

# **CHESHIRE FIRE AUTHORITY**



## **STATEMENT OF ACCOUNTS**

**2003-2004**

**Cheshire Fire Authority**  
**Statement of Accounts 2003-04**

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## **INTRODUCTION TO THE STATEMENT OF ACCOUNTS by The Treasurer**

The following pages comprise the Cheshire Fire Authority's Statement of Accounts for the year ended 31 March 2004. The Statement includes an analysis of the Authority's financial position, a statement of responsibilities, a statement on internal control, a statement of accounting policies and the statutory accounts. The following paragraphs provide an explanation of the Fire Authority's financial activities. They review revenue and capital expenditure and performance against the Authority's overall budget. In addition, the Statement of Accounts includes a summary of the revenue account in the form recommended by the Chartered Institute of Public Finance and Accountancy, in its Best Value Accounting Code of Practice.

### **Reporting the Accounts**

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

### ***Local Government Reorganisation***

This is the 6th year of the Cheshire Fire Authority. Until 31 March 1998 Cheshire County Council was the Fire Authority for the Cheshire area and as such all expenditure, income, assets and liabilities relating to fire activities were included within the Statement of Accounts of the County Council. As a result of Local Government Reorganisation (LGR), from 1 April 1998, Cheshire County Council, Halton Borough Council and Warrington Borough Council became fire authorities and are required to meet their obligations through a combined Cheshire Fire Authority (CFA). The CFA is an independent body and is legally separate from its constituent authorities.

### **The Fire Authority's Framework of Accountability**

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

### **Fire Authority Funding**

There are various sources of income which fund the Authority's expenditure, including fees and charges generated by the Service and interest on cash flow. However, most of the expenditure is met by the constituent authorities in proportion to the council tax base. For 2003-04 the relevant proportions are:-

	%
Cheshire County Council	71.75
Warrington Borough Council	18.15
Halton Borough Council	<u>10.10</u>
	<u>100.00</u>

### **Analysis of 2003-04 Financial Position**

Actual gross revenue expenditure for the year amounted to £44,400K. Overall, there has been an over spend of £100K against the net revenue budget of £33,378K. This over spend is attributable across service expenditure, with no individual area significantly represented.

### **Significant Developments for 2004-05**

The Local Government Act 2003 changed the status of Combined Fire Authorities to precepting bodies. The major implication of this change is the way in which the Authority will be funded. Effective from 1<sup>st</sup> April 2004, funding will be from two main sources:

1. Revenue Support Grant\National Non-Domestic Rates

These are distributed on the basis of the formula spending share and resident population.

2. Council Tax Precept

To be set by the Authority and collected on its behalf by Borough Council's as collection authorities. Previously, the Authority raised this element of its funding via a levy on constituent authorities.

### **Further Information**

It is hoped that the information provided in this Statement of Accounts is clear and informative. Should you require any further information or if you have any comments, please contact Darren Griffiths on telephone number 01244 602642

Liz Lunn BA, CPFA  
Treasurer  
Cheshire Fire Authority  
August 2004

## **STATEMENT OF RESPONSIBILITIES**

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

The Cheshire Fire Authority is required:

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

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

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

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

In preparing this statement of accounts the Treasurer has ensured that:

- suitable accounting policies have been selected and applied consistently
- judgements and estimates made were reasonable and prudent
- the Code of Practice on Local Authority Accounting in Great Britain and the Best Value Accounting Code of Practice has been complied with

The Treasurer has also ensured that:

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

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

I certify that the Statement of Accounts presents fairly the financial position of the Combined Fire Authority as at 31 March 2004.

Signed:

Liz Lunn BA, CPFA  
Treasurer to Cheshire Fire Authority  
Date:

### **Statement on Internal Control 2003-04**

#### **1. SCOPE OF RESPONSIBILITY**

Cheshire Fire Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Authority also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this responsibility, the Authority is responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk.

## 2. CODE OF CORPORATE GOVERNANCE

Cheshire Fire Authority adopted a draft Code of Corporate Governance in April 2004, based on the joint guidance issued by CIPFA and SOLACE. The Code reflects Cheshire Fire Authority's commitment to comply with the underlying principles of Openness and Inclusivity and Integrity and Accountability which are framed around five dimensions:

- Community Focus
- Service Delivery Arrangements
- Structure and Processes
- Risk Management and Internal Control
- Standards of Conduct

Throughout 2003-04, the Authority worked to develop its Code of Corporate Governance which was subsequently adopted by the full Authority.

## 3. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide a reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and to manage them efficiently, effectively and economically.

A system of internal control has been in place at Cheshire Fire Authority for the year ended 31 March 2004 and except for the details of significant internal control issues identified in section 5, accords with proper practice.

## 4. THE INTERNAL CONTROL FRAMEWORK

The Authority's internal control framework comprises the many systems, policies, procedures and operations in place to:

- Establish and monitor the achievement of the Authority's objectives
- Facilitate policy and decision making
- Ensure compliance with established policies, procedures, laws and regulations
- Ensure the economical, effective and efficient use of resources and to secure continuous improvement in the way in which the Authority's functions are exercised
- Provide appropriate financial management and reporting
- Ensure adequate performance management and the reporting thereof

## 5. REVIEW OF EFFECTIVENESS

Cheshire Fire Authority has the responsibility of conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of Internal Audit and by managers within the Authority who have the responsibility for the development and maintenance of the internal control environment and also by External Audit and other review agencies and inspectorates.

Throughout 2003-04 the Authority has maintained and reviewed its system of internal control in a number of ways, in particular:-

#### 5.1 Establish and monitor the achievement of the Authority's objectives

The objectives of the Authority were set out in the updated Best Value Performance and Corporate Plan. Performance scrutiny takes place through regular reporting to the Authority's Standards Committee and onwards to the full Authority. Internally, senior officers of the Service receive regular reports updating on performance issues.

#### 5.2 Facilitate policy and decision making

The Authority has an established structure of Member committees and advisory groups who conduct business and make decisions in accordance with the Authority's Standing Orders.

The Service has also realigned its management structure to more closely reflect the demands of the business.

#### 5.3 Ensure compliance with established policies, procedures, laws and regulations

The business of the Authority is conducted in accordance with defined processes and responsibilities as set out in Standing Orders and Financial Regulations. The role of the Standards Committee also includes the power to scrutinise any decision of the Authority.

Authority and Service officers use their professional knowledge to ensure that decisions taken by the Authority are within their powers and in accordance with relevant laws and regulations. Key officers include the Authority's Section 151 Officer (Treasurer) and Monitoring Officer (now Deputy Chief Officer Corporate Services).

#### 5.4 Ensure the economical, effective and efficient use of resources and to secure continuous improvement in the way in which the Authority's functions are exercised

The Authority's Best Value team were seconded into the team developing and implementing the Integrated Risk Management Plan. However, the combination of internal and external audit's annual plan included a number of reviews that looked at value for money and suggested areas where best practice could be adopted to improve existing processes and systems.

In addition, the Authority bought-in professional procurement advice on a number of occasions, for example during the procurement stage of the IMS Project.

#### 5.5 Provide appropriate financial management and the reporting thereof

2003-04 was the last year of the Authority as a levying body. In that status, it was not possible for the Authority to hold reserves and this limited the extent to which medium term financial planning could be undertaken. Short term financial planning was done on the basis of setting a balanced revenue and capital budget, to be approved by Members and submitted to the constituent bodies of the Authority for their consideration.

Budgets are monitored regularly and Members receive reports at key stages of the year which are relevant, understandable and consistent. The Treasurer continually monitors the financial position and works closely with Service finance officers.

The Authority buys-in an internal audit function and also maintains robust Financial Regulations which are kept under continual review. Accounts are prepared in accordance with professional guidance and the statutory timetable for publication.

## 5.6 Ensure adequate performance management and the reporting thereof

The achievement of targets in line with the specified objectives of the Authority are monitored and reported upon regularly. The Authority has recognised that it must develop further its performance management framework and processes and has identified this as a key priority for 2004-05.

## 6. SIGNIFICANT INTERNAL CONTROL ISSUES

The Authority faces another challenging year in 2004-05 and the following issues represent key issues in relation to internal control:-

- The final accounts must be completed in accordance with the accelerated timescale for 2004-05. A plan has been put in place, which will require careful monitoring to ensure that the accounts for 2003-04 can be approved by the Authority by August 2004.
- Ensuring that approved project methodology is followed is key to the successful adoption of the modernisation agenda and the Integrated Risk Management Plan. The IRMP activities have been costed and will be monitored in conjunction with the overall Fire Service activities.
- The implementation of the new integrated management system will require careful management with focus on developing robust policies and procedures to underpin transactional activity. Throughout the development and implementation of the system, various stakeholders will be engaged in ensuring that the levels of internal control remain appropriate.
- An enhanced performance management framework will be developed in partnership with PricewaterhouseCoopers and Nottingham Fire Authority. This framework will form the basis of a National Performance Framework, to be promoted by the Office of the Deputy Prime Minister. Whilst under development however, it is imperative that existing performance management frameworks are kept up to date and information is renewed on a timely basis.

.....  
Cllr John Joyce  
Chairman of Cheshire Fire Authority

.....  
Steve McGuirk  
Chief Fire Officer

.....  
Elizabeth Lunn  
Treasurer to Cheshire Fire Authority

### **Auditors' Report to Cheshire Fire Authority**

We have audited the statement of accounts on pages 15 to 32 which has been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 11 to 14.

This report is made solely to Cheshire Fire Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

### **Respective Responsibilities of the Chief Financial Officer and Auditors**

As described on page 5, the Chief Financial Officer is responsible for the preparation of the statement of accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2003. Our responsibilities, as auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the statement of accounts presents fairly the financial position and results of operations of the Council.



We review whether the statement on internal control on page 6 reflects compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the statement of accounts. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts. The other information comprises only of the introduction to the statement of accounts.

### **Basis of audit opinion**

*We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.*

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also includes an assessment of the significant estimates and judgments made by the council in the preparation of the statement of accounts, and of whether the accounting policies are appropriate to the council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the statement of accounts.

### **Opinion**

In our opinion the statement of accounts presents fairly the financial position of Cheshire Fire Authority as at 31 March 2004 and its income and expenditure for the year then ended.

### **Certificate**

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

Signature: .....

Date: .....

**PricewaterhouseCoopers  
Manchester**

## **STATEMENT OF ACCOUNTING POLICIES**

### **INTRODUCTION**

The general principles adopted in preparing the accounts are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). They are in accordance with the Code of Practice on Local Authority Accounting and Statements of Standard Accounting Practice for which the Institute has issued guidance notes, except where further information is given below. The accounts have been prepared on an historic cost basis as modified by the revaluation of fixed assets.

### **PRIOR PERIOD ADJUSTMENTS**

Comparative figures for the preceding year are restated when material adjustments applicable to prior years arise from changes to accounting policies or when fundamental errors have occurred. The effect of prior period adjustments on outturn will be disclosed where practicable.

### **FIXED ASSETS**

Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the Fire Authority's accounts. Fixed assets acquired under finance leases are included, together with a corresponding liability for future lease payments. Land and Building assets are reported on the Balance Sheet at the lower of net current replacement cost or net realisable value. Other assets are reported at cost.

The value of properties reported in the accounts is based on certificates issued by the County Council's Property Manager, Ian Gould, FRICS. Work in progress is included in the accounts at cost.

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

Depreciation is provided for on all fixed assets with charges commencing in the year of acquisition. Depreciation is calculated on the straight line method over the use of the asset's useful life. The following outlines established useful lives for categories of fixed assets:

Property	50 years
Vehicles	13 years for appliances, 20 years for Hydraulic Platforms/Turntable Ladders
Equipment	5-15 years

## **CURRENT ASSETS & LIABILITIES**

### ***Stock***

Stocks of clothing, uniform, vehicle spares and fuel are shown at cost. Stocks of stationery and catering supplies are not included in the balance sheet as such stocks are incidental and deemed not to be material to the accounts.

### ***Investments***

All investments are shown at the original cost price.

### ***Basis of Inclusion of Debtors and Creditors in the Accounts***

Income and expenditure are included in the accounts on an accruals basis, apart from minor cash income, which is not shown in the accounts until it is received.

### ***Provision for Bad Debts***

A provision is made for those debtors whose probable recoverable amount is less than the carrying value in the accounts. Reasonable efforts are made to recover all debts, regardless of whether a provision has been made.

### ***Deferred Charges***

Deferred charges in respect of assets transferred or sold are written off to the fixed asset restatement reserve.

### ***Grants***

Government grants are accrued and credited to income in the same period in which the related expenditure is charged, and the conditions for the grants have been complied with.

### ***Leases***

SSAP 21 identifies two types of lease transactions – operating leases and finance leases.

An operating lease involves the lessee paying a rental for the hire of an asset for a period of time which is substantially less than its useful economic life. The lessor retains most of the risks and the rewards of ownership in the case of an operating lease.

A finance lease normally involves payment by a lessee to a lessor of the full cost of the asset, together with a return on the finance to provide by the lessor. The lessee has substantially all the risks and rewards associated with ownership of an asset, other than legal title.

The Authority has no finance leases. Details of operating leases are shown in the notes to the revenue account.

## ***Interest***

Cash which is surplus to requirements for over one month is invested in recognised institutions. For periods less than one month it is invested with Cheshire County Council who pays interest at the 7 day LIBID rate.

## **RESERVES**

### ***Notional Account Reserves***

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

#### **Fixed Asset Restatement Reserve**

This reserve is increased by the surplus arising on new property valuations and reduced by the net book value of assets that have been disposed of.

#### **Pension Reserve (FRS17)**

This reserve, new for 2003-4, represents the disclosure requirements as laid out in FRS17.

#### **Capital Financing Reserve**

This reserve represents, primarily, non-debt financing of fixed assets, net of depreciation charged to the Revenue Account. Included are the following:

- Fixed Assets financed through revenue contribution
- Fixed Assets financed through capital receipts
- Minimum Repayment Provisions – Statutory Provision for repayment of debt (4% of Fixed Asset net book value - avg 25 yr useful life)
- Voluntary Repayment Provision – Additional provision for repayment of debt, to reflect better matching for shorter life fixed assets. Currently a rate of approximately 2.7% is applied
- Depreciation – The current depreciation provision offsets the above, reflecting the current charge for fixed assets used in the provision of service

### ***Earmarked Reserves***

These reserves are legally amounts owing to the constituent authorities and can therefore be called upon at any time. In 2003-4 the Authority cannot hold general reserves. By agreement of the constituent Authorities, any cumulative revenue under spends are held by the Authority in the revenue reserve.

#### **Commutation Reserve**

This reserve represents the estimated cash cost of commutations for those fire-fighters who are eligible for retirement but who have decided not to retire. Due to full FRS 17 disclosure in 2003-4, this provision has been restated as a reserve.

The fire-fighters' pension scheme allows fire-fighters to retire after 25 years service providing they are over the age of 50. The compulsory retirement ages for ranks of Station Officers and below is 55 and for ranks of Assistant Divisional Officer and above 60.

#### **Capital Reserve**

This reserve represents funds set aside for capital schemes that have been deferred or are in progress.

#### **Usable Capital Receipts Reserve**

With effect from 1 September 1998 all capital receipts can be used to finance capital expenditure. The receipts from the disposal of assets will be used to help fund future capital programmes.

#### **Resource Centre Managers' Reserve**

The Authority operates a devolved budget management scheme. Any Member approved carry forwards on Service resource centre managers' budgets are transferred into this reserve. The reserve also includes specific approvals by Members to fund expenditure in future years.

#### **Revenue Reserve**

This reserve represents cumulative revenue account under spends, net of any approved contributions to fund revenue expenditure.

### **OTHER**

#### **Contingent Assets/Liabilities**

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

#### **Asset Management Reserve Account (AMRA)**

The SORP (CIPFA Statement of Recommended Practice) requires that service revenue accounts be charged annually with a capital charge for all fixed assets used in the provision of services. This charge equals the current provision for depreciation plus a capital financing charge, calculated by applying a notional interest rate (3.5% for 2003/4) to the net book value of all depreciated fixed assets. The CIPFA/LASAAC Joint Committee set the annual notional interest rate.

#### **Cost of Support Services**

All support services provided by Cheshire County Council are paid for on the basis of Service Level Agreements.

**CHESHIRE FIRE AUTHORITY  
SUMMARY REVENUE ACCOUNT 2003-04**

**Expenditure in Best Value Accounting Code of Practice Format**

	Gross Expenditure 2003-04 £000	Income 2003-04 £000	Net Expenditure 2003-04 £000	Net Expenditure 2002-03 £000
Corporate & Democratic Core	999	11	988	995
Fire fighting and Rescue Operations	6,305	986	5,319	3,435
Community Fire Safety	30,589	513	30,076	29,934
Non Distributed Costs – FRS 17	44		44	172
<b>Net Cost of Service</b>	<b>37,937</b>	<b>(1,510)</b>	<b>36,427</b>	<b>34,536</b>
<u>Adjustments</u>				
Asset Management Account			(927)	(1,692)
Interest Income			(357)	(324)
Pension Interest Cost and expected return on assets – FRS17			9,257	8,292
<b>Net Operating Expenditure</b>			<b>44,400</b>	<b>40,812</b>
<u>Appropriations</u>				
<i>Fixed Asset Restatement Account - Restatements</i>			(3)	25
<i>Capital Financing Account</i>				
Provision for Debt Repayment (Note 12)			172	132
Depreciation Charged to Fixed Assets			(1,410)	(1,360)
Revenue Contribution to Capital Outlay			192	422
			<b>(1,046)</b>	<b>(806)</b>
<i>Revenue Reserve – Transfers in year</i>			(868)	883
<i>Capital Reserve – Transfers in Year, net</i>			694	(9)
<i>Resource Centre Managers' Reserve – Transfers in Year</i>			(285)	(108)
<i>Pension Reserve FRS17 – Transfers in Year</i>			(10,282)	(10,024)
<b>Total cost of appropriations</b>			<b>(11,790)</b>	<b>(10,039)</b>
Net Cost to be borne by Constituent Authorities			32,610	30,773

FINANCED BY:

Cheshire County Council	23,398	22,061
Warrington Borough Council	5,919	5,601
Halton Borough Council	3,293	3,111
	<u>32,610</u>	<u>30,773</u>

Comparative figures have been restated to reflect the full effects of FRS 17 Pensions disclosure. This adjustment has no effect on the Authority's surplus reported.

**Notes to the Revenue Account**

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

**2 Summary Revenue Account**

From April 2000, the Fire Authority's accounts must also be prepared in accordance with the Best Value Accounting Code of Practice on Local Authority Accounting as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). Whilst being prepared on a total cost basis in accordance with the Code, the Summary Revenue Account has been included below in the old format to allow comparisons with the prior year's Summary Revenue Account.

<u>Category of Expenditure</u>		<b>2003-04</b>	<i>2002-03</i>
		<b>£000</b>	<i>£000</i>
Employees-	Uniformed	<b>20,486</b>	18,560
	Non Uniformed	<b>2,375</b>	1,967
	Other Employee Costs	<b>548</b>	586
Agency and Contracted Services	Note 3	<b>765</b>	871
Capital Charges	Note 4	<b>2,482</b>	3,177
Members Allowances	Note 5	<b>61</b>	0
Pensions FRS17		<b>5,947</b>	5,576
Premises		<b>1,447</b>	1,284
Supplies, Services and Other Expenses		<b>2,899</b>	2,828
Transport		<b>883</b>	823
Non-Distributed Pension Costs – FRS17		<b>44</b>	172
<b>Net Cost of Service</b>		<b>37,937</b>	35,844
<u>Income</u>			
Service Income	Note 6	<b>(1,510)</b>	(1,308)
<b>Total Income</b>		<b>(1,510)</b>	(1,308)
<u>Net Cost of Service</u>			
		<b>36,427</b>	34,536

**3 Agency & Contracted Services**

		<b>2003-04</b>	<i>2002-03</i>
		<b>£000</b>	<i>£000</i>
Section 12 payments to	Staffordshire	<b>27</b>	8

	Merseyside	16	27
Crime and Disorder and PSA	Partnerships	0	53
Services Bought In		<u>722</u>	<u>783</u>
TOTAL		<u>765</u>	<u>871</u>

Section 12 refers to mutual aid arrangements provided by neighbouring fire authorities under the Fire Services Act 1947.

#### 4 Asset Management Revenue Account (AMRA)

	2003-04 £000	2002-03 £000
External Interest Payable	<u>145</u>	<u>125</u>
Provision for Depreciation	1,411	1,360
Asset Charges	<u>1,071</u>	<u>1,817</u>
Notional Capital Charges	<u>2,482</u>	<u>3,177</u>

#### 5 Members' Allowances

In accordance with the Local Authorities Regulations 1995 (Nov 2003), the total amount spent on members' allowances in 2003-04 was £60,715. This figure includes the basic allowance, special responsibility allowance and attendance allowance, which has now been replaced through an enhanced allowance. 2003-4 is the first year for the scheme.

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

#### 6 Income

	2003-04 £000	2002-03 £000
Sales	52	50
Fees	187	186
Invest to Save Contributions	(4)	249
Prince's Trust	530	317
Other Income	<u>745</u>	<u>506</u>
	<u>1,510</u>	<u>1,308</u>

#### 7 Publicity

Per the requirements of Section 5 (1) of the Local Government Act 1986, the Authorities spending on publicity was £98,602 (2002-3 £37,608) .

#### 8 Leases

The Authority has no finance leases. Payments under operating leases totalled £269,623.



Operating lease committed payments expiring in the next financial year

Commitments expiring next year	£ 74,811
Commitments expiring in 2 to 5 years	£137,842
Commitments expiring after 5 years	£ 0

## 9 Officers' Emoluments

In accordance with the Accounts and Audit Regulations 1996, Section 6(2), the number of employees whose taxable emoluments for 2003-04 exceeded £50,000 is detailed below:

£	Number of Officers	
	2003-04	2002-03
50,000-59,999	4	2
60,000-69,999	1	0
70,000-79,999		1
80,000-99,999	1	1
100,000-109,999	1	0

## 10 Related Party Transactions

Under the 2000 Accounting Code of Practice, information in respect of material transactions with related parties is required to be disclosed. A number of these transactions have already been disclosed within the financial statements, as follows:

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

There are no material transactions to disclose in respect of:

- (1) Partnership arrangements with organisations in the voluntary or independent sectors.
- (2) Members, Chief Officers, (including their close family) and the Fire Authority.

## 11 Audit Costs

In 2003-4 the Authority incurred costs:

	2003-04	2002-03
	£000	£000
Fees payable to the Audit Commission	19	
Fees payable in respect of other services provided by the appointed auditors	79	58
	<b>98</b>	<b>58</b>

## 12 Provision for the Repayment of Debt

The Authority is required by statute to set aside a minimum revenue provision for the repayment of external debt. The figure used to calculate the annual provision for debt repayment was £2,569,000. The Authority has decided to make an additional debt repayment provision to recognise the estimated life of the assets being financed through loans.

	<b>2003-04</b>	<i>2002-03</i>
	<b>£000</b>	<i>£000</i>
Minimum repayment provision	<b>103</b>	<i>79</i>
Voluntary repayment provision	<b>69</b>	<i>53</i>
	<b>172</b>	<i>132</i>

### 13 Revenue Reserve

The reserve was £2,951k on the 31 March 2004. The transfer of the 2003-04 net over spend of £868 k is apportioned as below.

	<b>2003-04</b>	<i>2002-03</i>
	<b>£000</b>	<i>£000</i>
Cheshire County Council	<b>622</b>	<i>518</i>
Warrington Borough Council	<b>157</b>	<i>131</i>
Halton Borough Council	<b>89</b>	<i>73</i>
	<b>868</b>	<i>722</i>

### 14 FRS17

As outlined in Note 8 for the Balance Sheet, the Authority participates in two pension schemes:

- The Local Government Pension Scheme for civilian employees, administered by Cheshire County Council – this is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets
- The Fire-fighters Pension Scheme – this is an unfunded scheme, meaning that no investment assets are built up to meet pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by the employees, rather than when the benefits are eventually paid as pensions.

**CHESHIRE FIRE AUTHORITY**

**BALANCE SHEET 2003-04**

		2003-04		2002-03	
		£000	£000	£000	£000
<b>FIXED ASSETS</b>					
Operational Assets	Note 1				
Property		26,241		26,737	
Vehicles		3,049		3,059	
Equipment		1,153	30,443	1,005	30,801
<b>TOTAL LONG TERM ASSETS</b>		<b>30,443</b>		<b>30,801</b>	
<b>CURRENT ASSETS</b>					
Stocks	Note 2	185		200	
Debtors and prepayments	Note 3	702		1,619	
Investments (Short Term)	Note 4	8,188		7,903	
Cash in Hand		4	9,079	5	9,727
<b>Less Current Liabilities</b>					
Creditors	Note 5	(2,931)		(3,328)	
Cash Overdrawn		(465)		(381)	
Current Portion LT Borrowing		(133)		0	
Payments in advance		0	(3,529)	(801)	(4,510)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>35,993</b>		<b>36,018</b>	
Pension Liability – LT Creditors	Note 6		(108)		(54)
Long Term Borrowing	Note 7		(2,969)		(2,569)
Pension Liability (FRS 17)	Note 8		(160,397)		(153,613)
<b>TOTAL ASSETS LESS TOTAL LIABILITIES</b>		<b>(127,481)</b>		<b>(120,218)</b>	
<b>REPRESENTED BY</b>					
<u>Notional Accounting Reserves</u>					
Fixed Assets Restatement	Note 9	31,553		31,580	
Pension Account (FRS 17)		(160,397)		(153,613)	
Capital Financing	Note 10	(4,300)	(133,144)	(3,306)	(125,339)
<u>Earmarked Reserves</u>					
Commutation	Note 11	843		0	
Capital	Note 12	1,340		646	
Usable Capital Receipts	Note 13	355		355	
Resource Centre Managers'	Note 14	174		301	
Revenue	Note 15	2,951	5,663	3,819	5,121
<b>TOTAL EQUITY</b>		<b>(127,481)</b>		<b>(120,218)</b>	

## NOTES TO THE BALANCE SHEET

### 1 Fixed Assets

The figures below provide information on the movement of fixed assets held by the Authority during 2003-04. Following the introduction of capital asset accounting, the fixed assets are shown at their current value (see Statement of Accounting Policies). All assets are regarded as operational.

	Property £000	Vehicles £000	Equip. £000	Total £000
<b>Net Book Value at 1 April 2003</b>	<b>26,737</b>	<b>3,059</b>	<b>1,005</b>	<b>30,801</b>
Gross Book Value at 1 April 2003	28,988	6,878	3,301	39,167
Additions	95	528	459	1,082
Disposals		(406)		(406)
Revaluations and Restatements	(3)		(640)	(643)
Gross Book Value at 31 March 2004	29,080	7,000	3,120	39,200
Depreciation at 1 April 2003	(2,251)	(3,819)	(2,296)	(8,366)
Charge for the year	(588)	(511)	(311)	(1,410)
Disposals		379		379
Revaluations and Restatements			640	640
Depreciation at 31 March 2004	(2,839)	(3,951)	(1,967)	(8,757)
<b>Net Book Value at 31 March 2004</b>	<b>26,241</b>	<b>3,049</b>	<b>1,153</b>	<b>30,443</b>

### Valuation

The freehold and leasehold properties that comprise the Authority's property folio have been valued by Cheshire County Council's Property Manager, Ian Gould FRICS. The valuations have been prepared on the basis set out below in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors, and CIPFA. Inspections were carried out between September and December 1999 and included all properties.

Specialist properties (including fire stations and Headquarters) have been valued on the basis of depreciated replacement costs, which include an estimate of the value of the land in its existing use, together with the current gross construction costs of the building and external works, less appropriate deductions for age condition etc. The resultant valuation may therefore be less than a new replacement building.

All property was re-valued in 1999-00 and will be re-valued every 5 years. The housing stock has been valued on an open market basis. Assets under construction at year end are not depreciated until they are fully operational.

Fixed Assets owned by the Authority on 31 March 2004 include the following:-

Fire Stations (including Headquarters and Control Room)	25
Fire Houses	53
Vehicles	93

### 2 Stocks

	<b>2003-04</b>	<b>2002-03</b>
	<b>£000</b>	<b>£000</b>
Uniforms	<b>84</b>	<b>95</b>

Vehicle Spares	85	87
Fuel	16	18
	<u>185</u>	<u>200</u>

### 3 Debtors

	2003-04	2002-03
	£000	£000
General Debtors less than 1 year old	692	1,196
Payments in advance-April Pensions	10	399
Outstanding interest payments	0	24
	<u>702</u>	<u>1,619</u>

### 4 Investments

Temporary surpluses of cash are invested with Cheshire County Council at the 7 day LIBID rate, except where it is clear that the surpluses are available for more than one month. In these cases money is invested on the money market.

	2003-04	2002-03
	£000	£000
Cheshire County Council	2,808	2,903
Money Market Deposits	5,380	5,000
	<u>8,188</u>	<u>7,903</u>

### 5 Creditors

	2003-04	2002-03
	£000	£000
Trade Creditors	1,577	1,529
Pay accruals	1,038	1,071
Deferred Grants	316	194
ODPM-strike pay	0	520*
Capital creditors	0	14
	<u>2,931</u>	<u>3,328</u>

\*The £520,000 was the deduction in respect of withdrawal of labour during industrial action. The sum was paid to the Office of the Deputy Prime Minister.

### 6 Pension Liability - Long Term Creditors

The long term creditor of £108,387 represents the full actuarial cost of any early retirements to the Cheshire Pension Fund. These can be paid over a five year period. The long term creditor therefore represents the balance to be paid over the next four years.

### 7 Loans Outstanding – Long Term Borrowing

As at 31 March 2003 debt outstanding was £2,569,000. During the year further loans were taken out for £666,000 which are being repaid in equal instalments over a 5 year period which commenced during 2003-04. The following tables analyse long term borrowing by type and debt maturity.

Loan Type	2003-04	2002-03
	£000	£000
Public Works Loan Board	2,569	2,569
Instalment Loans	533	0
Balance at 31 March	<u>3,102</u>	<u>2,569</u>

	<b>2003-04</b>	<i>2002-03</i>
	<b>£000</b>	<i>£000</i>
<b>Loan Maturity</b>		
2 - 7 Years	<b>533</b>	<i>0</i>
7 – 15 Years	<b>437</b>	<i>437</i>
More than 15 Years	<b>2,132</b>	<i>2,132</i>
Balance at 31 March	<b>3,102</b>	<i>2,569</i>

## 8 Pensions FRS 17

FRS 17 is a new accounting standard for pensions. The objectives of the new standard are to ensure that:

- Financial statements reflect at fair value the assets and liabilities arising from the employer's retirement benefit obligations and any unrelated funding;
- The operating costs of providing retirement benefits to employees are recognised in the accounting periods in which the benefits are earned by the employees and the related finance costs and any other changes in the value of the assets and liabilities are recognised in the accounting periods in which they arise; and
- The financial statements contain adequate disclosure of the cost of providing retirement benefits and the related gains, losses assets and liabilities.

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

The Authority participates in two pension schemes:

- The Local Government Pension Scheme for civilian employees, administered by Cheshire County Council through the Cheshire Pension Fund. This is a funded scheme meaning that the Authority and eligible employees pay contributions into the Fund, calculated at a level intended to balance pension liabilities with the Authority's share of the Fund's investment assets.
- The Fire Authority Pension Scheme for fire officers. This is an unfunded scheme meaning that there are no investment assets built up to meet pension liabilities. Cash has to be generated to meet actual pension payments as they fall due.

In 2003-4 pension costs have been charged to the consolidated revenue account on the basis of contributions payable for the year to the Cheshire Pension Fund (based on a formal actuarial valuation as at 31 March 2004) and the pensions payable in the year to retired fire officers.

At 31 March 2004 the Authority had the following overall assets and liabilities for pensions that have been included in the balance sheet.

	Local Government Pension Scheme		Fire Authority Pension Scheme		<b>Total</b>	Total
	<b>31 March 2004</b>	31 March 2003	<b>31 March 2004</b>	31 March 2003	<b>31 March 2004</b>	31 March 2003
	<b>£000</b>	£000	<b>£000</b>	£000	<b>£000</b>	£000
Estimated employer	<b>6,540</b>	4,944			<b>6,540</b>	4,944

assets						
Estimated pension liabilities	<b>(7,594)</b>	(7,117)	<b>(159,343)</b>	(151,493)	<b>(166,937)</b>	(158,610)
Net pension liability	<b>(1,054)</b>	(2,173)	<b>(159,343)</b>	(151,493)	<b>(160,397)</b>	(153,666)

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

	Local Government Pension Scheme		Fire Authority Pension Scheme	
	2003-4	2002-3	2003-4	2002-3
	%	%	%	%
Price increases	2.9	2.5	2.9	2.5
Salary Increases	4.4	4.0	4.4	4.0
Pension increases	2.9	2.5	2.9	2.5
Discount rate	6.5	6.1	6.5	6.1

Assets in the Cheshire Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

The fair valuation of the Fund's assets and the return expected from each asset class are:

	Long Term Returns	Proportion of the Fund 31 March 2004	Proportion of the Fund 31 March 2003
	% per year	%	%
Equities	7.7	76.7	78.0
Bonds	5.1	11.0	4.2
Property	6.5	9.5	10.5
Cash	4.0	2.7	7.2
Total		100.0	100.0

The movement in the net pension liability for the year to 31 March 2004 is as follows:

Net Pension Liability as at	Local Government Pension Scheme	Fire Authority Pension Scheme
	£000	£000
Net pension liability at 1 April 2003	(2,173)	(151,493)
Current Service Cost	(347)	(5,600)
Employer contributions	396	4,569
Pension & Lump Sum expenditure	104	1,981
Past service cost	0	0
Transfer In from Other Authorities	0	(389)
Transfer Out from Other Authorities	0	501

Impact of settlements & curtailments	0	0
Net return on assets	(56)	0
Interest cost on liabilities	0	(9,200)
Actuarial gains/(losses)	1,022	288
Net pension liability at 31 March 2004	(1,054)	(159,343)

The actuarial losses can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2004.

	Local Government Pension Scheme		Fire Authority Pension Scheme	
	£000	% of assets	£000	% of assets
Differences between the expected and actual return on assets	812	12.3	N/A	N/A
Differences between actuarial assumptions and actual experience	210	2.8	288	0.2
Other losses on liabilities	-	-	-	-
Changes in demographic assumptions	-	-	-	-
Actuarial gains and losses	(1,657)	13.5	288	0.2

#### 9 Fixed Asset Restatement Reserve

	2003-04 £000	2002-03 £000
Balance at 1 April	31,580	31,580
Disposal of Fixed Assets	(27)	0
Balance at 31 March	<u>31,553</u>	<u>31,580</u>

#### 10 Capital Financing Reserve

	2003-04 £000	2002-03 £000
Balance at 1 April	(3,306)	(2,659)
Revenue Contribution Applied in Year	192	462
Capital Receipts Applied	52	109
Capital Reserve Applied		10
Provision for debt repayment	172	132
Depreciation charged to fixed assets	(1,410)	(1,360)
Balance at 31 March	<u>(4,300)</u>	<u>(3,306)</u>

#### 11 Commutation Reserve

This reserve has been created in line with FRS17 Pension requirements.

2003-04



	<b>£000</b>
Balance at 1 April	<b>0</b>
Provision made in year	<b>843</b>
Balance of at 31 March	<b>843</b>

**12 Capital Reserve**

	<b>2003-04</b>	<i>2002-03</i>
	<b>£000</b>	<i>£000</i>
Balance at 1 April	<b>646</b>	<i>655</i>
Appropriation (to)\from revenue in year	<b>694</b>	<i>(9)</i>
Balance at 31 March	<b>1,340</b>	<i>646</i>

**13 Usable Capital Receipts**

	<b>2003-04</b>	<i>2002-03</i>
	<b>£000</b>	<i>£000</i>
Balance at 1 April	<b>355</b>	<i>345</i>
Usable capital receipts in year	<b>52</b>	<i>10</i>
Capital receipts applied to schemes in year	<b>(52)</b>	<i>0</i>
Balance at 31 March	<b>355</b>	<i>355</i>

**14 Resource Centre Managers' Reserve**

	<b>2003-04</b>	<i>2002-03</i>
	<b>£000</b>	<i>£000</i>
Balance at 1 April	<b>301</b>	<i>385</i>
Transfers to revenue	<b>(285)</b>	
Restatements, net	<b>158</b>	<i>(84)</i>
Balance at 31 March	<b>174</b>	<i>301</i>

**15 Earmarked Revenue Reserve**

Combined Fire Authorities cannot hold general reserves because although they are legally separate authorities, they are funded by contributions from their constituent authorities. As such any surpluses achieved are in effect due to the constituents. In Cheshire the constituent authorities have proposed that any surpluses achieved are to be taken into account in future years' budget setting by being included in an earmarked reserve, to be used in a planned way over the period 2004-08 to fund future pension liabilities under the fire-fighters' pension scheme.

	<b>2003-04</b>				<i>2002-03</i>			
	<b>CCC</b>	<b>WBC</b>	<b>HBC</b>	<b>Total</b>	<i>CCC</i>	<i>WBC</i>	<i>HBC</i>	<i>Total</i>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Balance at 1 April	<b>2,736</b>	<b>696</b>	<b>387</b>	<b>3,819</b>	<i>2,218</i>	<i>565</i>	<i>314</i>	<i>3,097</i>
Transfers in year	<b>(622)</b>	<b>(157)</b>	<b>(89)</b>	<b>(868)</b>	<i>518</i>	<i>131</i>	<i>73</i>	<i>722</i>
Balance at 31 March	<b>2,114</b>	<b>539</b>	<b>298</b>	<b>2,951</b>	<i>2,736</i>	<i>696</i>	<i>387</i>	<i>3,819</i>

**16 Amounts set aside to meet Credit Liabilities (Memorandum only)**

The Local Government and Housing Act 1989 requires the Authority to set aside a provision to meet credit liabilities. The provision reflects sums set aside from the revenue account for debt redemption together with the reserved part of capital receipts, less repayment of long-term loans and temporary loans.

	<b>2003-04</b>	<i>2002-03</i>
	<b>£000</b>	<i>£000</i>
Balance at 1 April	<b>349</b>	<i>217</i>
Provision for debt repayment	<b>172</b>	<i>132</i>
Balance at 31 March	<b>521</b>	<i>349</i>

#### 17 Capital Expenditure and Disposals

	<b>2003-04</b>	<i>2002-03</i>
	<b>£000</b>	<i>£000</i>
<b>Capital Expenditure</b>		
Property	<b>95</b>	<i>738</i>
Vehicles	<b>528</b>	<i>361</i>
Equipment	<b>459</b>	<i>213</i>
	<b>1,082</b>	<i>1,312</i>

#### Capital Expenditure was financed as follows

	<b>2003-04</b>	<i>2002-03</i>
	<b>£000</b>	<i>£000</i>
Borrowing Approvals	<b>838</b>	<i>731</i>
Revenue Contribution	<b>192</b>	<i>462</i>
Capital Receipts	<b>52</b>	<i>0</i>
Capital Reserve	<b>0</b>	<i>10</i>
Resource Centre Managers' Reserve	<b>0</b>	<i>109</i>
	<b>1,082</b>	<i>1,312</i>

#### Capital Disposals

	<b>2003-04</b>	<i>2002-03</i>
	<b>£000</b>	<i>£000</i>
Vehicles	<b>406</b>	<i>235</i>
	<b>406</b>	<i>235</i>

### CHESHIRE FIRE AUTHORITY

#### CASH FLOW STATEMENT 2003-04

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

	£000	£000
<b>REVENUE ACTIVITIES</b>		
<u>Outflows</u>		
Payments to and on behalf of employees	(29,400)	
Other operating payments	(4,234)	(33,634)
<u>Inflows</u>		
Charges for services and other receipts	1,510	
Contribution from constituents	32,610	34,120
<b>REVENUE ACTIVITIES NET CASH INFLOW</b>		<b>486</b>

#### SERVICING OF FINANCE

##### Outflows

Interest paid	(145)
<u>Inflows</u>	
Interest received	356
<b>SERVICING OF FINANCING ACTIVITIES NET CASH INFLOW</b>	<b>211</b>
<b>CAPITAL ACTIVITIES</b>	
<u>Outflows</u>	
Purchase Of Fixed Assets	(1,082)
<u>Inflows</u>	
Capital Receipts	52
<b>CAPITAL ACTIVITIES NET CASH OUTFLOW</b>	<b>(1,030)</b>
<b>NET CASH INFLOW BEFORE FINANCING</b>	<b>(333)</b>
<b>FINANCING</b>	
<u>Outflows</u>	
Principal Repayments	(133)
<u>Inflows</u>	
New loans raised	666
<b>FINANCING ACTIVITIES NET INCREASE IN CASH</b>	<b>533</b>
<b>MANAGEMENT OF LIQUID RESOURCES</b>	<b>(285)</b>
<b>NET DECREASE IN CASH</b>	<b>(85)</b>

## 1. Reconciliation of revenue cash flow

	£000	£000
Deficit for the year		(11,790)
<u>Adjustments for Non Cash Transactions:</u>		
FRS 17	10,283	
AMRA	1,555	
Bad Debts	10	
Loss on Disposal	26	11,874
 <u>Adjustment: Changes to Working Capital</u>		
Decrease in debtors	932	
Decrease in creditors	(1,144)	
Reserve Restatements Affecting Working capital, net	614	402
<hr/>		
Revenue Activities Net Cash Flow		486

## 2. Movement in liquid resources and cash

	As at 31/3/04 £000	As at 31/3/03 £000	Movement during year £000
Liquid Resources			
Investments (short term)	8,188	7,903	285
<hr/>			
Stocks	185	200	(15)
Debtors	702	1,619	(917)
Creditors	(3,039)	(4,183)	1,144
<hr/>			
	(2,152)	(2,364)	212
Cash ( Imprest Accounts )	4	5	(1)
Bank Overdraft	(465)	(381)	(84)
<b>3. Movement in long term borrowing</b>			
Loans	3,102	2,569	533

**CHESHIRE FIRE AUTHORITY**

**STATEMENT OF TOTAL MOVEMENT IN RESERVES 2003-04**

The following statement seeks to bring together all of the Authority's recognised gains and losses during the year.

	CAPITAL RESERVES				REVENUE RESERVES				Total
	Fixed Asset Re- Statement	Capital Financing	Usable Capital Receipts	Capital Reserve	Commutation	Revenue	Resource Centre Managers'	Pension FRS17	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
<b>Balance 1 April</b>	<b>31,580</b>	<b>(3,306)</b>	<b>355</b>	<b>646</b>		<b>3,819</b>	<b>301</b>	<b>(153,613)</b>	<b>(120,218)</b>
Deficit for year									
<i>Transfers in year:</i>									
Anticipated Contribution						(868)			(868)
Loss on Disposals	(27)								(27)
Cash Receipts, net		52					(52)		0
Provision for Commitments				478	843		(45)	(6,784)	(5,508)
Revenue Financing of Fixed Assets		192							192
Restatements, net				216			(30)		186
Provision for Debt Repayment		172							172
Provision for Depreciation		(1,410)							(1,410)
<b>Balance 31 March</b>	<b>31,553</b>	<b>(4,300)</b>	<b>355</b>	<b>1,340</b>	<b>843</b>	<b>2,951</b>	<b>174</b>	<b>(160,397)</b>	<b>(127,481)</b>

**Note: The full effect of FRS17 has resulted in prior period adjustment of £ 153,613 to the new FRS17 Pension Reserve.**

## **GLOSSARY OF TERMS**

### **Accruals**

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

### **Appropriations**

Amounts transferred to or from revenue or capital receipts.

### **Asset Charges**

The Authority charges the revenue account with the full economic costs of the assets used to deliver their services. These charges are called asset charges. The change in the method of accounting for capital does not affect the level of Council Tax.

### **Asset Management Revenue Account**

The asset charges will be reversed in the asset management revenue account, ensuring that there is no impact on the level of Council Tax. This account will meet the charge for the depreciation on the Authority's fixed assets, and the external interest payable on the Authority's borrowing.

### **Budget**

A statement of the Authority's expected level of service and spending over a set period, usually one year.

### **Capital Expenditure**

Expenditure on the acquisition of a fixed asset or expenditure which extends the life of or adds value to an existing fixed asset.

### **Capital Financing Reserve**

This reserve contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans, and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between the amounts provided for depreciation and that required to be charged to revenue to repay the principal elements of external loans. The balance on this reserve cannot be used to finance future capital expenditure.

### **Capital Receipts**

Proceeds from the sale of capital assets. These can be used to repay outstanding debt or to finance new capital expenditure.

### **Contingencies**

Sums set aside to cover unforeseen events where the cost is unknown or unforeseen expenditure which may be needed during the year.

### **Council Tax**

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

### **Current Assets and Liabilities**

Current assets are items which can be readily converted into cash. Current liabilities are items which are due immediately or in the short term. By convention these items are ordered by reference to the ease that assets can be converted into cash, and the timescale in which the liability falls due.

### **Fixed Assets**

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

### **Fixed Asset Restatement Reserve**

The system of capital accounting requires the establishment of this reserve. The balance represents the difference in the valuation of assets under the previous accounting rules and the current method of capital asset accounting. The reserve will be written down as assets are disposed of, and charged or reimbursed with deficits or surpluses arising on future re-valuations and capital expenditure which does not increase

in values, e.g. maintenance. The balance on this reserve cannot be used to finance future capital expenditure.

**Income**

Amounts which the Authority receives, or expects to receive, from any source. Income includes fees, charges, sales and contributions from constituent bodies.

**Long-Term Borrowing**

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

**Provisions**

Provisions represent sums set aside for liabilities or losses which are certain to arise but owing to their inherent nature cannot be quantified with any certainty. The Authority's main provisions relate to hydrants, pensions and capital.

**Reserves**

There are two types of reserve; those which are available to meet current expenditure, and those which are not available to meet such expenditure. Most revenue reserves are capable of being used, but the reserves brought about by the new capital accounting system, namely the fixed asset restatement reserve and the capital financing reserve cannot be used to meet current expenditure.

**Revenue Expenditure**

Amounts which the Authority pays or expects to pay to any source – includes the cost of employees, premises, transport, supplies and services.

**Revenue Support Grant**

General government grant support towards fire authority expenditure.

**Temporary Investments**

This comprises of cash in hand, cash overdrawn and short-term investments which are readily convertible into known amounts of cash. These are deposited with banks or similar institutions.