

**APPENDIX**

**CHESHIRE FIRE AUTHORITY**

**STATEMENT OF ACCOUNTS**

**2000-01**

**Draft as at 24 August 2001**

**Cheshire Fire Authority**  
**Statement of Accounts 2000-01**

**CONTENTS**

	<b>Page No</b>
Introduction	3
Statement of Responsibilities	5
Auditor's Report to Cheshire Fire Authority	6
Statement of Accounting Policies	7
Revenue Account	10
Balance Sheet	15
Cash Flow Statement	22
Statement of Total Movement in Reserves	24
Glossary of Terms	25

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 2001. 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. 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 third 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. The 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 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 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 2000-01 the relevant proportions are:-

	%
Cheshire County Council	71.60
Warrington Borough Council	18.28
Halton Borough Council	10.12
	<hr style="width: 50%; margin-left: auto; margin-right: 0;"/>
	100.00

**Analysis of 2000-01 Financial Position**

The revised revenue budget for 2000-01 was £28.268m and the capital payments budget was £1m. Actual revenue expenditure for the year amounted to £26.920m representing a net underspending of £1.348m. The Brigade's operational budget was slightly overspent by £9,000 and this will be carried forward to 2001-02. The other major in-year variations resulted from additional interest of £261,000 being gained from short-term investments, an underspending on the pensions budget of £1,108,000, additional early retirement costs of £108,000 and capital financing was underspent by £112,000. These underspends were partly offset by an overspending of £16,000 on the Authority's budget for secretarial and financial services. The net underspend of £1.357m has been transferred to the

earmarked revenue reserve and will be used specifically to fund increases in pension commutation costs over the period 2002-08, and thereby help to reduce the impact on the CFA annual budget levy.

Actual capital payments in the year were £655,000 against the budget of £1m. £320,000 has been transferred to a capital reserve to fund slippage in the programme. The planned programme was completed in 2000-01 apart from part of the Management Information System, the purchase of day crewed houses on day crewed stations which are awaiting the outcome of the move to increase staffing on day crewed stations to 14 and the Occupational Health Unit which started in April.

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 £854,442 and represents twelve firefighters.

**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, Penny Moynihan, on telephone number 01244 602083.

**LIZ LUNN BA, CPFA**  
**Treasurer**  
**Cheshire Fire Authority**

**Date:**

**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 have 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 2001.

**Signed:**

**LIZ LUNN BA, CPFA  
Treasurer to Cheshire Fire Authority**

**Date:**

**Audit Report with unqualified opinion and certificate**

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

We have audited the Statement of Accounts on pages 10 to 23 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 7 to 9.

**Respective Responsibilities of Treasurer to the Fire Authority and Auditors**

As described on page 5, the Treasurer is responsible for the preparation of the Statement of Accounts. Our responsibilities as independent 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 represents fairly the financial position and results of operations of the Authority.

**Basis of Opinion**

We carried out our audit in accordance with the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission, which requires compliance with relevant audit standards.

Our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Statement of Accounts. It also included an assessment of the significant estimates and judgements made by the Authority in the preparation of the Statement of Accounts and whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we consider 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 also evaluated the overall adequacy of the presentation of information in the Statement of Accounts.

**Opinion**

In our opinion the statement of accounts presents fairly the financial position of Cheshire Fire Authority at 31 March 2001 and its income and expenditure for the year then ended.

**Certificate**

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

**PricewaterhouseCoopers**

## 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. 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 is 6%. Asset charges are included in note 7 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.

### **Earmarked Reserve**

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, any underspending in the year is held by the CFA and considered in future years' budget setting. It is shown in the accounts as an earmarked revenue reserve and will be used in a planned way over the period 2002-08 to fund future commutation payments under the firefighters' pension scheme.

### **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, 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 firefighters' pension scheme allows firefighters 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. Up to 25% of the annual pension can be commuted to a lump sum and most firefighters exercise this option. The provision provides for the estimated cost of commutations 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.





**CHESHIRE FIRE AUTHORITY  
SUMMARY REVENUE ACCOUNT 2000-01**

		1999-00 £000	2000-01 £000
<b>SERVICE EXPENDITURE</b>			
Employees-		17,191	17,166
Non Uniformed	Note 3	1,362	1,672
Other Employee Costs		524	442
Pensions (Net)	Note 4&5	3,846	3,353
Premises		1,384	973
Transport		647	740
Supplies, Services and Other Expenses		1,738	1,638
Agency and Contracted Services	Note 6	826	751
<b>Total Fire Expenditure</b>		<b>27,518</b>	<b>26,735</b>
<u>Add:</u>			
External Interest on debt	Note 7	33	65
Notional Capital Charges	Note 7	2,766	3,175
<b>Gross Cost of Service</b>		<b>30,317</b>	<b>29,975</b>
<b>INCOME</b>			
Service Income	Note 8	(739)	(750)
External Interest Received		(287)	(381)
<b>Total Income</b>		<b>(1,026)</b>	<b>(1,131)</b>
<b>Net Expenditure</b>		<b>29,291</b>	<b>28,844</b>
<u>Less:</u>			
Reversal of Notional Capital Charges		(2,766)	(3,175)
<b>Net Cost of Service</b>		<b>26,525</b>	<b>25,669</b>
<u>Appropriations</u>			
Contributions to capital outlay		866	476
Contributions to (from) capital reserve		(420)	705
Contribution to Earmarked Revenue Reserve	Note 9	590	1,357
Contribution to (from) Resource Centre Managers Reserve		(106)	4
Provision for debt repayment	Note 10	26	57
<b>Total cost of appropriations</b>		<b>956</b>	<b>2,599</b>
<b>Net Cost to be borne by Constituent Authorities</b>		<b>27,481</b>	<b>28,268</b>
<b>FINANCED BY:</b>			
<u>Contributions from Constituent Authorities-</u>			
Cheshire County Council		19,674	20,240
Warrington Borough Council		5,016	5,167
Halton Borough Council		2,791	2,861
		<b>27,481</b>	<b>28,268</b>
<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 **Best Value Accounting Code of Practice**

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 Accounting (CIPFA). Whilst being prepared on a total cost basis in accordance with the Code, the Summary Revenue Account has been included in the old format to allow comparisons with the previous year's Summary Revenue Account. The table below shows the net service expenditure in the Best Value format.

	Gross Expenditure £000	Income £000	Net Expenditure £000
Community Fire Safety	2,292	316	1,976
Fire Fighting and Rescue Operations	23,645	425	23,220
Firefighters' pensions	3,386	-	3,386
Corporate and Democratic Core	652	390	262
<b>Total BVACOP Expenditure</b>	<b>29,975</b>	<b>1,131</b>	<b>28,844</b>

3 **Civilian Pension Costs**

In 2000-01 the CFA paid employer's contributions of £200,000, representing 12.00% of civilian employees' pensionable pay, into the Cheshire Pension Fund. The Authority has also made payments to fund the costs of discretionary retirement benefits paid to employees who retire on the grounds of redundancy or in the efficiency of the service. The capitalised costs of all such retirements are as follows:

	£000
Capitalised costs of discretionary retirement benefits to 31 March 2000	277
Capitalised costs of discretionary retirement benefits in the year to 31 March 2001	-

These discretionary retirement costs have been substantially provided for by way of an uplift to employer contributions to the Pension Fund (and included in the figures set out above) or, in the case of retirements in the year to March 2001, by way of additional payments to the 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. The main actuarial assumptions were:

	Nominal %pa	Real %pa
Investment Return		
Equities	7.2	3.8
Bonds	6.7	3.3
Earnings Growth	4.9	1.5
Price Inflation	3.4	0.0

The contribution rate is set at a level sufficient to meet 100% of the Fund's pension liabilities by around 2011-12 at the latest.

**4 Uniformed Firefighters Pension Costs – SSAP 24**

In 2000-01 the net cost of pensions and other benefits amounted to £3.35m, representing 24.4% 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 £2.07m, representing 15.0% of pensionable pay.

**5 Pensions Expenditure**

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

	1999-00 £000	2000-01 £000
Expenditure		
Annual Pensions	3,869	4,037
Commutations	1,651	1,179
Transfer Values Paid	81	65
Other costs	29	47
	<u>5,630</u>	<u>5,328</u>
Less: Employees Contributions	(1,523)	(1,550)
Transfer Values Received	(91)	(270)
Other Income	(170)	(155)
	<u>3,846</u>	<u>3,353</u>

**6 Agency Services**

	1999-00 £000	2000-01 £000
Section 12 payments to		
Staffordshire	11	2
Merseyside	11	14
Services Bought In	<u>804</u>	<u>735</u>
	<u>826</u>	<u>751</u>

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

**7 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.

	1999-00 £000	2000-01 £000
External Interest Payable	33	65
Provision for Depreciation	1,323	1,326
Surplus on Asset Management Revenue Account	1,410	1,784
Notional Capital Charges	<u>2,766</u>	<u>3,175</u>

**Reconciliation of Net Operating Expenditure**

(Per CIPFA Accounting Code of Practice)

	1999-00 £000	2000-01 £000
Net Cost of Service – per Revenue Account	26,525	25,669
Add:		
Provision for depreciation	1,323	1,326
	<u>27,848</u>	<u>26,995</u>

**8 Income**

	1999-00	2000-01
	£000	£000
Sales	132	147
Fees	288	89
Invest to Save Contributions	-	55
Contributions from Princes Trust Volunteers	184	186
Other Income	135	273
	<u>739</u>	<u>750</u>

**9 Earmarked Revenue Reserve**

Combined Fire Authorities are not permitted to hold general revenue reserves. However, the CFA and constituent authorities have agreed that any underspending on each year's budget be held and used primarily to fund pension commutation costs under the firefighters' pension scheme in future years budgets. As a result, the 2000-01 net underspend has been transferred to an earmarked revenue reserve and is ringfenced in the accounts and held on behalf of the constituent authorities as follows. Note 15 to the Balance Sheet shows the total amount of the Earmarked Reserve as at 31 March 2001 against the three constituent authorities.

	1999-00	2000-01
	£000	£000
Cheshire County Council	423	972
Warrington Borough Council	107	248
Halton Borough Council	60	137
	<u>590</u>	<u>1,357</u>

**10 Provision for the Repayment of Debt**

The Authority is required by statute to set aside a minimum revenue provision for the repayment of external debt. The Authority's outstanding debt at 1 April 2000 was £851,000 and therefore the minimum debt provision requirement for 2000-01 is £34,000. However the Authority has decided to make an additional, voluntary debt repayment provision of £23,000 to recognise the estimated life of the assets being financed from loan.

**11 Recruitment and Publicity**

Expenditure on publicity, as defined under the Local Government Act 1986, Section 5, totalled £45,792.

**12 Goods and Services provided by Other Public Bodies**

A number of services, particularly financial and exchequer, are provided by another public body. In 2000-01 the value of services provided to the Authority in this way was £370,791.

**13 Officers' Emoluments**

In accordance with the Accounts and Audit Regulations 1996, Section 6(2), the number of employees whose taxable emoluments for 2000-01 exceeded £40,000 is detailed below:

£	Number of Officers	
	1999-00	2000-01
40,000-49,999	4	4
50,000-59,999	-	2
60,000-69,999	1	
70,000-79,999	1	1
80,000-89,999	-	
90,000-99,999	-	

14 **Leases**

The Authority has no finance leases. Payments under operating leases in 2000-01 amounted to £200,171. The outstanding liabilities for these leases falling due over the next five years is £299,825.

15 **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.

**CHESHIRE FIRE AUTHORITY**

**BALANCE SHEET 2000-01**

		1999-00		2000-01	
		£000	£000	£000	£000
<b>FIXED ASSETS</b>					
Operational Assets	Note 1				
Property		26,898		26,412	
Vehicles		3,126		3,108	
Equipment		<u>1,223</u>	31,247	<u>1,125</u>	30,645
<b>TOTAL LONG TERM ASSETS</b>			31,247		30,645
<b>CURRENT ASSETS</b>					
Stocks	Note 2	214		197	
Debtors and prepayments	Note 3	762		835	
Investments (Short Term)	Note 4	4,447		6,112	
Cash in Hand		<u>5</u>	5,428	4	7,148
Less Current Liabilities					
Creditors	Note 5	(2,313)		(1,796)	
Cash Overdrawn		<u>(285)</u>	(2,598)	(295)	(2,091)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			34,077		35,702
Long term creditor	Note 6	-		(86)	
Long term borrowing	Note 7	(904)		(1,330)	
Provisions	Note 9,10	<u>(831)</u>	(1,735)	<u>(854)</u>	(2,270)
<b>TOTAL ASSETS LESS TOTAL LIABILITIES</b>			32,342		33,432
<b>REPRESENTED BY</b>					
<b>NOTIONAL CAPITAL ACCOUNTING RESERVES</b>					
Fixed Assets Restatement Reserve	Note 11	31,841		31,594	
Capital Financing Reserve	Note 12	<u>(1,445)</u>	30,396	<u>(2,238)</u>	29,356
<b>EARMARKED RESERVES</b>					
Capital reserve	Note 13	-		705	
Usable Capital Receipts	Note 14	241		305	
Resource Centre Managers Reserve	Note 15	(13)		(9)	
Earmarked Revenue Reserve	Note 16	<u>1,718</u>	1,946	<u>3,075</u>	4,076
<b>TOTAL EQUITY</b>			32,342		33,432

**Notes to the Balance Sheet**

**1 Fixed Assets**

The figures below provide information on the movement of fixed assets held by the Authority during 2000-01. 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 2000</b>	<b>26,898</b>	<b>3,126</b>	<b>1,223</b>	<b>31,247</b>
Gross Book Value at 1 April 2000	27,245	6,304	3,024	36,573
Additions	366	409	233	1008
Disposals	(65)	(335)		(400)
Revaluations and Restatements	(37)	38		1
Gross Book Value at 31 March 2001	27,509	6,416	3,257	37,182
Depreciation at 1 April 2000	346	3,178	1,802	5,326
Charge for the year	552	444	330	1,326
Disposals	(1)	(332)		(333)
Revaluations and Restatements	200	18		218
Depreciation at 31 March 2001	1,097	3,308	2,132	6,537
<b>Net Book Value at 31 March 2001</b>	<b>26,412</b>	<b>3,108</b>	<b>1,125</b>	<b>30,645</b>

\* Vehicles include £98,000 for two appliances which were not operational at 31 March 2001.

**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.

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 was re-valued in 1999-00 and will be re-valued every 5 years. The revaluation and restatements line also shows other minor adjustments.

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

Fixed Assets owned by the Authority on 31 March 2001 include the following:-

Fire Stations (including Headquarters and Control Room)	25
Fire Houses	53
Vehicles	85

**2 Stocks**

	1999-00 £000	2000-01 £000
Uniforms	91	78
Vehicle Spares	94	93
Fuel	29	26
	<u>214</u>	<u>197</u>



**3 Debtors**

	1999-00	2000-01
	£000	£000
General Debtors < than 1 year old	300	408
Payments in advance-April Pensions	323	383
Payments in advance-trade creditors	18	
Outstanding interest payments	96	44
Capital Debtor	25	
	<u>762</u>	<u>835</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.

	1999-00	2000-01
	£000	£000
Cheshire County Council	2,447	2,112
Money Market Deposits	2,000	4,000
	<u>4,447</u>	<u>6,112</u>

Of the £4m in money market deposits, £3m is invested with the Norwich & Peterborough Building Society until March 2002, and £1m is in an Alliance & Leicester Building Society Capital Plus Account.

**5 Creditors**

	1999-00	2000-01
	£000	£000
Trade Creditors	1,709	1,351
Holding Accounts	84	90
Pay accruals	520	355
	<u>2,313</u>	<u>1,796</u>

**6 Long Term Creditors**

The Authority is required to pay 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 2000 debt outstanding was £904,000. During the year a further loan was taken out for £426,000 which is due to be repaid in equal instalments over the next 25 years. The following table analyses long term borrowing by lender and debt maturity.

<u>Debt Maturity</u>	<u>Public Works Loan</u>
	<u>Board</u>
	£000
7-15 years	437
More than 15 years	893
	<u>1,330</u>

**8 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 of capital receipts, less repayment of long-term loans and temporary loans.

	1999-00	2000-01
	£000	£000
Balance at 1 April	45	71
Provision for debt repayment	26	57
Balance at 31 March	<u>71</u>	<u>128</u>

**9 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. However, new arrangements have now been put in place which means that outstanding amounts can be treated as trade creditors. Hence the balance on this provision has now been included in creditors.

	1999-00	2000-01
	£000	£000
Balance of Provision at 1 April	52	129
Appropriations (to) from revenue in year	77	(76)
Transferred to creditors	-	53
	<u>129</u>	<u>-</u>

**10 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 2001, but have not elected to do so.

	1999-00	2000-01
	£000	£000
Balance of Provision at 1 April	-	702
Additional provision made in year	702	575
Amounts used in year	-	(422)
	<u>702</u>	<u>855</u>

**11 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.

	1999-00	2000-01
	£000	£000
Balance at 1 April	17654	31,841
Disposal of Fixed Assets	(153)	(66)
Revaluation of Fixed Assets	8,191	(181)
Write out of accumulated depreciation	6,149	-
Balance at 31 March	<u>31,841</u>	<u>31,594</u>

12 **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.

	1999-00	2000-01
	£000	£000
Balance at 1 April	(1,055)	(1,445)
Capital Financing -		
Revenue Contribution Applied	446	476
Capital Receipts Applied	41	-
Capital Reserve Applied	420	-
Provision for debt repayment	26	57
Depreciation charged to fixed assets	(1,323)	(1,326)
	<u>(1,445)</u>	<u>(2,238)</u>

13 **Capital Reserve**

The Capital reserve exists to meet slippage and known commitments.

	1999-00	2000-01
	£000	£000
Balance at 1 April	420	-
Appropriation from (to) revenue in year	(420)	705
Balance at 31 March	<u>-</u>	<u>705</u>

14 **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.

	1999-00	2000-01
	£000	£000
Balance at 1 April	105	241
Usable capital receipts in year	178	64
Capital receipts applied to schemes in year	(42)	-
Balance at 31 March	<u>241</u>	<u>305</u>

15 **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.

	1999-00	2000-01
	£000	£000
Balance at 1 April	93	(13)
Transfer to (from) revenue in year	(106)	4
Balance at 31 March	<u>(13)</u>	<u>(9)</u>

**16 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 agreed 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, to be used in a planned way over the period 2002-08 to fund future commutation payments under the firefighters' pension scheme.

	1999-00				2000-01			
	CCC £000	WBC £000	HBC £000	Total £000	CCC £000	WBC £000	HBC £000	Total £000
Balance at 1 April	807	206	115	1,128	1,230	313	175	1,718
Surplus in year	423	107	60	590	972	248	137	1,357
Balance at 31 March	1,230	313	175	1,718	2,202	561	312	3,075

**17 Capital Expenditure and Disposals**

	1999-00 £000	2000-01 £000
<b>Capital Expenditure</b>		
Property	314	366
Vehicles	737	408
Equipment	341	233
	<u>1,392</u>	<u>1,007</u>

	1999-00 £000	2000-01 £000
<b>Capital Disposals</b>		
Property	178	65
Vehicles		335
	<u>178</u>	<u>400</u>

**Capital Expenditure was financed as follows**

	1999-00 £000	2000-01 £000
Borrowing Approvals	484	531
Revenue Contribution	446	476
Capital Reserve	420	
Capital Receipts	42	
	<u>1392</u>	<u>1,007</u>

**18 Capital Contracts**

The contract for the new Occupational Health Centre was signed in March 2001. The value of this contract is £71,174.

**19 Contingent Liabilities**

Under the Working Time Regulations, there is currently a test case that is being contested concerning the ability of retained firefighters to be eligible to be part of the firefighters' pension scheme. If this case is successful there could be significant additional costs falling on the Fire Authority.

**20 Contingent Assets**

There are currently two sites where the Fire Authority may benefit from land compensation claims relating to Manchester Airport 2<sup>nd</sup> Runway and Davenham By-pass. If these claims are successful then income of £140,000 could accrue to the Authority.



CHESHIRE FIRE AUTHORITY

CASH FLOW STATEMENT 2000-01

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	19,431	
Other operating payments	<u>7,834</u>	27,265
<u>Inflows</u>		
Charges for services and other receipts	739	
Contribution from constituents	<u>28,268</u>	29,007
<b>REVENUE ACTIVITIES NET CASH INFLOW</b>		<u>1,742</u>
<b>SERVICING OF FINANCE</b>		
<u>Outflows</u>		
Interest paid	65	
<u>Inflows</u>		
Interest received	<u>337</u>	272
<b>CAPITAL ACTIVITIES</b>		
<u>Outflows</u>		
Purchase Of Fixed Assets	911	
<u>Inflows</u>		
Sale of Fixed Assets	<u>89</u>	(822)
<b>NET CASH INFLOW BEFORE FINANCING</b>		1,192
<b>MANAGEMENT OF LIQUID RESOURCES</b>		
Net Increase in short term investments	(1,665)	
Net increase in short term deposits	<u>46</u>	(1,619)
<b>FINANCING</b>		
<u>Inflows</u>		
New loans raised		426
<b>DECREASE IN CASH</b>		<u>(1)</u>

1. Reconciliation of revenue cash flow

	£000	£000
Surplus for the year		-
Interest (net)		(316)
<u>Add back non cash transactions</u>		
Voluntary debt repayment provision	57	
Contribution to earmarked revenue reserve	1,357	
Contribution from resource centre managers reserve	4	
Contribution to capital outlay	476	
Contribution from capital reserve	705	
Contribution from bad debt provision	(6)	
Contribution from hydrants provision	(76)	
Contribution to pensions provision	153	2,670
<u>Adjustment for items on an accruals basis</u>		
Decrease in debtors	(71)	
Decrease in creditors	(541)	(612)
<b>Revenue Activities Net Cash Flow</b>		<b>1,742</b>

2. Movement in liquid resources and cash

	As at 31/3/01 £000	As at 31/3/00 £000	Movement during year £000
<b>Liquid Resources</b>			
Investments (short term)	(6,112)	(4,447)	(1,665)
Bank Overdraft	294	285	9
Stocks	(197)	(214)	17
Debtors	(167)	(191)	24
Creditors	5	9	(4)
	<u>(6,177)</u>	<u>(4,558)</u>	<u>(1,619)</u>
<b>Cash</b>			
Imprest Accounts	4	5	(1)
Movement in long term borrowing	1,330	904	426
<b>NET CASH OUTFLOW</b>	<u>(4,843)</u>	<u>(3,649)</u>	<u>(1,194)</u>

**CHESHIRE FIRE AUTHORITY**

**STATEMENT OF TOTAL MOVEMENT IN RESERVES 2000-01**

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	Capital Financing Reserve	Usable Capital Receipts	Capital Reserve	Ear marked Reserve	RCM #	
	£000	£000	£000	£000	£000	£000	£000
<b>Balance as at 1 April 2000</b>	<b>(31,841)</b>	<b>1,445</b>	<b>(241)</b>	<b>-</b>	<b>(1,718)</b>	<b>13</b>	<b>(32,342)</b>
Net Surplus/deficit for year		793					793
Transfer to revenue reserve (net)					(1,357)	(4)	(1,361)
Transfer to capital reserve				(705)			(705)
Revaluation of Assets	181						181
Effects of disposal of fixed assets:- Cost or value of assets disposed of	66						66
Proceeds of disposal			(64)				(64)
Net (surplus)/deficit Financing of Fixed Assets	247	793	(64)	(705)	(1,357)	(4)	(1,090)
<b>Balance as at 31 March 2001</b>	<b>(31,594)</b>	<b>2,238</b>	<b>(305)</b>	<b>(705)</b>	<b>(3,075)</b>	<b>9</b>	<b>(33,432)</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. 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 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 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.