

CESHIRE FIRE AUTHORITY



STATEMENT OF ACCOUNTS

2007 - 2008

Cheshire Fire Authority
Statement of Accounts 2007-2008

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EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS by The Treasurer

The following pages comprise the Cheshire Fire Authority's Statement of Accounts for the year ended 31 March 2008, giving all interested parties clear information about the Authority's finances.

This foreword gives an understandable guide to significant matters reported in the accounts, and an explanation in overall terms of the Authority's financial position.

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

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

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

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

The Accounting Statements

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

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

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

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

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

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

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

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

Reporting the Accounts

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

Changes in the 2007 SORP have resulted in some changes to the Authority's accounting policies and the impact of this is shown in the section on accounting policies. In summary, the changes relate to the way in which financial instruments are disclosed in the notes to the accounts, changes in the notional accounts relating to capital reserves, and changes in the way minimum charges to revenue to cover future capital repayment may be calculated. The changes have not had any effect on the financial position of the Authority.

Cheshire Fire Authority

This is the 10th year of the Cheshire Fire Authority. Until 31 March 1998 Cheshire County Council was the Fire Authority for the Cheshire area and as such all expenditure, income, assets and liabilities relating to fire activities were included within the Statement of Accounts of the County Council. As a result of Local Government Reorganisation, from 1 April 1998, Cheshire County Council, Halton Borough Council and Warrington Borough Council became fire authorities and are required to meet their obligations through a combined Cheshire Fire Authority (CFA). The CFA is an independent body and is legally separate from its constituent authorities.

With effect from 1st April 2009, there will be a significant change in the structure of Local Government in Cheshire. Local Government Reorganisation will see the existing Cheshire County Council and the existing Borough Councils of Chester City Council, Ellesmere Port and Neston, Vale Royal, Crewe and Nantwich, Congleton, and Macclesfield become East Cheshire and West Cheshire Councils. As a result it will be necessary for a revised combination order to be issued for the Authority.

The Fire Authority's Framework of Accountability

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

Analysis of 2007-08 Actual Spend

Actual expenditure for the year amounted to £38.6m. Overall, there has been an underspend of £.3m against the net revenue budget of £38.9m. As in 2006-07 the principal cause of the underspend in 2007-08 relates to pay budgets where there continues to be the number of vacant posts caused by the retirement profile of uniformed staff. In addition there have been savings as a result of revised insurance arrangements.

Significant Developments

In 2007/8 the Authority set the lowest Council Tax increase (1.5%) of any billing Authority in the country. Despite this, the Authority continued to invest in the recruitment of firefighters and expand its use of community safety advocates. At the same time, the Authority procured high quality protective equipment for its firefighters, ordered a state of the art Combined Aerial rescue appliance and refurbished a number of its community fire stations.

Fire Authority Funding

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

1. *Revenue Support Grant (RSG) and National Non-Domestic Rates(NNDR)*
For 2007-08 RSG and NNDR were distributed on the basis of the relative needs formula and resident population.
2. *Council Tax Precept*
To be set by the Authority and collected on its behalf by Unitary or District Borough Councils as collection authorities.

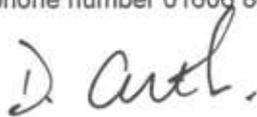
In 2007-08 the Authority set its net revenue budget at £38.9m. Funding was provided by the Council Tax precept which generated £22.4m (58% of the Authority's total funding) with the balance of £16.5 m (42%) provided by Revenue Support Grant and National Non-Domestic Rates. The capital programme for the year was set at £1.31m to be financed via prudential borrowing and capital receipts.

Significant Liabilities

Like other public bodies, the Authority is required to disclose the full estimated value of all its future pensions liabilities in respect of both uniformed and non-uniformed staff. This figure, currently £246m, does not represent an immediate call on the Authority's resources, rather it shows the cost of all pension liabilities for current and retired staff, were they to fall due immediately.

Further Information

It is hoped that the information provided in this Statement of Accounts is clear and informative. Should you require any further information or if you have any comments, please contact Paul Vaughan (Finance Manager) on telephone number 01606 868721.



Darren Griffiths
Treasurer
Cheshire Fire Authority

STATEMENT OF RESPONSIBILITIES

Responsibilities of the Cheshire Fire Authority

The Cheshire Fire Authority is required:

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

Responsibilities of the Treasurer to the Cheshire Fire Authority

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting, is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year then ended.

The Treasurer is the statutory officer responsible to the Authority for the proper administration of the Authority's financial affairs and for ensuring that sound financial management operates within the Combined Fire Authority. The Treasurer will ensure that the Authority has regard to national requirements, including the Local Authority Accounting Code of Practice (SORP 2007), the Code of Practice on Treasury Management and the Accounts and Audit Regulations. The CIPFA Best Value Accounting Code of Practice, introduced for accounting periods from 1 April 2000, requires the net cost of service shown in the revenue account to be analysed over the mandatory divisions of service prescribed by the Code.

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 on Local Authority Accounting in Great Britain and the Best Value Accounting Code of Practice have been complied with

The Treasurer has also ensured that:

- accurate and timely accounting records were maintained
- reasonable steps for the prevention and detection of fraud and other irregularities were taken
- accurate representations were made to the Authority's Auditors, all relevant records were made available and any matters that could have had a material effect on the financial statements were disclosed

The Treasurer's Certificate

I certify that the Statement of Accounts presents fairly the financial position of the Combined Fire Authority as at 31 March 2008 and that events after this date and prior to the formal approval of the Accounts have been properly considered.

Signed:



Date:

17.9.08

Darren Griffiths
Treasurer to Cheshire Fire Authority

Statement from Cheshire Fire Authority

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

.....
Councillor John Joyce
Cheshire Fire Authority

17.9.08
.....
Date

Cheshire Fire & Rescue Service

Annual Governance Statement 2007/08

1. Scope of Responsibility

- 1.1 In discharging its statutory responsibilities Cheshire Fire & Rescue Service is responsible for ensuring that proper Governance arrangements are in place, which are efficient & effective including management of its identified key risks.
- 1.2 This Governance statement states how Cheshire Fire & Rescue Service delivers good governance and provides assurances on the effectiveness of these arrangements and its system of internal control.

2. The Authorities Governance Arrangements

- 2.1 The Authorities governance framework includes the systems, processes, culture & core values by which it is led, directed and controlled and engages with the communities of Cheshire. It includes arrangements to monitor the achievement of its strategic objectives.
- 2.2 The system of internal control is a large part of that framework and its purpose is to manage risk to a reasonable level, therefore providing reasonable assurance on the effectiveness of its policies, systems & processes. The system of internal control is based on an ongoing annual cycle designed to identify, analyse & respond to risks aligned to the achievement of CFRS's aims and objectives, evaluate the likelihood & impact of these risks being realised, and provide assurance on the management and control of these risks.
- 2.3 The Authority owns an extensive Corporate Governance action plan which reflects arrangements that justify the six core principles of effective governance along with evidence of areas of compliance & best practice. It also identifies where there are areas which are not working effectively together with relevant actions for improvement. A scored compliance assessment in relation to our corporate governance arrangements is attached as an appendix to this statement.

3. Review of Effectiveness

- 3.1 CFRS reviews the effectiveness of its governance arrangements and action plan quarterly. This review is undertaken by senior officers and managers within the organisation who have responsibility for the development and maintenance of our governance arrangements.
- 3.2 Standards Committee review and challenge our Governance arrangements & Risk Management framework throughout the year. providing additional assurance.
- 3.3 A number of internal and external audits have also taken place which provide an independent qualified opinion on our governance arrangements these include:
- Direction of Travel (shows the rate of improvement in the Authority's performance)
 - Use of Resources assessment (illustrates how well we use our resources)
 - Data quality audit (reviews our arrangements for ensuring that the data we use is timely and accurate)
 - Managed Audit – Main Accounting Systems (reviews the core financial systems and the controls therein)
 - Payroll Systems (a specific review of our payroll system)
- 3.4 There are well resourced management boards in place within CFRS fulfilling an internal scrutiny function these are responsible for maintaining and overseeing services, resources, planning & performance management, financial performance and robustly challenging efficiency and effectiveness, these include:
- Budget Management Board (the Officer body that manages the finances of the Service)
 - Projects & Performance Management Group (the Officer body that scrutinises and challenges progress against projects and performance indicators)
 - Resources Forum (an Officer body that manages the strategic people issues facing the Service)
 - Change Programme Board (an Officer body that manages the implementation of significant change in the Service such as the transition to the new Regional Control Centre)
 - Risk Management Group (A joint Member and Officer body that reviews the risks facing the Authority and seeks to ensure adequate controls are identified or mitigation strategies put in place)
 - Organisational Development Group (an Officer body that is responsible for the learning objectives from IRMP, operational risk, people management and leadership development)

In addition, the Authority also benefits from the scrutiny provided by the Independent Review Board which comprises members of other organisations from both the public and private sectors.

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

- 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
- Obtaining/validating assurances from departmental & functional managers that key elements of the control framework were in place and effective during the year and identify areas for action where they may have control weaknesses.
- Conducted a review/audit of our 'corporate risks' and management of those risks in line with our Risk Management Framework.
- Ongoing implementation of agreed audit recommendations reported by internal/external audit.

4. Certification

4.1 To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year with no significant weaknesses. We propose over the coming year to ensure steps are taken to address any areas of non compliance or control weaknesses which will further enhance our governance arrangements. We are satisfied that these steps will address the need for any improvements identified during this review and monitoring phase, the implementation of these improvements will be form part of our ongoing quality assurance, audit & governance cycle during 08/09.

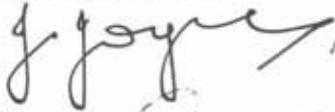
4.2 Whilst we are confident that we have no significant control weaknesses, like all organisations, we do however face risks. Some of those risks are of a greater magnitude than others, but for each we have some controls in place and others in development. Some of our key corporate risks are identified below:

- The risk of a major incident and the potentially serious consequences to our firefighters, the general public and business communities;
- The transitional risks of the move to the new local government structure (following LGR) and its impact on our Members and our ability to deliver services in partnership with other Authorities;
- The range of risks to our business continuity;

➤ The risk that delays in the Regional Control Project pose to our ability to meet our statutory duties in mobilising and responding to incidents;

➤ The risk of loss of sensitive data.

Signatures:



Vice-Chair of the Fire Authority

Chief Fire Officer.....

Treasurer


**CF&RS – Governance Arrangements CIPFA/SOLACE 2007/8
Systems of Internal Control**

**Compliance/Assurance
Self Assessment**

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

Principles	Local Code/Control Framework	Ref	CFRS Owner /score	CFRS Overall score
authority, its partners and the public are clear so that each knows what to expect of the other	<i>Develop protocols to ensure effective communications between members and officers in their respective roles</i>	2.3	4	MM
	<i>Set out terms and conditions of remuneration of members and officers and effective structure for managing the process, including an effective remuneration panel (if applicable)</i>	2.3.1	5	GT MM
	<i>Ensure that effective mechanisms exist to monitor service delivery</i>	2.3.2	4	DG TB
	<i>Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated</i>	2.3.3	4	DG TB
	<i>When working in partnership, ensure those members are clear about their roles and responsibilities both individually and collectively in relation to partnership and to the authority</i>	2.3.4	3/4	MM
	<i>When working in partnership</i> - <i>ensure that there is clarity about legal status of the partnership</i> - <i>ensure that representatives of organisation both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions</i>	2.3.5	3/4	PH DG
Core Principle Three – Promoting values for the authority and demonstrating the values of good governance through upholding high standards and behaviour				
Supporting Principles: Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance Ensuring that organisational values are put into practice and are effective	<i>Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect</i>	3.1	4/5	MM
	<i>Ensure that standards of conduct and personal behaviour expected of members and staff and between authority, its partners and the community are defined and communicated through codes of conduct and protocols</i>	3.1.1	5	MM
	<i>Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice</i>	3.1.2	4/5	MM
	<i>Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners</i>	3.2	4/5	GT
	<i>Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice</i>	3.2.1	3/4	TB
	<i>Develop and maintain an effective standards committee</i>	3.2.2	5	MM
	<i>Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority</i>	3.2.3	4	DG TB
	<i>In pursuing the vision of partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners behaviour both individually and collectively</i>	3.2.4	3	PH
Core Principle four - Taking informed and transparent decision which are subject to effective scrutiny and managing risk				
Supporting Principles: Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny	<i>Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible</i>	4.1	4/5	KF MM
	<i>Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.</i>	4.1.1	4	MM DG

4/5

Principles	Local Code/Control Framework	Ref	CFRS Owner /score	CFRS Overall score
Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	<i>Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.</i>	4.1.2	4/5	MM DG
	<i>Develop and maintain effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee</i>	4.1.3	5	DG MM
	<i>Ensure that effective transparent and accessible arrangements are in place for dealing with complaints</i>	4.1.4	4	KF
	<i>Ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for purpose relevant, timely and gives clear explanations of technical issues and their implications</i>	4.2	4	DG
	<i>Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately</i>	4.2.1	4	DG KF
Ensuring that an effective risk management system is in place	<i>Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs</i>	4.3	4	DG
	<i>Ensure that effective arrangements for whistle-blowing are in place to which officers, staff and all those contracting with or appointed by the authority have access</i>	4.3.1	4	KF
Using their legal powers to the full benefit of the citizens and communities in their area	<i>Actively recognises the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities</i>	4.4	4/5	KF
	<i>Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law</i>	4.4.1	4/5	KF
	<i>Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law</i> – rationally, legality and natural justice – into their procedures and decision making processes-+	4.4.2	4/5	KF
Core Principle five – Developing the capacity and capability of members and officers to be effective				
Supporting Principles: Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	<i>Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis</i>	5.1	4	MM GT
	<i>Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority</i>	5.1.1	4	SM
Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as such a group	<i>Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively.</i>	5.2	4	MM GT
	<i>Develop skills on a continuing basis to improve performance including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.</i>	5.2.1	4	MM GT DG
Encouraging new talent for membership of the authority so that best use can be made of individual's skills and resources in balancing continuity and renewal	<i>Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might for example, aim to address any training or development needs</i>	5.2.2	5	MM GT
	<i>Ensure the effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority,</i>	5.3	3/4	KF
	<i>Ensure that career structures are in place for members and officers to encourage participation and development</i>	5.3.1	4	MM GT

4/5

4

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

CFRS INTERNAL CONTROL EVALUATION 07/08

Function	Internal Ref	Principal Risk	Assurance Score/ Owner		CFRS Overall Score
Community Risk Reduction	1.1	Failure to meet the 20% reduction in accidental fire deaths by 2010	4	PH	4
	1.2	Failure to deliver young persons programme	4	PH	
	1.3	Failure to obtain funding to deliver youth programmes	4	PH	
	2.1	Failure to conduct audit on identified high risk premises under Fire Safety Order	4	JR KB	
	2.2	Failure to Meet 10% Arson reduction by 2010	4	JR	
Emergency Response	3.1	Insufficient information	4	PW	
	4.1	Failure in mobilising systems	2/3	PW	
	4.2	Failure of service to provide adequate water supply	3/4	PW	

Function	Internal Ref	Principal Risk	Assurance Score/ Owner		CFRS Overall Score
	4.3	<i>Inadequate foam supplies</i>	3	PW	3/4
	4.4	<i>Service standards not adhered to in all station</i>	3	PW	
Corporate Services	5.1	<i>Failure to have a operationally competent workforce</i>	3	JT	3/4
	5.2	<i>Industrial action as a result of change agenda or specific industrial issues impacting on our ability to deliver adequate service</i>	4	GT DG	
	6.1	<i>Failure to meet performance standards</i>	4	DG	
	6.2	<i>Failure to protect our data</i>	3	DG PH	
	6.3	<i>Demonstrate inappropriate behaviour or actions whilst engaging with vulnerable members of the community</i>	3/4	PH	
	6.4	<i>Failure to comply with equalities legislation</i>	4	TB EF	
	6.5	<i>Failure to properly consult</i>	4	TB	
	7.1	<i>Failure of financial/payroll systems to deliver organisational requirements</i>	4	DG DL	
	7.2	<i>Failure to deliver medium term financial plan based on sound corporate and financial management</i>	4	DG	
	7.3	<i>Failure to deliver VFM with our major partnerships</i>	4	DG	
	7.4	<i>Failure to protect the Service's assets</i>	4	DL	
	Overall Assurance Score			3/4	

**CF&RS – Code of Corporate Governance CIPFA/SOLACE 2007/8
Systems of Internal Control**

**SUMMARY
2007/08**

Corporate Governance – CIPFA/SOLACE 2007 Core Principles	CFRS Overall compliance score (scored 1-5 where 1 is poor and 5 is excellent)
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.	3
Core Principle 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles	4/5
Core Principle 3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour	4/5
Core Principle 4 Taking informed transparent decisions which are subject to effective scrutiny and managing risk	4/5
Core Principle 5 Developing the capacity and capability of members and officers to be effective	4
Core Principle 6 Engaging with local people and other stakeholders to ensure robust public accountability	4
Overall Compliance Score	4

Internal Control Evaluation Functions Principal Risks	Index Ref No	CFRS Overall Assurance score (scored 1-5 where 1 is poor and 5 is excellent)
Community Risk Reduction	1 & 2	4
Emergency Response	3 & 4	3
Corporate Services	5,6 & 7	3/4
Overall Assurance Score		4

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

Opinion on the financial statements

I have audited the accounting statements, the firefighters' pension fund accounting statements and related notes of Cheshire Fire Authority for the year ended 31 March 2008 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The firefighters' pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial statements and firefighters' pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Cheshire Fire Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements, including the firefighters' pension fund accounting statements, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the accounting statements, the firefighters' pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

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

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

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

Basis of audit opinion

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

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

Opinion

In my opinion:

- The accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended; and
- The firefighters' pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the firefighters' pension fund during the year ended 31 March 2008 and the amount and disposition of the fund's assets and liabilities as at 31 March 2008, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for fire authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Cheshire Fire Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

I have issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 on 19 December 2007. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

Signature Judith Tench Date 30 September 2008

Judith Tench
District Auditor

The Heath Business & Technical Park
Runcorn
Cheshire
WA7 4QX

September 2008

STATEMENT OF ACCOUNTING POLICIES

I. GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for 2007-08 financial year and its position at the year-end of 31 March 2008. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2007 – A Statement of Recommended Practice (the SORP), Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS). The general principles adopted in preparing the accounts are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounting convention adopted is historic cost, modified by the revaluation of fixed assets.

II. INCOME AND EXPENDITURE ACCOUNT

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

- Fees and charges due from customers are accounted for as income at the date the Authority provides the goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as stocks on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. Reasonable efforts are made to recover all debts, regardless of whether a provision has been made.

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

III. PROVISIONS

Provisions are made where an event has taken place that gives the Authority an obligation that probably requires settlement by a transfer of economic benefits, but where timing of the transfers is uncertain. Provisions are charged to the appropriate service revenue account in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet.

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

IV. RESERVES

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

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

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits, but they do not represent usable resources for the Authority – these reserves are explained in the relevant policies below. Further details on reserves held and the movements in reserves in 2007-08 are shown in note 25 in the notes to the core financial statements.

Notional Accounts

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

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

Earmarked Reserves

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

- **Capital Reserve - Schemes**
This reserve represents funds set aside for capital schemes that have been deferred or are in progress.
- **Capital Reserve - Unapplied Receipts**
With effect from 1 September 1998 all capital receipts can be used to finance capital expenditure. The receipts from the disposal of assets are used to help fund future capital programmes.
- **Resource Centre Managers' Reserve**
The Authority operates a devolved budget management scheme. Any Member approved carry forwards on Service resource centre managers' budgets are transferred into this reserve. The reserve also includes specific approvals by Members to fund expenditure in future years.
- **Community Risk Reduction Reserve**
The purpose of this reserve is to fund the Services extensive programme of Home Safety Assessments until 2011.
- **Performance Delivery Group (PDG) Reserve**
The purpose of this reserve is to provide local managers with a small budget to facilitate the engagement of partners in community safety related activities.
- **Operational Focus Reserve**
The purpose of this reserve is to fund the development of operational training facilities and opportunities in recognition of the decreasing number of incidents attended by crews and the need to maintain firefighting competencies.
- **General Reserve**
This reserve represents cumulative revenue account under spends, net of any approved contributions to fund revenue expenditure.

V. GOVERNMENT GRANTS AND CONTRIBUTIONS (REVENUE)

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

VI. RETIREMENT BENEFITS

Employees of Cheshire Fire Authority participate in two schemes:

The Local Government Pension Scheme for non uniformed staff –

All non uniformed staff, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme, through the medium of the Cheshire Pension Fund. The scheme, which is a funded, defined benefit scheme, is administered by Cheshire County Council in accordance with the Pension Regulations 1997. 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.

Employer contribution rates are reviewed every three years. The last review took place at 31 March 2004 and was effective from 1 April 2005. The next review will be effective from 1 April 2008. Contributions are set at a level intended to balance pension liabilities with the Authority's share of the Fund's investment assets.

The Firefighter Pension Scheme for uniformed staff -

This is an unfunded scheme, meaning that there are no investment assets built up to meet the liability. That liability now resides in a local pensions account into which pension contributions are made and from which, pensions are paid. The cost of employer contributions into the local pensions account are charged to the Service revenue account. The balance on the local pensions account is the responsibility of Government.

The impact of these two pension schemes is identified separately in the revenue account and balance sheet. In presenting the detailed information required by the Statement of Recommended Practice, the Authority has implemented the following accounting policies:

- Net assets/net liabilities are identified for both pension schemes;
- The attributable assets of the scheme (local government) are measured at fair value;
- The attributable liabilities of both schemes are measured on an actuarial basis, using the projected unit method;
- Scheme liabilities are discounted at a rate that reflects the time value of money and the characteristics of the liability;
- The surplus/deficit in each scheme is the excess/shortfall of the value of assets in the scheme over/below the present value of the scheme;
- The current service cost is based on the most recent actuarial valuation at the beginning of the period, with the financial assumptions updated to reflect conditions at that date;
- The interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period;
- The expected return on assets is based on long term expectations at the beginning of the period and is expected to be reasonably stable;
- Recognition that actuarial gains and losses may arise from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date;
- Past service costs are disclosed on a straight-line basis over the period in which the increase in benefits vest.
- Losses arising from settlements or curtailments and allowed for in the actuarial assumptions are measured at the date on which the employer becomes committed to the transaction;
- Gains arising from settlements or curtailments and not allowed for in the actuarial assumptions are

measured at the date on which all parties whose consent is required are irrevocably committed to the transaction.

Pensions Reserve/Pensions Liability

The cost of providing pensions for employees is funded in accordance with the statutory requirements governing the particular schemes in which the Authority participates. However, accounting for pensions is in accordance with generally accepted accounting practice, subject to the interpretations provided in the Statement of Recommended Practice.

Where the payments made for the year in accordance with the scheme requirements do not match the change in the Authority's recognised asset or liability for the same period, the recognised cost of pensions will not match the amount required to be raised via taxation. This is represented by an appropriation to or from the notional pensions reserve, which equals the net change in the pensions liability recognised in the Revenue Account.

VII. VAT

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

VIII. 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 2007 (BVACOP). The total absorption costing principle is used with the full cost of overheads and support services being shared between users in proportion to the benefits received, with the exception of Corporate and Democratic Core costs relating to the Authority's status as a democratic organisation.

IX. TANGIBLE FIXED ASSETS

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

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

Measurement: assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service account.

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

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

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

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the

Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts.

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

Depreciation is calculated on the following bases:

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

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

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

The Fire and Rescue Service Headquarters, Fire Stations and Fire Museum were revalued by Keith Skelhorn FRICS of Dunlop Haywards (Property Consultants) as at 1 April, 2005. The Day Crewed Housing was valued by Derek Johns MRICS in 2003/04.

X. CHARGES TO REVENUE FOR FIXED ASSETS

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

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

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

XI. LEASES

Finance leases

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

Operating leases

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

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

XII. FINANCIAL LIABILITIES

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

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

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

XIII. FINANCIAL ASSETS

Financial assets are classified into two types;

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

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

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

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

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

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

XIV. STOCKS AND WORK IN PROGRESS

Stocks of specialised fire fighter clothing and uniforms, vehicle spares and fuel are shown at cost, or net realisable value. Stocks of stationery and catering supplies are not included in the balance sheet as such stocks are incidental and deemed not to be material to the accounts. Further note on stock is shown under the core financial statements.

XV. CONTINGENT ASSETS/LIABILITIES

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

XVI. INTEREST IN COMPANIES AND OTHER ENTITIES

North West Fire and Rescue Management Board

The Government issued a White Paper 'Our Fire and Rescue Service' during 2003/04.

This required Fire Authorities to establish before 1st April 2004 Regional Management Boards (RMBs), the intention being to increase efficiency and effectiveness for all fire authorities by delivering shared services and reducing duplication of effort. In particular, RMBs are expected to deliver:

- Resilience to emergencies, especially potential chemical, biological, radiological or nuclear attack;
- Specialist or common services where appropriate (i.e. fire investigation)
- Procurement
- Training
- Personnel Management and Human Resources Management

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

The region has conducted significant work in 2007/08 by working collaboratively. Significant work has taken place in support of the national Fire Control Project. This project is sponsored by Communities for Local Government and is a national project replacing 42 Control Rooms across England and Wales which will provide an integrated and modern network of nine Regional Control Centres (RCCs). They will be able to receive calls and mobilise resources across the country. The North West Regional Control Centre will be located at Warrington, Cheshire. Funding to support this project at a regional level has been provided to the North West Fire and Rescue Management Board in the form of New Burdens grants from Communities for Local Government.

A full set of the Regional Management Board accounts are available from Ged Murphy, Treasurer to the Board, Greater Manchester Fire and Rescue Authority, 146 Bolton Road, Swinton, Manchester, M27 8US: Tel 0161 608 4001.

Local Authority Controlled Company

North West Fire Control Company has been established to operate the new regional control facility which takes over responsibility for the Fire and Rescue Service mobilisation for Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside in 2010.

The company comprises 5 members, namely each of the constituent FRAs and 10 Directors, 2 from each of the constituent FRAs. The company is limited by guarantee and the liability of the Authority is limited. The Authority is one of 5 members of the company and has the right to appoint 2 of the 10 directors.

The Authority has a relationship with the North West Fire Control Company. In line with accounting requirements it has been assessed that Group Accounts are likely to be required. The Company will not undertake any regional control function until the constituent Fire and Rescue Authorities agree that it should commence such a function. The Company has not incurred any expenditure and is dormant and therefore no group accounts are required for 2007/08.

The Fire and Rescue Authorities Mutual Ltd

Fire and rescue authorities across England have joined forces to form an insurance mutual. The Fire and Rescue Authorities Mutual Ltd (FRAML) started business in August 2007. FRAML comprises five Fire Authorities; Royal Berkshire, Cheshire, Devon & Somerset, Hampshire and Kent & Medway Town. As part of the capitalisation of FRAML the Authority provided a guarantee of £193k which is shown in the Authority's Balance Sheet as a long term investment. The formation of FRAML allowed each participating Authority to benefit from a reduction in premiums of approximately 15%.

XVII. PRIOR PERIOD ADJUSTMENTS / CHANGE IN ACCOUNTING POLICY

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

The changes to the SORP detailed below have not resulted in any prior period adjustments to the accounts. However, as a result of the changes in relation to capital accounting, the Balance Sheet as at 31st March 2007 has been restated. The balances on the Fixed Asset Restatement Account and the Capital Financing Account have been transferred to the new Capital Adjustment Account, and the new Revaluation Reserve has been included with a nil opening balance.

XVIII. 2007 STATEMENT OF RECOMMENDED PRACTICE (SORP)

The substantive changes introduced in the 2007 SORP are as follows.

The requirements of FRS 25, FRS26 and FRS29 have been recognised in changes to disclosures in relation to financial instruments and a new note has been included in the accounts. Because of the nature of the financial instruments used by Cheshire Fire Authority, the changes have not had any impact on the financial position of the Authority.

The 2006 SORP contained an Appendix G that set out changes to come into effect on 1 April 2007 (ie for 2007/08) which would implement a Revaluation Reserve and Capital Adjustment Account, replacing the Fixed Asset Restatement Reserve and Capital Financing Account. These provisions have now been consolidated fully into the 2007 SORP and these new accounts have been included in the Statements. The inclusion of these new accounts and the removal of the accounts they replaced has not had any impact on the financial position of the Authority.

The SORP introduced changes in the way in which the Minimum Revenue Provision, a charge to the Income and Expenditure account to provide for future repayment of debt, may be calculated. The Authority has decided to continue to calculate the provision in accordance with the formula used previously, and it is the Authority's intention to continue to use this methodology in 2008/9.

CHESHIRE FIRE AUTHORITY - INCOME AND EXPENDITURE ACCOUNT 2007- 08

Net Expenditure 2006-07 £000		note	Gross Expenditure 2007-08 £000	Gross Income 2007-08 £000	Net Expenditure 2007-08 £000
15,978	Community Fire Safety		5,188	(214)	4,974
21,999	Fire fighting and Rescue Operations		36,142	(1,414)	34,728
1,957	Corporate and democratic core		796	(12)	784
-	Non distributed costs		(193)	-	(193)
39,934	Net Cost of Services		41,933	(1,640)	40,293
-	Loss on the disposal of fixed assets				3
249	Interest payable and similar charges				311
(512)	Interest and investment income				(612)
13,840	Pension interest cost and expected return on pensions assets	11			14,906
53,511	Net Operating Expenditure				54,901
(21,874)	Precepts (Council Tax)				(22,390)
(2,307)	General government grants				(2,367)
(13,218)	Non-domestic rates redistribution				(14,104)
16,112	Deficit for the Year				16,040

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2006-07 £000		2007-08 £000
16,112	Deficit for the year on the Income and Expenditure Account	16,040
<u>(15,682)</u>	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	<u>(16,309)</u>
430	Increase in General Fund Balance for the Year	(269)
(6,226)	General Fund Balance brought forward	(5,796)
<u>(5,796)</u>	General Fund Balance carried forward	<u>(6,065)</u>

The Income and Expenditure Account shows the authority's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority raise council tax on a different basis because for example, capital investment is accounted for as it is financed rather than when fixed assets are consumed.

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

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

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

2006-07 £000		note	2007-08 £000	2007-08 £000
	<i>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</i>			
(2,149)	Depreciation and impairment of fixed assets	12	(2,264)	
45	Government Grants Deferred amortisation		27	
-	Net loss on sale of fixed assets		(3)	
(23,630)	Net charges made for retirement benefits in accordance with FRS 17	11	(23,889)	
(25,734)			(26,129)	
	<i>Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year</i>			
180	Minimum revenue provision for capital financing	10	213	
107	Capital expenditure charged in year to the General Fund Balance	12	193	
7,730	Employer's contributions payable to the Pensions Account and retirement benefits payable direct to pensioners	11	8,876	
8,017			9,282	
	<i>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</i>			
122	Voluntary revenue provision for capital financing	10	144	
1,913	Net transfer to or from earmarked reserves	21	394	
2,035			538	
(15,682)	Net additional amount required to be credited to the General Fund Balance for the year		(16,309)	

CHESHIRE FIRE AUTHORITY - STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The Statement of Total Recognised Gains and Losses reflects all gains and losses for the period, not just those shown within the Income and Expenditure Account.

2006-07 £000		note	2007-08 £000
16,112	Deficit on the Income and Expenditure Account for the year		16,040
(11)	Surplus arising on revaluation of fixed assets		(4)
	Actuarial (gains) and losses on pension fund assets and liabilities		
(900)	- Local Government Pension Scheme	11	209
(21,000)	- Fire Authority Pension Scheme	11	(48,700)
73	Transfer from RCM Reserve to Creditors (Cadets)		-
(118)	Tax provision credited back to revenue as part of net additional amount to be credited to General Fund Balance		-
(16)	Other Changes		-
(5,860)	Total Recognised (Gains) / Losses for the year		(32,455)

CHESHIRE FIRE AUTHORITY – BALANCE SHEET as at 31 March 2008

31-Mar-07 Restated £000		Note	31-Mar-08	
			£000	£000
	FIXED ASSETS			
-	Intangible Fixed Assets	12	132	
	Tangible Fixed Assets-Operational Assets	12		
29,598	Property		29,415	
2,497	Vehicles		2,915	
1,628	Equipment		1,522	
211	Non-Operational Assets		213	
33,934	TOTAL FIXED ASSETS			34,197
	LONG-TERM ASSETS			
-	Long-term investment	29		193
	CURRENT ASSETS			
100	Stocks	13	275	
4,681	Debtors and prepayments	14	5,053	
9,198	Investments (Short Term)	15	8,088	
7	Cash in hand		8	
-	Cash at bank		636	
13,986				14,060
47,920	TOTAL ASSETS			48,450
	Current Liabilities			
(3,196)	Creditors	16	(4,185)	
-	Provision for tax liability		-	
(495)	Cash Overdrawn		-	
(133)	Short Term Borrowing		-	
(3,824)				(4,185)
44,096	TOTAL ASSETS LESS CURRENT LIABILITIES			44,265
	LONG TERM LIABILITIES			
(46)	Pension Liability – long term creditors	17	(46)	
(151)	Capital Grant - deferred		(124)	
(5,342)	Long-term borrowing	18	(6,439)	
-	Deferred liabilities	6	(122)	
(279,300)	Pension Liability (FRS 17)	11	(245,822)	
(284,839)				(252,553)
(240,743)	TOTAL ASSETS LESS TOTAL LIABILITIES			(208,288)
	FINANCED BY:			
	<u>Notional Accounts</u>			
-	Revaluation Reserve		4	
(279,300)	Pension Account (FRS 17)		(245,822)	
28,446	Capital Adjustment Account		27,927	
(250,854)				(217,891)
	<u>Earmarked Reserves</u>	21		
1,720	Capital Reserve - schemes		549	
289	Capital – unapplied receipts		289	
442	Resource Centre Managers		538	
1,700	Community Risk Reduction		1,431	
164	PDG Reserve		288	
-	IRMP (Operational Focus) Reserve		443	
5,796	General		6,065	
10,111				9,603
(240,743)	TOTAL NET WORTH			(208,288)

CHESHIRE FIRE AUTHORITY - CASH FLOW STATEMENT 2007-2008

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

2006-07 £000		Note	2007-08 £000
	REVENUE ACTIVITIES		
	Cash Outflows		
(29,988)	Payments to and on behalf of employees		(31,295)
(6,614)	Other operating cash payments		(7,535)
(36,602)			(38,830)
	Cash Inflows		
(3,011)	Cash received for goods and services and other operating cash receipts		783
297	Specific Grants	26	426
2,314	Revenue Support Grant		2,367
13,218	National non-domestic rates payments from national pool		14,104
21,874	Precepts received (Council Tax)		22,390
34,692			40,070
(1,910)	REVENUE ACTIVITIES NET CASH INFLOW	22	1,240
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
	Cash Outflows		
(116)	Interest paid		(427)
	Cash Inflows		
445	Interest received		483
329	SERVICING OF FINANCING ACTIVITIES NET CASH INFLOW		56
	CAPITAL ACTIVITIES		
	Cash Outflows		
(1,391)	Purchase of fixed assets		(2,302)
-	Purchase of long-term investments		(193)
	Cash Inflows		
170	Capital Receipts		36
(1,221)	CAPITAL ACTIVITIES NET CASH OUTFLOW		(2,459)
(2,802)	NET CASH INFLOW (OUTFLOW) BEFORE FINANCING		(1,163)
	FINANCING		
	Cash Outflows		
(66)	Principal Repayments		(200)
	Cash Inflows		
970	New loans raised		1,097
904	FINANCING - NET INFLOW	24	897
(1,397)	MANAGEMENT OF LIQUID RESOURCES		
(1,397)	Net (Increase) / Decrease in short term deposits	24	(1,398)
(501)	NET INCREASE /(DECREASE) IN CASH	23	1,132

CHESHIRE FIRE AUTHORITY - FIREFIGHTERS PENSION FUND 2007-08

2006-07 £000	£000		2007-08 £000	£000
		Contributions Receivable		
		Employer Contributions		
3,476		Re members of 1992 Firefighters Pension Scheme	3,424	
24	3,500	Re members of 2006 New Firefighters Pension Scheme	193	3,617
<hr/>				
		Actuarial charges re Early Retirements		
108		Re Ill Health Retirements taking place in 2005-06	-	
160		Re Ill Health Retirements taking place in 2006-07	160	
0	268	Re Ill Health Retirements taking place in 2007-08	36	196
<hr/>				
	3,768			3,813
<hr/>				
		Member (employee) Contributions		
1,798		1992 Firefighters Pension Scheme	1,769	
19	1,817	2006 New Firefighters Pension Scheme	149	1,918
<hr/>				
	127	Transfer Values Receivable to from Other Schemes		102
<hr/>				
	5,712	Total Amount Receivable		5,833
<hr/>				
		Benefits Payable		
6,206		On-going pension payments	6,955	
2,277		Lump Sum Retirements Benefits	3,174	
54		Lump Sum Death Benefits	-	
8,537			10,129	
<hr/>				
463		Transfer Values Payable to other Schemes	23	
<hr/>				
	9,000	Total Amount Payable		10,152
<hr/>				
	3,288	Net Amount Payable before Top-up Grant Receivable		4,319
<hr/>				
	3,288	Top up Grant Receivable		4,319
	0			0
<hr/> <hr/>				
		Note re Top up Grant Receivable		
	3,288	Amount Receivable as above		4,319
	385	Less received at 31 March		467
	2,903	Amount due at year end		3,852
<hr/> <hr/>				
		Net Assets Statement as at 31 March		
2006-07 £000			2007-08 £000	
	2,903	Debtor - Top up Grant Receivable 2006-07		169
	0	Debtor - Top up Grant Receivable 2007-08		3,852
	(9)	Less creditors -unpaid Lump Sum Retirement Benefits		(321)
		Other Current Assets and Liabilities (other than liabilities to pay pensions and other benefits in the future)		(13)
<hr/>				
2,894		Net Assets as at 31 March		3,687
<hr/> <hr/>				

NOTES TO THE CORE FINANCIAL STATEMENTS

- 1 Expenditure and income have been analysed above on the Best Value Code of Practice analysis, the subjective analysis is shown below.

<u>Category of Expenditure</u>		2007-08	2006-07
		£000	£000
Employees			
Uniformed		25,722	24,807
Non Uniformed		5,773	5,010
Other Employee Costs		746	489
		32,241	30,306
Overheads:			
Third Party Payments	Note 2	1,163	1,062
Capital Charges		2,264	2,149
Members Allowances	Note 3	113	97
Premises		1,358	1,240
Supplies, Services and Other Expenses		3,466	2,840
Transport		1,010	954
		9,374	8,342
Pensions:			
Pensions FRS17		(193)	2,060
Pensions		511	272
		318	2,332
Gross Cost of Service per BVACOP		41,933	40,980
Service Income	Note 4	(1,640)	(1,046)
Net Cost of Service		40,293	39,934

2 Third Party Payments

		2007-08	2006-07
		£000	£000
Payments to	Staffordshire	20	23
	Greater Manchester	0	3
	Merseyside	9	0
Services Bought In		1,134	1,036
		1,163	1,062

Sections 13-16 of the Fire and Rescue Services Act 2004 refer to aid arrangements provided by neighbouring fire authorities. In certain circumstances this aid is chargeable and in 2006-07, the costs incurred are shown above.

3 Members' Allowances

In accordance with the Local Authorities Regulations 1995 (Nov 2003), the total amount spent on Members' allowances in 2007-08 was £104,734 (2006-07 £97,305).

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

4 Income

	2007-08	2006-07
	£000	£000
Sales	27	47
Fees	382	463
Prince's Trust	304	263
Other Income	927	273
	<u>1,640</u>	<u>1,046</u>

5 Publicity

Per the requirements of Section 5 (1) of the Local Government Act 1986, the Authorities spending on publicity during 2007-08 was £214,955 (2006-07 was £102,970).

There has been a significant increase in expenditure mainly due to a number of recruitment campaigns for uniformed staff following a high number of vacant posts caused by the retirement profile of uniformed staff.

	2007-08	2006-07
	£	£
Recruitment advertising	111,829	35,419
Publicity	97,133	63,626
Other advertising	5,993	3,925
	<u>214,955</u>	<u>102,970</u>

6 Leases

Payments made under operating leases in 2007-08 totalled £333,289 (2006-07: £348,953). All expenditure on leases relates to vehicles.

The Authority was committed at 31 March 2008 to making payments of £210,596 under operating leases taken out in 2007-08, comprising the following:

	2007-08
	£
Leases expiring in 2008-09	186,513
Leases expiring between 2009-10 and 2012-13	24,083
Commitments expiring after 2013-14	0
	<u>210,596</u>

The Authority has a training vehicle held under a finance lease. The rental payable under the arrangement in 2007-08 were £13,551, charged to the Income & Expenditure Account as £6,196 finance costs (debited to interest payable & other charges) and £7,355 relating to the write-down of obligations to the lessor (debited as part of the appropriation to capital adjustment account in the Statement of Movement on the General Fund Balance).

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

	2007-08
	£
Value as 1 April 2007	128,743
Repayment of principal	(7,355)
Value as 31 April 2008	<u>121,388</u>

Outstanding obligations to make payment under this lease (excluding finance costs) at 31 March 2008, accounted for as part of deferred liabilities, are as follows:

	2007-08
	£
Obligations payable in 2008-09	7,709
Obligations payable between 2009-10 and 2012-13	34,730
Obligations payable after 2013-14	78,949
	<u>121,388</u>

7 Officers Remuneration

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

Remuneration band	2007-08	2006-07
	Number of employees	
£50,000 - £59,999	8	13
£60,000 - £69,999	3	3
£70,000 - £79,999	1	0
£80,000 - £89,999	0	0
£90,000 - £99,999	2	0
£100,000 - £109,999	1	3
£110,000 - £119,999	0	0
£120,000 - £129,999	0	0
£130,000 - £139,999	1	1

8 Related Party Transactions

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

A number of these transactions have already been disclosed within the financial statements, as follows:

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

There are two material transactions to disclose in respect of Members, Chief Officers, (including their close family) and the Fire Authority.

- The Authority paid Cheshire County Council £98,293 in respect of Internal Audit and Treasurership services.

- The Board of Directors of the newly created Fire and Rescue Authorities' Mutual Limited (FRAML) insurance company, comprises representatives from member Fire and Rescue Authorities as well as independent specialists. Disclosure has been made of the fact that the Head of Finance and Governance is on the FRAML Board of Directors. During 2007/08 a capital contribution of £193k was made to FRAML and insurance premiums totalling £408k were paid for the period 1st August 2007 to 31st July 2008.

9 Audit Costs

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

	2007-08	2006-07
	£000	£000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	59	67
Fees payable in respect of other services provided by the appointed auditors	2	8
DCLG contribution re: Use of Resources Assessment	0	(12)
	61	63

10 Provision for the Repayment of Debt

The Authority is required by statute to set aside a minimum revenue provision for the repayment of external debt. The figure used to calculate the annual provision for debt repayment was £5,337k. The Authority has decided to make an additional debt repayment provision to recognise the estimated life of the assets being financed through loans.

	2007-08	2006-07
	£000	£000
Minimum repayment provision	213	180
Voluntary repayment provision	144	122
	357	302

11 Retirement Benefits

Participation in Pensions Schemes

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

The Authority participates in two pension schemes:

- the Local Government Pension Scheme for non uniformed staff, administered by Cheshire County Council – this is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- the Firefighters' Scheme for uniformed staff – this is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet actual pension payments as they become due. However, as from 1 April 2006, Firefighter contributions and employer's contributions are now paid into a pension scheme account, from which pension payments are made. Details of the pension scheme account for 2007-08 are shown in the supplementary statements which follow these notes to the core financial statements.

Non Uniformed Staff Pension Costs

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

The capitalised costs of all such retirements are as follows:

	£000
Capitalised costs of Discretionary Retirements to 31 December 1999	263
Capitalised costs of Discretionary Retirements to 31 March 2001	133
Capitalised costs of Discretionary Retirements to 1 April 2002 to 31 March 2008	0
Total	396

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

Transactions Relating to Retirement Benefits

The Authority recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	Local Government Pension Scheme £000		Firefighters' Pension Scheme £000	
	2007-08	2006-07	2007-08	2006-07
Income and Expenditure Account				
<i>Net Cost of Services:</i>				
Current Service Cost	783	890	8,200	8,900
<i>Net Operating Expenditure</i>				
Interest Cost	779	690	15,000	13,900
Expected Return on Assets in the Scheme	(873)	(750)		
<i>Net Charge to the Income and Expenditure Account</i>	689	830	23,200	22,800
<i>Statement of Movement in the General Fund Balance</i>				
<ul style="list-style-type: none"> • Reversal of Net Charges made for Retirement Benefits in accordance with FRS17 	(689)	(830)	(23,200)	(22,800)
Actual amount charged against the General Fund Balance for Pensions in the year:				
<ul style="list-style-type: none"> • Employers' Contributions payable to Scheme 	776	730		
<ul style="list-style-type: none"> • Retirement Benefits payable to pensioners 			8,100	7,000

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31 March 2008 are shown in the following table:

	Local Government Pension Scheme		Firefighters' Pension Scheme		Total	
	31 March 2008	31 March 2007	31 March 2008	31 March 2007	31 March 2008	31 March 2007
	£000	£000	£000	£000	£000	£000
Estimated employer assets	14,742	11,900	0	0	14,742	11,900
Estimated pension liabilities	(17,164)	(14,200)	(243,400)	(277,000)	(260,564)	(291,200)
Net pension liability	(2,422)	(2,300)	(243,400)	(277,000)	(245,822)	(279,300)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £242 million has a substantial impact on the net worth of the Authority as shown in the Balance Sheet, resulting in a negative overall balance of £205 million at 31 March 2008. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme's actuary.
- The only liability for the Authority in relation to the deficit on the firefighters' scheme is the future employer's contributions.

Basis for Estimating Liabilities and Assets

Liabilities

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

	Local Government Pension Scheme		Firefighters Pension Scheme	
	2007-08	2006-07	2007-08	2006-07
	%	%	%	%
Price increases	3.6	3.2	3.6	3.2
Salary Increases	5.1	4.7	5.1	4.7
Pension increases	3.6	3.2	3.6	3.2
Discount rate	6.9	5.4	6.9	5.4

Assets

The Firefighters' Pension Scheme has no assets to cover its liabilities.

Assets in the Cheshire Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories by proportion of the total assets held by the Fund. The table below also includes the expected long term return from each of the asset categories

	Long Term Returns	Proportion of the Fund 31 March 2008	Proportion of the Fund 31 March 2007
	% per year	%	%
Equities	7.7	72.0	75.6
Bonds	5.7	13.3	12.3
Property	5.7	9.6	10.5
Cash	4.8	5.1	1.6
Total	7.1	100.0	100.0

Local Government Pension Scheme

In order to estimate the market value of the Pension Fund assets at 31 March 2008 the actuary uses the actual market value of assets as at 31 December 2007 and an estimate of the final quarter's investment returns. Investment returns can fluctuate and can be volatile and differences can arise between the estimated value and the actual value, which is only known after the date of production of the FRS17 report. With regard to the Local Government Pension Scheme, Cheshire County Council has reviewed the actuary's estimated valuation against the actual valuation and the actuary has understated the assets by a small amount (-0.74%). This is not viewed as significant and no adjustments have been made to the statement of accounts.

Actuarial Gains and Losses

The actuarial gains and losses can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities.

Actuarial Gains and Losses – Local Government Pension Scheme

	2007-08		2006-07		2005-06		2004-05		2003-04		2002-03	
	£000	%	£000	%	£000	%	£000	%	£000	%	£000	%
Differences between the expected and actual return on assets	(1,429)	(9.7)	0	0	1660	15.8	250	3.2	812	12.3	(1,682)	(33.0)
Differences between actuarial assumptions and actual experience	(2,567)	(15)	(20)	(0.1)	80	0.6	(220)	(2.0)	(216)	(2.7)	25	0.4
Changes in Financial Assumptions Underlying the Present Value of the Scheme Liabilities	3,787	23.5	920	6.4	(1,640)	(15.7)	(1,820)	15.0	4	0	0	0
Other gains on liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Actuarial gains and (losses)	(209)	(1.2)	900	6.3	100	0.7	(1,790)	16.2	600	7.5	(1,657)	(23.3)

Actuarial Gains and Losses – Firefighters' Pension Scheme

	2007-08		2006-07		2005-06		2004-05		2003-04		2002-03	
	£000	%	£000	%	£000	%	£000	%	£000	%	£000	%
Differences between the expected and actual return on assets	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Differences between actuarial assumptions and actual experience	2,800	1.2	3,100	1.1	1,800	0.6	(22,300)	(9.2)	288	0.2	900	0.6
Changes in Financial Assumptions Underlying the Present Value of the Scheme Liabilities	58,749	24.1	17,800	6.4	(27,800)	(9.2)	(46,728)	(19.4)	0	0	(13,388)	(9.0)
Other gains on liabilities	(12,849)	(5.3)	100	0.1	0	0	0	0	0	0	0	0
Actuarial gains and (losses)	48,700	20.0	21,000	7.6	(26,000)	(9.2)	(69,028)	(28.6)	288	0.2	(12,488)	(8.4)

12 Fixed Assets

Movement on Fixed Assets

The figures below provide information on the movement of fixed assets held by the Authority during 2007-08. Following the introduction of capital asset accounting, the fixed assets are shown at their current value (see Statement of Accounting Policies).

Operational Assets	Land & Buildings	Vehicles	Equipment	Total
	£000	£000	£000	£000
Gross Book Value at 31 March 2007	32,057	7,262	4,669	43,988
Less Accumulated Depreciation	(2,459)	(4,765)	(3,041)	(10,265)
Net Book Value at 31 March 2007	29,598	2,497	1,628	33,723
<i>Movement in 2007-08</i>				
Additions	1,067	834	393	2,294
Disposals		(40)		(40)
Transfers to/ from non operational assets		138		138
Revaluations		4		4
Depreciation	(1,250)	(515)	(499)	(2,264)
Impairments		(3)		(3)
Net Book Value at 31 March 2008	29,415	2,915	1,522	33,852

Non Operational Assets	Land & Buildings	Vehicles	Equipment	Total
	£000	£000	£000	£000
Gross Book Value at 31 March 2007	73	138	0	211
Less Accumulated Depreciation	0	0	0	0
Net Book Value at 31 March 2007	73	138	0	211
<i>Movement in 2007-08</i>				
Additions	140			140
Disposals				
Transfers to/ from operational assets		(138)		(138)
Revaluations				
Depreciation				
Impairments				
Net Book Value at 31 March 2008	213	0	0	213

Intangible Fixed Assets	Land & Buildings	Vehicles	Equipment	Total
	£000	£000	£000	£000
Gross Book Value at 31 March 2007	0	0	0	0
<i>Movement in 2007-08</i>				
Additions			132	132
Net Book Value at 31 March 2008	0	0	132	132

Notes on Non Operational Assets

The above Land and Buildings expenditure represents initial spending on the new Runcorn Fire Station £123,441 and the extension to the Fire Headquarters £90,002. Neither of these works were completed by 31 March 2008.

The above Vehicles expenditure represents spending on 2 Water Rescue Ladder Chassis. The Vehicles although purchased in 2006-07 didn't become operational until 2007-08 when the other parts of the vehicles were delivered and the vehicles were completed.

Capital Expenditure and Financing

	2007-08	2006-07
	£000	£000
Capital investment		
Operation assets - Land and Buildings	1,067	310
Operation assets - Vehicles	772	329
Operation assets - Equipment	393	644
Non operational assets - Land and Buildings	140	73
Non operational assets - Vehicles	0	138
Intangible Assets - Equipment	132	0
	<u>2,504</u>	<u>1,494</u>
	2007-08	2006-07
	£000	£000
Sources of finance		
Borrowing	1,097	1,150
Revenue contribution	193	108
Capital receipts	36	113
Government grants and other contributions	7	123
Capital Reserve	1,171	0
	<u>2,504</u>	<u>1,494</u>

Valuation Information

The table below gives details of the basis of valuation of the Authority's operational assets as at 31 March 2008.

	Property £000	Vehicles £000	Equipmen t £000	Total £000
Valued at historical cost		2,915	1,522	4,437
Valued at current value in :				
2003-04 (Day Crewed Housing)	8,148			8,148
2005-06 (Fire Stations and Administrative Buildings)	21,267			21,267
Total	<u>29,415</u>	<u>2,915</u>	<u>1,522</u>	<u>33,852</u>

The Fire Stations and the Fire Headquarters have been re-valued by Dunlop Haywards (an independent firm of property consultants) as at 1 April 2005. The valuations have been prepared on the bases set out below.

The Fire Stations have been valued on the basis of Depreciated Replacement Cost, which is defined by the Royal Institute of Chartered Surveyors as "the current cost of reproductional replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation".

The Fire Headquarters has been valued on the basis of Existing Use Value.

The Day Crewed Housing stock were valued by Derek Johns MRICS (the then Property Manager at Cheshire Fire Authority) in 2003/04 at estimated Market Value .

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

Fixed Assets owned by the Authority on 31 March 2008 include the following:

Fire Stations (including Headquarters and Control Room) 26
 Fire Houses 54
 Fire Museum 1
 Vehicles 95
 Historical Vehicles 7
 Boats and Trailers 4

13 Stocks

	2007-08 £000	2006-07 £000
Workshops and equipment		99
Workshops	92	
Uniform	120	
Firefighting	43	
General	20	
	<u>275</u>	<u>99</u>

In 2006-07 the Authority's systems were unable to analyse stock across these above categories. However, the Authority is now able to produce an analysis as shown above.

14 Debtors and prepayments

	2007-08	2006-07
	£000	£000
General debtors greater than 1 year old	53	3
General debtors less than 1 year old	4,794	4,678
Prepayments	206	0
	<u>5,053</u>	<u>4,681</u>

15 Investments

During 2007-08 temporary surpluses of cash were invested with Cheshire County Council at the 7 day LIBID rate, except where it is clear that the surpluses are available for more than one month. In these cases money is invested on the money market. As at 31 March 2008 the Fire Authority had no monies invested with Cheshire County Council, nor did it have any monies in the Public Sector Reserve Account. With effect from April 2008, Warrington Borough Council has taken on the Fire Authority's treasury management function.

	2007-08	2006-07
	£000	£000
Cheshire County Council	0	3,198
Money Market Deposits	8,088	6,000
	<u>8,088</u>	<u>9,198</u>

16 Creditors

	2007-08	2006-07
	£000	£000
Trade creditors	1,723	993
Employee pay accruals	1,494	1,330
Revenue grants - deferred	968	873
	<u>4,185</u>	<u>3,196</u>

17 Pension Liability - Long Term Creditors

The long term creditor of £46,282 represents the unpaid costs of any non-uniformed staff early retirements.

These costs are paid out over a period up to 5 years.

18 Loans Outstanding - Long Term Borrowing

As at 31 March 2007 long term debt outstanding was £5,342,000. During the year a further loan was taken out for £1,097,000 and principal totalling £133,200 was re-paid. The following tables analyse long term borrowing by type and debt maturity.

	2007-08	2006-07
Loan Type	£000	£000
Public Works Loan Board (PWLB)	6,439	5,342
Balance at 31 March	<u>6,439</u>	<u>5,342</u>

	2007-08	2006-07
Loan Maturity	£000	£000
1 - 2 Years	0	0
2 - 5 Years	1,037	600
5 - 10 Years	322	759
10 Years and above	5,080	3,983
Balance at 31 March	<u>6,439</u>	<u>5,342</u>

19 Firefighters' Pension Fund

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

With effect from 1 April 2006, a new Firefighters Pension Fund for each English Fire Authority was introduced. Rather than meet all of the net cost of pensions, the employer is now required to make contributions to the Fund. In the event of a shortfall, the deficit in the Fund is met by the Department for Communities and Local Government (DCLG). Similarly, any surplus on the Fund would be payable by the employer to the DCLG. 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 new employers' contribution consists of 21.3% of gross pay re the 1992 Scheme & 11% of gross pay re the 2006 Scheme, together with formulae based charges for the cost of ill-health and other early retirements.

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

20 The Euro

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

21 Reserves

The Authority keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with

proper accounting practice, and other have been set up voluntarily and earmarked to fund future spending plans

The 2007 SORP introduced changes in the way in which the reserves of the Authority are stated. Balances on the Fixed Asset Restatement Reserve and the Capital Financing Account have been transferred to a new account, the Capital Adjustment Account. The purpose of this account is to set aside resources to meet the cost of capital expenditure. A further new account, the Revaluation Reserve has also been created. This reserve will contain any gains or losses generated as a result of the revaluation of assets. The movement on the new accounts is shown below, along with movement on the other reserves of the Authority.

The changes mean that the Balance Sheet for 2006-07 has been restated, and the balance on the Fixed Asset Restatement Account of £37,192k credit and the balance on the Capital Financing Account of £8,746k debit have both been transferred to the new Capital Adjustment Account. The restated balance on the new Capital Adjustment Account is therefore £28,446k credit.

Movements in Reserves in 2007-08

Reserve	Balance at 1 April 2007	Net movement in the year	Balance at 31 March 2008	Purpose of Reserve	Further detail of movements
	£000	£000	£000		
Notional Accounts					
Revaluation Reserve	0	4	4	Store of gains on revaluation of fixed assets not yet realised through sales	Revaluation of vehicle
Pensions Account (FRS17)	(279,300)	33,478	(245,822)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	See note 11 to the Accounts
Capital Adjustment Account	28,446	(519)	27,927	Store of capital resources set aside to meet past expenditure	See further detail in accountancy policies
Earmarked Reserves					
Capital Reserve	1,720	(1,171)	549	Resources earmarked for specific future capital costs	Used to fund capital expenditure in the year
Usable Capital Receipts	289	0	289	Proceeds of fixed asset sales available to meet future capital expenditure	See further detail in accountancy policies
Resource Centre Managers'	442	96	538	Resources available to meet future identified expenditure in resource centre managers area	
Community Risk Reduction	1,700	(269)	1,431	Resources to meet the costs of home safety assessments up until 2011	
General Fund	5,796	269	6,065	Resources available to meet future running costs and contingencies	Statement of Movement on the General Fund Balance
PDG Managers Reserve	164	124	288	Resources earmarked for facilitating partner engagement in community safety activities	
IRMP Reserve (Operational Focus)	0	443	443	Resources earmarked for specific future running costs	
Total	(240,743)	32,455	(208,288)		

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

	2007-08	2006-07
	£000	£000
Surplus / (Deficit) for the year	265	(430)
<u>Add back items shown elsewhere in the Statement</u>		
Interest paid	494	116
Interest received	(483)	(445)
<u>Other adjustments</u>		
(Increase) / decrease in stocks	(175)	64
(Increase) / Decrease in non capital debtors & prepayments	(660)	(3,355)
Increase / (Decrease) in non capital creditors	747	(222)
Other non-cash movements and capital accruals	1052	2,362
<hr/> Revenue Activities Net Cash Flow	<hr/> 1,240	<hr/> (1,910)

23 Cash flow statement - Reconciliation of the movement in cash

	As at 31/03/08 £000	As at 31/3/07 £000	Movement during year £000
Cash in Hand	8	7	1
Cash at Bank / (Overdrawn)	636	(495)	1,131
	<hr/> 644	<hr/> (488)	<hr/> 1,132

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

	As at 31/03/08 £000	As at 31/3/07 £000	Movement during year £000
Financing			
Long term borrowing	(6,439)	(5,342)	(1,097)
Borrowing – due within 12 months	0	(133)	133
	<hr/> (6,439)	<hr/> (5,475)	<hr/> (964)
Management of Liquid Resources			
Investments	7,800	9,198	(1,398)
	<hr/> 7,800	<hr/> 9,198	<hr/> (1,398)

	As at 31/03/08 £000	As at 31/3/07 £000
Increase / (Reduction) in cash in the period	1,132	(501)
Cash inflow from increase in debt	(964)	(837)
Cash inflow from reduction in liquid resources	(1,400)	(1,397)
Movement in net debt for period	(1,232)	(2,735)
Net funds at 1 April	3,235	5,970
Net funds at 31 March	2,003	3,235

25 Definition of Liquid Resources

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

26 Analysis of Specific Grants for 2007-08

	2007-08 £000	2006- 07 £000
Kooldown	6	0
New Burden	59	53
Regional Control	118	41
New Dimensions	75	74
Arson	0	13
Fire Prevention	0	65
ODPM Smoke Alarm	168	51
Total	426	297

The above table represents the specific grants cash received in 2007-08 and 2006-07

27 Fair values of assets and liabilities carried at amortised cost

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

- For PWLB loans, interest rates prevailing at 31 March 2008
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values are calculated as follows:

	31 March 2008		31 March 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	10,702	10,976	9,079	9,079
<p>The fair value is more than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest at higher than current market rates increases the amount that the Authority would have to pay if the lender agreed to early repayment of the loans</p>				
Loans and receivables	13,775	13,775	13,879	13,879
<p>The Authority has entered into a capital guarantee for The Fire and Rescue Authorities' Mutual Limited, which provides insurance cover on a mutual basis to members. The carrying amount of this guarantee is £193k. There is no market for this investment. The Authority has no intention to dispose of this investment.</p>				

28 Nature and extent of risks arising from financial instruments

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

- credit risk – the possibility that other parties might fail to pay amounts due to the authority
- liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rate and stock market movement

During 2007/8 the authority used Cheshire County Council to manage its Treasury Management activities. In this way the authority was able to minimise risk by making use of the County Council's expertise in this area. The authority determined, in conjunction with the County Council, policies in respect of 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 debtors. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of A in the long term and F1 in the short term. The Authority has a policy of placing not more than £5 million with any single counterparty.

The Authority does not have significant exposure to risk in respect of debtors, as most of the Authority's income is received from Government Grant and Council Tax. The authority has assessed risk in relation to debtors and does not consider that it has any significant exposure to uncollectability. The authority does not generally allow credit, and although £289k on debtors is past the due date for payment, the authority does not feel that is exposed to significant risks in relation to its debtors. .

	£000
Less than three months	13,621
Three to six months	12
Six months to one year	69
More than one year	46

As the authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than 25% of loans are due to mature within any rolling five year period through careful planning of new loans taken out.

The maturity analysis of financial liabilities is as follows:

	£000
Less than one year	4,216
Between one and two years	-
Between two and five years	1,084
More than five years	5,402

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

Market risk

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

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

Price Risk

The authority has a long term investment in a Joint Venture. There is no market for this investment and it is not anticipated that the value of the investment will vary.

29 Contingent Liability and Post Balance Sheet Event

Fire and Rescue Authorities' Mutual Limited.

The Authority is one of five Fire and Rescue Authorities that have together set up FRAML, a company regulated by the Financial Services Authority which provides insurance cover for its members. Each member Authority pays to the company an insurance premium for cover provided. In the event that the company incurs losses the company may require each Authority to pay an additional contribution up to the equivalent of 100% of the insurance premium paid by that Authority during the financial year. The premium paid to FRAML in 2007-08 was £408k. No provision has been made in the accounts for a supplementary call on contributions.

A number of London Borough Council's formed the London Authorities Mutual (LAML) which is a very similar concept to FRAML. The legality of LAML has been the subject of a case taken to the High Court, which ruled in April 2008 that the participation of the London Borough of Brent in LAML was 'ultra vires'. Whilst no legal challenge to FRAML (or the participating Fire Authorities) has been received, further clarification is being sought on the legal status of FRAML. However, it should be noted that the regulatory framework of Fire Authorities is different to that of other local authorities.

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

Both the Authority's Treasurer and Monitoring Officer will continue to monitor the status of FRAML as the legal position is clarified.