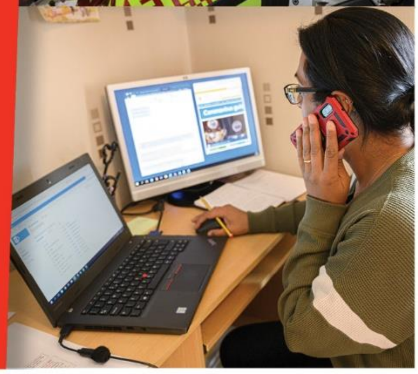
Cheshire Fire Authority

Statement of Accounts 2022-23

Version: Pre Audit – 19th June 2023



Cheshire
Fire & Rescue Service
www.cheshirefire.gov.uk

STATEMENT OF ACCOUNTS

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NARRATIVE REPORT

1. Introduction

1.1 Welcome to the 2022-23 Cheshire Fire Authority Statement of Accounts. Cheshire Fire Authority (“the Authority”) is the publicly accountable body that manages the Fire and Rescue Service (“the Service”) on behalf of local communities. The Authority is responsible for providing an efficient and effective fire and rescue service that protects the communities of Cheshire. The Authority consists of 23 elected Members appointed by Cheshire East Borough Council; Cheshire West and Chester Borough Council; Halton Borough Council; and Warrington Borough Council.

1.2 The Authority is dedicated to providing the communities of Cheshire with a fire and rescue service that is committed to saving lives, changing lives and protecting lives to achieve its vision of a Cheshire where there are no deaths, injuries or damage from fires and other emergencies.

1.3 The Chief Fire Officer and Chief Executive and the Service Leadership Team lead Cheshire Fire and Rescue Service. The service operates from 28 fire stations across Cheshire, staffed in a number of different ways to reflect local risks and demands. The Service also operates three community safety teams; three fire protection offices; a joint headquarters with Cheshire Constabulary; an operational training centre; a safety education centre in Lymm for schools and community groups; and the fleet workshop at the Sadler Road site.

2. Financial Statements

2.1 The accounts include a note called the ‘Expenditure and Funding Analysis’ which is shown on pages 15 and 16 before the main financial statements. This note shows how annual expenditure is used and funded from Government grants, council tax and business rates by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision-making purposes between the Authority’s services and departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on page 17.

2.2 The Movement in Reserves Statement shows the movement from the start to the end of the year on the different reserves held by the Authority. This is analysed into ‘usable reserves’ (i.e. those that can currently be used to fund expenditure or reduce local taxation) and other ‘unusable’ reserves (technical accounting adjustment accounts reflecting the difference between the outcome of applying proper accounting practices and the statutory requirements for funding expenditure within the public sector). It shows how the movements in year of the Authority’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. This Statement has a strong link to the Expenditure and Funding Analysis and Comprehensive Income and Expenditure Statement.

2.3 The Comprehensive Income and Expenditure Statement shows the resources consumed or earned by the Authority in accordance with generally accepted accounting practice.

2.4 The Balance Sheet is a statement showing the Authority's assets and liabilities i.e. what is owned and what is owed as at 31st March.

2.5 The final primary statement is the Cashflow Statement. This shows the changes in cash and cash equivalents of the Authority during the financial year. The statement shows how the Authority generates and uses cash by classifying cash flows as operating, investing and financing activities.

2.6 During 2022-23, the Authority maintained an average cash balance of around £29m (2021-22 £18m) each month with fluctuations dependent on payroll and paying creditors versus when grants, precept, business rates and income were received. The main impact on these balances going forward is the funding of capital expenditure such as estates, vehicles, equipment and technology as agreed by the Authority. As at 31st March 2023, the Authority's PWLB debt stood at £12m.

3. Financial Performance 2022-23

3.1 Where does the Authority get its revenue funding from?

3.1.1. The Authority receives over half of its revenue funding from its share of the council tax (called the precept), which is collected by the four constituent local authorities. The 2022-23 precept approved by the Authority increased by 1.99% and set a Band D council tax precept of £82.48 (compared to £80.87 in 2021-22).

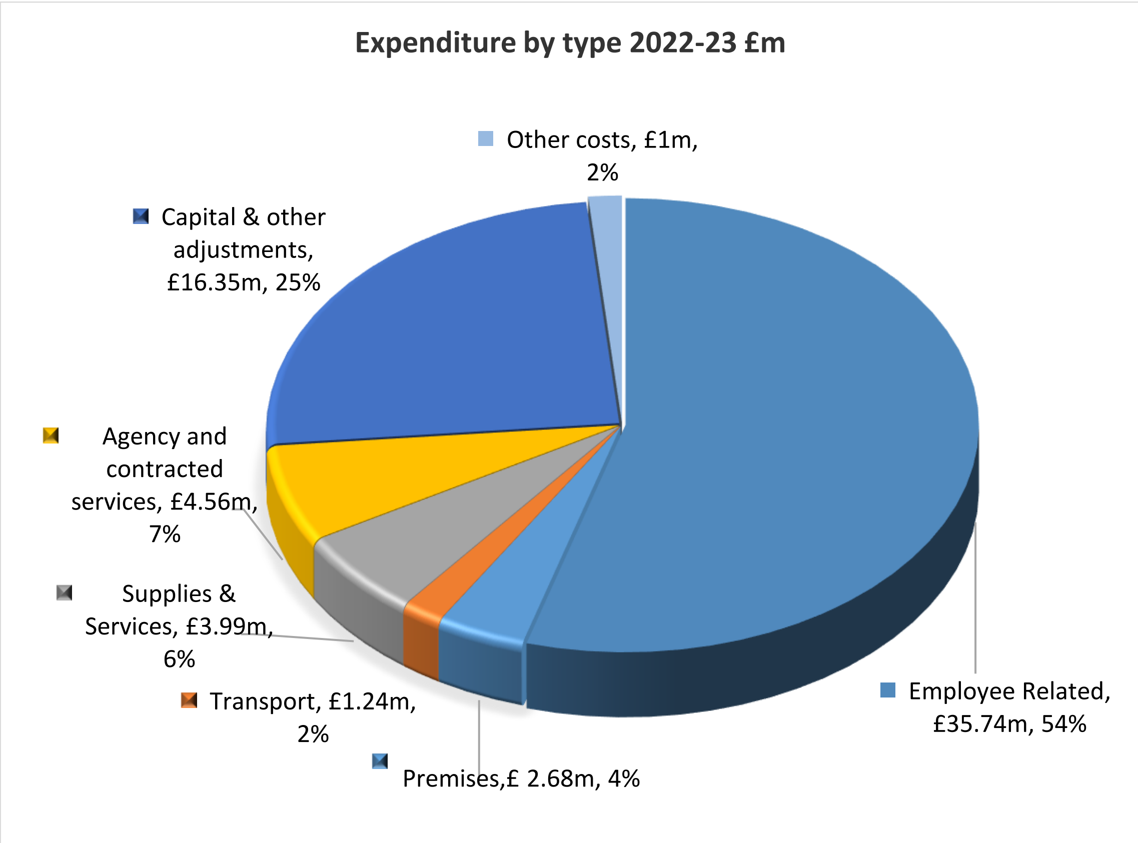
3.1.2. In addition to the precept, the Authority receives its share of any surplus or deficit on the council tax collection funds. For 2022-23, this amounted to a surplus allocation (council tax only) of £0.1m (surplus allocation in 2021-22 of £0.2m).

3.1.3. The majority of the balance of revenue funding comes from the Government and the four local authorities in the form of the Settlement Funding Assessment. This can be broken down into two elements – Revenue Support Grant and Baseline Funding Level. Revenue Support Grant is determined by the Government and allocated based on a formula. Baseline Funding Level is the amount, which the Government determines, should be receivable by the Authority for its share of business rates as collected by the four local authorities. However, the amount of business rates due is not sufficient to meet the Baseline Funding Level so the Government also pays the Authority a 'top-up' grant to meet the shortfall. The 2022-23 funding amounts for the Authority are shown in the next table.

Fire Authority's Funding 2022-23	**£000**	**£000**	**%**
Council Tax		(31,956)	68.57
Council Tax – collection fund surplus		(134)	0.29
Revenue Support Grant	(4,136)		8.87
Business Rates	(4,112)		8.82
'Top-up' Grant	(5,269)		11.30
		(13,517)	
Business Rates – collection fund surplus		(31)	0.07
Business Rates – Section 31 Grant		(1,752)	3.76
Local Tax Income Guarantee/ compensation			
- business rates element		(24)	0.05
Appropriation to Collection Fund Adjustment Account			
- council tax element	148		(0.32)
- business rates element	1,072		(2.30)
		1,220	
Service Grant Allocation 2022-23		(653)	1.40
Transfer to / (from) reserve		236	(0.51)
Total		**(46,611)**	**100.00**

3.2 What does the Authority spend its money on?

3.2.1. The majority of the Authority's expenditure relates to employee costs. The following chart shows a breakdown of what was spent by the Authority in 2022-23 by expenditure type.



3.2.2. On 9th February 2022, the Authority approved the 2022-23 revenue budget of £46.6m together with a capital programme of £16.2m. Budget monitoring reports are presented to the Performance and Overview Committee on a quarterly basis focusing on the forecast outturn position and revisions to the overall budget in response to changes in-year.

3.2.3. At the end of the financial year the Authority's outturn included an overspend of £282k which has been taken from reserves. Details are shown in the table below.

Fire Authority's Service Area	2022-23 Budget £000	2022-23 Actual £000	Reserve Movements £000	Revised Variance £000
Firefighting & Rescue Operations	29,614	30,528	(47)	867
Protection	1,887	1,972	(116)	(31)
Prevention	2,465	2,322	(24)	(167)
Support Services	11,044	10,543	26	(475)
Unitary Performance Groups	100	40	60	-
Finance resources / centrally held costs and contingencies	2,272	960	1,457	145
Finance resources – S31 grants	(2,104)	(2,136)	-	(32)
Capital Financing (including investment income)	1,308	627	681	-
Funding	(46,586)	(46,847)	236	(25)
2022-23 deficit taken from reserves	-	-	(282)	(282)
Cheshire Fire Total	-	(1,991)	1,991	-

3.2.4. The main reasons for variances were reported during the year to the Performance and Overview Committee and a final report for 2022-23 will be presented to the Authority at its meeting in June 2023.

3.2.5. Some of the key variances during the year resulted from:

- The 2022-23 budget included an allowance for a 3% pay award for all staff. Grey book (operational) staff accepted an offer of 7% to take effect from July 2022. Green book (support) staff accepted a flat rate offer to take effect from April 2022, which equates to 7.6% across the green book payroll. No additional funding has been made available to the Authority to cover any additional costs arising from the pay award and this has led to some overspend against the budget, particularly in Firefighting and Rescue Operations.

- The Authority has experienced recruitment difficulties during the year and this has led to some underspending against budgets.

- The Authority has seen some reduction in property business rates in year and prior year refunds following successful challenge against the 2017 rates valuation list.

- ICT costs, mainly related to phones and radios, continue to be lower than anticipated.

3.3 Capital

3.3.1. During 2022-23 the Authority spent almost £7.8m on capital as follows:

Authority's Capital Expenditure	2022-23 £000
Fire Station Builds & Modernisation Programme	2,684
Fire Houses Modernisation	251
Wilmslow Houses	4,022
Fire Appliances	563
Rapid Response Rescue Units and equipment	40
Other Vehicles	124
Saffire IT system	52
Replacement mobile data terminals	7
Equipment – thermal image cameras	26
Total	7,769

3.3.2. During 2022-23 work on site at Crewe began, the temporary fire station was erected, and the old station was demolished.

3.3.3. During 2022-23 nine houses were purchased close to Wilmslow fire station to allow a change in shift system to day crewing at the beginning of 2023-24.

3.3.4. As well as the standard capital spending on fire appliances, support vehicles and equipment, the new awaited technical rescue vehicle (picture below) was delivered in September 2022.

4. Non-financial performance

4.1 The Service's Performance and Programme Board receives a quarterly review of performance against the Service's Key Performance Indicators (KPIs). The Board is responsible for monitoring and reviewing progress against performance targets and ensuring that action to improve performance is taken wherever possible if targets are not being met. The quarterly reviews are presented to the Performance and Overview Committee.

4.2 The 2022-23 Corporate Performance Scorecard for the year is shown below.

IRMP Theme

Outcomes

Protecting Local Communities

	Actual	Target	Q4 Year on Year	Q4 2021-22
Deaths in Primary Fires	6	0	⇧	3
Injuries in Primary Fires	27	36	⇧	20
Accidental dwelling fires	310	329	⇩	313
- % starting in kitchens	168 (54%)		⇔	168 (54%)
- % in homes with residents over pensionable age	64 (21%)		⇩	68 (22%)
Deliberate fires (Primary and Secondary)	1,081	991	⇧	891
Fires in Non Domestic Premises	130	159	⇩	153
AFAs in Non Domestic Premises	482	490	⇩	494

Responding to Emergencies

	Actual	Target	Q4 Year on Year	Q4 2021-22
10 Minute Standard	87%	80%	⇧	85%
Wholetime Availability	100%	100%	N/app	N/app
On Call Availability	53%	85%	⇩	60%
Nucleus OC pumps	81%			
Primary OC pumps	53%			
Secondary OC pumps	36%			
NWFC: Time to Answer Call	6s	10s	N/app	N/app
NWFC: Time to Mobilise Appliance	93.5s	90s	N/app	N/app

Developing the organisation

	Actual	Target	Q4 Year on Year	Q4 2021-22
Average Days/Shifts Lost to sickness	6.87	5.50	⇩	6.71
Working Days Lost To Injury	40	40	⇩	88

Outputs

	Actual	Target	Q4 Year on Year	Q4 2021-22
S&Ws Delivered to Heightened Risk	19,105	20,000	⇧	#####
Platinum address success rate	68%	65%	⇩	81%
Thematic Inspections Completed	2,059	2,004	⇧	2,015
Total NDP Fire Safety Audits Completed	1,463	1,115	⇩	1,677
Risk Based Inspections Completed	1004	1240	⇧	578

Performance Key			
(green)	Meeting target	⇩⇧	Improved direction of travel year on year
(amber)	Within 10% of target	⇔	No change in direction of travel
(red)	Failing against target by at least 10%	⇩⇧	Negative direction of travel year on year by up to 10%
(blue)	Target suspended	⇩⇧	Negative direction of travel year on year by at least 10%

4.3 Review of 2022-23

4.3.1. 2022-23 was the third year of the Service's current four-year Integrated Risk Management Plan (IRMP), which sets out how it will develop and adapt to meet new and emerging risks and priorities. During the year, a number of IRMP projects were successfully completed, including:

- Reviewing the way the Service provides high volumes of water for firefighting and investing in a new water carrier that can be transported to incidents.

- Replacing the aerial ladder appliance and a fire engine at Macclesfield with a high reach extendable turret (HRET) fire engine.

- Providing rapid response rescue units (RRRUs) on all of our primary on-call fire stations to improve the response to road traffic collisions and other non-fire emergencies.

- Developing a new, specialist wildfire capability to help the Service tackle an increasing number of fires in the open.

- Extending Safe and Well home visits to a broader range of people at risk including lone parents under the age of 65.

- Commencing work on a new state-of-the-art fire station at Crewe, due to open in autumn 2023.

4.3.2. In May 2022, Cheshire Fire Authority agreed to donate two fire engines, an aerial ladder platform and items of personal protective equipment to firefighters in Ukraine under a scheme co-ordinated by the Home Office and the Fire Aid charity. The vehicles were driven by nine personnel from Cheshire to a rendezvous point in Poland.

4.3.3. In the summer of 2022, the heatwave from Sunday 17th to Tuesday 19th July saw crews called out to 177 incidents. The unprecedented weather created complex and demanding situations across the county. There were several large-scale incidents in a short space of time, including a Frodsham turkey farm fire, a warehouse fire in Middlewich which escalated to a major incident, and substantial weather-related fires at Rixton, Mow Cop and Delamere Forest. These incidents, together with very many smaller scale grass and nuisance fires, placed exceptional demand placed on the Service's resources.

4.3.4. In September 2022, the Authority confirmed the appointment of a new Chief Fire Officer and Chief Executive, Alex Waller, following the retirement of Mark Cashin. Mr Waller joined the Service in 1993 as an apprentice firefighter and most recently served as Deputy Chief Fire Officer.

5. Pension Liability

5.1 The Authority as a responsible employer encourages its employees to participate in a pension scheme. Firefighters have access to the Firefighter Pension Scheme. For non-firefighters, the Local Government Pension Scheme (LGPS) is available.

5.2 Under the International Accountings Standards (IAS19), the way in which pensions are reported within these accounts must reflect the full liability incurred for future pension costs in the year it is earned. Therefore, each year the value of the liability is calculated by the Authority's actuaries and is shown on the balance sheet as a long-term liability. The large pension liability shows what the Authority would owe if it had to pay all the pensions for all the existing and retired firefighters and staff in the pension schemes on 31st March. This would not happen as the actual payment of such pensions is made over many years and is funded by future contributions from firefighters and staff, together with Government funding.

5.3 Claims of age discrimination were brought in relation to the terms of transitional protection by groups of firefighters and members of the Judiciary in the McCloud/Sargeant legal case (referred herein as "McCloud") and the Court of Appeal handed down its judgment on this claim on 20th December 2018, ruling that the transitional protection arrangements were discriminatory on the basis of age. As a result, the cost control element of the 2016 valuation was paused whilst the Government addressed the need to remedy this discrimination across all public service pension schemes. The cost cap mechanism for the 2016 valuation has since been un-paused and the calculations complete, with the outcome being no changes to benefits or contributions. The treatment of the deferred choice underpin as a member cost for cost cap purposes, along with the four year spreading period, was challenged in a Judicial Review which was heard in early 2023. The claims made in the Judicial Review were dismissed by the High Court, in a judgment handed down on Friday 10th March 2023.

5.4 The McCloud remedy window ran from 1st April 2015 to 31st March 2022. Eligible members will be able to elect which scheme they wish to receive benefits from for this period.

6. North West Fire Control / NW Fire Control Limited (NWFC)

6.1 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 call handling and mobilisation for the North West region. It has operated successfully since 2019, dealing with calls for Cheshire, Cumbria, Greater Manchester and Lancashire fire and rescue services.

6.2 During 2018-19, a further detailed assessment for Group Accounting requirements took place in respect of NWFC. This is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards (IFRS 10, 11 & 12). It was determined that the company is governed by Joint Control due to the fact that unanimous consent exists for key decisions and that each Authority (including Cheshire) has equal voting rights. Based on materiality, i.e. would it significantly change any individual balance within the accounts, the requirement for the Authority to show their share of the joint operation in their accounts became necessary. Further details can be found in the NWFC note on page 68.

6.3 These accounts include the Authority's 25% share of the 2022-23 results of North West Fire Control Limited based on their unaudited accounts.

7. Future Developments and Plans

Cheshire Fire Authority has now published its 2023-24 Annual Action Plan, which outlines its plans and priorities for the year ahead to improve the provision of fire and rescue services across Cheshire and address the risks facing communities across the county.

Projects over the next year include:

- Introducing a day crewing system at Wilmslow in April 2023, following the purchase of nine houses for the firefighters who will provide 24/7 cover.
- Engaging with partners and stakeholders with the aim of introducing an emergency cardiac response capability, which would see firefighters respond to cardiac arrests alongside paramedics.
- Reducing the number of false alarms within domestic premises.
- Reviewing the range of fire safety education programmes that the Authority delivers to ensure content is consistent, engaging and relevant to its audience.
- Undertaking a Service Improvement Review of its Prevention Department.
- Further developing prevention work to raise awareness of water safety.
- Reviewing our wholetime optimum crewing duty system agreement.
- Reviewing the need for new equipment to improve the effectiveness of our emergency response.

- Reviewing specialist vehicles and resources and implementing the outcomes.
- Working with other local partners to develop a strategic road safety plan for Cheshire.

The coming year will also see the Authority start to develop its next Community Risk Management Plan, which will cover the four years from 2024-25. Work on this will begin in earnest over the Spring and Summer ahead of a public consultation on emerging proposals over Autumn/Winter 2023-24.

STATEMENT OF RESPONSIBILITIES

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; and
- 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 31st March 2023.

Councillor
Cheshire Fire Authority.
Date:

Responsibilities of the Treasurer to the Cheshire Fire Authority

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

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

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

The Treasurer has also:

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

The Treasurer's Certificate

I certify that the Statement of Accounts present a true and fair view of the financial position of Cheshire Fire Authority at the reporting date and its income and expenditure for the year ended 31st March 2023 and that events after this date and prior to the formal approval of the Accounts have been properly considered.

Paul Vaughan
Treasurer, Cheshire Fire Authority.
Date: 19th June 2023.

EXPENDITURE AND FUNDING ANALYSIS NOTE 2022-23

	As reported for Resource Management £000	Adjust for Earmarked Reserve Movements £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis (a) £000	Net Expenditure Comprehensive Income and Expenditure Statement £000
Firefighting and Rescue operations	30,482	46	30,528	203	30,731
Protection	1,856	116	1,972	13	1,985
Prevention	2,299	24	2,323	20	2,343
Support Services	10,567	(25)	10,542	12	10,554
UPGs	100	(60)	40	-	40
Corporate / Finance resources	2,409	(117)	2,292	(1,333)	959
Actuarial pension cost - McCloud Judgement	-	-	-	-	-
Net Cost of Services	**47,713**	**(16)**	**47,697**	**(1,085)**	**46,612**
Net cost of service - 25% share of NWFC	(2)	(7)	(9)	129	120
Other Income & Expenditure	(47,713)	(643)	(48,356)	13,920	(34,436)
Other Income & Expenditure -25% share of NWFC	2	-	2	37	39
(Surplus) or Deficit	**-**	**(666)**	**(666)**	**13,001**	**12,335**
Opening General Fund at 31 March 2022			**(24,012)**		
Less/Plus (Surplus) Deficit on General Fund in Year	**Fire**	(659)			
	NWFC (25%)	(7)			
			(666)		
Closing General Fund at 31 March 2023			**(24,678)**		

(a) See Note 5, for further details on the adjustments between funding and accounting basis.
This analysis is not a Primary Financial Statement and forms part of the Notes to the Accounts.

EXPENDITURE AND FUNDING ANALYSIS NOTE 2021-22

	As reported for Resource Management £000	Adjust for Earmarked Reserve Movements £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis (a) £000	Net Expenditure Comprehensive Income and Expenditure Statement £000
Firefighting and Rescue operations	28,874	217	29,091	1,847	30,938
Protection	1,738	(65)	1,673	121	1,794
Prevention	2,071	(10)	2,061	203	2,264
Support Services	10,293	(270)	10,023	108	10,131
UPGs	100	(64)	36	-	36
Corporate / Finance resources	3,322	(1,866)	1,456	(454)	1,002
Actuarial pension cost - McCloud Judgement	-	-	-	-	-
Net Cost of Services	**46,398**	**(2,058)**	**44,340**	**1,825**	**46,165**
Net cost of service - 25% share of NWFC	(2)	1	(1)	164	163
Other Income & Expenditure	(46,396)	520	(45,876)	9,797	(36,079)
Other Income & Expenditure -25% share of NWFC	-	-	-	38	38
(Surplus) or Deficit	**-**	**(1,537)**	**(1,537)**	**11,824**	**10,287**
Opening General Fund at 31 March 2021			**(22,475)**		
Less/Plus (Surplus) Deficit on General Fund in Year	**Fire**	(1,538)			
	NWFC (25%)	1			
			(1,537)		
Closing General Fund at 31 March 2022			**(24,012)**		

(a) See Note 5, for further details on the adjustments between funding and accounting basis.
This analysis is not a Primary Financial Statement and forms part of the Notes to the Accounts.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2021-22					2022-23		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		Note	£000	£000	£000
31,178	(240)	**30,938**	Firefighting and Rescue operations		31,215	(484)	**30,731**
1,992	(198)	**1,794**	Protection		2,164	(179)	**1,985**
2,864	(600)	**2,264**	Prevention		2,911	(568)	**2,343**
10,857	(726)	**10,131**	Support Services		11,233	(679)	**10,554**
36	-	**36**	UPGs		40	-	**40**
1,004	(2)	**1,002**	Corporate / Finance resources		959	-	**959**
47,931	**(1,766)**	**46,165**	**Cheshire Fire Authority - Cost of Services**		**48,522**	**(1,910)**	**46,612**
899	(736)	**163**	**North West Fire Control – Cost of Services (25%)**		814	(694)	**120**
			Other operating expenditure:				
2	(16)	**(14)**	(Gains)/losses on the disposal of non-current assets		10	-	**10**
12,226	(41)	**12,185**	Financing & investment income & expenditure	9	16,212	(417)	**15,795**
-	(48,213)	**(48,213)**	Taxation & non-specific grant income & expenditure	9	-	(50,204)	**(50,204)**
1	-	**1**	Taxation (NWFC 25%)	9	2	-	**2**
61,059	**(50,772)**	**10,287**	**(Surplus)/Deficit on Provision of Services**		**65,560**	**(53,225)**	**12,335**
		(2,696)	Surplus or deficit on revaluation of property, plant & equipment assets	10			(7,175)
		(8,638)	Remeasurement of the net defined benefit liability/(asset)	32			(191,093)
		(11,334)	**Other comprehensive income & expenditure**				**(198,268)**
		(1,047)	**Total Comprehensive Income & Expenditure**				**(185,933)**

MOVEMENT IN RESERVES STATEMENT 2022-23

	General Fund	Resource Centre Mgs	Community Risk Reduction	UPGs	Capital Reserve	**Total General Fund**	(Usable) Capital Receipts	**Total Usable Reserves**	Pensions Reserve	Revaluation Reserve	Collection Fund Adjustment	Accumulated Absences	Capital Adjustment Account	**Total Unusable Reserves**	**Total All Reserves**
	£000	£000	£000	£000	£000	£000	£000	**£000**	£000	£000	£000	£000	£000	**£000**	**£000**
Balance at 1 April 2022	**(2,289)**	**(8,477)**	**(371)**	**(226)**	**(12,649)**	**(24,012)**	**-**	**(24,012)**	**604,332**	**(36,684)**	**912**	**609**	**(50,723)**	**518,446**	**494,434**
Surplus/Deficit on provision of services	12,335	-	-	-	-	**12,335**	-	**12,335**	-	-	-	-	-	-	**12,335**
Other Comprehensive income and expenditure	-	-	-	-	-	-	-	-	(191,093)	(7,176)	-	-	-	(198,269)	**(198,269)**
Total Comprehensive Income & Expenditure	**12,335**	**-**	**-**	**-**	**-**	**12,335**	**-**	**12,335**	**(191,093)**	**(7,176)**	**-**	**-**	-	**(198,269)**	**(185,934)**
Adjustments between accounting basis & funding basis under regulations:															
· Depreciation etc.	(4,032)	-	-	-	-	**(4,032)**	-	**(4,032)**	-	594	-	-	3,438	**4,032**	-
· Gain/loss on disposal	(35)	-	-	-	-	**(35)**	-	**(35)**	-	-	-	-	35	**35**	-
· Revaluation gain/loss	448	-	-	-	-	**448**	-	**448**	-	-	-	-	(448)	**(448)**	-
· Pension costs	(12,681)	-	-	-	-	**(12,681)**	-	**(12,681)**	12,681	-	-	-	-	**12,681**	-
· Capital expenditure charged to revenue	1,333	-	-	-	-	**1,333**	-	**1,333**	-	-	-	-	(1,333)	**(1,333)**	-
· Cash sale proceeds	25	-	-	-	-	**25**	(25)	**-**	-	-	-	-	-	**-**	-
· Use of capital receipts	-	-	-	-	-	**-**	25	**25**	-	-	-	-	(25)	**(25)**	-
· Use of capital grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
· Collection Fund	1,220	-	-	-	-	**1,220**	-	**1,220**	-	-	(1,220)		-	**(1,220)**	-
· Accumulated Absences	(80)	-	-	-	-	**(80)**	-	**(80)**	-	-	-	80	-	**80**	-
· Statutory provision for the repayment of debt (MRP)	802	-	-	-	-	**802**	-	**802**	-	-	-	-	(802)	**(802)**	-
Net increase/decrease before earmarked reserve transfers	**(665)**	**-**	**-**	**-**	**-**	**(665)**	-	**(665)**	**(178,412)**	**(6,582)**	**(1,220)**	**80**	**865**	**(185,269)**	**(185,934)**
Transfers to/from earmarked reserves	940	699	5	(60)	(1,584)	**-**	-	**-**	-	-	-	-	-	**-**	-
(Increase)/Decrease in year	**275**	**699**	**5**	**(60)**	**(1,584)**	**(665)**	-	**(665)**	**(178,412)**	**(6,582)**	**(1,220)**	**80**	**865**	**(185,269)**	**(185,934)**
Balances at 31 March 2023	**(2,014)**	**(7,778)**	**(366)**	**(286)**	**(14,233)**	**(24,677)**	**-**	**(24,677)**	**425,920**	**(43,266)**	**(308)**	**689**	**(49,858)**	**333,177**	**308,500**

MOVEMENT IN RESERVES STATEMENT 2021-22

	General Fund	Resource Centre Mgs	Community Risk Reduction	UPGs	Capital Reserve	**Total General Fund**	(Usable) Capital Receipts	**Total Usable Reserves**	Pensions Reserve	Revaluation Reserve	Collection Fund Adjustment	Accumulated Absences	Capital Adjustment Account	**Total Unusable Reserves**	**Total All Reserves**
	£000	£000	£000	£000	£000	£000	£000	**£000**	£000	£000	£000	£000	£000	**£000**	**£000**
Balance at 1 April 2021	**(2,290)**	**(18,391)**	**(333)**	**(162)**	**(1,299)**	**(22,475)**	**(285)**	**(22,760)**	**602,218**	**(35,189)**	**2,429**	**604**	**(51,821)**	**518,241**	**495,481**
Surplus/Deficit on provision of services	10,287	-	-	-	-	**10,287**	-	**10,287**	-	-	-	-	-	**-**	**10,287**
Other Comprehensive income and expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(8,638)	(2,696)	-	-	-	**(11,334)**	**(11,334)**
Total Comprehensive Income & Expenditure	**10,287**	**-**	**-**	**-**	**-**	**10,287**	**-**	**10,287**	**(8,638)**	**(2,696)**	**-**	**-**	**-**	**(11,334)**	**(1,047)**
Adjustments between accounting basis & funding basis under regulations:															
· Depreciation etc.	(4,291)	-	-	-	-	**(4,291)**	**-**	**(4,291)**	-	1,201	-	-	3,090	**4,291**	**-**
· Gain/loss on disposal	(213)	-	-	-	-	**(213)**	**-**	**(213)**	-	-	-	-	213	**213**	**-**
· Revaluation gain/loss	570	-	-	-	-	**570**	**-**	**570**	-	-	-	-	(570)	**(570)**	**-**
· Pension costs	(10,752)	-	-	-	-	**(10,752)**	**-**	**(10,752)**	10,752	-	-	-	-	**10,752**	**-**
· Capital expenditure charged to revenue	454	-	-	-	-	**454**	**-**	**454**	-	-	-	-	(454)	**(454)**	**-**
· Cash sale proceeds	228	-	-	-	-	**228**	(228)	**-**	-	-	-	-	-	**-**	**-**
· Use of capital receipts	-	-	-	-	-	**-**	513	**513**	-	-	-	-	(513)	**(513)**	**-**
· Use of capital grants	-	-	-	-	-	**-**	-	**-**	-	-	-	-	-	**-**	**-**
· Collection Fund	1,517	-	-	-	-	**1,517**	**-**	**1,517**	-	-	(1,517)		-	**(1,517)**	**-**
· Accumulated Absences	(5)	-	-	-	-	**(5)**	**-**	**(5)**	-	-	-	5	-	**5**	**-**
· Statutory provision for the repayment of debt (MRP)	668	-	-	-	-	**668**	**-**	**668**	-	-	-	-	(668)	**(668)**	**-**
Net increase/decrease before earmarked reserve transfers	**(1,537)**	**-**	**-**	**-**	**-**	**(1,537)**	**285**	**(1,252)**	**2,114**	**(1,495)**	(1,517)	**5**	**1,098**	**205**	**(1,047)**
Transfers to/from earmarked reserves	1,538	9,914	(38)	(64)	(11,350)	**-**	**-**	**-**	-	-	-	-	-	**-**	**-**
(Increase)/Decrease in year	**1**	**9,914**	**(38)**	**(64)**	**(11,350)**	**(1,537)**	**285**	**(1,252)**	**2,114**	**(1,495)**	(1,517)	**5**	**1,098**	**205**	**(1,047)**
Balances at 31 March 2022	**(2,289)**	**(8,477)**	**(371)**	**(226)**	**(12,649)**	**(24,012)**	**-**	**(24,012)**	**604,332**	**(36,684)**	**912**	**609**	**(50,723)**	**518,446**	**494,434**

BALANCE SHEET

31 Mar 2022				31 Mar 2023	
£000	£000		Note	£000	£000
95,180		Land and Buildings	10	104,015	
7,310		Vehicles and Equipment	10	7,142	
959		Assets under Construction	10	3,627	
275		Intangible Assets	11	303	
	103,724	**Total Long-term Assets**			**115,087**
12,510		Short-term investments	12	6,012	
750		Inventories	14	860	
4,453		Short-term debtors	15	6,299	
1,588		Amount due from pension fund	Pension Fund	2,007	
-		Assets held for sale	13	-	
6,297		Cash and Cash Equivalents	16	7,068	
	25,598	**Total Current Assets**			**22,246**
	129,322	**Total Assets**			**137,333**
-		Short-term Borrowing	12	(426)	
(6,637)		Short-term Creditors	17	(7,257)	
(776)		Provisions	18	(644)	
	(7,413)	**Total Current Liabilities**			**(8,327)**
	121,909	**Total Assets less Current Liabilities**			**129,006**
(12,012)		Long-term borrowing	12	(11,586)	
(604,331)		Net Pension Liability (IAS 19)	32	(425,920)	
	(616,343)	**Total Long-term Liabilities**			**(437,506)**
	(494,434)	**Net Assets / (Liabilities)**			**(308,500)**
	(24,012)	**Usable reserves**	19		**(24,677)**
	518,446	**Unusable reserves**	20		**333,177**
	494,434	**Total Reserves**			**308,500**

Paul Vaughan, Treasurer, Cheshire Fire Authority.
Date: 19th June 2023.

CASH FLOW STATEMENT

2021-22 £000		Note	2022-23 £000
10,287	**Net (surplus)/deficit on the provision of services**	CI&E	**12,335**
(14,274)	Adjustment to the net (surplus)/deficit on the provision of services for non-cash movements	21	(13,976)
228	Adjustment to for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	21	25
(3,759)	**Net cash flows from Operating Activities**		**(1,616)**
11,447	Investing Activities	21	845
(7,000)	Financing Activities	21	-
688	**Net (increase)/decrease in cash and cash equivalents**		**(771)**
6,985	Cash and Cash Equivalents at the beginning of the reporting period	16	6,297
6,297	Cash and Cash Equivalents at the end of the reporting period	16	7,068
688	**Net (increase)/decrease in cash and cash equivalents**		**(771)**

FIREFIGHTER PENSION FUND

2021-22 £000	2021-22 £000		2022-23 £000	2022-23 £000
		Contributions receivable		
		Fire Authority contributions:		
(206)		1992 Firefighter Pension Scheme	-	
(65)		2006 Firefighter Pension Scheme [1]	2	
(4,738)		2015 Firefighter Pension Scheme	(5,121)	
	(5,009)			(5,119)
	-	Pension abatement costs		-
	(219)	Actuarial charges for early and ill health retirements		(156)
	(5,228)			(5,275)
		Firefighters' contributions:		
(83)		1992 Firefighter Pension Scheme	-	
(71)		2006 Firefighter Pension Scheme [1]	(34)	
(2,109)		2015 Firefighter Pension Scheme	(2,282)	
	(2,263)			(2,316)
	(73)	Transfers in from other pension funds		(135)
	(7,564)	**Total amount receivable**		**(7,726)**
		Benefits payable		
14,234		Pensions	14,872	
2,380		Commutation of pensions and lump sum retirement benefits	3,270	
-		Lump sum death benefits	-	
	16,614	**Total benefits payable**		18,142
	83	Transfers out to other schemes		-
	-	Administrative expenses		-
	16,697	**Total amount payable**		**18,142**
	9,133	(Surplus)/Deficit for the year before 'Top-up' Government grant		10,416
	(9,133)	'Top-up' Government grant		(10,416)
	-	**Net amount for the year**		-

NET ASSETS STATEMENT

31 Mar 22 £000		31 Mar 23 £000
	Current Assets	
1,588	'Top-up' Government grant	2,007
-	Employee arrears	-
	Current Liabilities	
-	Contributions received in advance	-
-	Benefits outstanding	-
(1,588)	Amount due to General Fund	(2,007)
-	**Net Assets**	-

Note [1] - these rows include the Modified Firefighter Pension Scheme

For further details please see note 32 on page 71

NOTES TO THE ACCOUNTS

NOTES TO THE ACCOUNTS

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2022-23 financial year and its position at the year end of 31st March 2023. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations (England) 2015 which state that accounts need 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 2022-23, supported by International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

These financial statements have been prepared under the historical cost convention, modified by the revaluation of certain categories of non-current assets and where material, financial instruments as determined by the relevant accounting standard.

In addition, this Statement of Accounts assumes the Fire Authority will continue in operational existence for the foreseeable future under the 'Going Concern' concept as a statutory body under legislation.

1.2 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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.

1.3 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.

1.4 Exceptional Items

When items of income and expenditure are material and exceptional, 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 the understanding of the Authority's financial performance.

1.5 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.

Items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature and/or size of the omission or misstatement judged in the surrounding circumstances.

1.6 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 amortisation. 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 determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation 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.

1.7 Council Tax and Non-domestic Rates

The four local authorities within Cheshire act as agents, collecting council tax and non-domestic rates on behalf of the major preceptors – including the Fire Authority. The authorities are required by statute to maintain a separate fund (called the Collection Fund) for the collection and distribution of amounts due in respect of council tax and non-domestic rates. Under the legislative framework for the Collection Fund, the local authorities, preceptors (including the Fire Authority) and central Government, share proportionately the risks and rewards should the amount collected be more or less than predicted.

The council tax income included in the Comprehensive Income and Expenditure Statement (CIES) is the Authority's share of the accrued income for the year. However, regulations determine the amount of council tax that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account (an unusable reserve) and included as a reconciling item in the Movement of Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances held by the four local authorities in respect of council tax and non-domestic rates. It takes into account arrears, impairment allowances for doubtful debts, overpayments and prepayments together with appeals.

Where debtor balances for the above are identified as impaired because of likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.8 Employee Benefits

1.8.1. Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly 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.

1.8.2. 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 in exchange for those benefits and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement, at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

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.

1.8.3. Post-Employment Benefits

Employees of the Authority are entitled to be members of the following pension schemes:

- The Local Government Pension Scheme, administered by Cheshire West and Chester Council
- The Firefighter Pension Scheme (2015)

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

<u>The Local Government Pension Scheme for non-uniformed staff</u>

All non-uniformed staff, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme, which is administered by 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 Public Service Pensions Act 2013 and applicable Local Government Pension Scheme Regulations.

In 2022-23 the Authority paid an employer's primary rate contribution of 19.1% 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 was undertaken in March 2022 with new rates set from 1st April 2023 at 19.6%. 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, based on a "Hymans Robertson" corporate bond yield curve based on the constituents of the iBoxx AA corporate bond index.

The Firefighter Pension Schemes (FPS) 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. An additional scheme commenced in 2006 and a further Modified version of this scheme commenced in 2014. The current scheme commenced in 2015; with the new Regulations (The Firefighter Pension Scheme (England) Regulations 2014) stating that all current active members will move into the new scheme from 1st April 2015 unless they qualify for protections that allow them to remain in their current scheme.

Part of the transitional arrangements was to provide varying degrees of protection for those members who were within 15 years of normal retirement age. This meant that some members went straight into FPS 2015 from 1st April 2015, whilst others with tapered protection stayed in the legacy scheme (FPS 2006 / FPS 1992) for longer, or would remain in the legacy scheme until they retired if they were fully protected.

Following a legal challenge by judges and the Fire Brigade Union, known as the McCloud and Sergeant cases respectively, the courts determined that the transitional arrangements were discriminatory on the grounds of age. It is important to note that it was the transitional arrangements that were discriminatory and not the 2015 scheme itself.

To remove discrimination from the scheme there will be a two-phase approach. This is know as the 'remedy'. The first phase will look to remove any future discrimination. The second phase will look to resolve retrospective discrimination for the period 1st April 2015 to 31st March 2022 – known as the 'remedy period'.

The second phase of remedy to remove retrospective discrimination is still in progress and further legislation and consultation will be needed. It is expected that this will be in place by October 2023.

To remove future discrimination and ensure equal treatment, all remaining protected members who are not currently members of FPS 2015 transferred into this scheme on 1st April 2022. The FPS 1992 and FPS 2006 are now closed to future accrual for all members.

All firefighter pension schemes are administered through the Authority's separate pension fund. In 2022-23, the Authority paid an employer's contribution of 28.8% in respect of the 2015 scheme. The balance on the Authority's pension fund is funded by Government grant.

Firefighter Injury Scheme

Under the Firefighter 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 Firefighter Pension Schemes.

The impact of these four pension schemes and the Firefighter Injury Scheme is identified in the revenue account and balance sheet.

The change in net pension's liability is analysed into the following components:

a) Service cost comprising:

- 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 as a result of a scheme amendment or curtailment 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.
- Net interest on the net defined benefit liability (asset) i.e. net interest expense for the Authority - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

b) Re-measurements comprising:

- The return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

c) Contributions paid to the pension funds

- Cash paid as employer's contributions to the pension funds 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 transfers 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.

1.9 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.

1.10 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 presented in the Balance Sheet is 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.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of charging the full effect of premiums and discounts to the Comprehensive Income and Expenditure Statement in the year in which they are incurred.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. These three main classes of financial assets are measured at:

- Amortised cost;
- Fair value through profit or loss (FVPL); and
- Fair value through other comprehensive income (FVCOI).

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified at amortised cost.

Financial assets measured at amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument. They are initially measured 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 any loan that the Authority makes, 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.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected credit loss model

The authority recognises expected credit losses on all of its financial assets held at amortised at cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Fair value through Profit or Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes a party to a contractual provision of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

For measuring assets and liabilities at fair value, the authority categorises the inputs to valuation techniques into 3 values as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability

1.11 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-ring-fenced 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.

1.12 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 does not consider that any of its assets fall into the definition of a Heritage Asset.

1.13 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.

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.

1.14 Interests in Companies and Other Entities (Group Accounts)

The Authority has an interest in North West (NW) Fire Control Limited. Cheshire Fire Authority's 25% share is shown in the accounts. This is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards (IFRS 10, 11 & 12). See note 28 for more details.

During 2015-16 a company limited by guarantee, Safer Cheshire Limited, was established. There was no business activity in 2022-23.

1.15 Inventory (Stock)

Inventory (stock) is included in the Balance Sheet at the lower of cost and net realisable value. The cost is assigned using the First in First out (FIFO) costing formula.

1.16 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).

1.17 Overheads and Support Services

The cost of overheads and support services are charged to the service segments in accordance with the Authority’s arrangements for accountability and financial performance.

1.18 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 (PPE).

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 Statement, 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.
- Surplus assets – fair value.
- All other assets - current value, determined as the amount that would be paid for the asset in its existing use.

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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 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.

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.

<u>Impairment</u>

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.

<u>Depreciation</u>

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 to 20 years, and other vehicles and equipment 5 to 15 years, as advised in each case by a suitably qualified officer.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, 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 it becomes probable that an asset will be sold it is reclassified as an Asset held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets held for Sale.

If assets no longer meet the criteria to be classified as Assets held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as 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.

All assets with a net present value of £nil (i.e. fully depreciated) will be reviewed annually and any unsubstantiated assets will be recorded as ‘disposed of or scrapped’.

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.

1.19 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.

Provisions for business efficiency exit packages are charged to the appropriate service line in the Comprehensive Income and Expenditure, in the year that the Authority is committed to the new structure.

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.

1.20 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.

1.21 VAT

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

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

The Code of Practice for Local Authority Accounting in the UK (the Code) requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. 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 for the relevant financial year. The additional disclosures that will be required in the 2022-23 financial statements in respect of accounting changes introduced in the 2023-24 Code are:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021 (only applicable to authorities with group accounts).
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020 (limited application expected).

The above changes have no impact on these accounts but will be reviewed during 2023-24 and any amendments required will be clearly shown in the 2023-24 Statement of Accounts.

IFRS 16 - Accounting treatment of Leases - The aim of the standard is to provide increased visibility of lease commitments and to ensure more consistent financial reporting of leased assets. The current distinction between assets held under finance leases, which go on the balance sheet, and assets held under operating leases that are expensed in the CIES will largely be removed with most leases now being classified as finance leases and put on the balance sheet. The standard was originally due to be implemented on 1st April 2020 i.e. for the 2020-21 Accounts but this was postponed for one year. Then, in December 2020, in light of Covid-19 pressures, the CIPFA LASAAC Local Authority Accounting Code Board agreed to defer the implementation of IFRS 16 Leases in the Code of Practice until the 2022-23 financial year.

In spring 2022, CIPFA/LASAAC agreed to defer the implementation of IFRS 16 until 1st April 2024. However, both the 2022-23 and the 2023-24 Codes allow for early adoption should an authority consider that it is able to do so as of 1st April 2022 or 2023.

Under the new standard, a right-of-use asset and lease liability will be recognised on the balance sheet. The depreciation of leased assets and interest on lease liabilities will go through the CIES. The process of collating information on leased assets is well underway. These are accounting changes and have no impact on the cost of leasing to the organisation.

3. 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 31st March 2023 for which there is a significant risk of material adjustments in the forthcoming finance year are set out below.

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment (see Note 10)	Assets are depreciated over useful lives and are dependent on assumptions about the level of repairs & maintenance that will be incurred. The current economic climate makes it uncertain that the Authority will be able to sustain current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	Each 5% change in the value of Land & Buildings assets would have an impact of £5.2m on their Net Book Value at 31st March 2023.
Pension Liability (see Note 32)	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, mortality rates 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 for firefighter pensions and Cheshire West & Chester Council provide information on the Local Government Pension Scheme.	The effects on the net pension liability of changes in individual assumptions can be measured. Sensitivity analyses in respect of the Firefighter and Local Government Pension schemes are shown in Note 32, together with the monetary value that would result if they came to fruition.

The sensitivities regarding the principal assumptions used to measure the pension scheme liabilities are shown in Note 32.

4. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Treasurer on the 19th June 2023. Events taking place after this date are not reflected within the financial statements or notes. Where events taking place prior to this date provided information about conditions existing at 31st March 2023, the figures in the financial statements and notes have been adjusted in all material respect to reflect the impact of this information.

5. Supporting information for the Expenditure and Funding Analysis note

Adjustments from General Fund (GF) to arrive at the Comprehensive Income & Expenditure Statement	Adjustments for Capital Purposes [1]	Net Change for the Pensions Adjustments	Other Differences [2]	Total Adjustments 2022-23
2022-23	£000	£000	£000	£000
Firefighting & rescue operations	2,937	(2,801)	67	203
Protection	186	(177)	4	13
Prevention	293	(280)	7	20
Support Services	168	(160)	4	12
UPGs	-	-	-	-
Corporate/Finance Resources	(1,333)	-	-	(1,333)
Net cost of services	**2,251**	**(3,418)**	**82**	**(1,085)**
NWFC 25%	**-**	**129**	**-**	**129**
Other income & expenditure from the funding analysis	(792)	15,933	(1,221)	13,920
NWFC 25%	**-**	**37**	**-**	**37**
Difference between GF surplus/ deficit and CIES surplus/ deficit	**1,459**	**12,681**	**(1,139)**	**13,001**

Note [1] – in general this column contains depreciation, impairment and revaluation gains and losses. It also adjusts for profit/loss on asset disposals and capital grants. There are two items, minimum revenue provision and capital expenditure which are not chargeable under generally accepted accounting practices.

Note [2] – these include the timing differences relating to the cost of outstanding employee leave and variations in the amount chargeable for business rates and council tax under statute and the Code of Practice.

Adjustments from General Fund (GF) to arrive at the Comprehensive Income & Expenditure Statement	Adjustments for Capital Purposes [1]	Net Change for the Pensions Adjustments	Other Differences [2]	Total Adjustments 2021-22
2021-22	£000	£000	£000	£000
Firefighting & rescue operations	3,015	(1,171)	3	1,847
Protection	197	(77)	1	121
Prevention	332	(129)	-	203
Support Services	177	(69)	-	108
UPGs	-	-	-	-
Corporate/Finance Resources	(454)	-	-	(454)
Net cost of services	**3,267**	**(1,446)**	**4**	**1,825**
NWFC 25%	**-**	**164**	**-**	**164**
Other income & expenditure from the funding analysis	(682)	11,996	(1,517)	9,797
NWFC 25%	**-**	**38**	**-**	**38**
Difference between GF surplus/ deficit and CIES surplus/ deficit	**2,585**	**10,752**	**(1,513)**	**11,824**

6. Expenditure and Income analysed by nature

2021-22 £000		2022-23 £000	£000
	Expenditure:		
31,912	Employee pay	34,623	
509	Other Employee expenses	501	
336	Pensions	613	
2,608	Premises	2,677	
1,103	Transport	1,244	
3,883	Supplies, Services & other expenses	3,989	
5,167	Agency & Contracted Services	4,562	
10,550	Net change for the Pension adjustments	12,515	
3,915	Capital Charges & Finance Resources	3,836	
138	Members' Allowances	146	
60,121	**Total Expenditure**	**64,706**	
938	25% NWFC expenditure	853	
61,059	**Total Financial reporting entity Expenditure**		**65,559**
	Income:		
(1,681)	Fees & Other Service Income	(1,888)	
(43)	Sales	(24)	
(41)	Interest	(417)	
(48,271)	Government Grants & local taxation	(50,201)	
(50,036)	**Total Income**	**(52,530)**	
(736)	25% NWFC income	(694)	
(50,772)	**Total Financial reporting entity Income**		**(53,224)**
10,287	**Net (surplus)/deficit provisions of services**		**12,335**

7. Adjustment between Accounting Basis and Funding Basis under regulations

Please refer to the Movement in Reserves Statement for details on the adjustments that are made to the total Comprehensive Income and Expenditure Statement. The adjustments reflect items recognised by the Authority in year in accordance with proper accounting practice and are further analysed in the Expenditure and Funding Analysis on page 15.

8. Movement in Earmarked Reserves

For details on all earmarked reserves and any in-year movement, please refer to the Notes 19 and 20.

9. Notes to the Comprehensive Income and Expenditure Statement

Within the Comprehensive Income and Expenditure Statements there are three summary lines which are explained in more detail within the next two tables.

Financing and Investment Income and Expenditure	2022-23 £000	2021-22 £000
Interest and Investment Income	(417)	(41)
Interest Payable and Similar Charges	241	192
Pension Net Interest	15,971	12,034
Total	**15,795**	**12,185**

Taxation and Non-Specific Grant Income	2022-23 £000	2021-22 £000
Council Tax Income	(32,090)	(30,966)
Non-domestic Rates/Business Rates Retention Scheme	(9,411)	(8,923)
Non-specific Government Grants	(8,703)	(8,324)
Capital Grants and Contributions	-	-
	(50,204)	(48,213)
NWFC – taxation (25%)	2	1
Total	**(50,202)**	**(48,212)**

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

10. Property, Plant and Equipment

The following table shows the movement of assets classified as property, plant and equipment including work in progress (WIP).

2022-23	Cheshire Fire Authority					NWFC (25%)			**Financial reporting entity**
	Land & Buildings	Vehicles	Plant & Equipment	Assets Under construction	**CFA Total**	Fixtures & Fittings	Computer equipment	**NWFC Total**	**TOTAL**
Cost or Valuation	£000	£000	£000	£000	**£000**	£000	£000	**£000**	**£000**
At 1 April 2022	95,180	15,659	3,921	959	**115,719**	62	157	**219**	**115,938**
Additions	4,276	385	85	3,023	**7,769**	-	6	**6**	**7,775**
Revaluations: charged to reserve	4,405	-	-	-	**4,405**	-	-	**-**	**4,405**
Revaluations: charged to CIES	186	-	-	-	**186**	-	-	**-**	**186**
Disposals	(32)	(856)	(566)	-	**(1,454)**	-	-	**-**	**(1,454)**
Reclassifications	-	355	-	(355)	**-**	-	-	**-**	**-**
At 31 March 2023	104,015	15,543	3,440	3,627	**126,625**	62	163	**225**	**126,850**
Depreciation									
At 1 April 2022	-	(9,261)	(3,031)	-	**(12,292)**	(52)	(145)	**(197)**	**(12,489)**
Charge in year	(3,032)	(824)	(167)	-	**(4,023)**	(1)	(5)	**(6)**	**(4,029)**
Written out to reserve	2,770	-	-	-	**2,770**	-	-	**-**	**2,770**
Written out to CIES	262	-	-	-	**262**	-	-	**-**	**262**
Disposals	-	856	564	-	**1,420**	-	-	**-**	**1,420**
Reclassifications	-	-	-	-	**-**	-	-	**-**	**-**
At 31 March 2023	-	(9,229)	(2,634)	-	**(11,863)**	(53)	(150)	**(203)**	**(12,066)**
Net Book Value at 1 April 2022	95,180	6,398	890	959	**103,427**	10	12	**22**	**103,449**
Net Book Value at 31 March 2023	104,015	6,314	806	3,627	**114,762**	9	13	**22**	**114,784**

10. Property, Plant and Equipment

The following table shows the movement of assets classified as property, plant and equipment including work in progress (WIP).

2021-22	Cheshire Fire Authority					NWFC (25%)			**Financial reporting entity**
	Land & Buildings	Vehicles	Plant & Equipment	Assets Under construction	**CFA Total**	Fixtures & Fittings	Computer equipment	**NWFC Total**	**TOTAL**
Cost or Valuation	£000	£000	£000	£000	**£000**	£000	£000	**£000**	**£000**
At 1 April 2021	91,331	14,138	3,746	2,062	**111,277**	62	157	**219**	**111,496**
Additions	2,339	1,397	346	885	**4,967**	-	-	**-**	**4,967**
Revaluations: charged to reserve	(415)	-	-	-	**(415)**	-	-	**-**	**(415)**
Revaluations: charged to CIES	398	-	-	-	**398**	-	-	**-**	**398**
Disposals	-	(337)	(171)	-	**(508)**	-	-	**-**	**(508)**
Reclassifications	1,527	461	-	(1,988)	**-**	-	-	**-**	**-**
At 31 March 2022	95,180	15,659	3,921	959	**115,719**	62	157	**219**	**115,938**
Depreciation									
At 1 April 2021	-	(8,694)	(3,048)	-	**(11,742)**	(52)	(138)	**(190)**	**(11,932)**
Charge in year	(3,283)	(845)	(154)	-	**(4,282)**	-	(7)	**(7)**	**(4,289)**
Written out to reserve	3,111	-	-	-	**3,111**	-	-	**-**	**3,111**
Written out to CIES	172	-	-	-	**172**	-	-	**-**	**172**
Disposals	-	278	171	-	**449**	-	-	**-**	**449**
Reclassifications	-	-	-	-	**-**	-	-	**-**	**-**
At 31 March 2022	-	(9,261)	(3,031)	-	**(12,292)**	(52)	(145)	**(197)**	**(12,489)**
Net Book Value at 1 April 2021	91,331	5,444	698	2,062	**99,535**	10	19	**29**	**99,564**
Net Book Value at 31 March 2022	95,180	6,398	890	959	**103,427**	10	12	**22**	**103,449**

Revaluations

Property (land and buildings) assets included in the Balance Sheet are revalued in detail every five years. The Fire Authority's property portfolio had a full valuation on 31st March 2023, prepared by Martin Wilson BSc (Hons) MRICS who was awarded the Certificate in Asset Valuation by CIPFA in March 2017 with assistance from Hardeep Saini BSc (Hons). The valuation was supervised by Ian S Pitt BSc (Hons) FRICS IRRV (Hons), Partner and Head of the Valuation Faculty within Bruton Knowles.

This Asset Valuation has been provided in accordance with the RICS Valuation – Global Standards that came into effect on the 31st January 2022, Valuation Information Paper 10, CIPFA Code of Practice on Local Authority Accounting, the International Financial Reporting Standards and the RICS professional standards and guidance, UK, depreciated replacement cost method of valuation for financial reporting, 1st edition, November 2018.

The basis of the valuations is as follows:

- Day Crewed housing/ residential properties – Existing Use Value
- Fire Stations. Training Centre and Safety Centre – Depreciated Replacement Cost
- Surplus Assets – Fair Value

Surplus assets, measured for their economic benefits at fair value under IFRS13 – Fair Value Measurement. The Authority holds just over two acres of land next to Hallwood Link Road, Runcorn that it has deemed as a surplus asset. It is valued at £0.385m at 31st March 2023 (£0.385m March 2022).

Other non-current assets are valued at depreciated historical cost in line with the Authority's accounting policies.

Capital Commitments

At 31st March 2023, the Authority had capital commitments of £4.651m (31st March 2022 £0.703m).

The Authority has approved the construction of a replacement fire station in Crewe, a major project that was in its build phase at 31st March 2023 and due for completion by the end of 2023.

The appliance replacement programme had three new specialist pumping appliances in the build phase at 31st March 2023, with delivery anticipated by November 2023, and a further operational vehicle had been ordered but not delivered at 31st March 2023.

These commitments are detailed as follows:	**31 March 23**	**31 March 22**
	£000	**£000**
Replacement fire station - Crewe	4,074	-
Appliance replacement programme	543	552
Specialist and support vehicles / equipment	34	151
Total capital commitments	4,651	703

11. Intangible Assets

The Authority accounts for 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 reflect the 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 lives generally assigned to the major software suites used by the Authority is five years. The movement on intangible assets during the year is as follows:

	2022-23			2021-22		
	CFA	NWFC (25%)	Total	CFA	NWFC (25%)	Total
	£000	£000	£000	£000	£000	£000
Carrying Amount						
Balance at start of year	192	958	**1,150**	192	917	**1,109**
Reclassification	-	-	**-**	-	10	**10**
Additions	-	46	**46**	-	31	**31**
Disposals	-	-	**-**	-	-	**-**
Balance at end of year	192	1,004	**1,196**	192	958	**1,150**
Amortisation						
Balance at start of year	(183)	(692)	**(875)**	(174)	(628)	**(802)**
Charge for the year	(9)	(9)	**(18)**	(9)	(64)	**(73)**
Disposals	-	-	**-**	-	-	**-**
Balance at end of year	(192)	(701)	**(893)**	(183)	(692)	**(875)**
Net Book Value at 1 April	9	266	**275**	18	289	**307**
Net Book Value at 31 March	-	303	**303**	9	266	**275**

12. Financial Instruments

The definition of a financial instrument is “any contract that gives rise to a financial asset of one entity and a financial liability, or equity instrument of another entity”. The term ‘financial instrument’ covers both financial assets and liabilities. These range from straightforward debtors and creditors to more complex investments and borrowings. The following categories of financial instruments are carried in the Balance Sheet; current is deemed to be under one year and long-term over one year.

	Long-term		Current	
	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000
Investments				
- Investments	-	-	6,012	12,510
- Imprest and cash	-	-	7,068	6,297
Total Investments	**-**	**-**	**13,080**	**18,807**
Debtors				
- Debtors at amortised costs	-	-	1,002	838
- Plus items not classed as Financial Instruments	-	-	(987)	3,615
Total Debtors	-	-	**15**	**4,453**
Borrowings				
Financial Liabilities at amortised costs				
- PWLB	(11,586)	(12,012)	(426)	-
Total Borrowings	**(11,586)**	**(12,012)**	**(426)**	**-**
Creditors				
- Financial liabilities at amortised costs	-	-	(3,807)	(3,166)
- Plus items not classed as Financial Instruments	-	-	(3,450)	(3,471)
Total Creditors	-	-	**(7,257)**	**(6,637)**

Income, Expense, Gains and Losses

	Financial Liabilities at amortised costs	Financial Assets; Loans and Receivables	TOTAL
2022-23	£000	£000	£000
Interest Expense	(241)	-	(241)
Impairment losses (bad debt provision)	-	(1)	(1)
Total expense in Surplus/Deficit on the Provision of Services	**(241)**	**(1)**	**(242)**
Interest Income	-	417	417
Total income in Surplus/Deficit on the Provision of Services	**-**	**417**	**417**
Net Gain/(Loss) for the year	**(241)**	**416**	**175**
2021-22			
Interest Expense	(192)	-	(192)
Impairment losses (bad debt provision)	-	-	-
Total expense in Surplus/Deficit on the Provision of Services	**(192)**	**-**	**(192)**
Interest Income	-	41	41
Total income in Surplus/Deficit on the Provision of Services	**-**	**41**	**41**
Net Gain/(Loss) for the year	**(192)**	**41**	**(151)**

Fair Values of Assets and Liabilities

Financial assets and liabilities 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 of the remaining term of the instrument, making the following assumptions:

- For PWLB, interest rates prevailing at 31st March 2023;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be an approximate to fair value; and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Liabilities	31 March 2023 Carrying Amount £000	31 March 2023 Fair Value £000	31 March 2022 Carrying Amount £000	31 March 2022 Fair Value £000
PWLB	(12,012)	(6,219)	(12,012)	(10,105)
TOTAL	**(12,012)**	**(6,219)**	**(12,012)**	**(10,105)**

Short-term debtors and creditors are carried at cost with bank deposits and short-term investments also carried at cost as this is deemed a fair approximation of their value.

The Authority's activities in relation to financial instruments 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 and payments.
- Re-financing Risk – the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market Risk – the possibility that financial loss might arise for the Authority as a result of changes in measures such as interest rates, foreign exchange rates or stock market movements.

The Treasury Management Strategy is approved annually by the Fire Authority when it approves the budget. It includes a section on risks associated with Treasury Management and identifies the Head of Finance (Fire and Police) as being responsible for managing them. The overarching principle is to seek to maximise financial benefit from Treasury Management activities within a control framework which mitigate against the high risk attached to these activities. The Authority's principal objectives for investments are security first, liquidity next and finally yield.

Credit Risk

Credit Risk arises from deposits with banks and financial institutions as well as credit exposure 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 identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit

Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category. It imposes a maximum sum of £10.0m to be invested at any one time with any single institution or group.

The Fire Authority uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard & Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- credit Default Swaps to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit watches and credit overlooks in a weighted scoring system, which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative standing of counterparties. These colour codes are used by the Authority to determine the suggested duration of investments.

As this methodology uses a wide range of information beyond basic credit ratings, it ensures that no one source of information is given undue credence. All ratings and colour codes are monitored weekly via Link's credit listings and in-between via business press.

Customers of goods and services are assessed taking into account their financial position, past experience and other factors to produce an individual credit limit in accordance with the parameters set by the Authority.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £6.0m (2021-22 £12.5m) 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 institution. Recent experience has shown that it is rare for such organisations to be unable to meet their commitments. A risk of non-recovery applies to all of the Authority's deposits but no evidence exists at 31st March 2023 to indicate any material likelihood of this occurring.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets based on historic experience of default and non-collection and demonstrates that the risk is clearly not material at 31st March 2023:

	Amount at 31/03/2023 £000 **A**	Historical Risk of Default at 31/03/2023 % **B**	Estimated maximum exposure to default and uncollectability at 31/03/2023 £000 **(A x B)**
Deposits with banks and financial institutions	6,012	0.005	0.301

During 2022-23, there were no breaches of the approved credit limits set within the Annual Investment Strategy. The Authority does not expect any losses from non-performance by any of its counter-parties in relation to deposits but continues to invest in a prudent manner.
The Authority does not generally allow credit for customers.

The level of debt held which is past its due date is analysed by age as follows:

Analysis of the Fire Authority's system debtors	31 March 2023 £000	31 March 2022 £000
Less than three months	478	268
Three to six months	-	-
Six months to one year	11	-
More than one year	6	7
TOTAL	**495**	**275**

Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected cash demands occur the Authority has ready access to borrowings from the money markets and the Public Works Loan Board (PWLB). There is no significant risk that it will be unable to raise the necessary funding 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 set limits on the proportion of it fixed rate borrowing maturing during specified periods. The maturity analysis of the current financial liabilities is as follows:

	31 March 2023 £000	31 March 2022 £000
Less than one year	426	-
Between one and two years	467	426
Between two and five years	119	586
Between five and ten years	-	-
Between ten and fifteen years	-	-
Between fifteen and twenty years	-	-
More than twenty years	11,000	11,000
TOTAL	**12,012**	**12,012**

The analysis above shows PWLB borrowing. The Authority has taken out no new loans in 2022-23. Two new loans with PWLB were taken out during 2021-22, £4m that matures in 2069-70 and £3m maturing in 2071-72. In 2020-21, the Authority took out a new loan with PWLB for £4m which matures in 2070-71.

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

Market Risk

If interest rates had been 1% higher (with all other variables held constant), the financial effect would have been as follows:

	2022-23
	£000
Daily average investment balance (average rate of interest 2.08%)	19,999
Additional interest assuming such rates were 1% higher than actual	200
Decrease in fair value of fixed rate borrowing liabilities (no impact on CIES)	1,065

The Authority aimed to minimise interest rate risk by working with its Treasury Management advisers during 2022-23, Link Asset Services, to agree a strategy in relation to investment and debt portfolios, which is reflected within the overall Treasury Management Strategy. The Authority's policy is to maximise the percentage of borrowings and investments at fixed rates as this provides cost certainty for budget purposes, especially in the current economic climate. In addition, the Authority has relatively small portfolios of loans and investments, which makes it more difficult to offset risk through a mixed portfolio.

The Authority does not have any investment in equity shares and is therefore, not exposed to price risk. The Authority has very low levels of transactions in foreign currencies and therefore has minimal exposure to exchange rate risk.

13. Assets held for sale (AHFS)

	2022-23		2021-22	
Cost or Valuation	£000	£000	£000	£000
At 1 April		-		155
Newly classified as AHFS:				
• Property, Plant and Equipment	-		-	
• Other Assets	-	-	-	-
		-		155
Revaluations gains/(losses)		-		-
Impairment losses		-		-
Assets sold		-		(155)
At 31 March		-		-

At 31st March 2023, there was no assets held for sale. This was the same at 31st March 2022.

14. Inventories

2022-23	Workshops	Uniform	Firefighters & General	**TOTAL**
	£000	£000	£000	£000
Balance at 1 April 2022	76	616	58	750
Purchases in year	29	654	332	1,015
Distributed in year (expended)	(29)	(583)	(293)	(905)
Write-off in year	-	-	-	-
Balance at 31 March 2023	**76**	**687**	**97**	**860**

2021-22	Workshops	Uniform	Firefighters & General	**TOTAL**
	£000	£000	£000	£000
Balance at 1 April 2021	74	671	74	819
Purchases in year	38	204	176	418
Distributed in year (expended)	(36)	(259)	(192)	(487)
Write-off in year	-	-	-	-
Balance at 31 March 2022	**76**	**616**	**58**	**750**

15. Debtors (Amounts due to the Authority)

	31 Mar 23	31 Mar 22
	£000	£000
Central Government bodies	1,118	1,728
Other Local Authorities	831	301
NHS bodies	17	31
Other Entities and Individuals	2,141	514
Princes Trust related debtors	454	128
Collection Fund – Council Tax payers	1,332	1,257
Collection Fund – Business Rate payers	214	235
Total for Cheshire Fire	**6,107**	**4,194**
Cheshire Fire share of NWFC debtors (25%)	192	259
Financial reporting entity Total	**6,299**	**4,453**

16. Cash and Cash Equivalent

	31 Mar 23	31 Mar 22
	£000	£000
Cash held by the Authority	39	35
Bank Current Accounts	6,940	6,146
Total for Cheshire Fire	**6,979**	**6,181**
Cheshire Fire share of NWFC cash (25%)	89	116
Financial reporting entity Total	**7,068**	**6,297**

17. Creditors (Amounts payable by the Authority)

	31 Mar 23 £000	31 Mar 22 £000
Central Government bodies	(1,985)	(1,866)
Other Local Authorities	(739)	(1,550)
Other Entities and Individuals	(3,166)	(1,956)
Collection Fund – Council Tax payers	(692)	(571)
Collection Fund – Business Rate payers	(157)	(110)
Total for Cheshire Fire	**(6,739)**	**(6,053)**
Cheshire Fire share of NWFC creditors (25%)	(518)	(584)
Financial reporting entity Total	**(7,257)**	**(6,637)**

18. Provisions

The Authority is subject to the fluctuations of the business rates collection funds of the four unitary councils in Cheshire. A provision has been created to reflect the likely costs of a deficit on the funds and the Authority's share of the cost of business rate appeals.

	Collection Fund £000	Total provision £000
Balance as at 1 April 2022	(776)	(776)
Additions to provision in year	(644)	(644)
Amounts used in year	-	-
Reduction to provision in year	776	776
Balance as at 31 March 2023	**(644)**	**(644)**

19. Usable Reserves

Usable reserves are those reserves that can be used to fund general expenditure or reduce local taxation. Usable reserves held by the Authority are set out below.

	31 Mar 23 £000	31 Mar 22 £000	31 Mar 21 £000
General Fund	(1,926)	(2,210)	(2,210)
Capital Receipts	-	-	(285)
Earmarked Reserves			
- Resource Centre Managers	(7,778)	(8,476)	(18,392)
- Community Risk Reductions	(366)	(371)	(333)
- Unitary Performance Groups	(286)	(226)	(162)
Capital Reserve	(14,233)	(12,649)	(1,299)
TOTAL	**(24,589)**	**(23,932)**	**(22,681)**
NWFC (25%) general fund balance	(88)	(80)	(79)
Financial reporting entity Total	**(24,677)**	**(24,012)**	**(22,760)**

General Fund: The general fund represents resources available to meet the potential financial consequences of the Authority's risk profile and other unforeseen circumstances. On a separate line, 25% of North West Fire Control Ltd is also shown.

Capital Receipts: Capital receipts holds the proceeds from the sale of fixed assets and can only be used to fund capital expenditure or repay debt.

Resource Centre Managers: This earmarked reserve is set aside to meet future identified commitments within the respective Resource Managers' areas.

Community Risk Reduction: This funding has been earmarked to support the cost of the Authority's home safety assessments and other community safety activities.

Unitary Performance Groups: This earmarked reserve is set aside for facilitating partner engagement in community safety activities.

Capital Reserve: This reserve is earmarked to fund future capital expenditure.

20. Unusable Reserves

The Authority also holds unusable reserves (technical accounting adjustment accounts reflecting the difference between the outcome of applying proper accounting practices and the statutory requirements for funding expenditure within the public sector). This note shows the movements in year.

	31 Mar 23 £000	31 Mar 22 £000	31 Mar 21 £000
Revaluation Reserve	(43,266)	(36,684)	(35,189)
Capital Adjustment Account	(49,858)	(50,723)	(51,821)
Pensions Reserve	425,920	604,332	602,218
Collection Fund Adjustment Account	(308)	912	2,429
Accumulated Absences Account	689	609	604
TOTAL	**333,177**	**518,446**	**518,241**

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:

- Re-valued 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 1st 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.

Revaluation Reserve	**2022-23 £000**	**2021-22 £000**
Balance at 1 April	(36,684)	(35,189)
Upward revaluation of assets	(7,208)	(6,597)
Downward revaluation of assets and impairment losses	32	3,901
Difference between fair value depreciation & historical cost depreciation	594	1,201
Balance at 31 March	**(43,266)**	**(36,684)**

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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs 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 subsequent costs.

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

Capital Adjustment Account	2022-23 £000	2021-22 £000
Balance at 1 April	(50,723)	(51,821)
Charges for depreciation and impairment on non-current assets	4,023	4,282
Revaluation gains /(losses) on property, plant and equipment	(448)	(570)
Amortisation of intangible assets	9	9
Impact of disposal or sale of non-current assets	35	213
Adjusting amounts written out of the revaluation reserve	(594)	(1,201)
	(47,698)	(49,088)
Capital financing – charged against the General Fund	(1,333)	(454)
Capital financing – funding from Capital Grants and Contributions	-	-
Capital financing – charged against Capital Receipts	(25)	(513)
Capital financing – charged against Capital Grants – unapplied	-	-
Statutory provision for financing of capital expenditure (MRP)	(802)	(668)
Balance at 31 March	**(49,858)**	**(50,723)**

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.

Pensions Reserve	2022-23 £000	2021-22 £000
Balance at 1 April	604,332	602,218
Re-measurement of the net defined benefit liability/(asset)	(191,093)	(8,638)
Reversal of pension accounting entries in the CIES	29,224	25,804
Employer’s pension contributions and payments to pensioners in year	(16,542)	(15,051)
Balance at 31 March	**425,920**	**604,332**

Collection Fund Adjustment Account

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

Collection Fund Adjustment Account	**2022-23 £000**	**2021-22 £000**
Balance at 1 April	912	2,429
Amount by which the council tax and non-domestic rates income credited to the CIES is different to the income calculated under statute.	(1,220)	(1,517)
Balance at 31 March	**(308)**	**912**

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 31st March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

Accumulated Absences Account	**2022-23 £000**	**2021-22 £000**
Balance at 1 April	609	604
Settlement or cancellation of accrual made at the end of the preceding year	(609)	(604)
Amounts accrued at the end of the current year	689	609
Balance at 31 March	**689**	**609**

21. Notes to the Cash Flow Statement

Cash Flow Statement - Operating Activities - adjustment for non-cash movements charged to the net (surplus)/deficit on the provision of services:

	2022-23 £000	**2021-22 £000**
Depreciation	(4,029)	(4,289)
Impairment and downward revaluation	448	570
Amortisation	(18)	(73)
Movement in impairment provision for bad debts	1	-
Movement in creditors	(170)	1,948
Movement in debtors	1,846	(1,777)
Movement in amount due from pension fund	419	291
Movement in stock/inventories	110	(69)
Movement in pension liability	(12,681)	(10,752)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(34)	(214)
Other non-cash items charged to the net surplus or deficit on the provision of services	132	91
Total adjustment for non-cash movements	**(13,976)**	**(14,274)**

The cash flows for operating activities include the following items:	2022-23	2021-22
	£000	£000
Interest received	417	41
Interest paid	(241)	(192)

Cash Flow Statement - Investment Activities

	2022-23	2021-22
	£000	£000
Purchase of non-current assets	7,368	6,167
Purchase of short-term and long-term investments	32,002	21,008
Proceeds from sale of non-current assets	(25)	(228)
Proceeds from short-term and long-term investments	(38,500)	(15,500)
Other receipts from investing activities	-	-
Net cash flows from investing activities	**845**	**11,447**

Cash Flow Statement - Financing Activities

	2022-23	2021-22
	£000	£000
Cash receipts of short-term and long-term borrowing	-	(7,000)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	-	-
Repayment of short-term and long-term borrowing	-	-
Net cash flows from financing activities	**-**	**(7,000)**

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

	2022-23	2021-22
	£000	£000
Reverse - Other receipts from investing activities	-	-
Reverse - Proceeds from sale of non-current assets	25	228
Reverse - Cash payments for the reduction of the outstanding liabilities relating to finance leases	-	-
Total	**25**	**228**

22. Members' Allowances

The Authority paid the following amounts to Members during the year:

	2022-23	2021-22
	£000	£000
Members' allowances	149	141
Travel and subsistence, training and conferences	11	4
Total	**160**	**145**

23. Officers' Remuneration

Officers' Remuneration	Dates in Post	Gross Annual Salary (a)	Salary and Allowances	Benefits in kind (b)	Compensation for loss of office	Pension Contribution	Total
2022-23		**£**	**£**	**£**	**£**	**£**	**£**
Chief Fire Officer and Chief Executive Mark Cashin	01/04/2022-30/09/2022	*168,993*	85,992	-	-	24,335	110,327
Chief Fire Officer and Chief Executive Alex Waller	01/10/2022-31/03/2023	*157,590*	77,648	-	-	22,362	100,010
Deputy Chief Fire Officer Alex Waller	01/04/2022-30/09/2022	*135,194*	68,594	2,135	-	19,468	90,197
Assistant Chief Fire Officer	01/04/2022-30/11/2022	*126,744*	92,376	3,506	-	24,335	120,217
Assistant Chief Fire Officer	01/10/2022-31/03/2023	*118,193*	58,236	3,274	-	12,257	73,767
Assistant Chief Fire Officer	01/12/2022-31/03/2023	*118,193*	39,111	413	-	8,171	47,695
Director of Governance and Commissioning (e)	Full year	*103,513*	72,818	-	-	113,343	186,161
Director of Transformation	Full year	*82,863*	88,933	-	-	16,986	105,919
Treasurer (Section 151 Officer) (d)	left 03/01/2022	-	322	-	-	61	383
Treasurer (Section 151 Officer) (d)	20/04/2022-31/03/2023	*62,812*	38,593	-	-	7,371	45,964
Total 2022-23			**622,623**	**9,328**	**-**	**248,689**	**880,640**

Notes:

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

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

c) All members of the Leadership Team above are excluded from the remuneration banding figures shown two pages on.

d) Role fulfilled by Deputy Section 151 Officer under Joint Corporate Services arrangement with Cheshire Constabulary from 04/01/2022 to 20/04/2022. Treasurer post filled 20/04/2022.

e) Director of Governance and Commissioning post and post holder reduced from 1.0FTE to 0.5FTE on the 1st August 2022.

Officers' Remuneration	**Dates in Post**	**Gross Annual Salary (a)**	**Salary and Allowances**	**Benefits in kind (b)**	**Compensation for loss of office**	**Pension Contribution**	**Total**
2021-22		**£**	**£**	**£**	**£**	**£**	**£**
Chief Fire Officer and Chief Executive Mark Cashin	Full year	*168,993*	166,870	-	-	47,781	214,651
Deputy Chief Fire Officer Alex Waller	Full year	*135,194*	133,659	5,200	-	38,216	177,075
Assistant Chief Fire Officer Paul Binyon	15/05/2021-31/03/2022	*126,744*	109,090	3,584	-	40,691	153,365
Assistant Chief Fire Officer	Left26/03/2021	-	883	-	-	-	883
Director of Governance and Commissioning	Full year	*101,588*	109,220	-	-	20,833	130,053
Director of Transformation	Full year	*80,938*	87,049	-	-	16,599	103,648
Treasurer (Section 151 Officer) (d)	01/04/2021-03/01/2022	*59,840*	18,902	-	-	3,513	22,415
Total 2021-22			**625,673**	**8,784**		**167,633**	**802,090**

Notes:
a) Gross annualised salary represents the gross full time equivalent salary applicable to the post at 31st March, or when the person left post if earlier.
b) Benefits in kind consist of taxable benefits relating to car lease and car allowance payments.
c) All members of the Leadership Team above are excluded from the remuneration banding figures shown on next page.
d) Role fulfilled by Deputy Section 151 Officer under Joint Corporate Services arrangement with Cheshire Constabulary from 04/01/2022 to 20/04/2022. Treasurer post filled 20/04/2022.

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	**No of Employees**	
	2022-23	**2021-22**
£50,000 - £54,999	50	28
£55,000 - £59,999	28	19
£60,000 - £64,999	18	13
£65,000 - £69,999	8	10
£70,000 - £74,999	6	1
£75,000 - £79,999	1	-
£80,000 - £84,999	1	3
£85,000 - £89,999	1	1

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 £
2022-23				
Total	**-**	**-**	**-**	**-**
Amounts provided for in CI&E in 2022-23 to be released in 2023-24			-	-
Total cost included in 2022-23 CI&E Statement				**-**
2021-22				
£0 - £20,000	-	2	2	2,790
Total	**-**	**2**	**2**	**2,790**
Amounts provided for in CI&E in 2021-22 to be released in 2022-23			-	-
Total cost included in 2021-22 CI&E Statement				**2,790**

24. Termination Benefits

During 2022-23 there were no payments relating to termination benefits. In the previous year, 2021-22 two members of staff received termination benefits due to the end of a temporary increase to prevention services delivered.

See Note 23 for the number of exit packages and total cost per band.

25. 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:

		2023-24 £000	2022-23 £000	2021-22 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year.	2020-21	-	-	12
	2021-22	-	12	26
	2022-23	10	28	-
Total paid/ to be paid in financial year		10	40	38

Shown in the 2023-24 column are additional fees anticipated for 2022-23 but not paid as at 31st March 2023.

26. Grant Income

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

	2022-23 £000	2021-22 £000
Credited to Taxation and Non-Specific Grant Income and Expenditure		
Revenue Support Grant	(4,136)	(4,013)
Business rates - central government top up grant	(5,190)	(5,190)
Business rates - levy account surplus	(79)	-
S31 grant - Business rates / NDR	(1,752)	(1,643)
Local council tax support grant	(653)	(505)
Transparency grant	(8)	(8)
Fire Pension grant	(2,104)	(2,104)
Covid-19 emergency funding / NHS support grant	(12)	(73)
Tax income guarantee/ compensation scheme	(25)	36
Sales, Fees and Charges compensation grant	-	(2)
	(13,959)	**(13,502)**
Credited to Services		
Fire Revenue Grant - New Dimensions Fund	(7)	(7)
Fire Revenue Grant - FireLink	(131)	(145)
Protection Uplift Programme	(167)	(190)
Pension admin grant	-	(62)
Redmond review – local audit costs	(12)	-
Emergency Services Mobile Communications Programme (ESMCP)	2	(59)
Apprenticeship Levy	(178)	(54)
Donations	-	(1)
Other contributions	(35)	(29)
	(528)	**(547)**

27. 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.

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 note 26, Grant Income.

The Authority has utilised the borrowing facilities operated by the Debt Management Office (PWLB loans).

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 22 (Members' Allowances). There were no transactions during the year in which members were required to declare an interest.

Officers

Mark Cashin, the Chief Fire Officer and Chief Executive of Cheshire Fire and Rescue Service up to his retirement on the 30th September 2022, is a Trustee for ‘Classroom in the Clouds’. Mark joined the team of Trustees in 2014. Mark has been integral in supporting the work of the Cheshire Fire Cadets and Fire Apprentices who have been magnificent in raising money to build many classrooms in Nepal.

Alex Waller, the current Chief Fire Officer and Chief Executive of Cheshire Fire and Rescue Service, became a Director of Fire and Rescue Indemnity Company (FRIC) on 10th June 2021. This is a mutual set up on behalf of twelve organisations. For more information see note 29.

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

Entities Controlled or Significantly Influenced by the Authority

The Authority was one of four Fire and Rescue Authorities that together set up NW Fire Control Limited (NWFC). NWFC 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. It has been determined that the company is governed by Joint Control due to the fact that unanimous consent exists for key decisions and that each Authority has equal voting rights. This joint arrangement has been deemed to be a Joint Operation as the parties have rights to the assets, and obligations for the liabilities relating to the arrangement. More details on NWFC can be found in the next note.

Safer Cheshire Limited, a company limited by guarantee, was established by the Authority on 15th December 2015, with the object of reducing accidental death, injury and harm by educating those most at risk about staying safe at home, on the road and in the community. An application to register this company with the Charity Commission has been unsuccessful. There was no activity in 2022-23. In 2021-22, there was the repayment of the £5k donation back from Safer Cheshire Limited to Cheshire Fire Authority in respect of initial working capital, which was not utilised and is no longer required.

Firefighters Pension Fund

The Fire Authority administers the Firefighter Pensions Schemes. The account for the schemes is included in the Statement of Accounts. See note 32 for more details.

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

The Fire Authority consists of 23 members, who 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 and the baseline funding (the Fire Authority's share of Business Rates raised in its four constituent authorities).
These are as follows:

Billing Authority		**2022-23 £000**	**2021-22 £000**
[a] Council Tax			
Cheshire East Council		(12,793)	(12,458)
Cheshire West and Chester Council		(10,432)	(10,068)
Halton Borough Council		(2,969)	(2,905)
Warrington Borough Council		(5,896)	(5,535)
	Total	**(32,090)**	**(30,966)**

Billing Authority		**2022-23 £000**	**2021-22 £000**
[b] Business Rates			
Cheshire East Council		(1,214)	(1,182)
Cheshire West and Chester Council		(1,371)	(1,264)
Halton Borough Council		(552)	(504)
Warrington Borough Council		(1,005)	(783)
	Total	**(4,142)**	**(3,733)**

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

As at 31st March the other local authorities net position due to Cheshire Fire was:

	31 Mar 23 £000	31 Mar 22 £000
Billing Authority		
Cheshire East Council	(63)	(192)
Cheshire West and Chester Council	548	47
Halton Borough Council	113	136
Warrington Borough Council	286	(327)
Total	**884**	**(336)**

28. NW Fire Control Limited (NWFC)

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, decisions were made about the future of the project following the closure of the National Project announced in December 2011 by the Fire Minister. The Company has four members, which are Cheshire Fire Authority, Cumbria County Council, Greater Manchester Combined Authority and Lancashire Fire and Rescue Authority (FRAs). The liability of each member in the event of the company being wound up is limited and shall not exceed £1. Each member of the company has the right to appoint two directors. All directors have equal voting rights.

During May 2014, all four services transferred their Control Room functions into the regionalised service provided by NWFC. The cost of the service is charged out to the four FRAs on a pro rata basis and provided in accordance with a Service Level Agreement. The implementation phase continued to be funded by a section 31 grant from the Department for Communities and Local Government plus an ongoing grant to fund 66% of the lease costs for the building. The grant is paid to Greater Manchester Combined Authority as lead Authority for the North West region and released to the company as required. From 8th May 2017 Greater Manchester Fire and Rescue Service became the responsibility of the Greater Manchester Combined Authority. There have also been contributions to the project from the FRAs.

It was determined during 2018-19 that the company (NWFC) is governed by Joint Control due to the fact that unanimous consent exists for key decisions and that each Authority has equal voting rights. This joint arrangement has been deemed to be a Joint Operation as the parties have rights to the assets, and obligations for the liabilities relating to the arrangement. This is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards (IFRS 10, 11 & 12).

On the basis of materiality of the 25% share against the balances of Cheshire Fire Authority it has been determined that Cheshire Fire Authority's share of this joint operation are required to be reported, and are therefore included in these accounts.

Below shows the key information from the draft financial statements of NW Fire Control Ltd:

	2022-23 Pre-audit £000	2021-22 Final £000	2021-22 Draft £000
Total Assets less Current Liabilities	351	321	321
Net Assets *	638	(4,864)	(4,864)
Profits/(deficit) before taxation	113	(803)	(803)
Profits/(deficit) after taxation	120	(804)	(804)

*Net assets include £0.29m for the future pension assets under FRS17 reported by the Cheshire Pension Fund actuaries (£5.19m liabilities 2021-22). All figures are shown net of VAT.

2022-23 transactions between Cheshire Fire Authority and NWFC include invoices (£1,031k 2022-23 and £1,061k 2021-22) raised by NWFC to Cheshire Fire Authority. Invoices for the control room service; additional costs linked to the Manchester Arena inquiry; during 2021-22 there was some use of facilities in the NWFC building, so £1k recharges (£1k 2021-22).

The NWFC's 2021-22 financial statements can be obtained from Companies House, and the 2022-23 financial statements will be available by the 31st December 2023 (standard deadline for submission for the final audited 2022-23 accounts).

29. Fire and Rescue Indemnity Company Limited (FRIC)

The service became a member of a mutual, the Fire and Rescue Indemnity Company Limited (FRIC), on 1st November 2015. At the 31st March 2023, eleven other Fire Authorities were also members. The mutual provides discretionary protection against claims against the Authority and procures insurance cover on its behalf. Consideration has been given to the nature of the relationship the Authority has with the mutual.

The Authority has no right to appoint directors to the board of the mutual, and the relationship is not therefore one of joint control. This means that under the Code of Practice on Local Authority Accounting in England and International Financial Reporting Standards 10, 11 and 12 no liability to complete group accounts in relation to the Authority and the mutual exists.

In 2021-22 Alex Waller, the current Chief Fire Officer and Chief Executive of Cheshire Fire and Rescue Service, became a Director of Fire and Rescue Indemnity Company (FRIC) in June 2021.

30. Capital Expenditure and 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.

	2022-23 £000	2021-22 £000
Opening Capital Financing Requirement	16,124	12,792
Capital Investment		
Property, plant and equipment	7,775	4,967
Intangible assets	46	31
Revenue Expenditure Funded from Capital under Statute	-	-
Sources of Finance		
Capital receipts	(25)	(513)
Government grants and other contributions	-	-
Sums set aside from revenue		
Revenue contributions (Cheshire Fire)	(1,333)	(454)
Minimum revenue provision (MRP)	(802)	(668)
Revenue contributions (NWFC 25%)	(51)	(31)
Closing Capital Financing Requirement	21,734	16,124
Explanation of movements in year		
Increase/(decrease) in underlying need for borrowing (Supported)	(802)	(668)
Increase/(decrease) in underlying need for borrowing (Unsupported)	6,412	4,000
Increase/(decrease) in Capital Financing Requirement	5,610	3,332

31. Leases

Authority as Lessee

Finance Leases

The Fire Authority has no assets held under a finance lease.

Operating Leases

Expenditure on operating leases in 2022-23 totalled £276,198 (2021-22 £287,210). All expenditure on leases relates to vehicles.

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

	31 Mar 23 £000	31 Mar 22 £000
Not later than 1 year	(209)	(195)
Later than 1 year and not later than 5 years	(281)	(238)
TOTAL	**(490)**	**(433)**

32. Employee Benefits

Defined Benefit Pension Schemes

Participation in Pension Schemes
As part of the terms and conditions of employment of its officers, the Fire 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 (for those benefits) that need to be disclosed at the time that employees earn their full entitlement.

The Fire Authority participates in two post-employment schemes:

- The Local Government Pension Scheme (LGPS) for non-uniformed staff, administered locally by Cheshire West and Chester Council. This is a funded defined benefit scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets. Up until 31st March 2014 this was a final salary scheme. Since 1st April 2014 this has changed to a LGPS benefit design career average revalued earning (CARE) scheme.

- The Firefighters pension scheme for uniformed staff.

  The original scheme commenced in 1992 with the funding arrangements for uniformed Firefighter pensions changing from 1st 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.

  With effect from 1st April 2006, a new Firefighter Pension Fund for each English Fire Authority was introduced. 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 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 2022-23 are shown in the Pension Fund Statement. At this point members of the 1992 Scheme were given the choice of staying with their existing Scheme or transferring to the 2006 Scheme.

  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.

  A third scheme was introduced in April 2014 which is a modified version of the 2006 scheme and is available for on-call firefighters now entitled to participate in a pension scheme from 2000 as a result of the decision to backdate part-time workers' rights.

  The 1st April 2015 saw the introduction of a new 2015 scheme. The new Regulations (The Firefighter Pension Scheme (England) Regulations 2014) states that all current active members will move into the new scheme from 1st April 2015 unless they qualify for protections that allow them to remain in their current scheme.

The Firefighter Pension Schemes are 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.

In 2015, when the new career average pension scheme (FPS 2015) was implemented. Along with the main scheme regulations, transitional arrangements were brought in. Part of the transitional arrangements was to provide varying degrees of protection for those members who were within 15 years of normal retirement age. This meant that some members went straight into FPS 2015 from 1st April 2015, whilst others with tapered protection stayed in the legacy scheme (FPS 2006/FPS 1992) for longer, or would remain in the legacy scheme until they retired if they were fully protected.

Following a legal challenge (Judges and the McCloud and Sergeant cases), the courts determined that the transitional arrangements were discriminatory on the grounds of age. It's important to note that it was the transitional arrangements that were discriminatory and not the 2015 scheme itself.

To remove discrimination from the scheme there's a two phase approach. This is known as the 'remedy'. The first phase will look to remove any future discrimination. The second phase will look to resolve retrospective discrimination for the period 1st April 2015 to 31st March 2022 – known as the 'remedy period'.

The second phase of remedy to remove retrospective discrimination is still in progress and further legislation and consultation will be needed. It's expected that this will be in place by October 2023.

To remove future discrimination and ensure equal treatment, all remaining protected members who were not members of FPS 2015 transferred into this scheme on 1st April 2022. The FPS 1992 and FPS 2006 are closed to future accrual for all members.

For the 2015 Firefighter pension scheme the pension contribution rate on pensionable pay for the employee is 11% to 14.5% and for the employer is 28.8%. The employer also make a formula-based charges for the cost of ill-health and other early retirements.

Local Government Pension Scheme assets comprised:

Local Government Pension Scheme	**Cheshire Fire Fair value of scheme assets**		**NWFC (25%) Fair value of scheme assets**	
	31 Mar 23 £000	**31 Mar 22 £000**	**31 Mar 23 £000**	**31 Mar 22 £000**
Cash and cash equivalents:				
• All	**2,209.5**	**3,204.6**	**96.8**	**215.2**
Equity instruments: *by industry type*				
• Consumer	227.0	808.1		
• Manufacturing	231.8	675.0		
• Energy and utilities	-	39.0		
• Financial institutions	-	360.7		
• Health and care	78.6	319.4		
• Information technology	1,289.7	2,913.6		
• Other	163.3	429.3		
Sub-total equity	**1,990.4**	**5,545.1**	**1,548.8**	**1,507.0**
Bonds: *by sector*				
• Corporate	-	-		
• Government	-	-		
• Other	-	-		
Sub-total bonds	**-**	**-**	**1,161.5**	**1,507.0**
Property: *by type **				
• United Kingdom	4,177.8	3,755.5		
• Overseas	66.4	62.4		
Sub-total property	**4,244.2**	**3,817.9**	**419.4**	**358.8**
Private equity:				
• All	3,495.0	2,684.1		
Sub-total private equity	**3,495.0**	**2,684.1**	**-**	**-**
Other investment funds:				
• Equities	14,820.2	11,137.2		
• Bonds	17,625.6	22,422.4		
• Hedge Fund	3,330.2	3,160.5		
• Infrastructure	331.3	6.5		
• Other	2,098.6	2,042.7		
Sub-total other investment funds	**38,205.9**	**38,769.3**	**-**	**-**
Derivatives:				
• All	-	-	-	-
Total Assets	**50,145.0**	**54,021.0**	**3,226.5**	**3,588.0**

Transactions Relating to Post-employment benefits

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

	Local Government Pension Scheme (NWFC-25%)		Local Government Pension Scheme (CFA)		Firefighter Pension Schemes (CFA)		Total for all Schemes	
	2022-23 £000	2021-22 £000	2022-23 £000	2021-22 £000	2022-23 £000	2021-22 £000	2022-23 £000	2021-22 £000
Comprehensive Income & Expenditure Statement (CIES)								
Cost of Services:								
▪ Current Service Costs	260	295	2,093	1,895	9,550	11,580	11,903	13,770
▪ Past Service Costs	-	-	-	-	-	-	-	-
▪ (Gain) / loss from Settlement	-	-	1,350	-	-	-	1,350	-
Financing & Investment Income & Expenditure:								
▪ Net interest expense	38	38	143	216	15,790	11,780	15,971	12,034
Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services	**298**	**333**	**3,586**	**2,111**	**25,340**	**23,360**	**29,224**	**25,804**
Other post-employment benefits charges to the CIES								
Re-measurement of the net defined pension liability comprising:								
▪ Return on plan assets (excluding the amount included in the net interest expense)	427	(161)	5,919	(2,497)	-	-	6,346	(2,658)
▪ Actuarial gains and losses arising on changes in demographic assumptions	(85)	(29)	256	(349)	(17,710)	-	(17,539)	(378)
▪ Actuarial gains and losses arising on changes in financial assumptions	(2,353)	(485)	(23,767)	(4,550)	(189,650)	(7,190)	(215,770)	(12,225)
▪ Other experience	477	9	2,643	134	32,750	6,480	35,870	6,623
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	**(1,236)**	**(333)**	**(11,363)**	**(5,151)**	**(149,270)**	**22,650**	**(161,869)**	**17,166**

	Local Government Pension Scheme (NWFC-25%)		Local Government Pension Scheme (CFA)		Firefighter Pension Schemes (CFA)		Total for all Schemes	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
	£000	£000	£000	£000	£000	£000	£000	£000
Movement in Reserves Statement								
▪ Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(298)	(333)	(3,586)	(2,111)	(25,340)	(23,360)	(29,224)	(25,804)
Actual amount charged against the General Fund Balance for pensions in the year:								
▪ Employers' contributions payable to scheme (gross amount before the Authority's receipt of the Firefighter pension scheme top up grant)	131	130	1,051	861	15,360	14,060	16,542	15,051

Pensions Assets and Liabilities Recognised in the Balance Sheet:

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme (NWFC-25%)		Local Government Pension Scheme (CFA)		Firefighter Pension Schemes (CFA)		Total for all Schemes	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
	£000	£000	£000	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	3,175	4,884	41,977	58,267	434,160	598,790	479,312	661,941
Fair value of plan assets	(3,247)	(3,589)	(50,145)	(54,021)	-	-	(53,392)	(57,610)
Sub-total	(72)	1,295	(8,168)	4,246	434,160	598,790	425,920	604,331
Other movements in the liability (asset)	-	-	-	-	-	-	-	-
Net Liability arising from defined benefit obligation	**(72)**	**1,295**	**(8,168)**	**4,246**	**434,160**	**598,790**	**425,920**	**604,331**

These accounts do contain adjustments for the McCloud remedy as it has a material impact on the value of the liability shown in the balance sheet.

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:

	Local Government Pension Scheme (NWFC-25%)		Local Government Pension Scheme (CFA)		Firefighter Pension Schemes (CFA)		Total for all Schemes	
	2022-23 £000	2021-22 £000	2022-23 £000	2021-22 £000	2022-23 £000	2021-22 £000	2022-23 £000	2021-22 £000
Opening fair value of scheme assets	3,589	3,228	54,021	50,489	-	-	57,610	53,717
Interest income	100	67	1,473	1,009	-	-	1,573	1,076
Remeasurement gain/(loss):								
-The return on plan assets, excluding the amount included in the net interest expense	(427)	161	(5,919)	2,497	-	-	(6,346)	2,658
-Other	(138)	-	(813)	-	-	-	(951)	-
Contributions from employer	131	130	1,051	861	15,360	14,060	16,542	15,051
Contributions from employees into the scheme	39	37	301	243	2,460	2,330	2,800	2,610
Benefits paid	(47)	(34)	(1,212)	(1,078)	(17,820)	(16,390)	(19,079)	(17,502)
Assets extinguished on settlements	-	-	1,243	-	-	-	1,243	-
Closing fair value of scheme assets	**3,247**	**3,589**	**50,145**	**54,021**	**-**	**-**	**53,392**	**57,610**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

	Local Government Pension Scheme (NWFC-25%)		Local Government Pension Scheme (CFA)		Firefighter Pension Schemes (CFA)		Total for all Schemes	
	2022-23 £000	2021-22 £000	2022-23 £000	2021-22 £000	2022-23 £000	2021-22 £000	2022-23 £000	2021-22 £000
Opening balance at 1 April	4,884	4,986	58,267	60,747	598,790	590,200	661,941	655,933
Current service cost	260	295	2,093	1,895	9,550	11,580	11,903	13,770
Interest cost	138	105	1,616	1,225	15,790	11,780	17,544	13,110
Contributions by scheme participants	39	37	301	243	2,460	2,330	2,800	2,610
Remeasurement (gains) and losses:								
Actuarial gains/losses arising from changes in demographic assumptions	(85)	(29)	256	(349)	(17,710)	-	(17,539)	(378)
Actuarial gains/losses arising from changes in financial assumptions	(2,353)	(485)	(23,767)	(4,550)	(189,650)	(7,190)	(215,770)	(12,225)
other experience	339	9	1,830	134	32,750	6,480	34,919	6,623
Past service cost	-	-	-	-	-	-	-	-
Benefits paid	(47)	(34)	(1,212)	(1,078)	(17,820)	(16,390)	(19,079)	(17,502)
Liabilities extinguished on settlements	-	-	2,593	-	-	-	2,593	-
Closing balance at 31 March	**3,175**	**4,884**	**41,977**	**58,267**	**434,160**	**598,790**	**479,312**	**661,941**

The Liabilities shown on the Firefighter Pension Schemes include liabilities in respect of injury pensions. Of the £434.2m liability, £5.8m related to injury pensions (2021-22 £598.8m liability, £7.9m related to injury pensions).

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. In 2021-22 and 2022-23 and the Firefighter Pension Schemes were assessed by the Government Actuary's Department (GAD) and both of the LGPS schemes were assessed by Hymans. Estimates for the Local Government Pension Schemes are based on the latest full valuation of the scheme as at 31st March 2022. The significant assumptions used by the actuary have been:

	Local Government Pension Scheme (NWFC)		**Local Government Pension Scheme (CFA)**		**Firefighter Pension Schemes**	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
	%	%	%	%	%	%
Long-term expected rate of return on assets in the scheme:						
Equity investments	4.75	2.75	4.75	2.70	-	-
Bonds	4.75	2.75	4.75	2.70	-	-
Property	4.75	2.75	4.75	2.70	-	-
Cash	4.75	2.75	4.75	2.70	-	-
Mortality assumptions:	At age 65		At age 65		At age 65	
Longevity for current pensioners:						
▪ Men	20.0 years	21.2 years	21.2 years	21.2 years	21.2 years	21.5 years
▪ Women	23.9 years	23.8 years	24.0 years	23.8 years	21.2 years	21.5 years
Longevity for future pensioners:						
▪ Men	23.9 years	22.1 years	23.1 years	22.1 years	22.9 years	23.2 years
▪ Women	25.5 years	25.5 years	26.1 years	25.5 years	22.9 years	23.2 years
Rate of inflation (CPI)	2.95	3.15	2.95	3.20	2.60	3.00
Rate of increase in salaries	3.65	3.85	3.65	3.90	3.85	4.75
Rate of increase in pensions	2.95	3.15	2.95	3.20	2.60	3.00
Rate for discounting scheme liabilities	4.75	2.75	4.75	2.70	4.65	2.65

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that the life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme

	Local Government Pension Scheme (NWFC)*		**Local Government Pension Scheme (CFA)**		**Firefighter Pension Schemes**	
Change in financial assumptions at year ended 31 March 2023	Approximate monetary amount (NWFC 25%) £000	Approximate increase to Employer Liability %	Approximate monetary amount £000	Approximate increase to Employer Liability %	Approximate monetary amount £000	Approximate increase to Employer Liability %
Longevity/ increase in member life expectancy (increase of 1 year)	127	4.0	1,679	4.0	10,000	2.5
Rate of increase in salaries (increase by 0.5%)	50	-	270	-	4,000	1.0
Rate of increase in pensions (increase by 0.5%)	344	2.0	3,705	10.0	29,000	6.5
Rate for discounting scheme liabilities (decrease by 0.5%)	388	2.0	3,920	10.0	30,000	7.0

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers’ contributions at as constant a rate as possible. Cheshire West and Chester Council, the administering body, has agreed a strategy with the scheme’s actuary to achieve a funding level of 100% over the forthcoming years. Funding levels are monitored on an annual basis. The next triennial valuation is in 2025. The Authority anticipates paying £908,000 expected contributions to the Local Government Pension scheme in 2023-24.

33. Contingent Assets and Liabilities

As a result of the insolvency of a historic insurer, 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.

GLOSSARY OF TERMS

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

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

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.

CASH FLOW STATEMENT
Summarises the inflows and outflows of cash transactions and links the opening and closing balance sheet with the Comprehensive Income and Expenditure Statement for the year.

CIPFA (The Chartered Institute of Public Finance and Accountancy)
CIPFA is the leading professional accountancy body for public services.

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 (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.

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 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.

EXPENDITURE AND FUNDING ANALYSIS
This links to the CIES and demonstrates how available funding has been used to provide services. This follows accounting practice and reports in accordance with the management reporting structure used for decision making purposes rather than legislative purposes.

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
Documents 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 (statements of recommended practice) 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.

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.

GROUP ACCOUNTS
Accounts prepared on a group basis where Local Authorities have interests in other bodies which are material in aggregate.

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 FINANCIAL REPORTING STANDARDS (IFRS)
These are the accounting standards that were adopted for 2010-11 onwards. IFRS are designed as a common global language for financial reporting so that organisation’s accounts are understandable and comparable across international boundaries.

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.

INVENTORIES (formerly 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.

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 few years.

MINIMUM REVENUE PROVISION (MRP)
This is the amount which should be set aside from revenue as provision for debt repayment.

MOVEMENT IN RESERVES STATEMENT
This statement shows the movement in year on the different reserves held and identifies both usable and unusable. It links in with the Comprehensive Income and Expenditure Statement through the impact of the surplus or deficit on provision of services on the General Fund.

NET BOOK VALUE (NBV)
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 and/or impairment.

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

NON CURRENT ASSETS
Tangible assets yielding benefits to the Authority and its services 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 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 FUND ACCOUNT
The Fire and Rescue Authority is required to set up a separate fund from the rest of its operation for transactions relating to firefighter pension arrangements. The Authority has a formal responsibility for paying firefighter 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 billing authority) as part of the council tax. The Fire Authority is the precepting Authority and the East Cheshire Borough Council, Cheshire West and Chester Council, Warrington Borough Council and Halton Borough Council are the billing 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 collect the repayments.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFFCUS)
Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CIES.

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 obligations.

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:

(a) The Authority’s decision to terminate an employee’s employment before the normal retirement date.
(b) 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 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.

RIGHT OF USE ASSET

These are assets which are leased by the Authority who have control over their usage and are represented as the Authority's asset in the Balance Sheet.

THE HOME OFFICE

The Home Office is a ministerial department of the Her Majesty's Government of the United Kingdom, which, from 5 January 2016 is responsible for Fire and Rescue Policy. This was a role previously undertaken by the Department for Communities and Local Government (DCLG).

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 2022-23

1. Scope of Responsibilities

1.1 Governance comprises the systems, processes, culture and values by which the Cheshire Fire Authority (the Authority) and Cheshire Fire and Rescue Service (the Service) direct and manage together, along with the activity through which they account to and engage with the people of Cheshire.

1.2 The Authority covers the four unitary areas of Cheshire East, Cheshire West and Chester, Halton and Warrington. The Authority is a separate legal body, with the power to set council tax and to set its own policies and procedures, without seeking the approval of these local councils. Each council appoints a number of elected Members to serve on the Authority. As an Authority Member, councillors represent the whole of Cheshire and are not just required to act as the formal representatives of their own council. The Authority as the governing body ensures that the Service operates in a lawful, open, inclusive and honest manner, making sure public money is safeguarded, properly accounted for and spent wisely and has effective arrangements in place to manage risk.

1.3 Production of an Annual Governance Statement (AGS) is a requirement under the Accounts and Audit Regulations (England) 2015 and helps to ensure that a reliable system of internal controls can be demonstrated.

1.4 In March 2022, CIPFA published an advisory note setting out key messages surrounding recent governance failures identified in statutory and non-statutory reviews and public interest reports. While the Authority has not been part of these reviews or reports, there are lessons to be learned for all organisations that take governance seriously. One key message relates to the AGS which is a key document for any organisation, and when completed correctly and with rigour, can be used to identify failings of governance and provide an opportunity internally to improve and thereby reduce risk. It should normally be approved at the same time or no later than the Statement of Accounts and should be regarded as a vital tool by those charged with governance and the leadership team.

1.5 The AGS is a key corporate document for the Authority which provides an accurate representation of the corporate governance arrangements and controls in place that have supported the delivery of organisational objectives during the year. The AGS provides information about where arrangements have been effective and notes where any improvements are required.

2. The Governance Framework

2.1 The Authority is responsible for ensuring that business is conducted in accordance with the law, with openness and engagement with stakeholders and that risk is managed through robust internal control and strong public finance management to deliver effective accountability. The Authority's Constitution sets out the governance framework which assists in enabling the Authority and the Service to fulfil their statutory obligations. The Constitution is reviewed on a regular basis to ensure it remains up to date and relevant taking into account local and national changes in the way fire and rescue services operate.

2.2 The Authority's Constitution

- Explains the Authority's decision-making arrangements;
- Sets out the responsibilities of elected Members and officers; and
- Contains details of rules and controls.

2.3 A copy of the Authority's Constitution is available on the website (www.cheshirefire.gov.uk).

2.4 The Governance Framework focuses on the Authority's strategic aims and objectives and includes:

Corporate

- The Authority's vision and purpose which drive the service planning, delivery, risk, project and performance management frameworks
- The Integrated Risk Management Plan (IRMP)
- Consultation Engagement and Communications Strategies
- A published set of core values

Committee Structure and Member Scrutiny

- The Authority's Constitution
- Established structure of Authority and Committee meetings, each with formal Terms of Reference
- Scrutiny by Members e.g. Performance and Overview Committee responsible for thematic areas such as Finance, Equality & Diversity, Performance Management
- Crisis Management Plan – owned and scrutinised by Risk Management Board
- Local Code of Corporate Governance Action Plan reviewed by the Governance and Constitution Committee
- Published Anti-Fraud, Corruption, Whistleblowing and Complaints policies and procedures
- Medium term financial forecasting and budget management processes
- Code of Conduct

Scrutiny and Reporting

- Integrated Corporate and Financial planning processes with regular reporting
- Treasury Management Strategy
- Risk Management Board which is responsible for championing an effective Risk Management Policy and Framework and regularly reviewing the Strategic Risk Register
- Performance and Programme Board which is responsible for monitoring and reviewing organisational performance including the Corporate Performance Scorecard, which sets out the Authority's key indicators, and scrutiny of key projects and programmes
- Service Leadership Team which provides strategic direction for service delivery
- Information governance arrangements

People

- Dynamic, intelligent training programme which is tailored to the development needs of the Authority's frontline staff
- Appraisal system and personal development programmes
- Established Health, Safety and Wellbeing policies monitored by the Health, Safety and Wellbeing Committee
- Health, Safety and Wellbeing Committee review of fitness performance

2.5 CIPFA published 'The Financial Management Code' (FM Code) in 2019. It is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code sets the standards of financial management for local authorities. The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:

- manage the short, medium and long-term finances of a local authority;
- manage financial resilience to meet unforeseen demands on services; and
- manage unexpected shocks in their financial circumstances.

2.6 Each organisation designated to apply the FM Code must demonstrate that the requirements of the code are being satisfied. Demonstrating this compliance with the FM Code is a collective responsibility of the Authority, the Treasurer and colleagues in the leadership team.

2.7 In the External Audit Report for 2020-21, the auditors recommended that the Authority consider the establishment of an audit committee. Their findings noted that the Authority covered the general functions of an audit committee and upheld the Nolan principles. However, they stated that a smaller more focused audit committee, with a membership that had the necessary skills and experience, would enhance the appropriate scrutiny and further support the principles outlined in the Redmond Review. A report was taken to the Governance & Constitution Committee in early 2022 where approval was granted to create an audit committee. During 2022-23 the audit committee was created, and independent members recruited. Its inaugural meeting took place on 16th November 2022. The Audit Committee is now closely aligned to the requirements of the CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022.

3. **Internal Financial Controls**

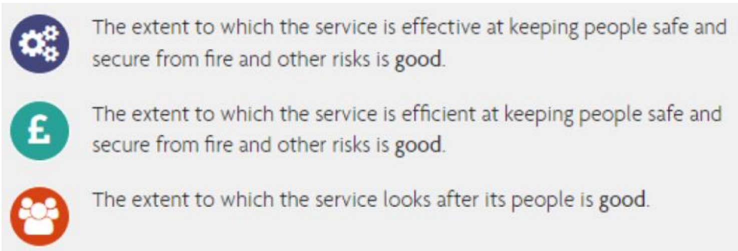
3.1 The objective of the internal financial controls is to: maintain sound and proper financial arrangements; to explain why safeguards and controls are important and necessary; and to profile a framework for financial management, which will enable, wherever possible, managerial and financial responsibilities to be aligned, safeguarding all Members and officers.

3.2 The key documents that set out the internal financial controls are:

- Financial Regulations as set out in the Constitution
- Scheme of Delegation as set out in the Constitution
- Treasury Management Strategy, which is approved by the Authority each year which sets out the Annual Investment Strategy, Borrowing Strategy, and the Minimum Revenue Provision Statement
- Treasury Management Practices which set out the detailed processes and practices to be followed in order to deliver the Treasury Management Strategy

3.3 In addition to the above, there are a series of governance checks and controls carried out through the Finance and Human Resources teams to ensure financial systems are operating effectively. These are supported by periodic Internal and External Audit reviews and with the production of action plans where necessary to provide appropriate assurance to those charged with governance.

3.4 Further assurance is now provided through HM Inspectorate of Constabularies and Fire & Rescue Services (HMICFRS), which carried out its third inspection of the Service in 2022-23. The HMICFRS examines the Service's effectiveness, efficiency and how well it looks after its people. A full copy of the HMICFRS judgement criteria can be found on their website. It is designed to give the public information about how their local fire and rescue service is performing in several important areas, in a way that is comparable with other services across England. The high-level ratings for the Service are shown below with further details available on the HMICFRS website (https://www.justiceinspectorates.gov.uk/hmicfrs/frs-assessment/frs-2021/cheshire/).



3.5 The inspection concluded on 31st March 2023 and following a review of evidence, inspectors will produce a report due summer 2023. In previous inspection commentaries, HMICFRS stated that 'overall, the service is effective and efficient at keeping people safe and secure from fire. And, on balance, it looks after its people well. It has made an impressive investment to promote culture and values, and equality, inclusion and diversity throughout its organisation. We are pleased to see the service working on the areas for improvement identified in our 2018 inspection. There has been good progress, for example, to increase protection resource and capability.'

4. Good Governance in the Fire Service

4.1 In 2016, CIPFA, in association with various groups including representation of fire and rescue services, issued best practice guidance on Delivering Good Governance. It sets out seven principles of good governance which are illustrated below:

4.2 The ethos of the above is for principles A and B to permeate the implementation of principles C to G. It also illustrates that good governance is dynamic and that an organisation as a whole should be committed to continually improving through a process of evaluation and review. Each principle is considered from the Authority and Service's perspectives.

5. Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

5.1 Core Values inspire and guide how teams behave. They set out a platform to guide our current and future activities and help achieve our organisational priorities. Staff were at the heart of the development of the Core Values through conferences, the staff engagement forum and staff survey. This engagement was vital to ensure the Core Values remain relevant so that the Service and individuals are able to identify with them.

5.2 As a result, the Core Values are:

- **Be inclusive** – by acting fairly, with integrity, respect and without prejudice
- **Do the right thing** – by holding each other to account for ensuring high standards of professionalism in everything we do
- **Act with compassion** – by being understanding and offering help to each other and to our communities with warmth, patience and kindness
- **Make a difference** – by making an impact in our organisation and in our communities in whatever ways we can, for as many people as we can

5.3 The Director of Governance is the Authority's Monitoring Officer as set out in section 5 of the Local Government and Housing Act 1989, whose role is to advise on the rule of law and ensure decision making is legally sound. The Monitoring Officer is a qualified solicitor and is supported by the Joint Legal Services Team that includes a number of professionally qualified legal officers.

5.4 The Treasurer is the Authority's "Chief Financial Officer", as defined by CIPFA and as set out in section 151 of the Local Government Act 1972, whose role is to ensure the proper administration of the Authority's financial affairs. The Treasurer is a qualified accountant and is supported by the Head of Finance (who is also the Deputy S151 Officer) and by the Joint Finance Team that includes a number of professionally qualified finance officers.

5.5 The two Statutory Officers have collective meetings on a regular basis with the Chief Fire Officer and Chief Executive to ensure that robust governance arrangements are maintained and to consider potential future policy decisions, ensuring that these are consistent with available resources. These Statutory Officers, or their representatives, review all proposals that are to be submitted to meetings of the Authority and its various committees and these officers, or their representatives, attend such meetings.

6. **Principle B: Ensuring openness and comprehensive stakeholder engagement**

6.1 The Authority has a clear Consultation Strategy that sets out how and when it will consult with communities and other stakeholders. The Community Engagement Strategy includes guiding principles and explains how the Service will engage with its communities.

6.2 The Integrated Risk Management Plan (IRMP) sets out how the Authority intends to deliver the services over a period and is widely consulted on before it is finalised and approved by the Authority. The IRMP sets out the rationale behind planned activity including current performance and forecasts. The IRMP essentially reviews the effectiveness of previous activity and highlights any areas of focus for the future. An annual action plan is created.

6.3 Consultation with stakeholders includes both staff and public events at various venues, a web-based questionnaire and consultation with stakeholders during which the proposed plans are put forward and feedback is requested. The results of consultation are published on the website and reported to Members before the IRMP is finalised and approved.

6.4 Working in partnership with others is a key part of the Authority's ethos. For example, the Blue Light Collaboration arrangement has brought together some of the back office and professional services, which support the Service and Cheshire Constabulary in a single, shared headquarters site at Clemonds Hey, Winsford.

6.5 The Police and Crime Commissioner for Cheshire has the right to attend Authority meetings.

7. **Principle C: Defining outcomes in terms of sustainable economic, social & environmental benefits**

7.1 The Service's vision is a Cheshire where there are no deaths, injuries or damage from fires and other emergencies. The Integrated Risk Management Plan (IRMP) explains the approach the Authority will take to support this vision, given the context in which the

Service operates, and sets out the planned activity to deliver and achieve the intended outcomes.

7.2 The IRMP specifies which activity will take place in each year, what the result will be and when there may be an impact. Performance indicators are agreed, setting out the projected performance and reported to Members and the public in line with the approved corporate planning and reporting timelines. The Service approach to risk is explained in its risk management policy, which is reviewed at least every three years, and risks to key projects are outlined and managed through the project management framework.

7.3 A Medium-Term Financial Plan (MTFP) is produced annually, reviewed regularly and updated as necessary setting out the financial assumptions and demands upon the Service to highlight budgetary pressures and set out options to address any funding shortfalls to ensure sustainability. The MTFP is supplemented by a Capital Strategy and Reserves Strategy.

7.4 The financial sustainability of the Authority has largely remained unchanged as a result of the Pandemic but the long-term impact on funding is unknown and the MTFP will continue to link vision and intent to funding scenarios, ensuring value for money is achieved within a balanced and sustainable budget.

8. **Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

8.1 The Constitution sets out a decision-making framework which ensures that all decisions are supported by all relevant information, including financial, legal and other appropriate professional advice, that available options are considered and that internal and external stakeholders are consulted. Decisions are formally recorded and published subject to confidentiality requirements.

8.2 Progress against planned activity and projects is monitored and risks are reviewed regularly and reported quarterly to Performance and Overview Committee. Quarterly reports also include performance against targets for Key Performance Indicators (KPIs) as well as financial and project delivery performance. If the circumstances in which the Service operates change, activity can be adapted accordingly. Decisions affecting service delivery are delegated to officers in order to ensure they are able to react to changing circumstances quickly.

8.3 KPIs are set as part of the planning process and reported on every quarter. A Corporate Scorecard is produced showing performance against each of the KPIs. The corporate scorecard is published on the public website and the annual report is produced detailing the activity and performance of the Service. The following is an extract from the scorecard based on fourth quarter results.

Year to Date 2022/23 Performance

Performance and Programmes Board - Performance Report

Vision: A Cheshire where there are no deaths, injuries or damage from fires or other emergencies

IRMP Theme: Protecting Local Communities

Outcomes

	Actual	Target	Cf Year on Year	Cf 2021-22
Deaths in Primary Fires	6	0		3
Injuries in Primary Fires	27	36		20
Accidental dwelling fires	310	329		313
- % starting in kitchens	168 (54%)		⇔	168 (54%)
- % in homes with residents over pensionable age	64 (21%)			68 (22%)
Deliberate fires (Primary and Secondary)	1,081	991		891
Fires in Non Domestic Premises	130	159		153
AFAs in Non Domestic Premises	482	490		494

Outputs

	Actual	Target	Cf Year on Year	Cf 2021-22
SSRVs Delivered to Heightened Risk	19,105	20,000		11,268
Platinum address success rate	68%	65%		81%
Thematic Inspections Completed	2,059	2,004		2,015
Total NDP Fire Safety Audits Completed	1,463	1,115		1,677
Risk Based Inspections Completed	1004	1240		578

IRMP Theme: Responding to Emergencies

	Actual	Target	Cf Year on Year	Cf 2021-22
10 Minute Standard	87%	80%		85%
Wholetime Availability	100%	100%	N/app	N/app
On Call Availability	83%	85%		80%
Nucleus OC pumps	81%			
Primary OC pumps	83%			
Secondary OC pumps	36%			
NWFC: Time to Answer Call	6s	10s	N/app	N/app
NWFC: Time to Mobilise Appliance	93.8s	90s	N/app	N/app

IRMP Theme: Developing the organisation

	Actual	Target	Cf Year on Year	Cf 2021-22
Average Days/Shifts Lost to sickness	6.87	5.50		6.71
Working Days Lost To Injury	40	40		88

Performance Key			
(green)	Meeting target		Improved direction of travel year on year
(amber)	Within 10% of target	⇔	No change in direction of travel
(red)	Failing against target by at least 10%		Negative direction of travel year on year by up to 10%
(blue)	Target suspended		Negative direction of travel year on year by at least 10%

8.4 KPI data is generated from various internal systems and analysed by the Business Intelligence Team. The Team works closely with the Prevention, Protection and Service Delivery teams to provide data and analysis that highlights any current issues or emerging trends so that activity can be targeted and resources deployed effectively.

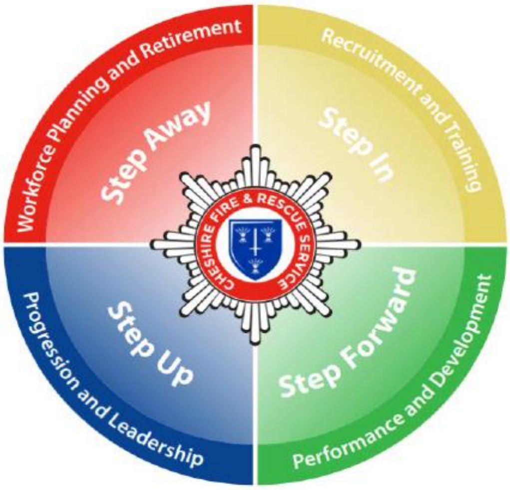
8.5 Budgets are prepared in accordance with the priorities set out in the IRMP and Medium-Term Financial Plan, which integrates and balances priorities, affordability and resources. This ensures the budget process is all-inclusive, taking into account all costs of operations over the medium and long term.

8.6 Performance against budgets is monitored by the Performance and Programme and Budget Management Boards within the Service, which examine the progress against planned activity and spend against set budgets.

9. Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it.

9.1 Workforce planning has a crucial role in ensuring the Service has the capacity to meet its obligations and fulfil its aims and objectives. Regular reviews, planning updates and analysis are reported to the Staffing Committee and action taken when issues are identified.

9.2 The Service has developed a framework that encompasses and structures the Service's strategic people priorities and objectives. This is referred to as the 'Steps' Framework and aligns the aims and activities to the employee lifecycle under four key stages:



10. Principle F: Managing risks & performance through robust internal control and strong public financial management

10.1 There is a Risk Management Policy and Practitioner Guide used throughout the Service which is applied to projects, programmes and some planned departmental activity. All strategic risks are reviewed quarterly by the risk owners and six monthly by the Risk Management Board (RMB).

10.2 There is a well-established network of Risk Champions who promote good practice and ensure that risk is considered locally as part of regular team meetings. This network gains some real value in sharing of best practice and acting as a 'peer group' in the management and maintenance of risk.

10.3 Members and officers at all levels of the Authority recognise that risk management is part of their day-to-day job. An owner is allocated to risks on the risk register and they are responsible for regularly reviewing and managing the risks to which they are assigned. Risk training is scheduled every two years and forms part of the Member development and induction programmes.

10.4 Health and Safety risks are robustly managed in accordance with the Health and Safety Policies and Procedures and by the application of Standard Operating Procedures that are regularly reviewed and updated as necessary.

10.5 Within the strategic risk register, identified risks are scored based on both probability and level of impact, the outcome of which is rated using a Red, Amber and Green basis.

10.6 The Service's Performance and Programme Board (members of the Service Leadership Team) receives a quarterly review of performance against KPIs. The Board is responsible for monitoring and reviewing progress against performance targets and ensuring that action is taken wherever possible if targets are not being met. The performance reviews are also reported to the Performance and Overview Committee.

10.7 Financial performance is also reported to the Performance and Overview Committee on a quarterly basis. Budget Managers are provided with detailed information monthly and all financial activity is subject to audit. The Head of Internal Audit provides an annual assurance statement together with the External Auditor's Annual Audit Letter both of which are published together with the Statement of Accounts on the website.

10.8 The use and disclosure of personal data is governed in the United Kingdom by the Data Protection Act 2018 (the Act) and the General Data Protection Regulation (GDPR). The Service ensures that all personal data is handled in accordance with the Act.

11. **Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability**

11.1 The Corporate Communications Strategy sets out the approach the Service will take to communicating with the public and other stakeholders. It recognises the need for different approaches for different audiences and the increased use of social media as a communications tool.

11.2 The Service's website includes details of performance, strategies, plans, financial statements and the Annual Report. The Annual Report highlights key challenges and achievements from the year and includes performance and financial information set out in a simple but informative way. Members and Service Leadership Team agree the report before it is published.

11.3 The process for assessing the Authority against this framework is agreed by the Governance and Constitution Committee. Evidence is reviewed yearly and an action plan is maintained highlighting areas for improvement. Progress against the action plan is reported to the Service Leadership Team and to Governance and Constitution Committee. The framework and the evidence supporting the assessment is included in the annual Statement of Assurance. Internal Audit review the assessment and evidence against at least two of the sections of the Code of Corporate Governance Framework each year and make recommendations for improvement accordingly.

11.4 As a public service organisation, the Fire Authority will use public funds prudently and apply the highest standards of conduct throughout the organisation. Under the remit of the Governance and Constitution Committee, the Authority has an Anti-Fraud Policy and Whistleblowing Policy and Procedure (confidential reporting) in support of this aim.

11.5 External assurance in terms of accountability is provided by both Internal and External Audit, HMICFRS reviews and partner reviews of collaborations. The Head of Internal Audit carries out their role in accordance with guidance issued in the CIPFA Statement on the role of the head of internal audit (2010). The Head of Internal Audit's Opinion and the overall opinion for the period 1st April 2022 to 31st March 2023 provides Substantial Assurance, that that there is a good system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently.

The 2022-23 Internal Audit Plan has been delivered with the focus on the provision of your Head of Internal Audit Opinion. This position has been reported within the progress reports across the financial year. Review coverage has been focused on:

- The organisation's assurance framework;
- Core and mandated reviews, including follow up; and
- A range of individual risk-based assurance reviews.

12. **Review of Effectiveness**

12.1 As part of the on-going governance roles, each of the above principles is reviewed and evidence sourced to show effectiveness in terms of communications, actions, policies and procedures. This evidence is scrutinised and challenged by the Treasurer together with the Director of Governance and Commissioning.

12.2 These statutory roles have the responsibility to ensure the Authority has a sound system of governance (incorporating the system of internal control) and as such maintain the Authority's Code of Governance including financial regulations.

13. **Report on Areas for Action during 2022-23**

13.1 Within the 2021-22 Annual Governance Statement, the review of effectiveness identified three areas where further action was required. The following re-visits the actions and reports on the outcome in 2022-23.

[1] The Authority does not have an asset management strategy in place.

Action: Develop an asset management strategy

Update: A Fleet Management Strategy and a Capital Strategy for 2023-28 have now been agreed. These documents will be used as a base to inform the Asset Management Strategy which is in development

[2] The Authority's budget managers require development and support in managing their budgets.

Action: Work with budget managers in formal and informal setting to improve budget management.

Update: The development of the budget for 2023-24 using the Budget Management Board ensured that Principal Officers and Heads of Department were fully involved in budget setting. The Medium-Term Financial Plan (MTFP) is a standing item on SLT agendas and is used to cement understanding and generate debate. Finance Team members meet regularly with budget managers to review departmental budgetary positions. The Finance team intends to work with budget managers to develop improved budget management and reporting and has held an initial meeting with Service Delivery managers to discuss potential improvements. The Team will also lead a review of the delivery of formal quarterly reports to Members.

[3] The Authority should ensure that its MTFP has sufficient sensitivity analysis on future sustainability

Action: Review the contents of the MTFP.

Update: The regular consideration of the MTFP at SLT meetings facilitates discussions on risks associated with and assumptions underpinning the plan. The budget round for 2024-25 begins in July 2023 and initial work is being undertaking which will encompass more sensitivity analysis especially in relation to the potential impact of different funding scenarios

[4] The Authority has no formal Section 114 notice process in place

Action: Create a Section 114 process

Update: A procedure will be developed by June 2023

[5] The Authority's budget bid forms do not include sufficient information on options.

Action: Review option appraisal element of the budget bid form.

Update: Full business cases do include a section on options considered but the shorter budget bid forms used for initial consideration of growth items do not specifically include such a section. A section will be included in the 2024-25 budget bid forms

[6] The draft White Paper on Reforming Fire and Rescue Services has been released and the Authority will need to respond to it.

Action: Respond to the draft White Paper (first step will be to respond to the consultation).

Update: The Authority responded to the White Paper in accordance with the timetable

14. **Areas for Action in 2023-24**

14.1 The governance framework, internal controls and application of the principles have been reviewed during 2022-23 with the following areas highlighted as risks together with the mitigating actions required.

[1] Fire Authority – significant changes to Members post May election, training required

Update: All-out local elections may lead to greater-than-usual changes to the membership of the Fire Authority at time when it will be agreeing a new four year plan (Community Risk Management Plan). This will mean that an effective induction will need to be delivered for new members, coupled with a robust support mechanism.

[2] Audit Committee – embed into business as usual

Update: The Audit Committee will operate its first full year of activities at time when a new external auditor will take over from the incumbent supplier. This will be challenging for officers and Members alike the Committee will produce an annual report in March 2024 which considers its effectiveness.

[3] HMICFRS – respond to any areas of improvement

Update: The Service will need to deal with any issues that are highlighted in the report from HMICFRS concerned with the inspection that took place in the Spring of 2023.

[4] A review is underway of services delivered jointly with the Police under Blue Light Collaboration.

Update: The results of the review will determine the effectiveness of the arrangements for delivering services. Some services have already been transferred to direct management by the Fire Authority. Where this has happened governance and control arrangements have been considered as part of the transfer, and this will be the case if any further transfer take place.

15. **Summary**

15.1 We propose over the coming year to take steps to address the issues identified above to further enhance the governance arrangements. We are satisfied that these steps will address the need for improvement as identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Signed

Cllr	Alex Waller
Chair of Fire Authority	Chief Fire Officer and Chief Executive

Andrew Leadbetter
Director of Governance

On behalf of the Members of Cheshire Fire Authority and officers of Cheshire Fire and Rescue Service.

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

To be included in the final copy of Statement of Accounts