

# **Statement of Accounts**

**2011-12**

**CHESHIRE FIRE AUTHORITY**  
**Statement of Accounts 2011-12**  
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Further Information

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## **1. INTRODUCTION**

This document comprises Cheshire Fire Authority's Statement of Accounts for the year 2011-12. This explanatory foreword explains the structure of the Accounts and also considers the overall financial position of the Authority in the context of the economic environment within which the Authority operates.

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

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

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

## **2. THE STATEMENT OF ACCOUNTS**

### **2.1 THE FINANCIAL STATEMENTS**

#### **Movement in Reserves Statement (MiRS)**

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

#### **The Comprehensive Income and Expenditure Statement (CI&E)**

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

#### **Balance Sheet**

The Balance Sheet sets out the Authority's overall financial position at the 31 March 2012, showing its balances and reserves, its long term liabilities, the non current and current assets employed in its operations, together with information on its short term liabilities.

### **Cash Flow Statement**

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

### **The Pension Fund Account**

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

## **2.2. SUPPORTING INFORMATION**

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

### **Statement of Responsibilities for the Statement of the Accounts**

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

### **Statement of Accounting Policies**

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

### **The Annual Governance Statement**

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

## **3. FINANCIAL PERFORMANCE IN THE YEAR**

### **Where did the Authority get our funding from?**

The Authority receives over half its funding (57%) from local taxpayers, by way of precepts levied on the four local authorities (Cheshire East, Cheshire West and Chester, Halton and Warrington). The precept levied in 2011-12 was unchanged from 2010-11 and equated to £66.43 on a Band D property.

## CHESHIRE FIRE AUTHORITY – EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS

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

	£000	%
Local Taxpayers (Council Tax)	25,033	57
National Non Domestic Rates	14,261	33
Government Grants	4,408	10
<b>Total</b>	<b>43,702</b>	<b>100</b>

### Performance against budget

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

The Authority element of the budget is underspent against revised budget by £71k, as a result of better than anticipated final quarter investment performance. No inflation was allocated during the year, and the revised budget was adjusted to reflect both this and an anticipated reduction in investment income.

The Service outturn underspend is £1,218k, bringing the overall underspend on Authority and Service together to £1,289k when compared to the revised budget. During 2011-12 the Authority identified a liability of £1,210k in respect of injury pensions. As a result the Authority has managed its budget to ensure that it is able to accommodate payment without recourse to reserves. As the incidence of this liability lies in years previous to 2011-12, the impact on the General Fund is shown as a prior period adjustment (see Note 8).

The underspending on the Service revenue budget in 2011-12 was achieved primarily by delaying the planned repayment of debt, the premium element of which was budgeted in 2011-12. In addition Unitary Performance underspent, as a result of additional retirements and our on-call establishment being lower than anticipated, offset by some increased costs as a result of the day crewed pension and part time workers legal decisions; Community Fire Protection underspent its pay budget, a result of savings identified in the recent review; and Human Resources underspent as a result of reduced recruitment and corporate training costs (see Note 30 for more details).

The net effect of the prior period adjustment to the General Fund and the in year revenue budget underspend is £79k, which is the amount by which General Fund increased during the year.

The outturn position and the impact on the General Fund is summarised on the next page. The Authority's decision to reserve the 2010-11 underspend is also included as, because this was decided as part of the Authority meeting in September 2011 to approve the 2010-11 accounts, it was not effected until 2011-12. It is included in the Movement in Reserves Statement.

## CHESHIRE FIRE AUTHORITY – EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS

	£000	£000
<b>General Fund Balance brought forward before Prior Period Adjustment</b>		<b>(7,326)</b>
Prior Period Adjustment in relation to compensatory injury pensions to March 2010 (see Note 8)	960	
Prior Period Adjustment in relation to compensatory injury pensions 2010-11 (see Note 8)	250	
2011-12 underspend from Authority activity	(71)	
2011-12 underspend from Service activity	(1,218)	
<b>2011-12 underspend after allowing for Prior Period Adjustment</b>		<b>(79)</b>
<b>Transfer of 2010-11 underspend to reserves</b>		<b>860</b>
<b>General Fund Balance at 31 March 2012</b>		<b>(6,545)</b>

### Capital Expenditure

The Authority invested £2,711k in non current assets during the year. Some of this expenditure was against schemes included in the capital programme for 2011-12, whilst some had carried forward from previous years. It is the nature of capital expenditure that some schemes do span financial years. The Authority is well within its target for unplanned slippage against the capital expenditure programme.

Included in this figure is £961k for donated assets, which reflects the transfer of ownership from the Department of Communities and Local Government (DCLG) to the Authority of the New Dimensions assets. Other significant investments include some £1,167k on vehicles, which reflects the Authority's continued commitment to ensuring it has the necessary resilience to meet its obligations.

## 4. MATERIAL ASSETS AND LIABILITIES

The Authority acquired the New Dimensions assets and recognised the liability of £1,210k in respect of injury pensions during the year.

## 5. PENSIONS LIABILITY

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

The Firefighters' Pension schemes are unfunded, which means that there are no underlying assets which fund them, but rather that liabilities are funded as they fall due out of the

## **CHESHIRE FIRE AUTHORITY – EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS**

annual income to the scheme. The requirements of International Accounting Standard 19 means that the Authority must account in the current year for the liability which it incurs as an employer for future pension costs. This leads to a liability on the Authority's Balance Sheet of £349,738k, which is based on a calculation by the Authority's actuaries of these future costs. At present, all deficits on the Firefighters' Pension Scheme are funded by Government through payment of a specific grant.

### **6. UNUSUAL ITEMS**

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

### **7. CHANGES IN ACCOUNTING POLICY**

The Authority has included in its Accounting Policies a policy on Heritage Assets. However, the Authority does not consider that any of its assets fall into the category of Heritage Assets. There have been no other changes to the Authority's Accounting Policies for 2011-12.

### **8. CURRENT BORROWING FACILITIES**

In accordance with its Treasury Management Strategy, the Authority has recently been using cash balances to fund capital expenditure, as the poor investment returns available make this the most cost effective solution. The Authority did not therefore enter into any new loans during the year, and repaid a maturing loan of £600k leaving us with outstanding loans of £5,839 borrowed from the Public Works Loans Board (PWLB). £437k of this is repayable in March 2013, and the Authority does not anticipate a need to replace it. In addition the Authority has a small outstanding loan facility (£20k) with SALIX, a not for profit company which helps Public Sector organisations fund projects using green technology.

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

### **9. SOURCES OF FUNDS FOR CAPITAL**

The Authority still retains healthy cash balances which are the first port of call for funding capital expenditure. The Authority also has some headroom when comparing actual borrowings with the boundaries calculated as part of the Authority's response to the requirements of the Prudential Code. The key remains the Authority's ability to contain the potential impact from any capital funding decisions within its revenue budget, and this has been considered as part of the Medium Term Financial Plan (MTFP).

**10. SIGNIFICANT PROVISIONS, CONTINGENCIES AND MATERIAL WRITE OFFS**

The Authority has a Risk Management Framework which identifies significant risks and where those risks are clearly financial in nature they are designated as such and considered regularly at Budget Management Board, which considers financial matters and is chaired by the Chief Fire Officer. Through this process, the Authority has identified a provision which it is disclosing in the Financial Statements, and a related contingent liability, in respect of potential future insurance claims. The Authority has not incurred any significant write offs during the year, and we do not anticipate any such write offs in the future.

**11. MATERIAL EVENTS AFTER THE BALANCE SHEET EVENT**

During April 2012, the Authority repaid £2.068m of its PWLB loans. There are no other material events after the Balance Sheet date.

**12. IMPACT OF THE CURRENT ECONOMIC CLIMATE**

Within 2011-12 the Authority has continued to be able to absorb some immediate impacts of the continuing poor economic climate (for example the poor return on investments, the impact of some increased costs from inflationary pressure etc) by prudent use of resources and through its efficiency programme. The Authority continues to review its MTFP and is seeking to ensure that through the Integrated Risk Management Plan (IRMP) process it manages the anticipated reduction in funding in a structured way.

The Authority has a balance on its general fund of £6,545k at 31 March 2012. The Treasurer is required, as part of the budgetary process, to risk assess the adequacy of the Authority's reserves. The risk assessment for 2011-12 shows that the reserve level is adequate. The level is constantly under review in the light of any new risks which might have a financial impact. In addition to the General Fund, members of the Authority have prudently earmarked some reserves to meet local Community Fire Safety need, to meet the future costs of home safety assessments and other community initiatives and to help the Authority deliver IRMP 9 and future IRMPs.

The value of the Authority's non current assets is largely property related, and the Authority recognises that a downturn in property values might lead to some reduction in value which would impact negatively on the Balance Sheet. The Authority carried out an impairment review of its non current assets in March 2012. This did not identify any changes significant enough to consider including in the Financial Statements.



### **13. FUTURE PLANS**

The Authority continues to operate in a financial world of considerable uncertainty, particularly in years 3 and 4 of the current Comprehensive Spending Review. The MTFP and Integrated Risk Management Plan 9 (IRMP 9) for 2012-13 have been developed in the light of this. The plan includes a number of proposals which the Authority believes will lead to an improved and more efficient service. The Authority has set challenging savings targets, but will seek to protect the quality of service delivery. The MTFP takes into account a continuing Capital Programme, focussing on the financial implications of its Asset Management Strategy and the need to pump prime some invest to save projects.

The Authority is significantly remodelling its control function, first during 2012-13 in partnership with Cumbria Fire and Rescue Service, and then in partnership with a group of other North West Fire Authorities as part of the North West Fire Control project, which is due to go live in 2014.

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **Responsibilities of Cheshire Fire Authority**

Cheshire Fire Authority is required to:

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

### **Statement from Cheshire Fire Authority**

I hereby approve the Statement of Accounts for Cheshire Fire Authority for the year ended 31 March 2012.

.....

Councillor John Joyce  
Cheshire Fire Authority

Date: 19 September 2012

### **Responsibilities of the Treasurer to the Cheshire Fire Authority**

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

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

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

The Treasurer has also:

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

### **The Treasurer's Certificate**

I certify that the Statement of Accounts presents a true and fair view of the financial position of Cheshire Fire Authority at the accounting date and its income and expenditure for the year ended 31 March 2012 and that events after this date and prior to the formal approval of the Accounts have been properly considered.

.....

Paul Vaughan  
Treasurer to Cheshire Fire Authority

Date: 19 September 2012

## CHESHIRE FIRE AUTHORITY - MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance	(Usable) Capital Receipts	Resource Centre Managers Reserves	Community Risk Reduction Reserve	UPG Managers Reserve	Capital grant unapplied account	Capital Reserve	Total Usable Reserves	Pensions Reserve	Revaluation Reserve	Collection Fund Adjustment Account	Accumulated Absences Account	Capital Adjustment Account	Total Other Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2010 (restated)</b>	(5,506)	(289)	(2,273)	(742)	(254)	-	(2,362)	(11,426)	383,897	(4,734)	(165)	340	(21,722)	357,616	346,190
<b>Movement in reserves during 2010-11</b>															
Surplus or deficit on the provision of services	(22,186)	-	-	-	-	-	-	(22,186)	-	-	-	-	-	-	(22,186)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(44,665)	-	-	-	-	(44,665)	(44,665)
<b>Total Comprehensive Income and Expenditure</b>	(22,186)	-	-	-	-	-	-	(22,186)	(44,665)	-	-	-	-	(44,665)	(66,851)
Adjustments between accounting basis and funding basis under regulations															
-depreciation & impairment of fixed assets	(4,738)	-	-	-	-	-	-	(4,738)	-	45	-	-	4,693	4,738	-
-pension costs - statutory adjustment	23,079	-	-	-	-	-	-	23,079	(23,079)	-	-	-	-	(23,079)	-
-capital expenditure charged to revenue	-	-	-	-	-	-	1,189	1,189	-	-	-	-	(1,189)	(1,189)	-
-capital grants - statutory adjustment	1,037	-	-	-	-	-	-	1,037	-	-	-	-	(1,037)	(1,037)	-
-Council tax - statutory adjustment	(171)	-	-	-	-	-	-	(171)	-	-	171	-	-	171	-
-Accumulated Absences - statutory adjustment	(261)	-	-	-	-	-	-	(261)	-	-	-	261	-	261	-
-Statutory provision for debt repayment (MRP)	754	-	-	-	-	-	-	754	-	-	-	-	(754)	(754)	-
<b>Net increase/decrease before transfers to earmarked reserves</b>	(2,486)	-	-	-	-	-	1,189	(1,297)	(67,744)	45	171	261	1,713	(65,554)	(66,851)
Transfers to/from earmarked reserves	1,876	-	(1,587)	-	(20)	-	(269)	-	-	-	-	-	-	-	-
<b>(Increase)/Decrease in 2010-11</b>	(610)	-	(1,587)	-	(20)	-	920	(1,297)	(67,744)	45	171	261	1,713	(65,554)	(66,851)
<b>Balance at 31 March 2011 (restated) carried forward</b>	(6,116)	(289)	(3,860)	(742)	(274)	-	(1,442)	(12,723)	316,153	(4,689)	6	601	(20,009)	292,062	279,339

## CHESHIRE FIRE AUTHORITY - MOVEMENT IN RESERVES STATEMENT

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

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

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

# CHESHIRE FIRE AUTHORITY - COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2010-11 (Restated)					2011-12		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
5,601	(210)	5,391	Community fire safety		5,310	(340)	4,970
40,433	(1,490)	38,943	Fire fighting and rescue operations		34,744	(2,207)	32,537
710	(1)	709	Corporate and democratic core		731	(31)	700
(42,110)	-	(42,110)	Non-distributed costs	51	3,716	-	3,716
<b>4,634</b>	<b>(1,701)</b>	<b>2,933</b>	<b>Cost of services</b>		<b>44,501</b>	<b>(2,578)</b>	<b>41,923</b>
-	-	-	- Other Operating Expenditure	10	58	-	58
20,513	(1,351)	19,162	Financing and investment income and expenditure	11	18,854	(1,591)	17,263
-	(44,281)	(44,281)	Taxation and non-specific grant income	12	-	(46,200)	(46,200)
		<b>(22,186)</b>	<b>(Surplus)/Deficit on Provision of Services</b>				<b>13,044</b>
		(44,665)	Actuarial (gains)/losses on pension assets and liabilities	51			<b>15,841</b>
		<b>(66,851)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>28,885</b>

## CHESHIRE FIRE AUTHORITY - BALANCE SHEET

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

01/04/2010	31/03/2011			31/03/2012
Restated	Restated			
£000	£000	Note	£000	£000
29,556	30,451	Land and buildings	13	29,750
4,568	4,629	Vehicles and equipment	13	5,754
3,080	588	Assets under construction	13	337
508	621	Intangible assets	15	576
<b>37,712</b>	<b>36,289</b>	<b>Total long-term assets</b>		<b>36,417</b>
4,006	4,005	Short-term investments	16	7,039
308	271	Inventories	18	278
3,880	2,603	Short-term debtors	21	3,334
2,873	519	Amount due from pension fund	Pension fund	1,340
2,452	5,394	Cash and cash equivalents	22	3,874
<b>13,519</b>	<b>12,792</b>	<b>Total current assets</b>		<b>15,865</b>
<b>51,231</b>	<b>49,081</b>	<b>Total assets</b>		<b>52,282</b>
(192)	-	- Cash and cash equivalents	22	(99)
-	(608)	Short-term borrowing	16	(445)
(5,782)	(4,455)	Short-term creditors	23	(3,834)
-	-	- Grants Receipts in Advance-capital	37	(10)
<b>(5,974)</b>	<b>(5,063)</b>	<b>Total current liabilities</b>		<b>(4,388)</b>
<b>45,257</b>	<b>44,018</b>	<b>Total assets less current liabilities</b>		<b>47,894</b>
(1,006)	(1,006)	Long-term creditors	17	(686)
-	(242)	Provisions	24	(192)
(6,439)	(5,859)	Long-term borrowing	16	(5,414)
(105)	(97)	Deferred liabilities	40	(88)
(383,897)	(316,153)	Net pension liability (IAS19)	51	(349,738)
<b>(391,447)</b>	<b>(323,357)</b>	<b>Total long-term liabilities</b>		<b>(356,118)</b>
<b>(346,190)</b>	<b>(279,339)</b>	<b>Net assets</b>		<b>(308,224)</b>
(11,426)	(12,723)	Usable reserves	25, MiRS	(16,347)
357,616	292,062	Unusable reserves	26, MiRS	324,571
<b>346,190</b>	<b>279,339</b>	<b>Total reserves</b>		<b>308,224</b>

## CHESHIRE FIRE AUTHORITY - CASH FLOW STATEMENT

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

2010-11 £000 Restated	Note	2011-12 £000
<b>(22,186) Net (surplus)/deficit on the provision of services</b>	CI&E	<b>13,044</b>
Adjustments to net surplus or deficit on the provision of services for non-cash 15,470 movements	27	(16,850)
Adjustments for items included in the net surplus or deficit on the provision of (8) services that are investing and financing activities	29	1,478
<b>(6,724) Net cash flows from Operating Activities</b>		<b>(2,328)</b>
3,610 Investing activities	28	3,330
(20) Financing activities	29	617
<b>(3,134) Net (increase)/decrease in cash and cash equivalents</b>		<b>1,619</b>
2,260 Cash and cash equivalents at the beginning of the reporting period	22	5,394
5,394 Cash and cash equivalents at the end of the reporting period	22	3,775
<b>(3,134) Net (increase)/decrease in cash and cash equivalents</b>		<b>1,619</b>

# CHESHIRE FIRE AUTHORITY - FIREFIGHTERS' PENSION FUND

2010-11		2011-12	
Restated			
£000		£000	£000
	<b>Contributions Receivable</b>		
	Fire Authority contributions		
(2,765)	1992 Firefighters' Pension Scheme	(3,032)	
(605)	2006 New Firefighters' Pension Scheme	(456)	
			(3,488)
	Actuarial charges re: Early retirements		
	Re: Ill health retirements		(84)
			(3,572)
	<b>Firefighters' Contributions</b>		
(1,429)	1992 Firefighters' Pension Scheme	(1,566)	
(467)	2006 New Firefighters' Pension Scheme	(352)	
			(1,918)
	<b>Transfers in</b>		
	Transfers in from other pension funds		(96)
			(5,586)
	<b>Total Amount Receivable</b>		
	<b>Benefits payable</b>		
8,900	Pensions	9,567	
	Commutation of pensions and lump sum retirement benefits		
2,458		3,434	
	<b>Total Benefits payable</b>		13,001
	<b>Payments to and on account of leavers</b>		
163	Individual transfers out to other schemes		145
1	<b>Administrative expenses</b>		17
	<b>Total Amount payable</b>		13,163
	<b>(Surplus)/deficit for the year before top-up grant from Government</b>		7,577
	Top-up grant receivable from Government		(7,577)
	<b>Net amount payable/receivable for the year</b>		-

## Net Assets Statement

01/04/2010 31/03/2011

Restated Restated

£000 £000

3,330 892

- -

13 13

(149) (135)

- -

(321) (251)

(2,873) (519)

- -

- -

## Current Assets

Top-up grant receivable from the Government

Employee arrears

Contributions due from Fire Authority

## Current Liabilities

Contributions received in advance

Benefits outstanding

Top-up grant payable to the Government

Amount due to General Fund

## Net Assets

31/03/2012

£000

2,510

123

13

(102)

(954)

(250)

(1,340)

-

For further details, please see notes to the financial statements, notes 38 & 51.



The following pages show the notes to Cheshire Fire Authority Financial Statements 2011-12, a listing of the notes is shown below.

**No** **Note Description**

- 1 Accounting Policies
- 2 Accounting Standards that have been issued but have not yet been adopted
- 3 Critical judgements in applying Accounting Policies
- 4 Material items of income and expense
- 5 Assumptions made about the future and other major sources of estimation uncertainty
- 6 Events after the Balance Sheet date
- 7 Adjustments between Accounting Basis and Funding Basis under regulations
- 8 Prior period adjustments
- 9 Transfers to/from Earmarked Reserves
- 10 Other Operating Expenditure
- 11 Financing and Investment Income and Expenditure
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## **1 Accounting Policies**

### **I General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2011-12 financial year and its position at the year end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations (England) 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12 and the Service Reporting Code of Practice 2011-12, supported by International Financial Reporting Standards (IFRS).

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

### **II Accruals of Income and Expenditure**

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

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

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

### **III Cash and Cash Equivalents**

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

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

### **IV Exceptional Items**

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

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

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

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

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

### **VI Charges to Revenue for Non-Current Assets**

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

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

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

## **VII Employee Benefits**

### **Benefits Payable During Employment**

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

### **Termination Benefits**

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

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

## **Post-Employment Benefits**

Employees of the Authority are members of three separate pension schemes:

- The Local Government Pension Scheme, administered by Cheshire West and Chester Council
- The Firefighters' Pension Schemes (1992)
- The New Firefighter Pensions Scheme (2006)

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

### The Local Government Pension Scheme for non-uniformed staff -

All non-uniformed staff, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme, through the medium of the Cheshire Pension Fund. The scheme, which is a funded, defined benefit statutory scheme, is administered by Cheshire West and Chester Council in accordance with the Local Government Pension Scheme Regulations 2007 and 2008. The Authority currently pays an employer's contribution of 17.9% of employees' pensionable pay into the Cheshire Pension Fund. All pension payments to eligible staff are met from this fund. The attributable assets of the scheme are measured at fair value. Assets are valued at bid value.

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.8% (based on the single average gilt yield which gives the same present value as the gilt curve applied to the cash flows of a typical LGPS employer with a duration of around 20 years, plus median credit spread on AA corporate bonds within the iBoxx Over 15 Years Index ).

### The Firefighters' Pension Schemes for uniformed staff -

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

### Firefighters' Injury Schemes -

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

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

The change in net pensions liability is analysed into seven components:

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

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

### **Discretionary Benefits**

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

## **VIII Events After the Reporting Period**

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

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

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

## **IX Financial Instruments**

### **Financial Liabilities**

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

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

### **Financial Assets (Loans and Receivables)**

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

## **X Foreign Currency Translation**

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

## **XI Government Grants and Contributions**

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

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

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

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

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

## **XII Heritage Assets**

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

The Authority has reviewed its assets, and no heritage assets have been identified. The Authority does not consider that any of its assets fall into the definition of a heritage asset.



### **XIII Intangible Assets**

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

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

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

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

### **XIV Interests in Companies and Other Entities (Group Accounts)**

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

### **XV Inventories and Long Term Contracts**

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

The Authority has no long term contracts.

## **XVI Leases**

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

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

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

### **The Authority as Lessee**

#### **Finance Leases**

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

Lease payments are apportioned between:

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

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

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

#### **Operating Leases**

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

## **XVII Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011-12 (SeRCOP). The total absorption method is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

## **XVIII Property, Plant and Equipment**

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

### **Recognition**

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

### **Measurement**

Assets are initially measured at cost, comprising:

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

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

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

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

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

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

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

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

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

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

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

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

### **Impairment**

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

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

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

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

### **Depreciation**

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

Depreciation is calculated on the following bases:

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

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

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

### **Disposals and Non-current Assets Held for Sale**

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

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

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

### **Componentisation**

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

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

## **XIX Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

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

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

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

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

### **Contingent Liabilities**

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

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

## **Contingent Assets**

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

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

## **XX Reserves**

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

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

## **XXI Revenue Expenditure Funded from Capital under Statute**

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

## **XXII VAT**

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

## **XXIII Carbon Reduction Commitment Allowances**

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

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

The code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the code for the relevant year.

For 2011-12 the only accounting policy change that needs to be reported relates to amendments to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets). The amendments are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the Authority's financial position. The changes relates to transfers where an authority retains ownership of a financial asset but contracts to reassign or otherwise pay over the cash flows generated by the instrument, at the same time as retaining substantially all the risks and rewards of ownership. The Authority has no such transfers of financial assets.

**3 Critical judgements in applying Accounting Policies**

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

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to reduce levels of service provision. The Authority reviews its MTFP to assess potential impacts of reduction in fundings. The need to make efficiencies is factored into the IRMP process.

**4 Material items of income and expense**

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

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

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

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:



Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment (see note 13)	Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, although the Authority does not feel that this poses any immediate quantifiable risk.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £42k for every year that useful lives had to be reduced.
Provisions (see note 24)	Provisions are based on best estimates and professional judgements. The provision shown in the Authority's Balance Sheet assumes that a counterparty will not be able to meet its obligation in full, but this will depend on a number of factors including the extent of other demands.	The Comprehensive Income and Expenditure Statement has been charged with the amount of the provision. Any change would result in a credit/debit to the Comprehensive Income and Expenditure Statement.
Pension Liability (see note 51)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement age and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. Sensitivity analyses in respect of the Firefighters' and Local Government Pension schemes are shown below, together with the monetary value that would result if they came to fruition.

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

	LOCAL GOVERNMENT PENSION SCHEME	
	Approximate Increase to Employer Liability	Approximate monetary Amount
Change in financial assumptions at year ended 31 March 2012	%	£000
0.5% decrease in real discount rate	12%	3,273
1 year increase in member life expectancy	3%	834
0.5% increase in the salary increase rate	5%	1,283
0.5% increase in the pensions increase rate (CPI)	7%	1,935

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

Change in financial assumptions at year ended 31 March 2012	<b>FIREFIGHTERS' PENSION SCHEME - FPS (1992 scheme)</b>		<b>FIREFIGHTERS' PENSION SCHEME - NFPS (2006 scheme)</b>	
	Approximate increase to Employer Liability	Approximate monetary amount	Approximate Increase to Employer Liability	Approximate monetary Amount
	%	£000	%	£000
0.1% decrease in real discount rate	2%	5,800	4%	300
1 year increase in member life expectancy	3%	10,100	3%	200
0.5% increase in the salary increase rate	1%	3,700	10%	700
0.5% increase in the pensions increase rate (CPI)	8%	25,800	10%	700

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

Change in financial assumptions at year ended 31 March 2012	<b>FIREFIGHTERS' PENSION SCHEME - FPS (1992 scheme)</b>		<b>FIREFIGHTERS' PENSION SCHEME - NFPS (2006 scheme)</b>	
	Approximate increase to Employer Liability	Approximate monetary amount	Approximate Increase to Employer Liability	Approximate monetary Amount
	%	£000	%	£000
0.1% decrease in real discount rate	3%	190	5%	70
1 year increase in member life expectancy	3%	210	3%	40
0.5% increase in the salary increase rate	3%	230	14%	180
0.5% increase in the pensions increase rate (CPI)	11%	760	12%	160

## 6 **Events after the Balance Sheet date**

The Statement of Accounts was authorised for issue by the Treasurer on 19 September 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

During April 2012, the Authority repaid £2.068m of its PWLB loans. There are no other material events after the Balance Sheet date.

The financial statements and notes have not been adjusted for events which took place after 31 March 2012 as although they provide information that is relevant to an understanding of the Authority's financial position, they do not relate to conditions at that date.

**7 Adjustments between Accounting Basis and Funding Basis under regulations**

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

**8 Prior period adjustments****Pension Fund Debtors/Creditors**

The Authority have revised the treatment of Pension Fund debtors and creditors in the Balance Sheet.

The Pension Fund account separates the cost of providing pensions from the cost of running a Fire & Rescue Service. Therefore, debtors and creditors of the Pension Fund constitute the Pension Fund Net Assets Statement, rather than being included in the Authority Balance Sheet. The Net Assets Statement nets to zero, as the firefighters pension scheme is unfunded; the balance represents the funds owed to/from the Authority. This is now shown as 'Amount due to/from Pension Fund' in the Net Assets Statement with a corresponding entry under 'Amount due from Pension Fund' within current assets in the Authority Balance Sheet.

This amendment is a reclassification on the Balance Sheet and does not effect the net worth of the Authority.

The following tables explain the differences between the amounts presented in the 2010-11 financial statements and the equivalent amounts presented in the 2011-12 financial statements.

	<b>2010-11 Statements £000</b>	<b>Adjustments Made £000</b>
<b>Opening 1 April 2010 Balance Sheet</b>		
Short-term creditors	(6,253)	471
Short-term debtors	7,224	(3,344)
Amount due from pension fund	-	2,873
<b>31 March 2011 Balance Sheet</b>		
Short-term creditors	(4,590)	135
Short-term debtors	3,507	(904)
Amount due from pension fund	-	769
<b>Opening 1 April 2010 Pension Fund Net Assets Statement</b>		
Amount due to/from General Fund	-	(2,873)
<b>31 March 2011 Pension Fund Net Assets Statement</b>		
Amount due to/from General Fund	-	(769)

## Expenditure on compensatory injury payments

During 2011-12 the Authority identified that compensatory injury award payments had been inappropriately classified within its accounts since the inception of the Firefighters' Pension Fund in 2006. The impact of correcting this is to reallocate expenditure from the Pension Fund to the General Fund, which reduces the amount of Pension Top up Grant payable to the Authority. The following tables explain the differences between the amounts presented in the 2010-11 financial statements and the equivalent amounts presented in the 2011-12 financial statements.

	2010-11 Statements £000	Adjustments Made £000
<b>Opening 1 April 2010 Balance Sheet</b>		
Long-term creditors	(46)	(960)
General Fund	(6,466)	960
<b>2010-11 Comprehensive Income and Expenditure Statement</b>		
Net Cost of services - Gross expenditure	4,384	250
<b>2010-11 Movement in Reserves Statement</b>		
Transfer to General Fund	860	(250)
<b>2010-11 Pension Fund Account</b>		
Benefits payable - pensions	9,150	(250)
Top up grants receivable from Government	(6,153)	250
<b>31 March 2011 Pension Fund Net Assets Statement</b>		
Amount due to/from General Fund	-	250
<b>2010-11 Pension Fund Net Assets Statement</b>		
Creditor - top up grant payable to the government	(1)	(250)
<b>31 March 2011 Balance Sheet</b>		
Long-term creditors	(46)	(960)
Amount due from pension fund	-	(250)
General Fund	(7,326)	1,210

## **Impact on the accounts following changes in the pension treatment for Day Crewing allowances**

In October 2011 the High Court determined that Day Crewing allowances were pensionable in the 1996 Firefighters Pension Scheme (FPS).

The Authority has had to make various adjustments in its financial statements to account for this judgement. These adjustments relate to the period October 2007 (the start of Day Crewing system) to 31 March 2012, from which date contributions have been corrected.

The Code of Practice allows for Authorities to account for prior period issues in the current period where it is impracticable to restate prior periods. The Authority considers that in this case it is not practicable to quantify the effects on each of the prior periods, and has subsequently accounted for the cumulative impact in the 2011-12 statements.

In 2011-12 the Authority have paid £393k of additional FPS contributions into the Pension Fund. The Pension Fund has repaid £104k of employer contributions to the Authority. The net figure of £289k has been funded by a provision that the Authority had created in anticipation of the High Court judgement.

The changes have resulted in an additional net pension liability of £3.7m.

For further information see note 24 which details movements on Provisions.

The following are the impacts on the pension fund account in 2011-12:

<b>£000</b>	
650	Additional commutations payable
246	Additional pensions payable
17	Interest on additional commutations and pensions payable
41	Additional transfer values payable
(393)	Additional FPS contributions received (employer)
(203)	Additional FPS contributions receivable (employee)
104	Additional NFPS contributions refunded (employer)
80	Additional NFPS contributions to be refunded (employee)

The following debtor/creditors are recognised in the Pension Fund Net Assets Statement:

(954)	Benefits outstanding (backdated pensions and contributions owed)
123	Employee arrears (contributions owed by employees as a result of the Day Crewing Judgement)

This is a net figure as employees owe FPS contributions but in some cases are owed NFPS contributions.

## **9 Transfers to/from Earmarked Reserves**

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

**10 Other Operating Expenditure**

2010-11 Net Expenditure £000		Gross Expenditure £000	2011-12 Gross Income £000	Net Expenditure £000
-	(Gains)/losses on the disposal of non-current assets	58	-	58
-	<b>Total</b>	<b>58</b>	<b>-</b>	<b>58</b>

**11 Financing and Investment Income and Expenditure**

2010-11 Net Expenditure £000		Gross Expenditure £000	2011-12 Gross Income £000	Net Expenditure £000
309	Interest payable on debt	294	-	294
5	Interest payable on finance leases	5	-	5
(92)	Interest receivable and similar income	-	(171)	(171)
20,199	Pensions interest cost	18,555	-	18,555
(1,259)	Expected return on pensions assets	-	(1,420)	(1,420)
<b>19,162</b>	<b>Total</b>	<b>18,854</b>	<b>(1,591)</b>	<b>17,263</b>

**12 Taxation and non-specific grant income**

2010-11 Income £000		2011-12 Income £000
(24,623)	Council tax income	(25,089)
(16,260)	Non-domestic rates	(14,261)
(2,361)	Revenue Support Grant	(4,408)
(1,037)	Capital grants and contributions	(2,442)
<b>(44,281)</b>	<b>Total</b>	<b>(46,200)</b>

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

**13 Property, Plant and Equipment**

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

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

a) A £40k adjustment has been made to the vehicles opening cost and accumulated depreciation figures. A reconciliation of the asset register and fleet list identified two support vehicles that had previously been omitted from the financial statements. The net book value of these vehicles is zero, as they had both been fully depreciated.

### Depreciation

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

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



### Capital Commitments

At 31 March 2012, the Authority has entered into contracts for the construction or enhancement of Property, Plant and Equipment in 2011-12 budgeted costs of £406k. Similar commitments at 31 March 2011 were £312k.

31 March 2011 £000		31 March 2012 £000
49	Headquarters Extension	41
2	Poynton Station	-
188	Appliances	189
2	Frodsham Refurbishment	-
2	Warrington Boxing Club	-
4	Macclesfield Smoke House	-
65	Wilmslow Refurbishment	4
-	Photo Voltaic Installation	17
-	ICT programme of change	84
-	Cumbria partnership	71
<b>312</b>	<b>Total</b>	<b>406</b>

### Effects of changes in estimates

There have been no material changes in accounting estimates in 2011-12.

### Revaluations

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

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

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

Other non current assets are valued at historic cost.

## 14 Investment Properties

The Authority does not have any investment properties.

**15 Intangible Assets**

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

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

	<b>Intangible (Purchased) Assets</b>	
	<b>2010-11 £000</b>	<b>2011-12 £000</b>
<b>Balance at start of year :</b>		
Gross carrying amounts	1,167	1,505
Accumulated amortisation	(659)	(884)
<b>Net carrying amount at start of year</b>	<b>508</b>	<b>621</b>
Reclassifications	195	120
Other disposals - gross cost	-	(517)
Other disposals - amortisation	-	517
Purchases	143	83
Amortisation for the period	(225)	(248)
<b>Net carrying amount at end of year</b>	<b>621</b>	<b>576</b>
Comprising:		
• Gross carrying amount	1,505	1,191
• Accumulated amortisation	(884)	(615)
<b>Net carrying amount at end of year</b>	<b>621</b>	<b>576</b>

Included within Intangible Assets are the IT systems which support the control room function. The estimated useful lives of such assets have been revised to two years in anticipation of the move to a regional control room from 2014.

**16 Financial Instruments**

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

	<b>Long Term</b>			<b>Current</b>		
	<b>31/03/12</b>	<b>31/03/11</b>	<b>01/04/10</b>	<b>31/03/12</b>	<b>31/03/11</b>	<b>01/04/10</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Investments</b>						
Loans and receivables						
- Investments	-	-	-	7,039	4,005	4,006
- Imprest and cash	-	-	-	3,874	5,394	2,452
<b>Total Investments</b>	-	-	-	10,913	9,399	6,458
<b>Debtors</b>						
- Loans and receivables	-	-	-	553	465	627
<b>Borrowings</b>						
Financial liabilities at amortised cost						
- PWLB	(5,402)	(5,839)	(6,439)	(437)	(600)	-
- Salix	(12)	(20)	-	(8)	(8)	-
- Overdraft	-	-	-	(99)	-	(192)
<b>Total Borrowings</b>	(5,414)	(5,859)	(6,439)	(544)	(608)	(192)
<b>Creditors (Restated)</b>						
Financial liabilities at amortised cost	(686)	(1,006)	(1,006)	(1,701)	(1,761)	(3,227)

**Income, Expense, Gains and Losses - 2011-12**

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

**Income, Expense, Gains and Losses - 2010-11**

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

**Fair Values of Assets and Liabilities**

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

- for the PWLB loans, interest rates prevailing at 31 March 2012;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

	<b>31 March 2012</b>		<b>31 March 2011 Restated</b>	
	Carrying amount	Fair value	Carrying amount	Fair value
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Financial liabilities	(7,659)	(8,964)	(8,228)	(8,721)
Long-term creditors	(686)	(686)	(1,006)	(1,006)
	<b>31 March 2012</b>		<b>31 March 2011</b>	
	Carrying amount	Fair value	Carrying amount	Fair value
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Loans and receivables	11,466	11,466	9,864	9,864

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

**17 Long Term Creditors**

1 April 10 Restated £000	31 March 11 Restated £000		31 March 12 £000
(46)	(46)	LGPS	(46)
(960)	(960)	Pension Top-up grant	(640)
<b>(1,006)</b>	<b>(1,006)</b>	<b>Total</b>	<b>(686)</b>

The long term creditor consists of two element:

- Pension liabilities (LGPS)

This represents the unpaid costs of non-uniformed staff early retirements. These costs are paid out over a period of 5 years.

- Pension top-up grant

See prior period adjustment note 8.

The Authority identified that compensatory injury award payments had been inappropriately classified within its accounts since the inception of the Firefighters Pension Fund in 2006.

**18 Inventories**

	Workshops £000	Uniform £000	Firefighting & General £000	Total £000
<b>Balance outstanding 1 April 2010</b>	<b>102</b>	<b>128</b>	<b>78</b>	<b>308</b>
Purchases 2010-11	42	211	103	356
Recognised as an expense in the year	(51)	(234)	(109)	(394)
Written off balances 2010-11	-	1	-	1
<b>Balance outstanding at 31 March 2011</b>	<b>93</b>	<b>106</b>	<b>72</b>	<b>271</b>
<b>Balance outstanding 1 April 2011</b>	<b>93</b>	<b>106</b>	<b>72</b>	<b>271</b>
Purchases 2011-12	35	171	47	253
Recognised as an expense in the year	(38)	(149)	(70)	(257)
Written off balances 2011-12	-	7	4	11
<b>Balance outstanding at 31 March 2012</b>	<b>90</b>	<b>135</b>	<b>53</b>	<b>278</b>

**19 Construction Contracts**

The Authority had no significant construction projects in progress at 31 March 2012.

**20 Assets Held for Sale**

The Authority has no assets held for sale.

**21 Debtors (Amounts Receivable)**

1 April 10 Restated £000	31 March 11 Restated £000		31 March 12 £000
596	429	Central Government bodies	422
378	185	Other local authorities	183
16	40	NHS bodies	20
-	1	Public corporations and trading funds	1
2,890	1,948	Other entities and individuals	2,708
<b>3,880</b>	<b>2,603</b>	<b>Total</b>	<b>3,334</b>

**22 Cash and Cash Equivalents**

1 April 10 £000	31 March 11 £000		31 March 12 £000
8	7	Cash held by the Authority	7
2,444	5,387	Bank current accounts	3,867
(192)	-	Bank overdraft	(99)
<b>2,260</b>	<b>5,394</b>	<b>Total</b>	<b>3,775</b>

**23 Creditors (Amounts Payable) - Short-term creditors**

1 April 10 Restated £000	31 March 11 Restated £000		31 March 12 £000
(1,013)	(1,008)	Central Government bodies	(1,046)
(1,925)	(1,378)	Other local authorities	(1,146)
(14)	(8)	Public corporations and trading funds	(17)
(2,830)	(2,061)	Other entities and individuals	(1,625)
<b>(5,782)</b>	<b>(4,455)</b>	<b>Total</b>	<b>(3,834)</b>

**24 Provisions**

The Authority identified potential historic pension costs for which it created a provision of £242k in 2010-11, the court case was completed in 2011-12 and the provision utilised.

In 2011-12 the Authority has identified potential settlement costs of £192k regarding an outstanding insurance claim.

	£000
Balance as at 1 April 2011	242
Additional provisions made in 2011-12	192
Amounts used in 2011-12	(242)
Balance at 31 March 2012	<b>192</b>

**25 Usable Reserves**

<b>1 April 10</b>	<b>31 March 11</b>		<b>31 March 12</b>
<b>Restated</b>	<b>Restated</b>		
<b>£000</b>	<b>£000</b>		<b>£000</b>
(5,506)	(6,116)	General Fund Balance	(6,545)
(289)	(289)	(Usable) Capital Receipts	(289)
-	-	Capital grant unapplied account	(5)
		Earmarked revenue reserves	
(2,273)	(3,860)	- Resource Centre Managers	(6,844)
(742)	(742)	- Community Risk Reduction	(742)
(254)	(274)	- Unitary Performance Managers	(306)
(2,362)	(1,442)	Capital Reserve	(1,616)
<b>(11,426)</b>	<b>(12,723)</b>	<b>Total Usable Reserves</b>	<b>(16,347)</b>

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

**General Fund Balance**

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

**(Usable) Capital Receipts**

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

**Capital Grant Unapplied Account**

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

**Resource Centre Managers Reserves**

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

**Community Risk Reduction Reserve**

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

**UPGs Reserve**

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

**Capital Reserve**

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

**26 Unusable Reserves**

1 April 10 £000	31 March 11 £000		31 March 12 £000
(4,734)	(4,689)	Revaluation Reserve	(4,644)
(21,722)	(20,009)	Capital Adjustment Account	(20,968)
383,897	316,153	Pensions Reserve	349,738
(165)	6	Collection Fund Adjustment Account	(50)
340	601	Accumulated Absences Account	495
<b>357,616</b>	<b>292,062</b>	<b>Total Unusable Reserves</b>	<b>324,571</b>

**Revaluation Reserve**

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

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

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

2010-11 £000	Revaluation Reserve	2011-12 £000
(4,734)	<b>Balance at 1 April</b>	(4,689)
45	Difference between fair value depreciation and historical cost depreciation written off to the Capital Adjustment Account	45
<b>(4,689)</b>	<b>Balance at 31 March</b>	<b>(4,644)</b>

**Capital Adjustment Account**

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

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

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



2010-11 £000	Capital Adjustment Account	2011-12 £000	2011-12 £000
<b>(21,722)</b>	<b>Balance at 1 April</b>		<b>(20,009)</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
2,130	• Charges for depreciation and impairment of non-current assets	2,268	
2,383	• Revaluation losses on Property, Plant and Equipment	-	
225	• Amortisation of intangible assets	248	
-	• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	58	
<u>4,738</u>		<u></u>	<u>2,574</u>
<b>(45)</b>	Adjusting amounts written out of the Revaluation Reserve		<b>(45)</b>
<b>(17,029)</b>	Net written out amount of the cost of non-current assets consumed in the year		<b>(17,480)</b>
	Capital financing applied in the year		
<b>(1,189)</b>	• Capital expenditure charged against the General Fund	<b>(274)</b>	
<b>(1,037)</b>	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	<b>(2,437)</b>	
<b>(754)</b>	• Statutory provision for the financing of capital investment charged against the General Fund (MRP)	<b>(777)</b>	
<u><b>(2,980)</b></u>		<u></u>	<u><b>(3,488)</b></u>
<u><b>(20,009)</b></u>	<b>Balance at 31 March</b>		<u><b>(20,968)</b></u>

**Pensions Reserve**

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

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

2010-11 £000	Pension Reserve	2011-12 £000
<b>383,897</b>	<b>Balance at 1 April</b>	<b>316,153</b>
(44,665)	Actuarial gains or losses on pensions assets and liabilities	15,841
(13,110)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account	29,671
(9,969)	Employer's pensions contributions and direct payments to pensioners payable in the year	(11,927)
<b>316,153</b>	<b>Balance at 31 March</b>	<b>349,738</b>

**Collection Fund Adjustment Account**

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

2010-11 £000	Collection Fund Adjustment Account	2011-12 £000
(165)	<b>Balance at 1 April</b>	<b>6</b>
171	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated in accordance with statutory requirements	(56)
<b>6</b>	<b>Balance at 31 March</b>	<b>(50)</b>

**Accumulated Absences Account**

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

2010-11 £000	Accumulated Absences Account	2011-12 £000	£000
340	Balance at 1 April		601
(340)	Settlement or cancellation of accrual made at the end of the preceding year	(601)	
601	Amounts accrued at the end of the current year	495	
	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(106)
601	Balance at 31 March		495

**27 Cash Flow Statement - Operating Activities**

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

2010-11 Restated £000		2011-12 £000
(2,130)	Depreciation	(2,268)
(2,449)	Impairment and downward revaluation	-
(225)	Amortisation	(248)
(2)	Movement in impairment provision for bad debts	(15)
1,587	Movement in creditors	905
(1,757)	Movement in debtors	740
(2,354)	Movement in amount due from pension fund	821
(37)	Movement in stock	7
23,079	Movement in Pension liability	(17,744)
-	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(58)
(242)	Other non-cash items charged to the net surplus or deficit on the provision of services	1,010
15,470	Total adjustment for non-cash movements	(16,850)
	The cash flows for operating activities include the following items:	
92	Interest received	171
(314)	Interest paid	(299)

**28 Cash Flow Statement - Investing Activities**

2010-11 £000		2011-12 £000
3,610	Purchase of non-current assets	1,778
11,000	Purchase of short-term and long-term investments	32,034
(11,000)	Proceeds from investments	(29,000)
-	Other receipts from investing activities	(1,482)
<b>3,610</b>	<b>Net cash flows from investing activities</b>	<b>3,330</b>

**29 Cash Flow Statement - Financing Activities**

2010-11 £000		2011-12 £000
(32)	Cash receipts of short-term and long-term borrowing	-
8	Cash payments for the reduction of the outstanding liabilities relating to finance leases	9
4	Repayment of short-term and long-term borrowing	608
<b>(20)</b>	<b>Net cash flows from financing activities</b>	<b>617</b>

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

	Reverse part of Note 28 - Other receipts from investing activities	1,482
(8)	Reverse part of Note 29 - Cash payments for the reduction of the outstanding liabilities relating to finance leases	(9)
-	adjust for Capital grant unapplied	5
<b>(8)</b>	<b>Total</b>	<b>1,478</b>

**30 Amounts Reported for Resource Allocation Decisions**

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

The Authority budget includes two elements; some of the budget, which relates to investment income and providing for pay awards and inflation, is managed directly by the Fire Authority. However, the bulk of the budget is spent by the Service on behalf of the Authority. These budgets are monitored separately.

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

Notes to Cheshire Fire Authority Financial Statements 2011-12

	<b>2011-12 £000</b>	<b>2011-12 £000</b>	<b>2011-12 £000</b>
	Revised budget	Outturn	Variance (under)/over spend
<b><u>Service Area</u></b>			
<b>Firefighting and rescue operations</b>			
Service delivery - Unitary Performance & Station Management	21,177	20,984	(193)
Service support - Policy, Planning & Resilience	3,564	3,560	(4)
<b>Community Fire Protection</b>	2,054	1,950	(104)
<b>Community Safety</b>	2,055	2,062	7
<b>Support Services</b>			
Executive Management	616	608	(8)
Communications & Community Relations	990	927	(63)
Human Resources	2,077	1,908	(169)
Legal & Democratic services	479	470	(9)
Facilities	2,295	2,341	46
ICT	1,387	1,388	1
Finance	487	467	(20)
Corporate Planning	361	347	(14)
Procurement	580	565	(15)
Finance Resources	4,133	3,741	(392)
Transport and workshops	1,683	1,670	(13)
Health, Safety and Welfare	124	122	(2)
Unitary Performance Groups	100	100	-
<b><u>The Authority</u></b>	<b>(100)</b>	<b>(171)</b>	<b>(71)</b>
	44,062	43,039	(1,023)
Mid year review 2011-12 - service	(65)	-	65
Mid year review 2011-12 - The Authority	43	-	(43)
3/4 year review 2011-12 - service	288	-	(288)
	<b>44,328</b>	<b>43,039</b>	<b>(1,289)</b>
Total expenditure reported for resource allocation decisions			
Transfer of 2010-11 underspend to reserves			<b>860</b>
Increase in 2011-12 General Fund Balance			<b>(429)</b>

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

	<b>2011-12 £000</b>
Total expenditure reported for resource allocation decisions	43,039
Pension costs calculated in accordance with IAS 19	(3,716)
Appropriation to capital financing	132
Minimum revenue provision	(777)
Interest payable	(299)
Interest receivable	171
Accumulated absence	(106)
Capital grants received in year	2,442
Other operating expenditure (Vehicle disposal - profit or loss on disposal)	(58)
Council tax freeze grant	(625)
Net cost of IAS 19 pensions charged to CI&E	4,325
Transfer to reserves	(2,605)
<b>CI&amp;E Net Cost of Services</b>	<b>41,923</b>

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

**Subjective Analysis**

<b>2010-11 Restated £000</b>		<b>2011-12 £000</b>	<b>£000</b>
	Expenditure		
32,956	Employee pay	32,354	
631	Other employee expenses	595	
474	Pensions	394	
1,684	Premises	2,033	
1,372	Transport	1,493	
3,480	Supplies, services & other expenses	3,611	
870	Agency and contracted services	861	
1,104	Capital charges	2,384	
645	Finance resources	1,245	
131	Members' allowances	134	
242	Provision	(50)	
43,589	Total expenditure		45,054
	Income		
(1,653)	Fees and other service income	(3,480)	
(48)	Sales	(58)	
(92)	Interest	(171)	
(24,623)	Council tax	(25,090)	
(19,659)	Government grants and contributions	(20,149)	
(46,075)	Total income		(48,948)
1,876	Transfers to reserves		2,605
(610)	Net expenditure		(1,289)

**31 Acquired and Discontinued Operations**

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

**32 Trading Operations**

The Authority has no trading operations.

**33 Agency Services**

The Authority is not providing any Agency Services.

**34 Members' Allowances**

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

<b>2010-11</b>		<b>2011-12</b>	
<b>£000</b>		<b>£000</b>	
127	Members' allowances	131	
30	Travel and subsistence, training and conferences	32	
<b>157</b>	<b>Total</b>	<b>163</b>	

**35 Officers' Remuneration**

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

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



Notes to Cheshire Fire Authority Financial Statements 2011-12

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

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

Remuneration band			Number of employees	
			2011-12	2010-11
£50,000	-	£54,999	17	18
£55,000	-	£59,999	7	4
£60,000	-	£64,999	5	5
£65,000	-	£69,999	-	1
£70,000	-	£74,999	2	1
£75,000	-	£79,999	-	-
£80,000	-	£84,999	-	-
£85,000	-	£89,999	-	2
£90,000	-	£94,999	1	-
£95,000	-	£99,999	-	-
£100,000	-	£104,999	-	1

Notes

- Gross annualised salary represents the gross full time equivalent salary applicable to the post at 31 March, or when the person left post if earlier.
- Benefits in kind consist of taxable benefits relating to car lease and mileage payments.
- Members of the Leadership Team are excluded from the remuneration banding figures.
- The three highest paid employees in 2010-11 shown in the remuneration bands above received severance payments or higher salaries while on secondment.
- The highest paid employee in 2011-12 shown in the remuneration bands above received a higher salary while on part year secondment to another Fire Authority.

## Notes to Cheshire Fire Authority Financial Statements 2011-12

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

Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £
<b>2011-2012</b>				
£0 - £20,000	5	5	10	40,600
£20,001 - £40,000	-	-	-	-
£40,001 - £60,000	-	-	-	-
£60,001 - £80,000	-	1	1	76,383
£80,001 - £100,000	-	-	-	-
£100,001 - £120,000	-	-	-	-
<b>Total</b>	<b>5</b>	<b>6</b>	<b>11</b>	<b>116,983</b>

<b>2010-2011</b>				
£0 - £20,000	-	3	3	19,757
£20,001 - £40,000	-	1	1	24,497
£40,001 - £60,000	1	1	2	59,279
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
£100,001 - £120,000	-	-	-	-
<b>Total</b>	<b>1</b>	<b>5</b>	<b>6</b>	<b>103,533</b>

### 36 External Audit Costs

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

<b>2010-11</b>		<b>2011-12</b>
<b>£000</b>		<b>£000</b>
72	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	66
(6)	Rebate	(5)
	Fees payable in respect of other services provided by the Audit Commission during the year	
1		1
<b>67</b>	<b>Total</b>	<b>62</b>

**37 Grant Income**

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

2010-11 £000		2011-12 £000
	<b>Credited to Taxation and Non-Specific Grant Income</b>	
(16,260)	National Non Domestic Rates	(14,261)
(2,361)	Revenue Support Grant	(4,408)
(922)	Government Capital Grant	(1,421)
(115)	North West Innovation and Enterprise Partnership	-
-	DEFRA - Flood Rescue grant	(60)
-	Donated Assets - New Dimensions	(961)
<b>(19,658)</b>		<b>(21,111)</b>
	<b>Credited to Services</b>	
(97)	CLG Fire Control Project	-
(79)	CLG New Dimensions Fund	(81)
(102)	CLG Migrant Impact Fund	(132)
-	CLG Council tax freeze payment	(626)
-	CLG Fire Revenue Grant - FireLink	(65)
-	CLG Fire Revenue Grant - Control Rooms	(20)
-	Other Grants	(17)
(1)	Donations	(12)
(99)	Other contributions	(178)
<b>(378)</b>		<b>(1,131)</b>

The Authority has received a grant that has yet to be recognised as income. The balance at the year-end is shown below:

Current Liabilities 2010-11 £000		2011-12 £000
	<b>Grants Receipts in Advance (Capital Grants)</b>	
-	Halton Borough Council - Runcorn Healthy Hearts gym	(10)
-	<b>Total</b>	<b>(10)</b>

**38 Related Parties**

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

**a Central Government**

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

Grants received from Government Departments are set out in the previous note 37 Grant Income.

**b Members**

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

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

**c Officers**

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

**d Entities Controlled or Significantly Influenced by the Authority**

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

Following a 2008 court case involving a similar entity the legality of FRAML was brought into question and as a result the Authority transferred its insurances to a commercial insurance provider. The Directors of FRAML elected to wind up the company and this happened on 22 October 2010, passing management of the company into the hands of a liquidator. No material financial issues remain between the Authority and FRAML.

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

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

2010-11 £000	Billing Authority	2011-12 £000
(9,656)	Cheshire East Council	(9,759)
(7,906)	Cheshire West and Chester Council	(8,088)
(2,505)	Halton Borough Council	(2,570)
(4,556)	Warrington Borough Council	(4,672)
<b>(24,623)</b>	<b>Total</b>	<b>(25,089)</b>

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

The Director of Finance and Corporate Planning left the Authority in October 2011. For the remainder of the financial year the Section 151 Officer of Warrington Borough Council assumed the Authority's Section 151 responsibilities. The Authority paid Warrington Borough Council £2,500 in recognition of this work.

**f Firefighters' Pension Fund**

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

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

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

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

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

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

**g Entities Controlled or Significantly Influenced by the Authority**

The Authority was involved in NW Fire Control Ltd and the North West Fire and Rescue Management Board, details of which are disclosed in Notes 48 and 49 respectively.

**39 Capital Expenditure and Capital Financing**

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

<b>2010-11</b>		<b>2011-12</b>
<b>£000</b>		<b>£000</b>
<b>10,967</b>	<b>Opening Capital Financing Requirement</b>	<b>11,302</b>
-	Adjustment (see note below)	289
	<b>Capital Investment</b>	
3,172	Property, plant and equipment	2,628
143	Intangible assets	83
	<b>Sources of Finance</b>	
-	Capital receipts	-
(1,037)	Government grants and other contributions	(2,437)
	<b>Sums set aside from revenue</b>	
(1,189)	Revenue contributions	(274)
(754)	Minimum revenue provision (MRP)	(777)
<b>11,302</b>	<b>Closing Capital Financing Requirement</b>	<b>10,814</b>
	<b>Explanation of Movements in the Year</b>	
335	Increase in underlying need for borrowing (supported by government financial assistance)	(777)
-	Increase in underlying need for borrowing (unsupported by government financial assistance)	-
<b>335</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(777)</b>

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

**40 Leases****Authority as Lessee****Finance Leases**

The Authority has a training vehicle held under a finance lease. The vehicle is carried in the Balance Sheet at the value of £88,253 (2010-11 £97,130).

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

	<b>2011-12</b>	
	<b>£</b>	<b>£</b>
<b>Cost or Valuation</b>		128,743
<b>Accumulated depreciation</b>		
As at 1 April 2010	(23,144)	
Charge for 2010-11	(8,469)	
Charge for 2011-12	(8,877)	
As at 31 March 2012		<u>(40,490)</u>
		<u><b>88,253</b></u>

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

<b>1 April 2010</b>	<b>31 March 2011</b>		<b>31 March 2012</b>
<b>£</b>	<b>£</b>		<b>£</b>
8,469	8,877	Not later than 1 year	9,304
38,154	39,990	Later than 1 year and not later than 5 years	41,915
58,976	48,263	Later than 5 years	37,034
<u><b>105,599</b></u>	<u><b>97,130</b></u>	<b>Total</b>	<u><b>88,253</b></u>

**Operating Leases**

Expenditure on operating leases in 2011-12 totalled £494,356 (2010-11 £475,548). All expenditure on leases relates to vehicles.

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

<b>1 April 2010</b>	<b>31 March 2011</b>		<b>31 March 2012</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>
210	291	Not later than 1 year	366
172	258	Later than 1 year and not later than 5 years	378
<u><b>382</b></u>	<u><b>549</b></u>	<b>Total</b>	<u><b>744</b></u>

**41 Private Finance Initiatives (PFI) and similar contracts**

The Authority has no PFI or similar contracts.

**42 Impairment Losses**

During 2011-12 the Authority has not had any impairment losses or impairment reversal charged to the surplus or deficit on the Provision of Services and to Other Comprehensive Income and Expenditure.

During 2010-11 the Authority recognised an impairment loss of £2,146,000 on the Authority's Headquarters after the revaluation on 31 March 2011. The valuation was carried out by the Authority's valuer, Cottrell Commercial. The valuation was on an Existing Use basis, and the impairment has been charged to the Net Cost of Services, and reversed through the Movement in Reserves Statement to the Capital Adjustment Account. There has recently been substantial investment in the Headquarters and the ongoing benefits to the future operation of Cheshire Fire and Rescue Service, particularly as a result of the enhanced training facilities, will be substantial. In addition a review of the Authority's equipment identified some impairment (£237k) as a result of assets becoming obsolete sooner than anticipated.

These disclosures are consolidated in Notes 13 and 15 reconciling the movement over the year in the Property Plant and Equipment and Intangible asset balances.

**43 Capitalisation of Borrowing Costs**

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

**44 Termination Benefits**

The Authority terminated the contracts of a number of employees in 2011-12, incurring liabilities of £117k (£104k in 2010-11).

Of the 2011-12 total £76k is payable to the Director of Finance and Corporate Planning in the form for compensation of loss of office as disclosed in Note 35. The remaining £41k is payable to 10 officers as the result of service reviews, predominately in Community Fire Protection, Community Support and in Support Services.

See Note 35 for the number of exit packages and total cost per band.

**45 Exceptional Item**

For 2011-12 the Authority does not have any exceptional items.

**46 Contingent Assets and Liabilities**

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

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



**47 Nature and Extent of Risks Arising from Financial Instruments**

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

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

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

**Credit risk**

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

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

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £7,039k cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. There was no evidence at the 31 March 2012 that the Authority's deposits were likely to prove irrecoverable.

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

	Amount at 31/03/2012 £000 <b>A</b>	Historical experience of default % <b>B</b>	Historical experience adjusted for market conditions at 31/03/2012 % <b>C</b>	Estimated maximum exposure to default and uncollectability at 31/03/2012 £000 <b>(A x C)</b>	Estimated maximum exposure at 31/03/2011 £000
Deposits with banks and financial institutions	7,039	0	0	0	0
				<b>0</b>	<b>0</b>

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

The Authority does not generally allow credit for customers.

The past due date amount of £367k can be analysed by age as follows:

	31 March 2012	31 March 2011
	£000	£000
Less than three months	325	291
Three to six months	1	16
Six months to one year	37	1
More than one year	4	2
<b>Total</b>	<b>367</b>	<b>310</b>

### Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that not more than 25% of loans are due to mature within any rolling five year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

The maturity analysis of financial liabilities is as follows:

	31 March 2012	31 March 2011
	£000	Restated £000
Less than one year	445	608
Between one and two years	374	811
Between two and five years	646	652
Between five and ten years	880	1,202
Between ten and fifteen years	2,132	1,499
Between fifteen and twenty years	-	633
More than twenty years	2,068	2,068
<b>Total</b>	<b>6,545</b>	<b>7,473</b>

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

## **Market Risk**

### **Interest Rate Risk**

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

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

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

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

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

### **Price Risk**

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

### **Foreign Exchange Risk**

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

**48 NW Fire Control Limited**

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

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

During 2011-12 the company has continued to be funded by a section 31 grant from the Department for Communities and Local Government (CLG). Accommodation and implementation expenditure will continue to be funded during the project phase to implement the new Control Mobilising system. The grant is paid to Greater Manchester Fire & Rescue Authority as lead authority for the North West region and released to the company as required.

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

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

However on the basis of materiality it has been determined that Group Accounts are not required for the financial year 2011-12 having considered both qualitative and quantitative factors, including the following:

- The Authority does not depend on the company for continued provision of statutory services at present and activities provided by the control function remain within the individual Fire Authorities.
- The company is not operational in providing a public service and is not expected to become so until late in the financial year 2013-14.
- The only trading activity of the Company is currently the use of facilities at the building and car parking which is charged out accordingly to other Fire Authorities and organisations.
- The Authority's share of the gross administrative expenses of the company in the financial year 2011-12 (25% of £2.214m) is not material in the context of the Authority's gross expenditure.

## Notes to Cheshire Fire Authority Financial Statements 2011-12

- The Authority is not expected to make any contribution to the company until it commences using the company's services.
- The cost of running the company is covered by Section 31 grant from the Department for Communities and Local Government, bank interest earned and small values of trading profit.
- The liability of the Authority is limited to a maximum of £1.

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

<b>Accounts Information</b>	<b>Year ended</b>	<b>Year ended</b>
	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
Net Assets	80	69
Profits Before Taxation	27	10
Profits After Taxation	22	10

At the end of 2011-12 the Authority shows NW Fire Control Ltd as a debtor for £45,522 (nil 2010-11) due to the secondment of two personnel.

The Company's Financial Statements can be obtained from Companies House with the deadline for submission as 31/12/2012 for the final audited 2011-12 accounts.

The position regarding Group Accounts will be reviewed for the 2012-13 financial year.

**49 North West Partnership Board**

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

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

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

During 2011-12 transactions were made between the five Authorities totalling the following with outstanding balances also noted in relation to each. Lancashire Combined Fire Authority manages the income and expenditure on behalf of the region.

	<b>Transaction Totals Expenditure/ (Income) 2011-12</b>	<b>Outstanding Balance at 31 March 2012 Creditor/ (Debtor)</b>
<b>Authority</b>	<b>£000</b>	<b>£000</b>
Greater Manchester	(19)	(19)
Merseyside	(9)	(9)
Lancashire	37	37
Cheshire	(7)	(7)
Cumbria	(2)	(2)

**50 Heritage Assets**

The Authority has reviewed its assets in order to identify and disclose heritage assets separately in its Balance Sheet. The Authority does not consider that any of its assets fall into the definition of a heritage asset.

**51 Defined Benefit Pension Schemes**

**Participation in Pension Schemes**

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

The Authority participates in three post-employment schemes:

- The Local Government Pension Scheme for non uniformed staff, administered locally by Cheshire West and Chester Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liability with investment assets.
- The two Firefighters' Pension Schemes for uniformed staff. An original scheme commenced in 1992, and an additional scheme in 2006, with both being administered through one fund. These are unfunded schemes, meaning that there are no investment assets built up to meet the liabilities so that cash has to be generated to meet actual pension payments as they become due. However, as of 1 April 2006, firefighter and employer contributions are paid into a pension fund, from which pension payments are made. The fund is balanced to nil each year by receipt of pension top-up grant from central government if there is a deficit, or by paying over the surplus to central government. Details of the pension fund for 2011-12 are shown in the Pension Fund statement.

**51 Defined Benefit Pension Schemes (cont)****Transactions Relating to Post-employment benefits**

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

	<b>Local Government Pension Scheme</b>		<b>Firefighters' Pension Schemes</b>				<b>Total for all schemes</b>	
	<b>£000</b>		<b>FPS (1992 scheme) £000</b>		<b>NFPS (2006 scheme) £000</b>		<b>£000</b>	
	<b>2011-12</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2010-11</b>
<b>Comprehensive Income and Expenditure Statement</b>								
Cost of Services								
• Current service cost	1,020	1,160	6,500	7,200	1,300	1,700	8,820	10,060
• Past service costs	-	(2,810)	3,700	(38,200)	-	(1,100)	3,700	(42,110)
• Settlements and curtailments	16	-	-	-	-	-	16	-
Financing and Investment Income and Expenditure								
• Interest cost	1,355	1,599	16,800	18,300	400	300	18,555	20,199
• Expected return on scheme assets	(1,420)	(1,259)	-	-	-	-	(1,420)	(1,259)
<b>Total Post-employment benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>971</b>	<b>(1,310)</b>	<b>27,000</b>	<b>(12,700)</b>	<b>1,700</b>	<b>900</b>	<b>29,671</b>	<b>(13,110)</b>
Other Post-employment benefit charged to the Comprehensive Income and Expenditure Statement								
• Actuarial gains and losses	2,141	(7,365)	16,500	(36,900)	(2,800)	(400)	15,841	(44,665)
<b>Total Post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>3,112</b>	<b>(8,675)</b>	<b>43,500</b>	<b>(49,600)</b>	<b>(1,100)</b>	<b>500</b>	<b>45,512</b>	<b>(57,775)</b>



	Local Government Pension Scheme		Firefighters' Pension Schemes				Total for all schemes	
	£000		FPS (1992 scheme)		NFPS (2006 scheme)		£000	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
<b>Movement in Reserves Statement</b>								
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(971)	1,310	(27,000)	12,700	(1,700)	(900)	(29,671)	13,110
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>								
• Employers' contributions payable to scheme	1,027	969	n/a	n/a	n/a	n/a	1,027	969
• Retirement benefits payable to pensioners	n/a	n/a	12,700	10,900	-	-	12,700	10,900
• Contributions by scheme participants	n/a	n/a	(1,300)	(1,400)	(500)	(500)	(1,800)	(1,900)

The cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2012 is £94,505k (£78,664k at 31 March 2011).

**Assets and liabilities in relation to post-employment benefits**

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

	<b>Funded liabilities: Local Government Pension Scheme</b>		<b>Unfunded liabilities: Firefighters' Pension Schemes</b>				<b>Total for all schemes</b>	
	<b>£000</b>		<b>FPS (1992 scheme) £000</b>		<b>NFPS (2006 scheme) £000</b>		<b>£000</b>	
	<b>2011-12</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2010-11</b>
<b>Opening balance at 1 April</b>	24,298	30,836	304,900	364,000	7,500	6,500	336,698	401,336
Current service cost	1,020	1,160	6,500	7,200	1,300	1,700	8,820	10,060
Interest cost	1,355	1,599	16,800	18,300	400	300	18,555	20,199
Contributions by scheme participants	359	359	1,300	1,400	500	500	2,159	2,259
Actuarial (gains) and losses	1,441	(6,156)	16,500	(36,900)	(2,800)	(400)	15,141	(43,456)
Benefits paid	(691)	(690)	(12,700)	(10,900)	-	-	(13,391)	(11,590)
Past service costs/(gains)	-	(2,810)	3,700	(38,200)	-	(1,100)	3,700	(42,110)
Curtailments	16	-	-	-	-	-	16	-
<b>Closing balance at 31 March</b>	<b>27,798</b>	<b>24,298</b>	<b>337,000</b>	<b>304,900</b>	<b>6,900</b>	<b>7,500</b>	<b>371,698</b>	<b>336,698</b>

The Liabilities shown on the Firefighters Pension Schemes include liabilities in respect of injury pensions. Of the £337m FPS liability, £16.9m related to injury pensions (2010-11 £15.9m) and of the £6.9m NFPS Liability, £0.6m related to injury pensions (2010-11 £0.7m)

Reconciliation of the fair value of the employer assets:

	<b>Local Government Pension Scheme</b>		<b>FPS (1992 scheme)</b>		<b>NFPS (2006 scheme)</b>	
	<b>£000</b>		<b>£000</b>		<b>£000</b>	
	<b>2011-12</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2010-11</b>
<b>Opening balance at 1 April</b>	20,545	17,439	-	-	-	-
Expected rate of return	1,420	1,259	-	-	-	-
Actuarial gains and (losses)	(700)	1,209	-	-	-	-
Employer contributions	1,027	969	11,400	9,500	(500)	(500)
Contributions by scheme participants	359	359	1,300	1,400	500	500
Benefits paid	(691)	(690)	(12,700)	(10,900)	-	-
<b>Closing balance at 31 March</b>	<b>21,960</b>	<b>20,545</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

The actual return on scheme assets in the year was £720k (2010-11 £1,506k).

<b>Scheme History</b>	<b>2007-08 £000</b>	<b>2008-09 £000</b>	<b>2009-10 £000</b>	<b>2010-11 £000</b>	<b>2011-12 £000</b>
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	(17,164)	(17,176)	(30,836)	(24,298)	(27,798)
Firefighters' Pension Scheme - FPS (1992 scheme)	(242,800)	(258,700)	(364,000)	(304,900)	(337,000)
Firefighters' Pension Scheme - NFPS (2006 scheme)	(600)	(1,400)	(6,500)	(7,500)	(6,900)
<b>Fair value of assets in the Local Government Pension Scheme</b>	14,681	12,142	17,439	20,545	21,960
<b>Surplus/(deficit) in the</b>					
Local Government Pension Scheme	(2,483)	(5,034)	(13,397)	(3,753)	(5,838)
Firefighters' Pension Scheme - FPS (1992 scheme)	(242,800)	(258,700)	(364,000)	(304,900)	(337,000)
Firefighters' Pension Scheme - NFPS (2006 scheme)	(600)	(1,400)	(6,500)	(7,500)	(6,900)
<b>Total</b>	<b>(245,883)</b>	<b>(265,134)</b>	<b>(383,897)</b>	<b>(316,153)</b>	<b>(349,738)</b>

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £350 million has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £308 million. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

The total contribution expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2013 is £1.017 million. For the Firefighters' Pension Scheme in the year to 31 March 2013, the projected benefit net of employee contributions is £11.540 million.

**Basis for Estimating Assets and Liabilities**

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

	<b>Local Government Pension Scheme £000</b>		<b>Firefighters' Pension Schemes £000</b>	
	<b>2011-12</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2010-11</b>
<b>Long-term expected rate of return on assets in the scheme:</b>				
Equity investments	6.2%	7.5%	-	-
Bonds	3.3%	4.9%	-	-
Property	4.4%	5.5%	-	-
Cash	3.5%	4.6%	-	-
<b>Mortality assumptions:</b>	<b>At age 65</b>		<b>At age 60</b>	
Longevity at retirement for current pensioners:				
• Men	22.9 years	22.9 years	27.9 years	27.9 years
• Women	25.7 years	25.7 years	30.8 years	30.8 years
<b>Longevity for future pensioners:</b>				
• Men	24.9 years	24.9 years	29.5 years	29.5 years
• Women	27.7 years	27.7 years	32.3 years	32.3 years
Rate of inflation	2.5%	2.8%	2.5%	2.8%
Rate of increase in salaries	4.8%	5.1%	3.5%	4.6%
Rate of increase in pensions	2.5%	2.8%	2.5%	2.8%
Rate for discounting scheme liabilities	4.8%	5.5%	4.8%	5.5%
Take-up of option to convert annual pension into retirement lump sum				
Firefighters Pension Schemes	n/a	n/a	90%	90%
Local Government Pension Scheme (pre-April 2008 service)	50%	50%	n/a	n/a
Local Government Pension Scheme (post-April 2008 service)	75%	75%	n/a	n/a

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

	31 March 2012	31 March 2011
Equity investments	72%	72%
Bonds	14%	15%
Property	7%	6%
Cash	7%	7%
	<u>100%</u>	<u>100%</u>

### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011-12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

#### Local Government Pension Scheme

	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %
Differences between the expected and actual return on assets	9.8	(35.6)	21.4	5.9	(3.2)
Experience gains and losses on liabilities	(31.8)	-	-	10.3	(0.8)

#### Firefighters' Pension Scheme - FPS (1992 scheme)

	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %
Differences between the expected and actual return on assets	n/a	n/a	n/a	n/a	n/a
Experience gains and losses on liabilities	(4.2)	(1.4)	4.8	6.1	(0.3)

#### Firefighters' Pension Scheme - NFPS (2006 scheme)

	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %
Differences between the expected and actual return on assets	n/a	n/a	n/a	n/a	n/a
Experience gains and losses on liabilities	-	14.3	1.5	(10.7)	40.6

## **GLOSSARY OF TERMS USED IN STATEMENT OF ACCOUNTS**

### **ACCRUALS**

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

### **ACCOUNTING POLICIES**

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

### **APPROPRIATIONS**

Amounts transferred to or from revenue or capital reserves.

### **BALANCE SHEET**

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

### **BUDGET**

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

### **CAPITAL ADJUSTMENT ACCOUNT**

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

### **CAPITAL EXPENDITURE**

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

### **CAPITAL FINANCING COSTS**

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

### **CAPITAL FINANCING REQUIREMENT**

This measures the underlying need to borrow to finance capital expenditure.

### **CAPITAL RECEIPTS**

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

### **COLLECTION FUND ADJUSTMENT ACCOUNT**

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

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

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

## **COMMUTATION**

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

## **CORPORATE AND DEMOCRATIC CORE**

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

## **CORPORATE GOVERNANCE**

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

## **COUNCIL TAX**

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

## **CREDITORS**

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

## **CURRENT ASSETS**

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

## **CURRENT LIABILITIES**

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

## **DEBTORS**

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

## **DEFERRED DEBTORS**

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

## **DEFERRED LIABILITY**

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

## **DEFINED BENEFIT SCHEME**

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

## **DEPRECIATION**

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

## **ESTIMATION TECHNIQUES**

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique.

Estimation techniques include, for example:

(a) Methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period

(b) Different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole, rather than individual balances.

## **FAIR VALUE**

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

## **FINANCIAL INSTRUMENTS**

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

## **FINANCIAL REPORTING STANDARDS**

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

## **FINANCE LEASE**

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



## **FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT**

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

## **FUNDED PENSION SCHEME**

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

## **GOING CONCERN**

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

## **GOVERNMENT GRANTS**

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

## **HERITAGE ASSETS**

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

## **IMPAIRMENT**

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

## **INTANGIBLE ASSETS**

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

## **INTERNATIONAL FINANCE REPORTING STANDARDS (IFRS)**

These are the new accounting standards that must be adopted for 2010-11 onwards.

## **INTEGRATED RISK MANAGEMENT PLAN (IRMP)**

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

## **LIQUID RESOURCES**

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

## **LONG TERM BORROWING**

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

**MEDIUM TERM FINANCIAL PLAN (MTFP)**

Budget plan for the Authority for the next five years.

**MINIMUM REVENUE PROVISION (MRP)**

This is the minimum amount which must be set aside from revenue as provision for debt repayment.

**NET BOOK VALUE**

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

**NET CURRENT REPLACEMENT COST**

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

**NEW DIMENSION ASSETS**

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

**NON CURRENT ASSETS (Previously known as FIXED ASSETS)**

Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.

**NON DISTRIBUTED COSTS**

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

**NON-OPERATIONAL ASSETS**

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

**OPERATIONAL ASSETS**

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

**OPERATING LEASES**

A lease other than a finance lease.

## **PENSION ACCOUNT**

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

## **PRECEPT**

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

## **PRIOR PERIOD ADJUSTMENTS**

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

## **PROVISIONS**

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

## **PUBLIC WORKS LOAN BOARD (PWLb)**

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

## **RELATED PARTIES**

Two or more parties are related when at any time during the financial period:

1. One party has direct or indirect control of the other party
2. The parties are subject to common control from the same source
3. One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests
4. The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests

Examples of related parties for the Authority are:

1. Central government
2. Local authorities and other bodies precepting or levying demands on the Council Tax
3. Its subsidiary and associated companies
4. Its joint ventures and joint venture partners
5. Its members
6. Its chief officers
7. Its pension fund

For individuals identified as related parties, the following are also presumed to be related parties:

1. Members of their close family, or the same household
2. Partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

## **REMUNERATION**

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

## **RESERVES**

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

## **RETIREMENT BENEFITS**

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

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

## **REVALUATION RESERVE**

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

## **REVENUE EXPENDITURE**

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

## **REVENUE CONTRIBUTION TO CAPITAL OUTLAY (RCCO)**

The purchase of fixed assets direct from revenue, rather than by means of loan or lease.

## **REVENUE SUPPORT GRANT**

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

## **STOCKS**

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

## **UNFUNDED PENSION SCHEME**

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

# **ANNUAL GOVERNANCE STATEMENT**

**31 MARCH 2012**

## Annual Governance Statement for the year ended 31 March 2012

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## 1. Introduction and Background to the Annual Governance Statement

### *What is the governance framework?*

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

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

The principles focus on the systems, processes, culture and values expected for the effective direction and control of a public body and are used by Cheshire Fire Authority ('the Authority') to assess its governance arrangements. The Authority believes that good governance must apply to the whole organisation.

### *Why is the framework required?*

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

The framework brings together an underlying set of legal requirements, governance principles and management processes to inform the production of the AGS. The AGS demonstrates how the Authority has complied with the framework and is actively identifying areas in which its governance arrangements could be improved.

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

## 2. Scope of Responsibility

### *Cheshire Fire Authority*

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

## Annual Governance Statement for the year ended 31 March 2012

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

### *Members and Officers*

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

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

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

The system of internal control summarised in [Appendix 1](#) is a significant part of that framework and while its purpose is to manage risk to a proportionate level it cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

### *Corporate Governance Framework*

The Authority's governance framework comprises its strategic aims and objectives, together with the processes and systems it has in place to secure delivery and includes:

- A high level vision which is embedded in the service planning, delivery, risk, project and performance management frameworks.
- A published set of core values.
- An established structure of Authority and Committee meetings with formal Terms of Reference ('ToR')
- A system of Member Champions of discrete areas such as Equality and Diversity, Environment, Finance, Performance Management, Procurement and Health and Safety
- An integrated corporate and financial planning process
- Regular financial and performance reporting
- A local Code of Corporate Governance that is monitored by Standards Committee and assessed annually by internal audit.
- A formal Constitution overseen by the Monitoring Officer.
- A Monitoring Officer responsible for ensuring the legality of Authority actions.
- A responsible Financial Officer to ensure effective administration of financial affairs.



## Annual Governance Statement for the year ended 31 March 2012

The Authority exercises meaningful democratic control over its activities via an approved committee structure and a written and publicly available constitution. This sets out how the Authority operates and makes decisions as well as the processes and procedures which are followed to ensure these are efficient, transparent and accountable to communities and stakeholders.

The Authority also runs regular Member planning days to engage with Members in an informal environment to obtain a steer on future proposals which also aid the corporate planning process.

Extensive efforts are made to engage with the communities and stakeholders of Cheshire East, Cheshire West and Chester, Halton and Warrington. A comprehensive 12 week programme of community consultation and stakeholder engagement is carried out each year to seek feedback on the Authority's key priorities and proposals set out in its draft annual Integrated Risk Management Plan (IRMP). IRMP 8 covers the period ending 31<sup>st</sup> March 2012.

### *Internal Control Framework*

More detail on the internal control framework is contained within [Appendix 2](#), but some of the most significant aspects are highlighted below:

- Ensuring compliance with established policies; procedures; laws and regulations a policy framework which govern the lawful activities of the Service, overseen by the internal Policy Approval Group (PAG).
- Ongoing monitoring of the implementation of action plans via reporting to Policy Approval Group (PAG).
- A dynamic risk management policy, framework and corporate risk register.
- Published Anti-Fraud, Corruption and Whistleblowing policies and complaints procedures.
- Medium term financial forecasting and budget management processes.
- A comprehensive performance management framework with clearly defined and stretching performance targets.
- A flexible and robust project management framework supported by a toolbox and planning system.
- Dynamic intelligent operational training programme which is tailored to the development needs of our operational staff.
- Appraisal and personal development programmes, induction processes and Codes of Conduct designed to ensure staff are appropriately skilled to deliver the Authority's aims and objectives and conduct themselves in a proper manner.
- IRMP Programme Board which reviews current and future cross cutting IRMP activities and initiatives across the Service.
- The Authority has well-established Health and Safety Policies which have been communicated to staff and are available on its document management system.
- ICT Steering Group provides strategic direction for the Authority's ICT services.

## **Annual Governance Statement for the year ended 31 March 2012**

### *Identifying and communicating the Authority's vision*

The Authority has published its four year strategy 'Planning for a Safer Cheshire' and this is supported by the annual IRMP action plans. Full details of all these plans are published on the website – [www.cheshirefire.gov.uk](http://www.cheshirefire.gov.uk) .

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

### *Governance Improvements during 2011-12*

#### *ICT Programme of Change*

During 2011 the Authority approved significant funding to implement an ICT Programme of Change to improve its ICT infrastructure in priority areas identified during the year; and reinforced by an internal audit commissioned in 2011.

#### *Project Management*

Significant governance improvements have been introduced to the management of projects within the Authority during 2011-12. A flexible but robust project management framework was launched in January 2012 which was supported by a training programme, project toolbox and planning system. The framework provides support and direction to project managers, sponsors and IRMP Programme Board in implementing best practice in project and programme management.

The framework recognises that many departments deliver a large number of smaller, specialist projects and the majority of these activities are part of the day job and as a result they are managed within the departmental service plans. However, where projects require resource from, or impact upon, multiple departments within the organisation they are managed within the project management framework. This includes being assessed for their strategic alignment, size, complexity, risk, priority and value.

#### *Payroll System*

During 2011-12 extensive work has been undertaken by Payroll and Finance teams to ensure that robust controls, checks, process maps and documentation are in place for payroll activities and has received positive recognition by Internal Audit. The Internal Audit team stated "*Cheshire Fire Authority is performing well in comparison to other similar organisations and can be assured that the controls upon which the organisation relies to manage risk are suitably designed, consistently applied and effective.*"

#### **CFRS Management Structure**

The Service has a clear management structure with defined roles and responsibilities: the senior officer team is known as the Policy Approval Group (PAG) and comprises of the Chief Fire Officer; Deputy Chief Fire Officer; Assistant Chief

## Annual Governance Statement for the year ended 31 March 2012

Fire Officer; and for part of the year the Director of People and Organisational Development and the Director of Finance and Corporate Planning. In the second half of the year this was being reviewed and a change was agreed for the start of the financial year 2012-13, when the Head of Legal and Democratic Services and the Head of Finance (Section 151 Officer) joined the team. This team is fully supported by the Service Management Team (SMT).

The Service Management Team SMT (in conjunction with Members and senior officers) are responsible for the delivery of Cheshire Fire Authority's Vision - '*A Cheshire where there are no deaths, injuries or damage from fires and other emergencies*' - and the key priorities, supporting aims and objectives which reflect, community, regional and national issues. These key objectives are consistently evidenced within the corporate planning documents including the Authority's Four Year Strategy 'Planning for a Safer Cheshire', the IRMP, and other associated plans including Department, Unitary and Community Action Plans and individual appraisal objectives.

### *Monitoring Officer*

During the 2011-12 financial year, the Head of Legal and Democratic Services was the monitoring officer for the Authority, overseeing processes to ensure all actions taken were lawful.

### *The Role of Chief Finance Officer*

In 2010 CIPFA issued a statement on the Role of the Chief Financial Officer in Public Service Organisations. This was recognition of its view that the global financial crisis and economic downturn had underlined the fundamental importance of the Chief Financial Officer in public service. The statement sets out five key principles that define the core activities and behaviours that belong to the Chief Finance Officer. These are set out below:

The Chief Financial Officer in a public service organisation:

1. Is a key member of the leadership team, helping to develop and implement strategy and to resource and deliver the organisation's strategic objectives
2. Is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned to the organisation's financial strategy and
3. Must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer:

4. Must lead and direct a finance function that is resourced to be fit for purpose and
5. Must be professionally qualified and suitably experienced

In October 2011 the role of Director of Finance and Corporate Planning was removed, and the role of Head of Finance was created, answering directly to the Chief Fire Officer. The Head of Finance assumed responsibility for the day to day financial management of the Service, in accordance with the principles shown above.

## **Annual Governance Statement for the year ended 31 March 2012**

For an interim period up to 31 March 2012, , the Authority engaged Warrington Borough Council's Chief Finance Officer as Section 151 Officer and Treasurer to the Authority. A system of line management was put in place between the Section 151 Officer and the Head of Finance to ensure that Section 151 Officer was able to properly discharge his duties and appropriately support the Head of Finance. On 1 April 2012 this arrangement ceased and the Head of Finance assumed Section 151 responsibilities.

### **4. Review of Effectiveness**

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

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

#### ***Internal Scrutiny***

##### *Member Scrutiny*

A programme of formal Member meetings throughout 2011-12 including:

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

##### *Member Champions*

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

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

## **Annual Governance Statement for the year ended 31 March 2012**

### *Scrutiny Boards*

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

- Budget Management – oversees financial management in the Service and is scheduled at least quarterly as part of Service Management Team (SMT) planning meetings
- Performance Management Group (PMG) – scrutinise operational performance across the Service
- Risk Management Board – approval and regular monitoring of the corporate risk register, emerging new risks; crisis management plan and risk management framework
- IRMP Programme Board – scrutinise cross cutting IRMP projects
- ICT Steering Group – provide strategic direction for our ICT services
- Attendance Management Board – scrutinise absence levels

All Scrutiny Boards have an agreed Terms of Reference.

### **Annual Governance Statement process**

The process for compiling and reviewing the Annual Governance Statement is mapped out in [Appendix 3](#). Key elements of that process include:

1. Ongoing review, health checks and evaluation/self assessment of our governance arrangements against the best practice framework which also helps the Authority to identify and capture actions to deliver areas for improvement.
2. Obtaining assurance from Heads of Departments (HODs) that key elements of the Authority's internal control framework were in place and effective during the year 2011-12 and identify areas for action where control weaknesses/improvements may have been identified– See full summary [Appendix 2](#).
3. Internal Audit scrutiny of the process and quality assurance of evidence sources.
4. Consultation on the process with Standards Committee.
5. Formal sign off by June 2012.

### **External Scrutiny**

The Authority encourages external scrutiny of its activities via:

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

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

## Annual Governance Statement for the year ended 31 March 2012

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

### **Internal Audit function**

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

During 2011-12 a number of planned audits have taken place which provided an independent assurance level and/or audit opinion on the authority's control frameworks. The Annual Audit Strategy focused on providing the Authority with assurance that operational and strategic risks were being effectively managed. Completed internal audits undertaken during 2011-12 are listed below:

1. IRMP Consultation
2. Operational Station Visits
3. Fleet Management Maintenance
4. Stocks and Stores
5. Station Management Framework
6. Estates Management
7. Financial Audits
8. Risk Management
9. Follow-up
10. Payroll
11. Governance
12. ICT

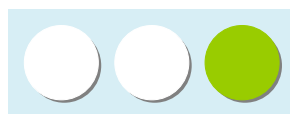
### *Internal Audit Opinion 2011-12:*

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

"For the 12 months ended 31 March 2012, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of Cheshire Fire Authority's arrangements for governance, risk management and control is as follows:

### **Governance**

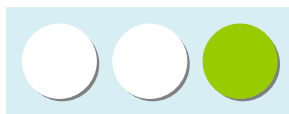
The Authority continues to have robust processes in place to ensure that the Annual Governance Statement and assertions made within the Statement are supported by appropriate evidence.





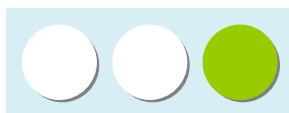
**Risk Management**

The Authority has continued to operate a sound risk management process during 2011-12.



**Control**

Our work for 2011-12 has provided one limited assurance opinion relating to Estates Management, planned and reactive maintenance, all other assurance opinions have been positive.”



**External Audit:**

The Authority's External Auditors are the Audit Commission. The Commission's Annual Governance Report on the Authority stated that "The quality of the Authority's financial statements and the support given to the Audit process by the Finance team continues to be of a high standard. " It further states "The IRMP demonstrates the Authority's continuing concern to deliver savings whilst maintaining service standards."

The auditor expects to issue an unqualified audit report, accompanied by the above comments; this reflects positively on the Authority's processes for achieving Value for Money and meeting the considerable financial challenges which it faces.

*Operational Service Assessment (Op-A) Peer Review*

In 2009 the Service undertook an operational peer review and the results were reported to the Fire Authority along with an action plan. Implementation of the plan was monitored by the Performance and Overview Committee. All twenty four recommendations have now been implemented and the closure of actions report was presented to the Committee in July 2011.

*Alarm Benchmarking Club – Self Assessment*

Cheshire Fire and Rescue Service (CFRS) joined the Risk Management Benchmarking Club when it was first launched in 2010 by Alarm (The Public Risk Management Association) in conjunction with the Chartered Institute of Public Finance Accountants (CIPFA). The Risk Management Board has approved continued participation in the Benchmarking Club until 2012 to support the achievement of the highest level of '**Driving**' in the self-assessment ranking, benchmarked against 60 other public sector organisations.

## **Annual Governance Statement for the year ended 31 March 2012**

The 2011 self-assessment exercise has provided the Authority with an improvement tool and framework to facilitate a detailed sense check of its risk management approach, culture and processes. Based on the evidence available, the Authority's scores indicate an overall performance level of '**Embedded and Integrated**' and the results informed the refresh of the Risk Management Framework in 2011.

### *Business Continuity*

Business Continuity is an important part of the Service's strategy. The Service has embarked on a robust programme to ensure its business continuity responsibilities align to best practices standards e.g. BS25999-2. A number of Service Business Continuity Plans have also been developed which support the overarching Crisis Management Plan.

In line with BS25999-2 and the Service's own policy, contingency plans must be exercised and tested, in part or in full, to ensure that they work and remain current. Exercises also ensure that staff remain fully conversant with plans and practice their identified roles.

Over the last three years the Service has conducted major Business Continuity/Crisis Management exercises on an annual basis. These have been planned and delivered by the Operational Support and Risk Team within Operational Policy and Assurance department. The latest exercise was delivered over two days at the Service Headquarters on 22 and 23 March 2012. The exercise was known as 'Exercise Arley' and dealt with the issue that would arise if there was a strike by operational staff.

### *Performance Management*

As part of the corporate planning process the Authority sets out the key performance indicators, both quantitative and qualitative, that measure delivery of its strategic objectives. Achievements against these performance indicators are reported quarterly to the Policy Approval Group (PAG); Performance and Overview Committee and annually to the Fire Authority.

During 2011-12, 11 of our 18 Key Performance Indicators or (61%) showed positive improvements based on unaudited data.

### *Monitoring and reporting*

There is a formal quarterly system of monitoring and reporting highlighting progress against projects and activities identified within Departmental, Unitary and Community Action Plans and these reports are presented to Members in line with the corporate reporting cycle.



## Annual Governance Statement for the year ended 31 March 2012

### Identified Areas of Improvement for 2012-13

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

Action No	Action	Area	When
1	Implement new Standards Regime	Legal and Democratic Services	2012-13
2	Refresh of Scheme of Delegation/Financial and Contract rules	Legal and Democratic Services/Finance	2013
3	Development of monitoring arrangements for partnerships	Legal & Democratic Services	2012
4	Migration of training records to HR Pro system	HR	2013
5	Further work on the impacts of the Localism Act	Legal & Democratic Services	2012-13
6	Development of Bribery Statement and Policy	Legal & Democratic Services	2012-13
7	Development of a new Content Management System (CMS)	Planning, Performance and Communications	2012

## **5. Certification**

To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year 2011-12.

We are satisfied that these measures along with a continual cycle of review and challenge, will ensure a robust governance framework for 2012-13 and beyond.

### **Signatures:**

Fire Authority (Chair).....

Chief Fire Officer.....

Treasurer.....

## APPENDICES

### Appendix 1

Overall self assessment summary of CFRS Internal Control Framework

#### SELF ASSESSMENT SUMMARY 2011-12

Corporate Governance – CIPFA/SOLACE 2007 Supporting Principles	Reporting Structure	CFRS Overall compliance score
<b>Principle 1</b> Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.	Standards Committee Challenge and Scrutiny	4.5
<b>Principle 2</b> Members and officers working together to achieve a common purpose with clearly defined functions and roles		4.5
<b>Principle 3</b> Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour		4.5
<b>Principle 4</b> Taking informed transparent decisions which are subject to effective scrutiny and managing risk		5
<b>Principle 5</b> Developing the capacity and capability of members and officers to be effective		4.5
<b>Principle 6</b> Engaging with local people and other stakeholders to ensure robust public accountability		5
Overall Code of Corporate Governance Compliance Score		4.5

## Annual Governance Statement for the year ended 31 March 2012

<i>Departmental Internal Control Self Assessment Completion by CFRS Heads of Department Management of Key Risks</i>	<i>Self Assessment Index Ref No(s)</i>	<i>Reporting Structure/Frequency</i>	<i>CFRS Overall Assurance score</i>
<b>PREVENTION</b>	<b>1, 2 &amp; 3</b>	Risk Management Board (RMB) <b>Quarterly</b> Policy Approval Group (PAG) <b>Monthly</b> Performance & Overview Committee <b>five times Annually</b> Performance Management Group <b>Quarterly</b> IRMP Programme Board <b>bi monthly</b>	<b>3.5</b>
<b>RESPONSE</b>	<b>4, 5 &amp; 6</b>	Risk Management Board (RMB) <b>Quarterly</b> Policy Approval Group (PAG) <b>Monthly</b> Performance & Overview Committee <b>Five times Annually</b> Local Resilience Forum Performance Management Group <b>Quarterly</b>	<b>4</b>
<b>SUPPORT</b>	<b>7, 8 &amp; 9</b>	Risk Management Board (RMB) <b>Quarterly</b> Policy Approval Group (PAG) <b>Monthly</b> Performance & Overview Committee <b>five times - Annually</b> Performance Management Group <b>Quarterly</b> Budget Management <b>At least quarterly</b> Equality and Diversity Task Group <b>Quarterly</b> ICT Steering Group <b>Quarterly</b> Health and Safety Committee <b>Quarterly</b> IRMP Programme Board <b>bi monthly</b> Attendance Management <b>Monthly</b>	<b>4</b>
<b>Overall Internal Control Assurance Score</b>			<b>4</b>

# Annual Governance Statement for the year ended 31 March 2012

## Appendix 2

Full detailed summary of key elements of authority's compliance with Code of Corporate Governance and our Internal Control Framework

### Compliance/Assurance Self Assessment

Supporting Principles	Local Code/Control Framework	CG Ref	CFRS Self Assessment Score	CFRS Overall score
<b>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</b>				
<b>Supporting Principles</b> 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	Develop & Promote the authority's purpose and vision	1.1	5	TB
	Review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements	1.1.1	5	TB
	Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners	1.1.2	5	EM
	Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance	1.1.3	5	TB
	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	1.2	5	TB
	Put in place effective arrangements to identify and deal with failure in service delivery	1.2.1	4	TB
	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	1.3	4	PV BV
<b>4.5</b>				
<b>Linked Evidence:</b> Four Year Strategy; IRMP8, Partnership Strategy & Toolkit, Annual Report 2011-12, Integrated Corporate Planning Timetable;				
<b>Core Principle Two – Members and officers working together to achieve a common purpose with clearly defined functions and roles</b>				
<b>Supporting Principles</b> 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	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	2.1	5	AL
	Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers	2.1.1	5	AL

## Annual Governance Statement for the year ended 31 March 2012

<b>Supporting Principles</b>	<b>Local Code/Control Framework</b>	<b>CG Ref</b>	<b>CFRS Self Assessment Score Comply/Explain</b>		<b>CFRS Overall score</b>
<p>working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard</p> <p>Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other.</p>	<i>Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation, and ensure that it is monitored and updated when required</i>	2.2	3	AL	<b>4.5</b>
	<i>Make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management</i>	2.2.1	3	AL	
	<i>Develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained</i>	2.2.2	5	AL	
	<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	CFO	
	<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 complied</i>	2.2.4	5	AL	
	<i>Develop protocols to ensure effective communications between members and officers in their respective roles</i>	2.3	5	AL	
	<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	AL	
	<i>Ensure that effective mechanisms exist to monitor service delivery</i>	2.3.2	5	TB	
	<i>Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated</i>	2.3.3	5	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	4	AL	

## Annual Governance Statement for the year ended 31 March 2012

Supporting Principles	Local Code/Control Framework	CG Ref	CFRS Self Assessment Score Comply/Explain		CFRS Overall score
	<p>When working in partnership</p> <ul style="list-style-type: none"> <li>- ensure that there is clarity about legal status of the partnership</li> <li>- 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</li> </ul>	2.3.5	4	EM	
<b>Linked Evidence:</b> <b>Constitution (including Scheme of Delegation); Member Code of Conduct, Partnership Strategy &amp; Toolkit, Integrated Corporate Planning Timetable; Quality Assurance Framework; Performance Management Framework; Corporate Planning process</b>					
<b>Core Principle Three – Promoting values for the authority and demonstrating the values of good governance through upholding high standards and behaviour</b>					
<b>Supporting Principles:</b> 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	Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect	3.1	5	AL	4.5
	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	3.1.1	5	AL	
	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	3.1.2	5	AI	
	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	3.2	5	AH	
	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	3.2.1	3	AL	
	Develop and maintain an effective standards committee	3.2.2	5	AL	
	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	3.2.3	5	TB/EM	
	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	3.2.4	3	EM	

## Annual Governance Statement for the year ended 31 March 2012

Supporting Principles	Local Code/Control Framework	CG Ref	CFRS Self Assessment Score	CFRS Overall score
<b>Linked Evidence:</b> <b>Member Code of Conduct, Staff Code of Conduct, Gifts/Hospitality Policy, Anti Fraud &amp; Corruption Policy, Constitution, Complaints procedure; Partnership Toolkit, Corporate Governance Action Plan 1-6</b>				
<b>Core Principle four - Taking informed and transparent decision which are subject to effective scrutiny and managing risk</b>				
<b>Supporting Principles:</b> Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny  Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	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	4.1	5	JS
	Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.	4.1.1	5	JS
	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.	4.1.2	5	JS
	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	4.1.3	5	AL JS
	Ensure that effective transparent and accessible arrangements are in place for dealing with complaints	4.1.4	5	AL
	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	4.2	5	TB
	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	4.2.1	5	JS
Ensuring that an effective risk management system is in place	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	4.3	5	TB
	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	4.3.1	5	NW
Using their legal powers to the full benefit of the citizens and communities in their area	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	4.4	5	PV/AL

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## Annual Governance Statement for the year ended 31 March 2012

Supporting Principles	Local Code/Control Framework	CG Ref	CFRS Self Assessment Score Comply/Explain		CFRS Overall score
	Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law	4.4.1	5	AL	
	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 – rationally, legality and natural justice – into their procedures and decision making processes-+	4.4.2	5	AL	
Linked Evidence: Integrated Corporate Planning Timetable, Member Code of Conduct, Anti Fraud & Corruption Policy, Internal Audit Protocol & Charter, Whistle Blowing Procedure, Safe Call Procedure and process; Organisational Structure					
Core Principle five – Developing the capacity and capability of members and officers to be effective					
<b>Supporting Principles:</b> Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles  Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as such a group  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	Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis	5.1	4	AL	4.5
	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	5.1.1	5	AL	
	Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively.	5.2	5	AL	
	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.	5.2.1	4	AL	
	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	5.2.2	5	AL	
	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,	5.3	5	TB	
	Ensure that career structures are in place for Members and officers to encourage participation and development	5.3.1	5	AH/AL	
Linked Evidence: Constitution; Member Development Programme; appraisal process; consultation process; consultation panel;					

## Annual Governance Statement for the year ended 31 March 2012

<b>Supporting Principles</b>	<b>Local Code/Control Framework</b>	<b>CG Ref</b>	<b>CFRS Self Assessment Score</b>	<b>CFRS Overall score</b>
<b>Core Principle six – Engaging with local people and other stakeholders to ensure robust public accountability</b>				
<b>Supporting Principles:</b> 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	5	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	5	CFO
	Produce an annual report on the activity of the scrutiny function	6.1.2	5	TB/PV
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	5	TB
	Hold meetings in public unless there are good reasons for confidentiality	6.2.1	5	AL
	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	5	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	5	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	5	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	5	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	5	AH
<b>Linked Evidence:</b> <b>Annual IRMP (8), Communication Strategy, Community Engagement Strategy, Annual Performance Report; Consultation process and panel; four year strategy; document management system</b>				
<b>Overall Governance Score</b>			<b>5</b>	

## Annual Governance Statement for the year ended 31 March 2012

CF&RS INTERNAL CONTROL EVALUATION 2011-12						
Themes	Internal Ref	Principal Risk – Departmental Self Assessment	Objective	Assurance Score/ Owner		CFRS Overall Score
PREVENTION	1.1	Failure to reduce fire deaths	P1	3	EM	3.5
	1.2	Failure to obtain funding to deliver youth programmes		4	EM	
	2.1	Poor risk analysis, partner engagement or loss of funding for road safety initiatives	P2	4	EM	4
	2.2	Increase in number of Arson incidents		4	KB	
	3.1	Inadequate audit policy and programme	P3	4	KB	4
	3.2	Legal challenge to an enforcement action		4	KB	
	3.3	Failure to win a prosecution(s) in CFP		4	KB	
	3.4	Loss of Iconic Heritage Building		3	KB	
RESPONSE	4.1	Inaccurate Risk Modelling	R1	4	GC	4
	4.2	Failure of the Local Resilience Forum to pass on risk critical information		5	GO'R	
	4.3	Failure to record incident stats appropriately		3	GC	
	4.4	Conflicting and inconsistent operational policies		4	GO'R	
	5.1	Crews not having sufficient information on premises to deal safely with incidents	R2	4	GO'R	4
	5.2	Failure in Mobilising System		4	G'OR	
	6.1	Failure to manage PPE, by cross functional departments leading to financial impact	R3	3	AL/TB	3.5
	6.2	Service standards not adhered to in all stations		4	TM	
SUPPORT	7.1	Inaccurate and/or inadequate risk information available	S1	3	TM	3
	7.2	Failure to deliver a competent workforce		4	TM	
	7.3	Unsupported training recording system (TQMP)		2	AH	
	7.4	Failure to conduct appropriate investigations into allegations of wrong doing		3	EM	
	7.5	Inability to resolve technical issues with the content management system		2	TB	
	7.6	Lack of CLG Security clearance		5	GO'R	
	7.7	Loss of qualified driving instructors to train and refresh service drivers		4	GO'R	
	8.1	Failure to comply with Equalities Act	S2	4	TB	3.5

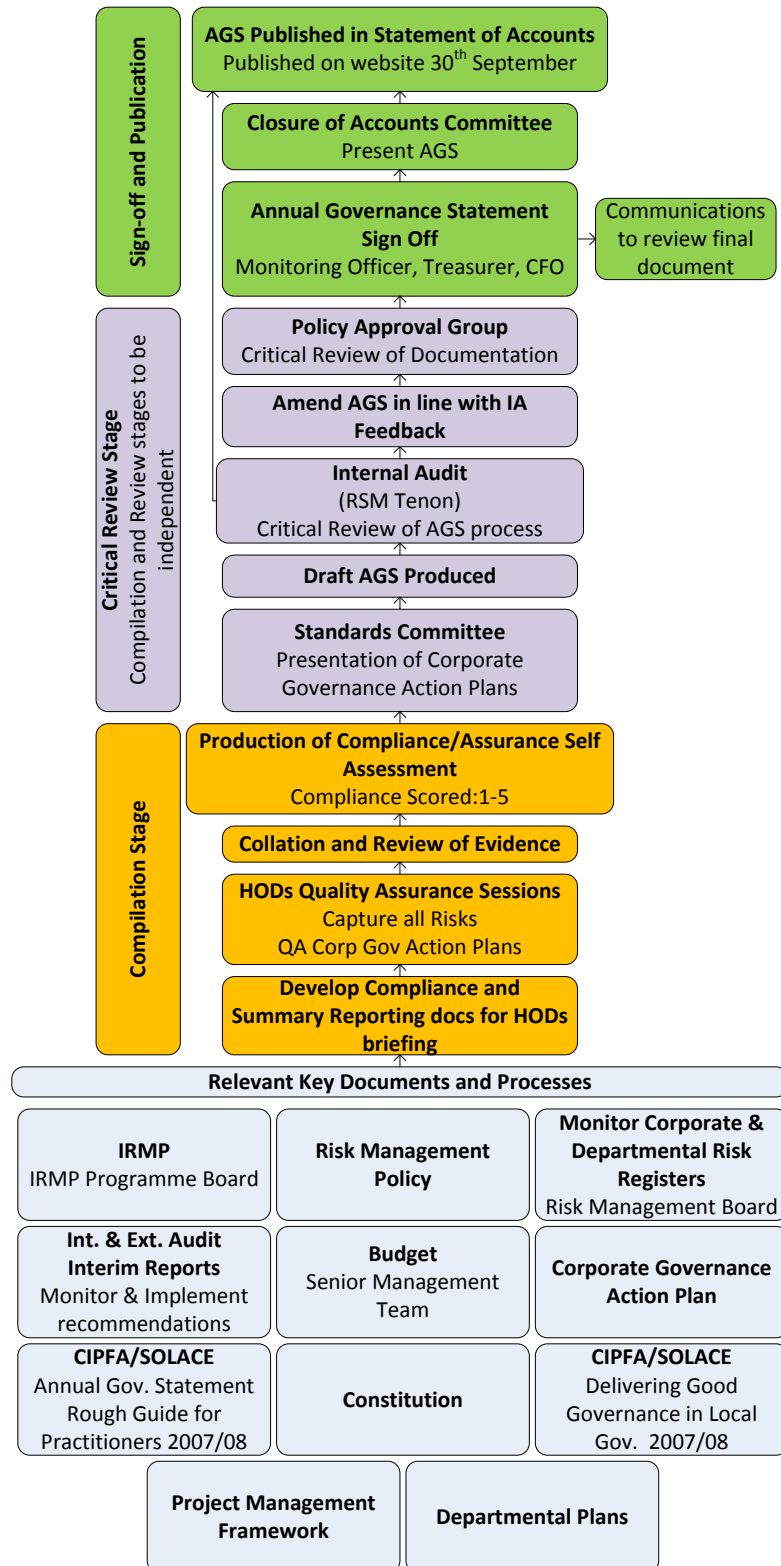
## Annual Governance Statement for the year ended 31 March 2012

	8.2	Failure to properly consult		4	TB	
	8.3	Damage to public reputation of the service		3	TB	
	8.4	Failure to handle Contact Assessment data appropriately		3	EM	
	8.5	Partnership Governance		4	EM	
	8.6	Failure to meet performance standards		4	GC	
	8.7	Failure to comply with the Localism Act		3	AL	
	8.8	Failure to comply with Bribery Act		3	AL	
	8.9	Failure to respond to complaints in line with policy		4	AL	
	8.10	Failure to provide Members with correct training; information and data		4	AL	
	8.11	Failure to review and implement corporate policies approved by PAG		4	AL	
		9.1		Failure of payroll system to deliver organisational requirements	S3	
9.2		Infrastructure failure (ICT)	3	GF		
9.3		Loss or corruption of data following a system failure	3	GF		
9.4		Failure to deliver on our environmental and carbon reduction commitments	4	BW		
9.5		Failure of financial systems to deliver organisational requirements	4	PV		
9.6		Failure to deliver medium term financial plan based on sound corporate financial management	4	PV		
9.7		Failure to deliver VfM	4	PV		
9.8		Reduction on grants impacting Service Delivery	3	PV		
9.9		Failure to protect the Service’s assets	4	TB/BW		
9.10		Failure of payroll system to deliver organisational requirements	4	AH		
Overall Internal Control Assurance Score				4		

# Annual Governance Statement for the year ended 31 March 2012

## Appendix 3

Annual Governance Statement Process Map 2011/12



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

### **Opinion on the Authority and Pension Fund financial statements**

I have audited the financial statements and the firefighters' pension fund financial statements of Cheshire Fire Authority for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The firefighters' pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFAS/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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

### **Respective responsibilities of the Treasurer and auditor**

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Authority's Statement of Accounts, which includes the financial statements and the firefighters' pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the financial position of Cheshire Fire Authority as at 31 March 2012 and of its expenditure and income for the year then ended;

- give a true and fair view of the financial transactions of the firefighters' pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

### **Opinion on other matters**

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

### **Matters on which I report by exception**

I report to you if:

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

I have nothing to report in these respects

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

#### **Respective responsibilities of the Authority and the auditor**

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

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

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

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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

## **Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Cheshire Fire Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Julian Farmer  
District Auditor

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

September 2012