339
	Income		
(154)	Fees	(134)	
(42)	Sales	(48)	
(1,468)	Other service income	(1,519)	
(84)	Interest	(92)	
(24,042)	Council Tax	(24,623)	
(18,760)	Government grants and contributions	(19,659)	
(44,550)	Total income		(46,075)
718	Transfers to reserves		1,876
(298)	Net expenditure		**(860)**

31 Acquired and Discontinued Operations

The Authority has not acquired or discontinued any operations during the year.

32 Trading Operations

The Authority has no trading operations.

33 Agency Services

The Authority is not providing any Agency Services.

34 Members' Allowances

In accordance with the Local Authorities Regulations (Members' Allowances) 2003, payments to Members were as follows:

2009-10		2010-11
£		£
127,149	Members' allowances	127,414
33,849	Travel and subsistence, training and conferences	30,034
160,998		**157,448**

35 Officers' Remuneration

The table below shows payments to the Authority's Leadership Team during the financial year 2010-11. Following the departure of the former Chief Fire Officer in October 2009, the management structure was revised, as reflected in the tables.

2010-11	Dates in Post	*Gross Annual Salary (a)* £	Salary and Allowances £	Benefits in kind (b) £	Compensation for loss of office £	Pension Contribution £	Total £
Chief Fire Officer	Full year	*140,000*	143,438	-	-	29,738	173,176
Deputy Chief Fire Officer	Full year	*118,967*	122,464	-	-	25,271	147,735
Assistant Chief Fire Officer A	01/04/10 - 03/05/10	*81,788*	7,395	185	-	1,575	9,155
Assistant Chief Fire Officer B	04/05/10 - 31/03/11	*81,788*	75,115	-	-	16,000	91,115
Director of People and Organisational Development	Full year	*70,223*	74,242	-	-	12,289	86,531
Director of Finance & Corporate Planning/ Treasurer	Full year	*70,223*	73,440	1,294	-	12,214	86,948
2010-11 Total			**496,094**	**1,479**	**-**	**97,087**	**594,660**

2009-10	**Dates in Post**	***Gross Annual Salary (a)*** £	**Salary and Allowances** £	**Benefits in kind (b)** £	**Compensation for loss of office** £	**Pension Contribution** £	**Total** £
Chief Fire Officer A	01/04/09 - 04/10/09	*149,157*	76,333	-	-	15,471	91,804
Chief Fire Officer B	05/10/09 - 31/03/10	*140,000*	62,678	-	-	13,351	76,029
Deputy Chief Fire Officer (A)	01/04/09 - 04/10/09	*118,967*	65,625	-	-	14,050	79,675
Deputy Chief Fire Officer (B)	Full year	*118,967*	117,421	-	-	25,081	142,502
Deputy Chief Fire Officer (C)	01/04/09 - 24/07/09	*113,302*	34,280	2,492	80,185	5,657	122,614
Assistant Chief Fire Officer	19/10/09 - 31/03/10	*81,788*	41,584	1,175	-	8,929	51,688
Director of People and Organisational Development	01/05/09 - 31/03/10	*68,513*	62,803	241	-	10,991	74,035
Director of Finance & Corporate Planning/ Treasurer	Full year	*68,513*	65,546	1,649	-	11,471	78,666
2009-10 Total			**526,270**	**5,557**	**80,185**	**105,001**	**717,013**

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

Remuneration band			Number of employees 2010-11	Restated 2009-10
£50,000	-	£54,999	18	15
£55,000	-	£59,999	4	6
£60,000	-	£64,999	5	3
£65,000	-	£69,999	1	-
£70,000	-	£74,999	1	-
£75,000	-	£79,999	-	-
£80,000	-	£84,999	-	-
£85,000	-	£89,999	2	-
£90,000	-	£94,999	-	-
£95,000	-	£99,999	-	-
£100,000	-	£104,999	1	-

Notes

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

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

c) 2009-10 figures have been restated because for the 2010-11 accounts, members of the Leadership Team are excluded from the banding figures.

d) The three highest paid employees in 2010-11 received severance payments or higher salaries while on secondment.

36 External Audit Costs

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

2009-10 £000		2010-11 £000
68	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	72
-	Rebate re IFRS related Audit Fees 2010-11	(5)
-	Rebate of 1.5% of Scale Fees 2010-11	(1)
-	Fees payable to the Audit Commission in respect of statutory inspections	-
-	Fees payable to the Audit Commission for the certification of grant claims and returns for the year	-
-	Fees payable in respect of other services provided by the Audit Commission during the year	1
68		**67**

37 Grant Income

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

2009-10 Restated £000		2010-11 £000
	Credited to Taxation and Non-Specific Grant Income	
(14,652)	National Non Domestic Rates	(16,260)
(3,382)	Revenue Support Grant	(2,361)
(726)	Government Capital Grant	(922)
-	North West Innovation and Enterprise Partnership	(115)
(18,760)		**(19,658)**
	Credited to Services	
(118)	CLG FiReControl Project	(97)
(78)	CLG New Dimensions Fund	(79)
-	CLG Migrant Impact Fund	(102)
-	CLG Smoke Alarms	-
(107)	CLG Respect	-
(5)	Other Grants	-
-	Donations	(1)
(76)	Other contributions	(99)
(384)		**(378)**

The Authority has not received any grants, contributions and donations that have yet to be recognised as income.

38 Related Parties

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

a Central Government

Central Government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides a substantial part of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. Grants received from Government Departments are set out in the previous note(Grant Income).

b Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in the year is shown in Note 34 (Members' Allowances). Details of these transactions are recorded in the Register of Members' Interests.

c Officers

There is one material relationship 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 was on the FRAML Board of Directors for 2010-11.

d Entities Controlled or Significantly Influenced by the Authority

The Authority was one of five Fire and Rescue Authorities that together set up FRAML, a company regulated by the Financial Services Authority. 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.

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

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

2009-10 £000	Billing Authority	2010-11 £000
(9,329)	Cheshire East Council	(9,656)
(7,792)	Cheshire West and Chester Council	(7,906)
(2,448)	Halton Borough Council	(2,505)
(4,473)	Warrington Borough Council	(4,556)
(24,042)		**(24,623)**

f Firefighters' Pension Fund

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

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

With effect from 1 April 2006, a new Firefighters’ Pension Fund for each English Fire Authority was introduced. Rather than meet all of the net cost of pensions, the employer is now required to make contributions to the Fund. In the event of a shortfall, the deficit in the Fund is met by 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 for the 1992 Scheme and 11% of gross pay for the 2006 Scheme, together with formula-based charges for the cost of ill-health and other early retirements.

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

g Entities Controlled or Significantly Influenced by the Authority

The Authority was involved in NW FiReControl Ltd. and the North West Fire and Rescue Management Board, details of which are disclosed in Notes 49 and 50 respectively.

39 Capital Expenditure and Capital Financing

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

2009-10 Restated £000		2010-11 £000
7,113	**Opening Capital Financing Requirement**	10,967
	Capital Investment	
4,677	Property, plant and equipment	3,172
399	Intangible assets	143
	Sources of Finance	
(726)	Government grants and other contributions	(1,037)
	Sums set aside from revenue	
-	Revenue contributions	(1,189)
(296)	Minimum repayment provision (MRP) @ 4.0%	(450)
(200)	Voluntary repayment provision (VRP) @ 2.7%	(304)
10,967	**Closing Capital Financing Requirement**	**11,302**
	Explanation of Movements in the Year	
1,071	Increase in underlying need for borrowing (supported by government financial assistance)	335
2,783	Increase in underlying need for borrowing (unsupported by government financial assistance)	-
3,854	**Increase/ (decrease) in Capital Financing Requirement**	**335**

40 Leases

Authority as Lessee

Finance Leases
The Authority has a training vehicle held under a finance lease. The vehicle is carried in the Balance Sheet at the value of £97,130 (2009-10 £105,599).

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

	2010-11	
	£	£
Cost or Valuation		128,743
Accumulated depreciation		
As at 1 April 2009	(15,064)	
Charge for 2009-10	(8,080)	
Charge for 2010-11	(8,469)	
As at 31 March 2011		(31,613)
		97,130

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

1 April 2009	31 March 10		31 March 2011
£	£		£
8,080	8,469	Not later than one year	8,877
36,402	38,154	Later than one year and not later than five years	39,990
69,197	58,976	Later than five years	48,263
113,679	**105,599**		**97,130**

Operating Leases
Payments made under operating leases in 2010-11 totalled £475,548 (2009-10 £402,128). All expenditure on leases relates to vehicles.

The lease payments due in future years are as follows:

1 April 2009	31 March 10		31 March 2011
£000	£000		£000
161	210	Not later than one year	291
154	172	Later than one year and not later than five years	258
315	**382**		**549**

41 Private Finance Initiatives (PFI) and similar contracts

The Authority has no PFI or similar contracts.

42 Impairment Losses

During 2010-11 the Authority has recognised an impairment loss of £2,146,000 on the Authority's Headquarters after the revaluation on 31 March 2011. The valuation was carried out by the Authority's valuer, Cottrell Commercial. The valuation was on the Existing Use basis, and the impairment has been charged to the Net Cost of Services, and reversed through the Movement in Reserves Statement to the Capital Adjustment Account.

There has recently been substantial investment in the Headquarters and the ongoing benefits to the future operation of Cheshire Fire and Rescue Service, particularly as a result of the enhanced training facilities, will be substantial.

In addition a review of the Authority's equipment identified some impairment (£237k) as a result of assets becoming obsolete sooner than anticipated.

43 Capitalisation of Borrowing Costs

The Authority does not have a policy of capitalising borrowing costs.

44 Termination Benefits

The Authority terminated the contracts of a number of employees in 2010-11, incurring liabilities of £78k, which were paid in full during the year.

45 Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Authority participates in three post-employment schemes:

- The Local Government Pension Scheme for non uniformed staff, administered locally by Cheshire West and Chester Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liability with investment assets.
- The Firefighters' Pension Schemes for uniformed staff. These are unfunded schemes, meaning that there are no investment assets built up to meet the liabilities so that cash has to be generated to meet actual pension payments as they become due. However, as of 1 April 2006, firefighter and employer contributions are paid into a pension fund, from which pension payments are made. The fund is balanced to nil each year by receipt of pension top-up grant from central government if there is a deficit or by paying over the surplus to central government. Details of the pension fund for 2010-11 are shown in the Pension Fund statement.

Transactions Relating to Post-employment benefits

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

	Local Government Pension Scheme £000		Firefighters' Pension Scheme £000	
	2010-11	**2009-10**	**2010-11**	**2009-10 Restated**
Comprehensive Income and Expenditure Statement				
Cost of Services				
• Current service cost	1,160	571	8,900	6,000
• Past service costs	(2,810)	-	(39,300)	100
• Settlements and curtailments	-	-	-	-
Financing and Investment Income and Expenditure				
• Interest cost	1,599	1,197	18,600	17,700
• Expected return on scheme assets	(1,259)	(789)	-	-
Total Post-employment benefit charged to the Surplus or Deficit on the Provision of Services	**(1,310)**	**979**	**(11,800)**	**23,800**
Other Post-employment benefit charged to the Comprehensive Income and Expenditure Statement				
• Actuarial gains and losses	(7,365)	8,366	(37,300)	97,300
Total Post-employment benefit charged to the Comprehensive Income and Expenditure Statement	**(8,675)**	**9,345**	**(49,100)**	**121,100**
Movement in Reserves Statement				
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	1,310	(979)	11,800	(23,800)
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employers' contributions payable to scheme	969	982		
• Retirement benefits payable to pensioners			10,900	12,500
• Contributions by scheme participants			(1,900)	(1,800)

The cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is £78,664k (£123,329k at 31 March 2010).

Assets and liabilities in relation to post-employment benefits

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

	Funded liabilities: Local Government Pension Scheme £000		Unfunded liabilities: Firefighters' Pension Scheme £000	
	2010-11	**2009-10**	**2010-11**	**2009-10 Restated**
Opening balance at 1 April	30,836	17,176	370,500	260,100
Current service cost	1,160	571	8,900	6,000
Interest cost	1,599	1,197	18,600	17,700
Contributions by scheme participants	359	364	1,900	1,800
Actuarial (gains) and losses	(6,156)	12,106	(37,300)	97,300
Benefits paid	(690)	(578)	(10,900)	(12,500)
Past service costs / (gains) (a)	(2,810)	-	(39,300)	100
Closing balance at 31 March	**24,298**	**30,836**	**312,400**	**370,500**

Firefighters' Pension Scheme liabilities as at 31 March 2011 total £312,400k (2009-10 £370,500k). This consists of £304,900k (2009-10 £364,000k) in respect of the 1992 scheme and £7,500k (2009-10 £6,500k) in respect of the 2006 scheme).

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

	Local Government Pension Scheme £000	
	2010-11	**2009-10**
Opening balance at 1 April	17,439	12,142
Expected rate of return	1,259	789
Actuarial gains and (losses)	1,209	3,740
Employer contributions	969	982
Contributions by scheme participants	359	364
Benefits paid	(690)	(578)
Closing balance at 31 March	**20,545**	**17,439**

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 £1,506k (2009-10 £4,530k).

Scheme History

	2006-07	2007-08	2008-09 Restated	2009-10 Restated	2010-11 Restated
	£000	£000	£000	£000	£000
Present value of liabilities:					
Local Government Pension Scheme	(14,200)	(17,164)	(17,176)	(30,836)	(24,298)
Firefighters' Pension Scheme	(277,000)	(243,400)	(260,100)	(370,500)	(312,400)
Fair value of assets in the Local Government Pension Scheme	11,850	14,681	12,142	17,439	20,545
Surplus/ (deficit) in the scheme:					
Local Government Pension Scheme	(2,350)	(2,483)	(5,034)	(13,397)	(3,753)
Firefighters' Pension Scheme	(277,000)	(243,400)	(260,100)	(370,500)	(312,400)
Total	**(279,350)**	**(245,883)**	**(265,134)**	**(383,897)**	**(316,153)**

Firefighters' Pension Scheme liabilities for 2006-07 and 2007-08 do not include an allowance for contingent injury award liabilities. 2008-09, 2009-10 and 2010-11 figures have been restated to include this liability under the IFRS transition. See note 8, Prior period adjustments, for further details of the restatement.

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £316 million has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £278 million. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

The total contribution expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2012 is £973,000. For the Firefighters' Pension Scheme in the year to 31 March 2012, the projected benefit net of employee contributions is £10.5 million.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and the Firefighters' Pension Scheme have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Local Government Pension Scheme being based on the latest full valuation of the scheme as at 31 March 2010. The principal assumptions used by the actuary have been:

	Local Government Pension Scheme £000		Firefighters' Pension Scheme £000	
	2010-11	**2009-10**	**2010-11**	**2009-10**
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.5%	7.8%	-	-
Bonds	4.9%	5.0%	-	-
Property	5.5%	5.8%	-	-
Cash	4.6%	4.8%	-	-
Mortality assumptions:	At age 65		At age 60	
Longevity at retirement for current pensioners:				
• Men	22.9 years	20.8 years	27.9 years	27.6 years
• Women	25.7 years	24.1 years	30.8 years	31.0 years
Longevity for future pensioners:				
• Men	24.9 years	22.3 years	29.5 years	29.2 years
• Women	27.7 years	25.7 years	32.3 years	32.7 years
Rate of inflation (RPI in 2009-10; CPI 2010-11)	2.8%	3.8%	2.8%	3.8%
Rate of increase in salaries	5.1%	5.3%	4.6%	5.3%
Rate of increase in pensions	2.8%	3.8%	2.8%	3.8%
Rate for discounting scheme liabilities	5.5%	5.5%	5.5%	5.5%
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 2011	**31 March 2010**
Equity investments	72%	73%
Bonds	15%	14%
Property	6%	5%
Cash	7%	8%
	100%	100%

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010-11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

Local Government Pension Scheme

	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %
Differences between the expected and actual return on assets	(0.4)	9.8	(35.6)	21.4	5.9
Experience gains and losses on liabilities	(0.1)	(31.8)	-	-	10.3

Firefighters' Pension Scheme

	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %
Differences between the expected and actual return on assets	NA	NA	NA	NA	NA
Experience gains and losses on liabilities	1.2	(4.1)	(1.3)	3.4	5.1

46 Exceptional Item

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing Cheshire Fire Authority's liabilities in the Local Government Pension Scheme by £2.81m and in the Firefighters' Pension Scheme by £39.3m. These reductions have been recognised as past service gains in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

47 Contingent Assets and Liabilities

The Authority has no contingent assets or liabilities.

48 Nature and Extent of Risks Arising from Financial Instruments

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

- Credit risk - the possibility that other parties might fail to pay amounts due to the Authority
- Liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

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

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet the minimum rating of A in the long term and F1 in the short term in independent ratings from Sector. The Strategy also imposes a maximum sum of £10 million to be invested with any single institution.

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £4,005k cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. There was no evidence at the 31 March 2011 that the Authority's deposits were likely to prove irrecoverable.

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

	Amount at 31/03/2011 £000 **A**	Historical experience of default % **B**	Historical experience adjusted for market conditions at 31/03/2011 % **C**	Estimated maximum exposure to default and uncollectability at 31/03/2011 £000 **(A x C)**	Estimated maximum exposure at 31/03/2010 £000
Deposits with banks and financial institutions	4,005	0	0	0	0
				0	**0**

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

The Authority does not generally allow credit for customers. The past due date amount of £310k can be analysed by age as follows:

	31 March 2011	**31 March 2010**
	£000	**£000**
Less than three months	291	133
Three to six months	16	56
Six months to one year	1	2
More than one year	2	1
Total	**310**	**192**

Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing 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 careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

The maturity analysis of financial liabilities is as follows:	31 March 2011	31 March 2010
	£000	£000
Between one and two years	483	600
Between two and five years	-	483
More than five years	5,402	5,402
Total	**5,885**	**6,485**

Market Risk

Interest Rate Risk

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

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

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

The Authority seeks to minimise interest rate risk by working with Warrington Borough Council, its Treasury Management partner, to agree a strategy in relation to investment and debt portfolios, which is reflected in its Treasury Management Strategy document.

The Authority's policy is to maximise the percentage of borrowings and investments at fixed rates because it wishes to have cost certainty, particularly in the current volatile economic climate. In addition the Authority has relatively small portfolios of loans and investments, which makes it more difficult to offset risk by having a mixed portfolio.

Price Risk

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

Foreign Exchange Risk

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

49 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 two directors, who are Councillors appointed to their respective FRAs. All directors have equal voting rights.

In December 2010 the Fire Minister announced the closure of the FiReControl project. A consultation was then published in January 2011 for the Fire and Rescue community to decide on the future of its control room services. The resulting outcome for the North-West is expected to be finalised in July 2011 as to whether this project will continue and in what format for the region.

During 2010-11 the company has continued to be funded by a Section 31 grant from the Department for Communities and Local Government and all accommodation expenditure will continue to be funded until the regional decision and negotiations are finalised. 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, based on International Financial Reporting Standards, the Authority has considered any requirement for the preparation of Group Accounts as a result of its relationship with NW 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 Code of Practice. This will be reviewed in forthcoming financial years based on the future of the Company and if any Fire and Rescue Authority influence positions or Company governance arrangements have changed.

However on the basis of materiality it has been determined that Group Accounts are not required for the financial year 2010-11 having considered both qualitative and quantitative factors, including the following:

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

• The company is not operational in providing a public service and is not expected to become so until financial year 2014-15 if the regional project is to go ahead under new arrangements being negotiated.

• 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 2010-11 (20% of £2.147m) is not material in the context of the Authority's gross expenditure.

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

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

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

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

Accounts Information	**Year ended 2010-11 £000**	**Year ended 2009-10 £000**
Net Assets	69	43
Profits Before Taxation	10	68
Profits After Taxation	10	56
Debtor Balance (Greater Manchester Rescue Service)	19	31
Creditor Balance (Greater Manchester Rescue Service)	422	262

The Company's Financial Statements can be obtained from Companies House with the deadline for submission as 31/12/2011 for the final audited 2010-11 accounts.

The position regarding Group Accounts will be reviewed for the 2011-12 financial year.

50 North West Partnership Board /North West Fire And Rescue Management Board

The North-West Fire and Rescue Management Board was disbanded from the previous format in July 2010. This was following the Government decision to remove the necessity from the Fire and Rescue National Framework 2008-2011 for Fire and Rescue services to work through Regional Management Boards. This would also encourage Authorities to work collaboratively determined in the best way that works under local arrangements. The accounts were concluded for the North West Fire and Rescue Management Board and no separate audit for the Board is to be conducted for 2010-11.

The North West Fire and Rescue Authorities have decided to continue to work collaboratively and a new Board has been set up with effect from March 2011 called the North-West Partnership Board. This is a new Joint committee of the five fire authorities in the North West (Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside). The committee comprises councillors from the five constituent Authorities.

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

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

During 2010-11 transactions were made between the five Authorities totalling the following with outstanding balances also noted in relation to each. Greater Manchester Fire and Rescue Authority manages the income and expenditure on behalf of the region.

	Transaction Totals Expenditure/ (Income) 2010-11	**Outstanding Balance at 31 March 2011 Creditor / (Debtor)**
Authority	**£m**	**£m**
Greater Manchester	0.189	0.134
Merseyside	(0.049)	(0.049)
Lancashire	(0.036)	(0.034)
Cheshire	(0.025)	(0.025)
Cumbria	(0.079)	(0.026)

GLOSSARY OF TERMS USED IN STATEMENT OF ACCOUNTS

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

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

APPROPRIATIONS
Amounts transferred to or from revenue or capital reserves.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DEFERRED DEBTORS
Amounts owed to the Authority for work done, goods sold or service rendered to be paid in predetermined instalments over more than one accounting period.

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

DEFINED BENEFIT SCHEME

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

DEPRECIATION

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

ESTIMATION TECHNIQUES

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

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

FAIR VALUE

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

FINANCIAL INSTRUMENTS

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

FINANCIAL REPORTING STANDARDS

A document issued by the Accounting Standards Board, setting out approved accounting treatment.

FINANCE LEASE

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

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

FUNDED PENSION SCHEME
A funded pension scheme is one in which the future liabilities for pension benefits are provided for by the accumulation of assets held externally to the employer's business. The Authority's support employees, but not firefighters, are covered by such a scheme, which is managed on its behalf by Cheshire West and Chester Borough Council. The firefighters' scheme is unfunded (see below for definition).

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

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

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

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

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

INTERNATIONAL FINANCE REPORTING STANDARDS (IFRS)
These are the new accounting standards that must be adopted for 2010-11 onwards.

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

LIQUID RESOURCES
Liquid resources are defined as the short term investments that are disclosed on the Balance Sheet.

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

MINIMUM REVENUE PROVISION (MRP)
This is the minimum amount which must be set aside from revenue as provision for debt repayment. For this Authority it is currently 4% of the internal and external debt outstanding at the start of the year. The authority has decided to make an additional voluntary repayment provision (VRP) currently at 2.7% to recognise the estimated life of the assets being financed through loans.

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

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

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

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

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

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

OPERATING LEASES
A lease other than a finance lease.

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

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

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

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

RELATED PARTIES
Two or more parties are related when at any time during the financial period:
1. one party has direct or indirect control of the other party, or
2. the parties are subject to common control from the same source, or
3. one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests, or
4. the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties for the Authority are:
1. central government
2. local authorities and other bodies precepting or levying demands on the Council Tax
3. its subsidiary and associated companies
4. its joint ventures and joint venture partners
5. its members
6. its chief officers, and
7. its pension fund

For individuals identified as related parties, the following are also presumed to be related parties:
1. members of their close family, or the same household, and
2. partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

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

RESERVES
Amounts set aside to meet future contingencies but whose use does not affect the Authority's net expenditure in a given year. Appropriations to and from reserves may not be made directly from the revenue account. This is a crucial distinction between provisions and reserves.

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

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

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

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

REVENUE CONTRIBUTION TO CAPITAL OUTLAY (RCCO)
The purchase of fixed assets direct from revenue, rather than by means of loan or lease.

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

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

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

USEFUL LIFE
The period over which the Authority will derive benefits from the use of a fixed asset.

VOLUNTARY REVENUE PROVISION (VRP)
The VRP is a voluntary revenue contribution for the repayment of debt. It recognises the shorter life span of a number of assets i.e. vehicles, that would become obsolete before the original debt has been repaid.

1. Introduction and Background to the Annual Governance Statement

What is the governance framework?

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) published the advisory framework '*Delivering Good Governance in Local Government'* ('the Framework'), with effect from 2007-08.

The framework defines six core principles that underpin the governance of each local government body. These principles inform the review of existing local governance arrangements; the development of local codes of governance; and the preparation of an Annual Governance Statement ('the AGS').

The principles focus on systems, processes, culture and values, for the direction and control of Cheshire Fire Authority ('the Authority') and its activities through which it accounts to the communities of Cheshire East, Cheshire West and Chester, Halton & Warrington. Central to this approach is the doctrine that good governance relates to the whole organisation.

Why is the framework required?

The preparation and publication of an AGS is necessary to meet the statutory requirement set out in Regulations 4(2) and (3) of the Accounts and Audit (England) Regulations 2011 which require authorities to conduct a review of effectiveness of its system of internal control and 'to approve an annual governance statement, prepared in accordance with proper practices in relation to internal control'.

The framework brings together an underlying set of legislative requirements, governance principles and management processes. This informs the production of the AGS. The AGS demonstrates how the Authority has complied with the CIPFA/SOLACE framework and is actively identifying areas in which our governance arrangements could be improved.

Accordingly the Authority has approved and adopted a local Code of Corporate Governance, which is consistent with the principles and requirements of the CIPFA/SOLACE framework. A full summary of the key elements of the Authority's compliance with the Code of Corporate Governance 2007 and our system of internal control are presented in ***Appendix 1.***

How is the framework regulated?

Under the framework the Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance arrangements including the system of internal control. The review of effectiveness is informed by regular Member and officer scrutiny and supported by comments made from the internal and external audit teams.

2. Scope of Responsibility

Cheshire Fire Authority

The 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.

Members and Officers

In discharging the statutory responsibilities of the Authority, Members and senior officers are responsible for ensuring that proper governance arrangements are in place, which are efficient & effective and evidence good management of the Authority's key risks in accordance with legislation and proper standards.

3. The Authority's Governance Arrangements and Internal Control Environment

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 its communities and other stakeholders. It includes arrangements to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and value for money services.

The system of internal control summarised in Appendix 1 is a significant part of that framework and whilst its purpose is to manage risk, 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.

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

Corporate Governance Framework

- 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 system of Member Champions of discrete areas such as Equality & Diversity, Environment, Finance, Performance Management, Procurement & Health & Safety
- Integrated corporate and financial planning processes
- Regular financial and performance reporting
- A local Code of Corporate Governance that is monitored by Standards Committee and assessed annually by internal audit.
- A formal Constitution overseen by the Monitoring Officer.
- A Monitoring Officer responsible for ensuring the legality of Authority actions.
- A responsible Financial Officer to ensure effective administration of financial affairs.

The Authority exercises meaningful democratic control over its activities via an approved committee structure and 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 its communities and stakeholders.

The Authority also runs regular Member away-days to engage with Members at a detailed level, in an informal environment, as an aid to corporate planning.

Extensive efforts are made to engage with the communities and stakeholders of Cheshire East, Cheshire West and Chester, Halton & Warrington to identify key priorities and current risks before the approval of an Integrated Risk Management Plan (IRMP) that sets out the vision and aims and objectives for the organisation. IRMP 7 covers the period ending 31 March 2011.

Internal Control Framework

More detail on the internal control framework is contained within Appendix 1, but some of the most significant aspects are summarised below:

- A policy framework which govern the activities of the Service, overseen by the Leadership Board.
- Ongoing monitoring of the implementation of action plans via reporting to the Leadership Board.
- A dynamic risk management policy, framework and corporate risk register.
- Published Anti-Fraud, 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.
- IRMP Programme Board who review current and future cross cutting IRMP activities and initiatives across the Service.
- The Authority has well-established Health and Safety Policies which have been communicated to staff and are available on our document management system.

CFRS Management Structure

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

The Service Management Team (SMT) in conjunction with Members are responsible for the delivery of Cheshire Fire Authority's Vision – *A Cheshire where there are no 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 Four Year Strategy 'Planning for a safer Cheshire', the Integrated Risk Management Plan, and associated plans including Department, Unitary and Community Action plans and individual appraisal objectives.

4. Review of Effectiveness

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

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

Internal Scrutiny

Member Scrutiny

A programme of formal Member meetings throughout 2010-11 including:

- 6 x Fire Authority
- 4 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 (Member 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)

Scrutiny Boards

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

- Budget Management Board(BMB) – oversees financial management in the Service
- Performance Management Group(PMG) – scrutinise operational performance across the Service

- Resources Development Group(RDG) – directs workforce planning, structures and processes
- Risk Management Board(RMB) – approval and regular monitoring of the corporate risk register, crisis management plan and risk management framework
- IRMP Programme Board(PB) – scrutinise cross cutting identified IRMP projects
- ICT Steering Group – provide strategic direction for our ICT services

All Scrutiny Boards have an agreed Terms of Reference.

Annual Governance Statement process

The process for compiling and reviewing the Annual Governance Statement is mapped out in **Appendix 2.** Key elements of that process include:

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 assurance from Heads of Departments (HODs) that key elements of our internal control framework were in place and effective during the year 2010-11 and identifing areas for action where control weaknesses/improvements may have been identified – See **Appendix 1**.
3. Internal Audit scrutiny of the process and quality assurance of evidence sources.
4. Consultation with the Chair of the Standards Committee.

External Scrutiny

The Authority encourages external scrutiny of its activities via:

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

Standards, Policy Committee & Risk Management Board review and challenge our governance arrangements & risk management framework throughout the year.

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

Internal Audit function

The Authority has a strong Internal Audit function arrangements with RSM Tenon, and has well-established protocols for working with External Audit.

During 2010-11 a number of planned audits have taken place which provided an independent assurance level and/or Audit Opinion on our control frameworks. The Annual Audit Plan is focused on providing assurance that operational and strategic risks are effectively managed. Completed internal audits undertaken during 2010-11 are listed below:

Staff Training
Compliance with requirements of section 72(d) of the FSA
Strategic Planning & Budget Setting
Key Financial Controls
Operational Station Visits
People and Organisational Development - Options Appraisal
Stocks & Stores
Risk Management
Governance
IT Health Check
National Fraud Initiative
Follow-Up

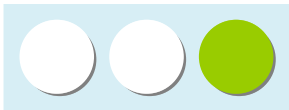
Internal Audit Opinion:

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of Cheshire Fire Authority's arrangements.

For the 12 months ended 31 March 2011, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of Cheshire Fire Authority's arrangements for governance, risk management and control is as follows:

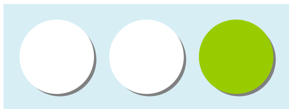
Governance

The Authority continues to have robust processes in place to ensure that the Annual Governance Statement and assertions made within the Statement are supported by appropriate evidence.



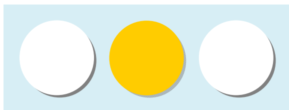
Risk Management

The Authority has continued to operate a sound risk management process during 2010-11.



Control

Our work for 2010-11 has not provided any limited assurance opinions, however, our advisory reviews on the areas of IT and Stocks and Stores resulted in a number of recommendations being made to enhance the control framework in those areas.



External Audit

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:

'The Authority plans its finances effectively to deliver strategic priorities and secure sound financial health. It has good integrated financial and service planning systems and engages local communities and other stakeholders in financial planning. It has a track record of performing within budget alongside good service performance.

The Authority promotes and displays good governance, underpinned by a training programme for members. The Authority has a clear vision of what it wants to achieve for local communities and engages with stakeholders, local people and partners. The Authority plans to further strengthen its arrangements for partnership governance and ethical conduct.

The Authority manages risks and upholds a sound system of internal control. Risk management and business planning are well integrated and internal audit meets CIPFA standards'.

These comments supported an unqualified audit opinion on the financial statements and on our arrangements for securing value for money. Some areas for improvement were identified, particularly around improving controls within the payroll system ands these are being addressed during 2010-11.

Operational Service Assessment (Op-A) Peer Review

The Service undertook an operational 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 & Rescue Service 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."

Out of the twenty-four recommendations for improvement identified, fifteen actions are completed, one action is currently on hold and eight actions are still ongoing.

Alarm Benchmarking Club – Self Assessment

During 2010 Cheshire Fire & Rescue Service (CFRS) joined the first wave of the Risk Management Benchmarking Club developed by Alarm (Association of Local Authority Risk Managers) in conjunction with CIPFA. The purpose was to benchmark our risk management systems and processes against other organisations in the Benchmarking Club with a view to sharing best practice and identifying areas of improvement. The process was to complete a self assessment questionnaire based on a 117 questions broken down into seven risk management strands below:

- Leadership and Management
- Strategy and Policy
- People
- Partnership, shared risks and resources
- Processes and tools
- Risk handling and assurance
- Outcomes and delivery

CFRS achieved an overall performance level of ‘Embedded & Integrated’ for its Risk Management approach. This is just below the top label of ‘driving’ which we aim to achieve during the second round of benchmarking during 2011.
The conclusions drawn from the benchmarking exercise informed a refresh of the CFRS Corporate Risk Management Framework in September 2010, and identified areas of focus for future improvements in Risk Management processes. The exercise also provided the opportunity for closer collaboration and sharing of good practice with participating Fire & Rescue Services.

Business Continuity

Business Continuity is an important part of the Service strategy. The Service has embarked on a robust programme to ensure our business continuity responsibilities align to the best practices standards i.e. BS25999. We have also developed a number of Service Business Continuity and Flu Pandemic Plans which support the overarching Crisis Management Plan.

Performance Management

During 2010-11, 15 of our 19 Key Performance Indicators (or 80%) showed positive improvements based on unaudited data.

Monitoring & Reporting

There is a ‘formal’ quarterly system of monitoring and reporting highlighting progress against our projects and activities identified within Departmental, Unitary and Community Action Plans and these reports are presented to Members.

Identified Areas of Improvement

Whilst we believe that we have robust governance and internal control arrangements in place, there are areas for improvement which are actively being addressed by Members and Officers:

- Improvements in our ICT infrastructure – a number of areas for development were identified during the year and these were reinforced by an Internal Audit reported commissioned by the Service. During 2010-11, the Authority ring-fenced funding to enable investment in our ICT infrastructure (subject to the development of a full business case).
- Policy framework – our system for recording and tracking policy development was replaced during 2010-11, although further development is still necessary.
- Payroll controls – the External Audit report noted that the control environment around payroll was in the process of being strengthened. Whilst we undertake extensive testing of these transactions to ensure the accuracy of our payroll, it is still necessary to ensure that a full system of control is implemented during 2011-12.

5. Certification

To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year 2010-11.

We are satisfied that these measures along with a continual cycle of review and challenge, will ensure a robust governance framework for 2011-12 and beyond.

Signatures:

Fire Authority………………………………………………………………………

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

Treasurer………………………………………………………………………….

APPENDIX 1

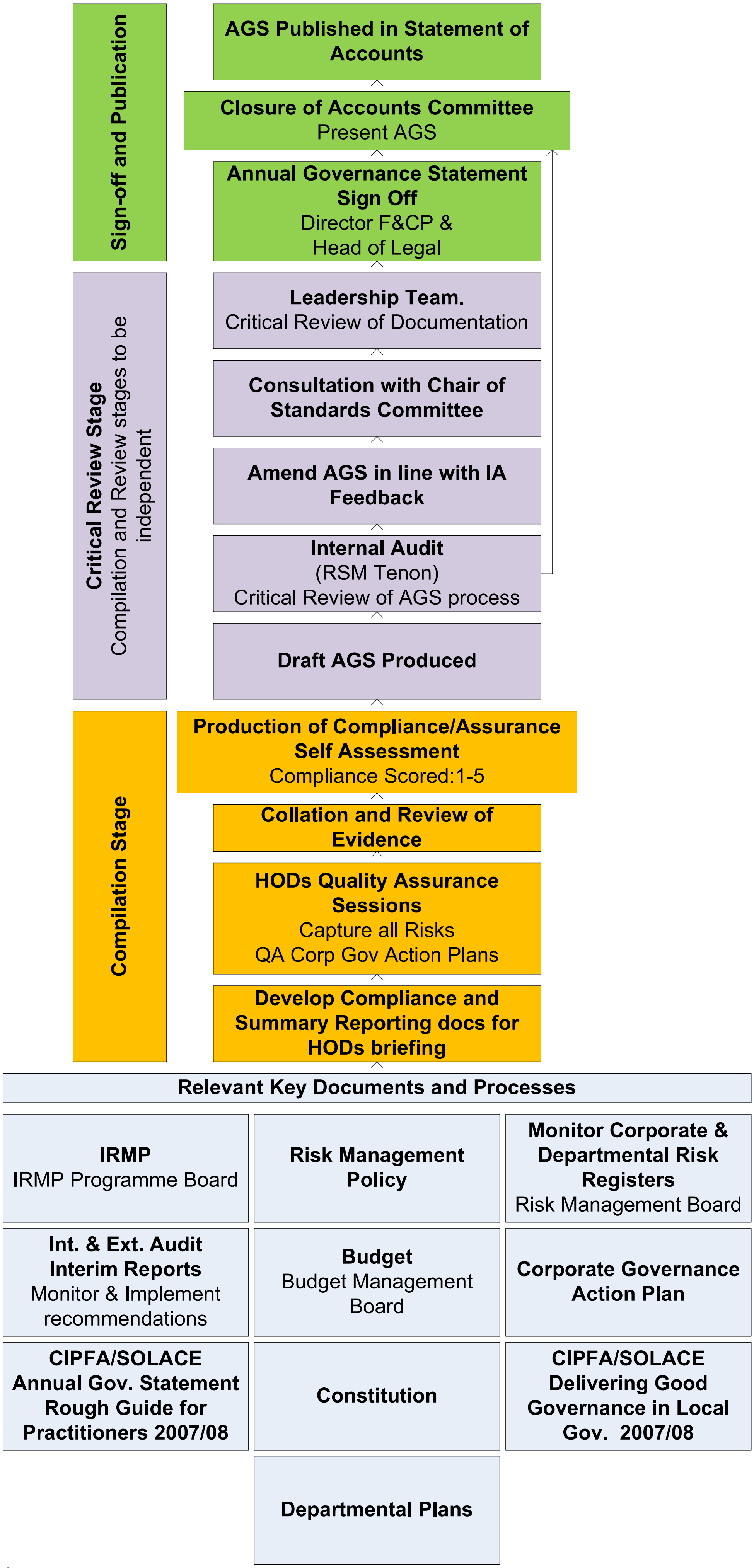
SUMMARY
2010-11

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.	*Standards Committee* ***Five times - Annually***	***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		***5***
Core Principle 5 Developing the capacity and capability of members and officers to be effective		***4.5***
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***

Internal Control Evaluation	*Index Ref No*	*Reporting/ Scrutiny Frequency*	*CFRS Overall Assurance score*
Prevention – management of key risks	***1&2***	*Risk Management Board (RMB)* ***Quarterly*** *Leadership Board – As scheduled* *Policy Board – As scheduled* *Performance & Overview Committee* ***five times Annually*** *Performance Management Group* ***Every two months***	***3***
Response – management of key risks	***3 & 4***	*Risk Management Board (RMB)* ***Quarterly*** *Leadership Board – As scheduled* *Policy Board – As scheduled* *Performance & Overview Committee* ***Five times Annually*** *Local Resilience Forum* *Performance Management Group* ***Every two months***	***4***

Internal Control Evaluation	***Index Ref No***	***Reporting/ Scrutiny Frequency***	***CFRS Overall Assurance score***
Support – management of key risks	**5,6 & 7**	*Risk Management Board (RMB)* ***Quarterly*** *Leadership Board – As scheduled* *Policy Board – As scheduled* *Performance & Overview Committee* ***five times - Annually*** *Performance Management Group* ***Every two months*** *Environment Board* *Budget Management Board* *Equality & Diversity Task Group* *ICT Steering Group* *Health & Safety Committee*	***4***
Overall Internal Control Assurance Score			***4***

APPENDIX TWO
Annual Governance Statement Process Map 2010/11



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

CHESHIRE FIRE AUTHORITY

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

Opinion on the Authority and Pension Fund accounting statements

I have audited the accounting statements and the Firefighters' Pension Fund accounting statements of Cheshire Fire Authority for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The Firefighters' Pension Fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Cheshire Fire Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Authority's Statement of Accounts, including the Firefighters' Pension Fund accounting statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Cheshire Fire Authority's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the financial transactions of the Firefighters' Pension Fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on Authority's 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 to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Cheshire Fire Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts, including the Firefighters' Pension Fund accounting statements, of Cheshire Fire Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

[*Signature*]

Julian Farmer
Officer of the Audit Commission

Audit Practice
Audit Commission, 2nd Floor, Aspinall House, Aspinall Close, Middlebrook, Horwich, Bolton, BL6 6QQ

[*Date*]