

CHESHIRE FIRE AUTHORITY

MEETING OF : FIRE AUTHORITY  
DATE : 7 SEPTEMBER 2000 ITEM : 2  
REPORT OF : THE TREASURER

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SUBJECT : STATEMENT OF ACCOUNTS 1999-00

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**Summary**

- 1 The Authority is required to approve the statement of accounts for 1999-00 by 30 September 2000.

**Recommendation**

- 2 That the statement of accounts for 1999-00 be approved.

**Background**

- 3 The draft statement of accounts for 1999-00 is attached as an appendix to this report. They have been prepared in accordance with the Code of Practice on Local Authority Accounting as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 4 The Accounts have been subject to external audit and there are no issues that need to be drawn to Members' attention. Once they have been approved, the External Auditor will issue his audit certificate and then they will be published.

**1999-00 Statement of Accounts**

- 5 The Authority on 22 June 2000, received a report on the provisional revenue and capital outturn for 1999-00. The impact of the final outturn is shown in the accounts.

*Revenue*

- 6 The final outturn was an underspend for the year of £577,000, which is slightly less than the £581,000 shown in the provisional outturn report.

	£000
Brigade Operations	13 overspend
Firefighters pensions	146
Interest on cash balances	214
Other budgets	230
	<hr/> 577

- 7 The overspend on the brigade operations is carried forward to 2000-01 as part of the resource centre management scheme. The balance of the underspend (£590,000) for the year is shown in the revenue account as an appropriation to an earmarked reserve. This has been done on the advice of the auditors. Combined Fire Authorities are not permitted to hold revenue reserves, as strictly speaking any underspends should be returned to the constituents unless the constituents have agreed that they can be carried forward, as is the case of Cheshire CFA. The Authority has proposed that the underspending will be taken into account in future years' budgets and therefore is effectively a reserve earmarked for this specific purpose.
- 8 Note 15 to the Balance Sheet analyses the earmarked reserve. The Authority has agreed that the overspending on the Brigade's Operations budget can be carried forward to 2000-01.
- 9 The revenue account also shows a provision for debt repayment of £26,000. As is explained in note 7 to the revenue account, the CFA has agreed that a provision of greater than the statutory minimum of 4% should be made to recognise the estimated life of the assets being financed form loan.

#### *Capital*

- 10 Capital expenditure was £1.4m of which £420,000 represented slippage from 1998-99. The slippage represents schemes which were part of the approved capital programme for 1998-99 but where the expenditure was not be incurred until the following year. This has been funded from the capital reserve set up last year for this purpose.
- 11 Capital receipts from the sale of property totalling £136,000 were received in the year. These can be used to finance future years' capital expenditure. These have been added to an earmarked reserve and shown on the balance sheet as usable capital receipts. The reserve now stands at £242,000.

#### *Overall*

- 12 The statement of accounts show the financial results of the second year of the Cheshire Fire Authority. They represent a firm foundation on which the CFA can prepare for the future.

#### **CONTACT:**

**LIZ LUNN, DEPUTY TREASURER, COUNTY HALL, CHESTER  
TEL [01244 602177]**

#### **BACKGROUND PAPERS:**

**NONE**

**CHESHIRE FIRE AUTHORITY**

**DRAFT STATEMENT OF ACCOUNTS**

**1999-00**

**Cheshire Fire Authority**  
**Statement of Accounts 1999-00**

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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 2000. The statement includes an analysis of the Authority's financial position, a statement of responsibilities, 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.

### 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 second 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 CFA operates within a robust framework of accountability. Our aim is to ensure that the CFA's financial systems are underpinned by sound internal controls. An Internal Audit service provided by the Treasurer monitors the operation of these systems and controls. On page 5 there is a statement of my responsibilities as Treasurer. 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 Brigade and interest on cash flow. However, most of the expenditure is met by the constituent authorities in proportion to the council tax base. For 1999-00 the relevant proportions are :-

	%
Cheshire County Council	71.59
Warrington Borough Council	18.25
Halton Borough Council	10.16

### Analysis of 1999-00 Financial Position

The revised revenue budget for 1999-00 was £27.574m and the capital payments budget was £1.25m. Actual revenue expenditure for the year amounted to £26,997m representing an underspending of £577,000. The Brigade's operational budget was slightly overspent by £13,000 and this will be carried forward to 2000-01. The other major in-year variations resulted from the fact that the contingency provision of £287,000 was not required, that additional interest of £214,000 was gained from short term investments and that there was an underspending on the pensions budget of £146,000. These underspends were partly offset by an overspending of £57,000 on the Authority's budget for secretarial and financial services largely resulting from additional insurance costs. The underspend has been transferred to the earmarked revenue reserve and will be used to help fund future years' budgets

Actual capital payments in the year were £1.39m against the budget of £1.25m. The planned programme was completed in 1999-00 apart from some small outstanding payments in respect of the replacement fire station at Malpas. The original programme had been supplemented by the acquisition of a day crewed house in Stockton Heath (£85,000) and the purchase of 2 Community Fire Safety Vehicles. These were financed from capital receipts and the sale of old vehicles.

For the first time a pensions provision has been created. The Fire-fighters' Pension Scheme allows fire-fighters to retire at age 50 providing they have 30 years service. There is a compulsory retirement age of 55 (or 60 for Assistant Divisional Officers and higher ranks). Up to a quarter of the annual pension can be commuted to a lump sum payment. A provision has been created which provides for the commutation element for all fire-fighters who could have retired in the year but who have decided to delay their retirement. The amount of the provision is £702,000.

All properties have been re-valued in the year and will be re-valued every 5 years. The revaluation has resulted in an increase of £8.2m in the book value of properties owned by the Authority. In addition a de minimis limit of £10,000 has been introduced which has resulted in writing out assets with a book value of £150,000.

### 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 Assistant Treasurer, Mr Alan Smith, on telephone number 01244 602083.

Alan Cope CPFA, FCCA  
Treasurer  
Cheshire Fire Authority

Date ..... 2000

**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.

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

- suitable accounting policies have been selected and applied consistently
- judgements and estimates made were reasonable and prudent
- the Code of Practice has been complied with

The Treasurer has also ensured that:

- proper accounting records were kept up to date
- 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 2000.

Signed: .....

Alan Cope CPFA FCCA  
Treasurer to Cheshire Fire Authority

Date: .....

**Audit Report with unqualified opinion and certificate**

**AUDITOR'S REPORT TO CHESHIRE FIRE AUTHORITY**



## 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. 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.

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

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

### Deferred Charges

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

### Fixed Assets

Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the Fire Authority's accounts provided that the fixed asset will yield a benefit for a period of more than one year. Assets acquired under finance leases are included, together with the liability to pay future rentals. Operational assets are included in the Balance Sheet at the lower of net current replacement cost or net realisable value in existing use. Non-operational assets are included in the Balance Sheet at the lower of net current replacement cost or net realisable value.

The values of properties used in the accounts are 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

Depreciation is provided for on all fixed assets with a finite useful life, and charges commence in the year of acquisition. No provision for depreciation is made where the Authority is making sufficient repairs and maintenance to extend the asset's useful life indefinitely. Depreciation is calculated on the straight line method for the following items:

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

Depreciation on fixed assets is included in note 1 to the balance sheet.

### Asset Charges

Charges made are sufficient to cover the sum of depreciation plus a notional charge based on the net book value of assets in the Balance Sheet. A market rental is charged where this is greater than the sum of depreciation plus the notional interest charge. The notional rate of interest used for assets included in the Cheshire Fire Authority's Balance Sheet ranges from 6% to 8%. Asset charges are included in note 6 to the revenue account.

## **Provision for the Redemption of Debt**

The CFA finances a substantial proportion of its capital investment projects by raising loans. The revenue account is charged with an amount sufficient to redeem 6 2/3% of outstanding debt and to meet accrued interest costs. The minimum statutory provision is 4%. However the nature of capital expenditure is predominantly on shorter life assets and so a higher rate than the minimum made is currently used.

## **Revenue Balances**

The CFA cannot hold general reserves. Any surplus/deficit is refunded to or claimed from the constituent authorities. However with the agreement of the constituent authorities, it has been agreed that any unplanned underspending in the year should be held by the CFA and its use considered as part of future years' budget discussions. This is shown in the accounts as an earmarked revenue reserve.

## **Reserves**

Details of all reserves are provided in the notes to the accounts.

The fixed asset restatement 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 and by capital expenditure that has not increased asset values.

The capital financing reserve contains amounts provided from revenue and capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts.

The capital reserve is held to finance capital expenditure that has slipped from the approved programme year.

## **Provisions**

The Authority makes a specific provision for expenditure on replacement fire hydrants. There are significant delays in charges from water companies which make it difficult to determine when expenditure will be met.

There is also a specific provision made for pensions. The firefighters' pension scheme allows firemen to retire after 30 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. The provision provides for those firemen who are eligible for retirement but who have decided not to retire.

## **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 pay interest at the normal 7 day rate.

## **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.

**Cost of Support Services**

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

**Pensions**

a. Uniformed Staff

The firefighter pension scheme is an unfunded scheme. The CFA meets the net cost of annual pensions, less firemen's contributions from its annual revenue budget, together with the net effect of transfer values paid and received. Lump sum payments on death in service are also met from the revenue budget. (See note 3 to the revenue account)

b. Non-uniformed Staff

The Local Government Pension Scheme is a funded, defined benefits scheme, and is available to non-uniformed staff. The pension costs that are charged to the CFA's accounts in respect of non-uniformed staff represent the contributions paid to the funded scheme for these employees. Employer contribution rates are reviewed every 3 years. The last review took place at 31 March 1999 and was effective from 1 April 1999. The employer contribution rate set at this review was 12%, which would be sufficient to meet 100% of existing and prospective liabilities, including pension increases. (See note 2 to the revenue account)

**Stocks**

Stocks of clothing, uniform, vehicle spares and fuel are shown at cost. Stocks of stationery 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.

**CHESHIRE FIRE AUTHORITY  
SUMMARY REVENUE ACCOUNT 1999-00**

**Service Expenditure**

		1998-99 £000	1999-00 £000
Employees-		16,291	17,191
Non Uniformed	Note 2	1,234	1,362
Other Employee Costs		457	524
Pensions (Net)	Note 3&4	3,071	3,846
Premises		1,320	1,384
Transport		677	647
Supplies, Services and Other Expenses		1,372	1,738
Agency and Contracted Services	Note 5	760	826
<b>Total Fire Expenditure</b>		<b>25,182</b>	<b>27,518</b>
Add:			
External Interest on debt	Note 6	25	33
Notional Capital Charges	Note 6	3,020	2,766
<b>Gross Cost of Service</b>		<b>28,227</b>	<b>30,317</b>
Income			
Service Income	Note 7	666	739
External Interest Received		367	287
<b>Total Income</b>		<b>1,033</b>	<b>1,026</b>
<b>Net Expenditure</b>		<b>27,194</b>	<b>29,291</b>
Less:			
Reversal of Notional Capital Charges		3,020	2,766
<b>Net Cost of Service</b>		<b>24,174</b>	<b>26,525</b>
<b>Appropriations</b>			
Contributions to capital outlay		107	866
Contributions to(from) capital reserve		420	(420)
Contribution to Earmarked Revenue Reserve	Note 8	1,127	590
Contribution to (from) Resource Centre Managers Reserve		93	(106)
Provision for debt repayment	Note 9	45	26
<b>Total cost of appropriations</b>		<b>1,792</b>	<b>956</b>
<b>Net Cost to be borne by Constituent Authorities</b>		<b>25,966</b>	<b>27,481</b>
<b>FINANCED BY:</b>			
<b>Contributions from Constituent Authorities-</b>			
Cheshire County Council		18,584	19,674
Warrington Borough Council		4,739	5,016
Halton Borough Council		2,643	2,791
<b>Surplus/Deficit for the year</b>		<b>-</b>	<b>-</b>

## Notes to the Revenue Account

1 Expenditure and income have been analysed on a subjective basis and internal charges have been excluded from the analysis.

### 2 Civilian Pension Costs – SSAP 24

In 1999-00 the employers contributions amounting to £191,000, representing 11.3 % of civilian employees' pensionable pay were paid into the Cheshire Pension Fund. The contribution rate is determined by the Fund Actuary, based upon triennial actuarial valuations, the last review being effective from 1 April 1999. Under Pension Fund Regulations, contribution rates are set to meet 100% of the pension liabilities (see note in the Statement of Accounting Policies).

### 3 Uniformed Firefighters Pension Costs – SSAP 24

In 1999-00 the net cost of pensions and other benefits amounted to £3.85m, representing 27.9% of pensionable pay. Using research information available and previous consultation with Cheshire County Council's Actuary, it is estimated that if the cost of pensions under the scheme had been determined in accordance with SSAP 24 'Accounting for Pension Costs', the regular cost of the scheme would have been £3.78m, representing 27.5% of pensionable pay, while the cost of spreading the unfunded accrued liability over 40 years would have been an additional £2.35m, representing 17.1 % of pensionable pay.

### 4 Pensions Expenditure

Expenditure is shown net of income in the revenue account in accordance with CIPFA guidance. Further analysis is provided in this note.

	1998-99	1999-00
	£000	£000
Expenditure on pensions and allowances	4,966	5,630
Less Employees Contributions	1,462	1,523
Transfer Values Received	243	91
Other income	190	170
Net Expenditure	3,071	3,846

### 5 Agency Services

	1998-99	1999-00
	£000	£000
Section 12 payments to Staffordshire	15	11
Merseyside	25	11
	40	22

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

### 6 Asset Management Revenue Account

With effect from 1 April 1994 Fire services have been required to calculate charges for the use of fixed assets. The Asset Management Revenue Account details the cost of depreciation and interest paid, offset by capital charges to the revenue account.

	1998-99	1999-00
	£000	£000
External Interest Payable	25	33
Provision for Depreciation	1,207	1,323
Surplus on Asset Management Revenue Account	1,788	1,410
Notional Capital Charges	3,020	2,766

## Reconciliation of Net Operating Expenditure

(Per CIPFA Accounting Code of Practice)

	1998-99 £000	1999-00 £000
Net Cost of Service –per Revenue Account	24,174	26,525
Add:		
Provision for depreciation	1,207	1,323
	<u>25,381</u>	<u>27,848</u>

### 7 Income

	1998-99 £000	1999-00 £000
Sales	56	132
Fees	312	288
Reimbursements	298	-
Contributions to Princes Trust Volunteers		184
Other Income		135
	<u>666</u>	<u>739</u>

### 8 Earmarked Revenue Reserve

Combined Fire Authorities are not permitted to hold general revenue reserves. However, the CFA has proposed that any underspending on each year's budget should be held and taken into account in setting future years' budgets. As a result, the 1999-00 net underspend has been transferred to an earmarked revenue reserve and held on behalf of the constituent authorities as follows:-

	1998-99 £000	1999-00 £000
Cheshire County Council	806	423
Warrington Borough Council	206	107
Halton Borough Council	115	60
	<u>1,127</u>	<u>590</u>

### 9 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 Authority's outstanding debt at 1 April 1999 was £437,000 and therefore the minimum debt provision requirement for 1999-00 is £17,000. However the Authority has decided to make a voluntary debt repayment provision of £26,000 to recognise the estimated life of the assets being financed from loan.

### 10 Recruitment and Publicity

Expenditure on publicity, as defined under the Local Government Act 1986, Section 5, totalled £23,726.

### 11 Goods and Services provided by Other Public Bodies

A number of services, particularly financial and exchequer, are provided by another public body. In 1999-00 the value of services provided to the Authority in this way was £446,000.

## 12 Officers' Emoluments

In accordance with the Accounts and Audit Regulations 1996, Section 6(2), the number of employees whose taxable emoluments for 1999-00 exceeded £40,000 is detailed below:

£000	Number of Officers	
	1998-99	1999-00
>40<50	5	4
50<60	1	-
60<70	-	1
70<80	1	1
80<90	-	-
90<100	-	-

## 13 Leases

The Authority has no finance leases. Payments under operating leases in 1999-00 amounted to £187,000. These are leases of only one year duration and therefore there are no outstanding liabilities.

## 14 Related Party Transactions

Under the 1998 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.

**CHESHIRE FIRE AUTHORITY**

**BALANCE SHEET 1999-00**

		1998-99		1999-00	
		£000	£000	£000	£000
<b>FIXED ASSETS</b>					
Operational Assets	Note 1				
Property		12,735		26,898	
Vehicles		2,884		3,125	
Equipment		1,372	16,991	1,224	31,247
<b>TOTAL LONG TERM ASSETS</b>			<b>16,991</b>		<b>31,247</b>
<b>CURRENT ASSETS</b>					
Stocks	Note 2	155		214	
Debtors and prepayments	Note 3	1,141		762	
Investments (Short Term)	Note 4	4,074		4,447	
Cash in Hand		5	5,375	5	5,428
Less Current Liabilities					
Creditors	Note 5	2,971		2,313	
Cash Overdrawn		562	3,533	285	2,598
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>18,833</b>		<b>34,077</b>
Long term borrowing	Note 6		437		904
Provisions	Note 8,9		52		831
<b>TOTAL ASSETS LESS TOTAL LIABILITIES</b>			<b>18,344</b>		<b>32,342</b>
<b>REPRESENTED BY</b>					
<b>NOTIONAL CAPITAL ACCOUNTING RESERVES</b>					
Fixed Assets Restatement Reserve	Note 10	17,654		31,841	
Capital Financing Reserve	Note 11	(1,055)	16,599	(1,445)	30,396
<b>Earmarked Reserves</b>					
Capital reserve	Note 12	420		-	
Usable capital Receipts	Note 13	105		242	
Resource Centre Managers Reserve	Note 14	93		(13)	
Earmarked Revenue Reserve	Note 15	1,127	1,745	1,717	1,946
<b>TOTAL EQUITY</b>			<b>18,344</b>		<b>32,342</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 1999-00. 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	Equipment £000	Total £000
<b>Net Book Value at 1 April 1999</b>	<b>12,735</b>	<b>2,884</b>	<b>1,372</b>	<b>16,991</b>
Gross Book Value at 1 April 1999	18,884	6,044	3,142	28,070
Additions	314	737	341	1,392
Disposals	(145)	(153)	(273)	(571)
Revaluations and Restatements	8,191	(325)	(185)	7,681
Gross Book Value at 31 March 2000	27,244	6,303	3,025	36,572
Depreciation at 1 April 1999	6,149	3,160	1,770	11,079
Charge for the year	546	448	329	1,323
Disposals	(51)	(150)	(218)	(419)
Revaluations and Restatements	(6,298)	(280)	(80)	(6,658)
Depreciation at 31 March 2000	346	3,178	1,801	5,325
<b>Net Book Value at 31 March 2000</b>	<b>26,898</b>	<b>3,125</b>	<b>1,224</b>	<b>31,247</b>

### Valuation

The freehold and leasehold properties that comprise the Authorities 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. Consequently all properties have been re-valued since the 1998-99 accounts.

Specialist properties (including fire stations and Brigade Headquarters) have been valued on the basis of depreciated replacement costs, which includes 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 has been re-valued in 1999-00 and will be re-valued every 5 years. The impact has been shown in the restatement and revaluations line. In addition this line also shows other minor adjustments of £149,000. For equipment and vehicles this line shows the impact of introducing a de minimis limit of £10,000 by writing out assets with a book value of £150,000.

The Brigade housing stock has been valued on an open market basis.

Fixed Assets owned by the Authority on 31 March 2000 include the following:-

Fire Stations (including Headquarters and Control Room)	25
Fire Houses	58
Vehicles	126

**2 Stocks**

	1998-99 £000	1999-00 £000
Uniforms	71	91
Vehicle Spares	84	94
Fuel		29
	<u>155</u>	<u>214</u>

**3 Debtors**

	1998-99 £000	1999-00 £000
Long Term Debtors-Car Loans to Staff	10	-
General Debtors < than 1 year old	814	300
Payments in advance-April Pensions	317	323
Payments in advance-trade creditors		18
Outstanding interest payments		96
Capital Debtor		25
	<u>1,141</u>	<u>762</u>

**4 Investments**

Temporary surpluses of cash are invested with Cheshire County Council at the 7 day 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.

**5 Creditors**

	1998-99 £000	1999-00 £000
Trade Creditors	2,581	1,709
Holding Accounts		84
Pay accruals	390	520
	<u>2,971</u>	<u>2,313</u>

**6 Loans Outstanding – Long Term Borrowing**

As at 31 March 1999 debt outstanding was £437,000. During the year a further loan was taken out for £467,000 which is due to be repaid in equal instalments over the next 15 years. The following table analyses long term borrowing by lender and debt maturity.

	Public Works Loan Board £000
<u>Debt Maturity</u>	
Over 10 years.	904

**7 Amount 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 [f capital receipts, less repayment of long term loans and temporary loans.

	1998-99 £000	1999-00 £000
Balance at 1 April	-	45
Provision for debt repayment	45	26
Balance at 31 March	<u>45</u>	<u>71</u>

## 8 Hydrant Provision

The Authority makes a specific provision for expenditure on replacement fire hydrants. There are significant delays in charges from water companies that make it difficult to determine when expenditure will be met.

	1998-99 £000	1999-00 £000
Balance of Provision at 1 April	-	52
Appropriations from revenue in year	52	77
Balance of provision at 31 March	52	129

## 9 Pensions Provision Account

The Pensions Provision has been created to ensure provision is made for fire-fighters' pension commutations which have slipped as a result of delayed retirements. The current provision represents estimated outstanding commutation payments for fire-fighters who could have retired by 31 March 2000.

	1998-99 £000	1999-00 £000
Balance of Provision at 1 April	-	-
Appropriations from revenue in year	-	702
Balance of provision at 31 March	-	702

## 10 Fixed Asset Restatement Reserve

The balance on this reserve represents the difference in the valuation of assets under the previous accounting rules and the current method of capital asset accounting. During the year the reserve has been written down by the net book value of fixed assets that have been re-valued or disposed of, and capital expenditure that does not increase asset values. The balance on this reserve cannot be used to finance future capital expenditure.

	1998-99 £000	1999-00 £000
Balance at 1 April	17,722	17,654
Disposal of Fixed Assets	(68)	(153)
Revaluation of Fixed Assets		8,191
Write out of accumulated depreciation		6,149
Balance at 31 March	17,654	31,841

## 11 Capital Financing Reserve

The Capital Financing Reserve contains the amounts that are required by statute to be set aside from capital receipts for the repayment of external debt, 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 element of external loans. The balance on the reserve cannot be used to finance future capital expenditure.

	1998-99 £000	1999-00 £000
Balance at 1 April	-	(1,055)
Capital Financing -		
Revenue Contribution Applied	107	446
Capital Receipts Applied		41
Capital Reserve Applied		420
Provision for debt repayment	45	26
Depreciation charged to fixed assets	(1,207)	(1,323)
	(1,055)	(1,445)

## 12 Capital Reserve

The Capital reserve exists to meet slippage and known commitments.

	1998-99	1999-00
	£000	£000
Balance at 1 April	-	420
Appropriation from (to) revenue in year	420	(420)
Balance at 31 March	420	-

## 13 Usable Capital Receipts

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.

	1998-99	1999-00
	£000	£000
Balance at 1 April	-	105
Usable capital receipts in year	105	178
Capital receipts applied to schemes in year	-	(41)
Balance at 31 March	105	242

## 14 Resource Centre Managers Reserve

The CFA operates a devolved budget management scheme. Any budget underspends/overspends by the Brigade resource centre managers are carried forward into the following year and used, subject to the approval of the CFA.

	1998-99	1999-00
	£000	£000
Balance at 1 April	-	93
Transfer to (from) revenue in year	93	(106)
Balance at 31 March	93	(13)

## 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 for that purpose.

	1998-99				1999-00			
	CCC £000	WBC £000	HBC £000	Total £000	CCC £000	WBC £000	HBC £000	Total £000
Balance at 1 April	-	-	-	-	806	206	115	1,127
Surplus in year	806	206	115	1,127	423	107	60	590
Balance at 31 March	806	206	115	1,127	1,229	313	175	1,717

## 16 Capital Expenditure and Disposals

	1998-99	1999-00
	£000	£000
Capital Expenditure		
Property	2	314
Vehicles	194	737
Equipment	348	341
	544	1,392

## Capital Disposals

	1998-99	1999-00
	£000	£000
Property	103	178
Vehicles	2	
	<u>105</u>	<u>178</u>

## Capital Expenditure was financed as follows

	1998-99	1999-00
	£000	£000
Borrowing Approvals	437	485
Revenue Contribution	107	446
Capital reserve	-	420
Capital Receipts	-	41
	<u>544</u>	<u>1392</u>

### 17 Capital Contracts

There were no significant commitments under capital contracts, in which amounts of greater than £100,000 are contracted to be paid after 31 March 2000.

### 18 Contingent Liabilities

There are no significant contingent liabilities that need to be provided for in 1999-00.

### 19 Year 2000 Issues

Extensive preparations were undertaken by the Brigade to ensure that all its information technology systems would be year 2000 compliant and to address operational fire fighting requirements over the period. All information technology, equipment and external and internal dependencies and demands were identified, along with the operational deployment of resources to meet those demands. Liaison took place with the other emergency services, local authorities and other agencies.

£73,000 capital expenditure was incurred during the year on Information Technology systems through upgrading some older hardware and significant amounts of software. Further expenditure of £15,000 is planned for 2000-01. In addition £32,000 was paid in overtime payments over the period of the millennium celebrations.

### 20 Preparation for the Introduction of the Euro

The Fire Authority intends to ensure that it will be prepared for any implications that may emanate following the introduction of economic and monetary union (EMU) from 1 January 1999. Although the UK has not yet decided whether or not to join EMU, the Authority will ensure that all new equipment and computer software purchased as part of the planned replacement programme is Euro compliant, rather than making changes to existing systems. It is unlikely that there will be any significant costs until the UK decides to join EMU. As the Authority purchases its current financial information system and financial services from another public body, it will ensure that its suppliers systems are EURO compliant. In view of the relatively few European currency transactions currently taking place, separate bank accounts have not been deemed necessary.

CHESHIRE FIRE AUTHORITY

CASH FLOW STATEMENT 1999-00

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	(18,813)	
Other operating payments	(8,185)	(26,998)
<u>Inflows</u>		
Charges for services and other receipts	674	
Contribution from constituents	27,481	28,155
<b>REVENUE ACTIVITIES NET CASH INFLOW</b>		<b>1,157</b>
<b>SERVICING OF FINANCE</b>		
<u>Outflows</u>		
Interest paid	(33)	
<u>Inflows</u>		
Interest received	288	255
<b>CAPITAL ACTIVITIES</b>		
<u>Outflows</u>		
Purchase Of Fixed Assets	(1,389)	
<u>Inflows</u>		
Sale of Fixed Assets	178	(1,211)
<b>NET CASH INFLOW BEFORE FINANCING</b>		<b>201</b>
<b>MANAGEMENT OF LIQUID RESOURCES</b>		
Net Increase in short term investments	(373)	
Net increase in short term deposits	(295)	(668)
<b>FINANCING</b>		
<u>Inflows</u>		
New loans raised		467
<b>INCREASE IN CASH</b>		<b>-</b>

**1. Reconciliation of revenue cash flow**

	£000	£000
Surplus for the year		-
Interest (net)		(255)
<u>Add back non cash transactions</u>		
Voluntary debt repayment provision	26	
Contribution to earmarked revenue reserve	590	
Contribution from resource centre managers reserve	(106)	
Contribution to capital outlay	866	
Contribution from capital reserve	(420)	
Contribution to bad debt provision	3	
Contribution to hydrants provision	78	
Contribution to pensions provision	702	1,739
	<hr/>	
<u>Adjustment for items on an accruals basis</u>		
Decrease in debtors	181	
Decrease in creditors	(508)	(327)
	<hr/>	
<b>Revenue Activities Net Cash Flow</b>		<b>1,157</b>

**2. Movement in liquid resources and cash**

	As at 31/3/99 £000	As at 31/3/00 £000	Movement during year £000
Liquid Resources			
Investments (short term)	(4,074)	(4,447)	(373)
Bank Overdraft	562	285	(277)
Stocks	(155)	(214)	(59)
Debtors	(410)	(191)	219
Creditors	187	9	(178)
	<hr/>	<hr/>	
	(3,888)	(4,558)	(668)
Cash			
Imprest Accounts	5	5	-
<b>3. Movement in long term borrowing</b>	<b>437</b>	<b>904</b>	<b>467</b>
<b>NET CASH OUTFLOW</b>	<hr/> <b>(3,446)</b>	<hr/> <b>(3,649)</b>	<hr/> <b>(201)</b>

**CHESHIRE FIRE AUTHORITY**

**STATEMENT OF TOTAL MOVEMENT IN RESERVES 1999-00**

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 Statement Reserve £000	Capital Financing Reserve £000	Usable Capital Receipts £000	Capital Reserve £000	Ear marked Reserve £000	RCM # £000	
<b>Balance as at 1 April 1999</b>	<b>(17,654)</b>	<b>1,055</b>	<b>(105)</b>	<b>(420)</b>	<b>(1,127)</b>	<b>(93)</b>	<b>(18,344)</b>
Net Surplus/deficit for year		390					390
Transfer to revenue reserve (net)					(590)	106	(484)
Transfer from capital reserve				420			420
Revaluation of Assets	(8,191)						(8,191)
Write out accumulated depreciation	(6,149)						(6,149)
Effects of disposal of fixed assets:- Cost or value of assets disposed of	153						153
Proceeds of disposal			(178)				(178)
Net (surplus)/deficit	(14,187)	390	(178)	420	(590)	106	(14,039)
Financing of Fixed Assets	-	-	41	-			41
<b>Balance as at 31 March 2000</b>	<b>(31,841)</b>	<b>1,445</b>	<b>(242)</b>	<b>-</b>	<b>(1,717)</b>	<b>13</b>	<b>(32,342)</b>

# RCM = Resource Centre Managers



## **GLOSSARY OF TERMS**

### **Accruals**

The concept 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**

From 1 April 1994, local authorities have been required to change the way in which they account for their capital assets. As part of the new system, the Authority has to charge 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 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. A proportion has been set aside in the Capital Financing Reserve for the repayment of loans. The balance of capital receipts may be used to finance new capital expenditure. Under certain circumstances, the full capital sale proceeds may be used 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. The main contingency that the Authority makes relates to pay and price increases.

### **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 new 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, capital receipts, 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 to 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.