

CHESHIRE FIRE AUTHORITY

MEETING OF : FIRE AUTHORITY
DATE : 12 SEPTEMBER 2002 ITEM: 2
REPORT OF : TREASURER

SUBJECT : STATEMENT OF ACCOUNTS 2001-02

Summary

- 1 The Authority is required to approve the Statement of Accounts for 2001/02 by 30 September 2002. Attached to this paper is the Statement.

Recommendation

- 2 That the Statement of Accounts for 2001/02 be approved.

Background

- 3 The draft Statement of Accounts for 2001/02 is attached as an Appendix to this report. The Accounts 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. A verbal report by the Treasurer will be given at the meeting.

2001/02 Statement of Accounts

- 5 The Authority at its meeting on 20 June 2002, received a report on the provisional revenue and capital outturn for 2001/02. Following the external audit of the accounts, there have been some changes to the final expenditure figures. The outcome of these adjustments is that the provisional outturn has reduced from an underspend of £733,000, to an underspend of £698,000. It was found that, as a result of an adjustment to the cashflow, additional interest accrued to 2001/02 of £11,000. This was offset by the need to post back to 2001/02 late invoices totalling £46,000. The net impact of these adjustments is to reduce the underspend by £35,000, to £698,000.

Revenue

- 6 The final outturn underspend of £698,000 relates to the following Resource Centres:-

	£000	
Service Operations	99	Overspent
Firefighters Pensions	718	Underspent
Interest on cash balances	34	Underspent
Other Budgets	45	Underspent
Total	698	Underspent

7 At the meeting on 20 June 2002, the Authority agreed to utilise part of the 2001/02 underspend to fund the following projects:-

- [1] The provision of a Portacabin to alleviate the accommodation problems at Service Headquarters
£75,000
- [2] Pump priming to start the asset management issues at Macclesfield, Runcorn, Nantwich and Ellesmere Port
£150,000
- [3] Allocate funds to develop the Community Fire Safety Centre at Chester
£100,000
- [4] Systems change-out, temporary Support Staff
£60,000
- [5] The balance of £313,318 to be transferred to the earmarked reserve.

8 Note 15 to the Balance Sheet analyses the earmarked reserve, which now stands at £3,097,000.

9 The Revenue Account also shows a provision for debt repayment of £88,000. This is explained in Note 8 to the Revenue Account. The CFA has agreed that a provision above the statutory minimum of 4% should be made to recognise the estimated life of the assets being financed from loan.

Capital

10 Capital expenditure amounted to £1,023,000. This represents £774,000 from the capital programme and £249,000 structural maintenance which was funded from the revenue account, but which accounting rules state should be treated as capital, as it effectively improves or maintains the value of the property. In addition, there are capital commitments of £475,000, which have been charged against the Revenue Account as a contribution to a capital reserve. These commitments relate to slippage in the capital programme, the largest element of which refers to the provision for the construction of the Realistic Fire Training Centre [£397,000], the balance being made up of provisions for rescue enhancements, management information systems and communication developments.

- 11 Capital receipts from the sale of property totalling £40,000 were received in the year. These can be used to finance future years' capital expenditure. They have been added to the earmarked reserve and shown on the Balance Sheet as usable capital receipts. Members have agreed to utilise these receipts to fund the provision of a new fire station at Neston.

Overall

- 12 The Statement of Accounts shows the financial results of the fourth year of the Cheshire Fire Authority. They represent a firm foundation on which the CFA can prepare for the future.

AUTHOR: PETER MATTHEWS/LIZ LUNN

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

**BACKGROUND PAPERS:
NONE**

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CHESHIRE FIRE AUTHORITY

STATEMENT OF ACCOUNTS

2001-02

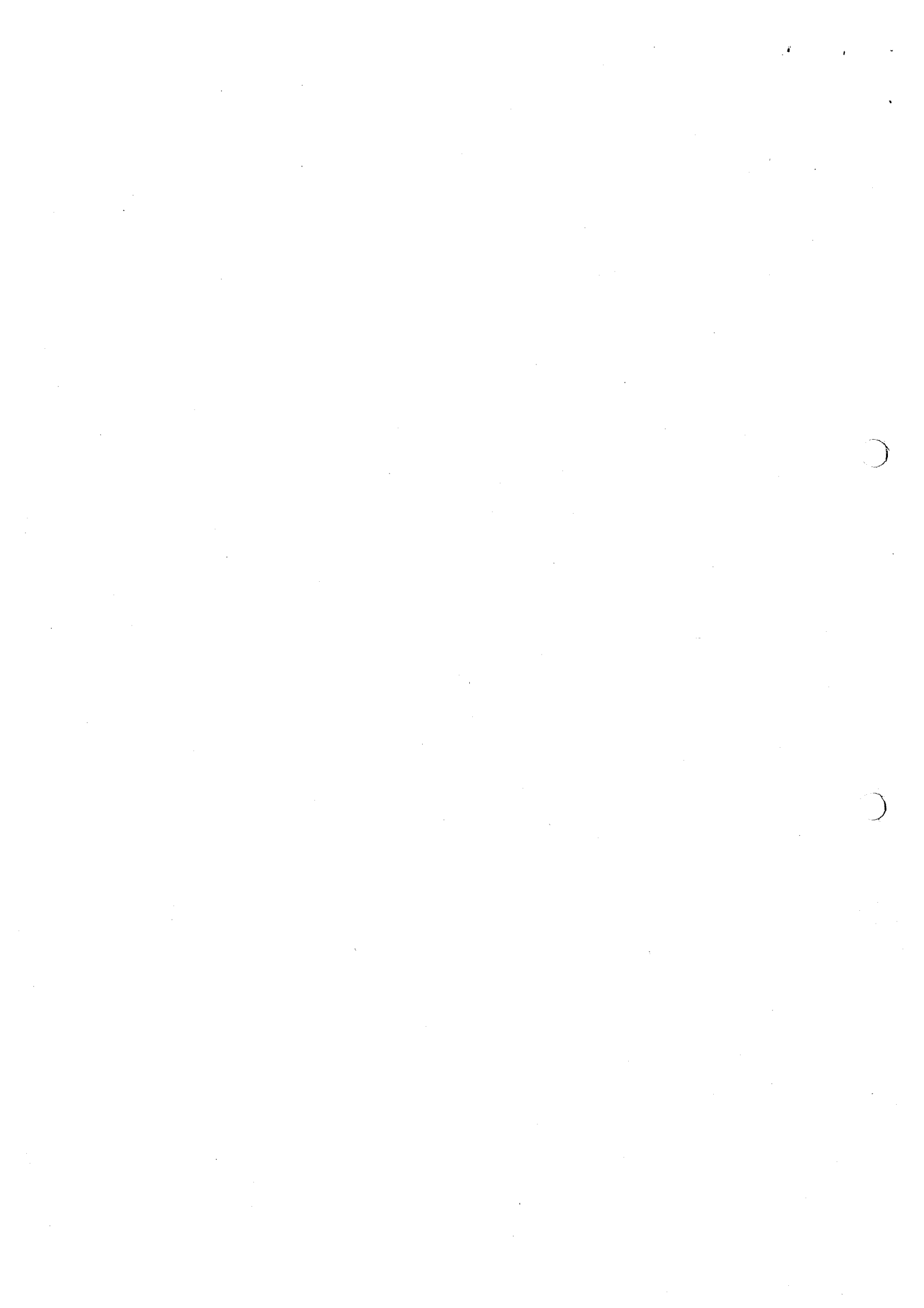


Cheshire Fire Authority
Statement of Accounts 2001-02

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Capital expenditure during the year was £1,498,000 including £525,000 of slippage from 2000-01 and £973,000 of the 2001-02 capital programme against a budget of £1,448,000. £475,000 has been transferred to the capital reserve to fund slippage.

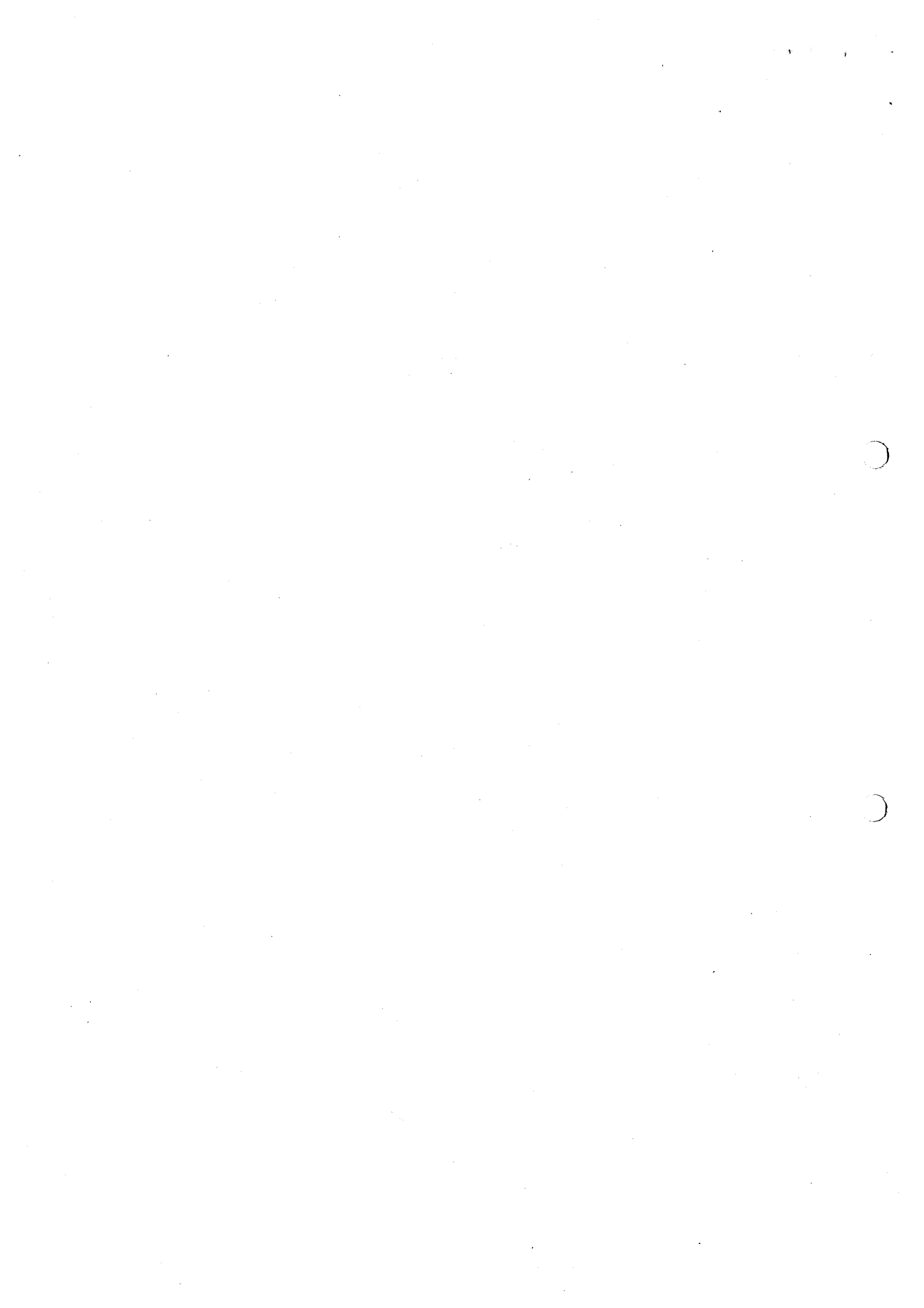
The Fire-fighters' Pension Scheme allows fire-fighters to retire at age 50 providing they have 30 years service. There is a compulsory retirement age of 55 (or 60 for Assistant Divisional Officers and higher ranks). Up to a quarter of the annual pension can be commuted to a lump sum payment. A provision 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 £794,836.

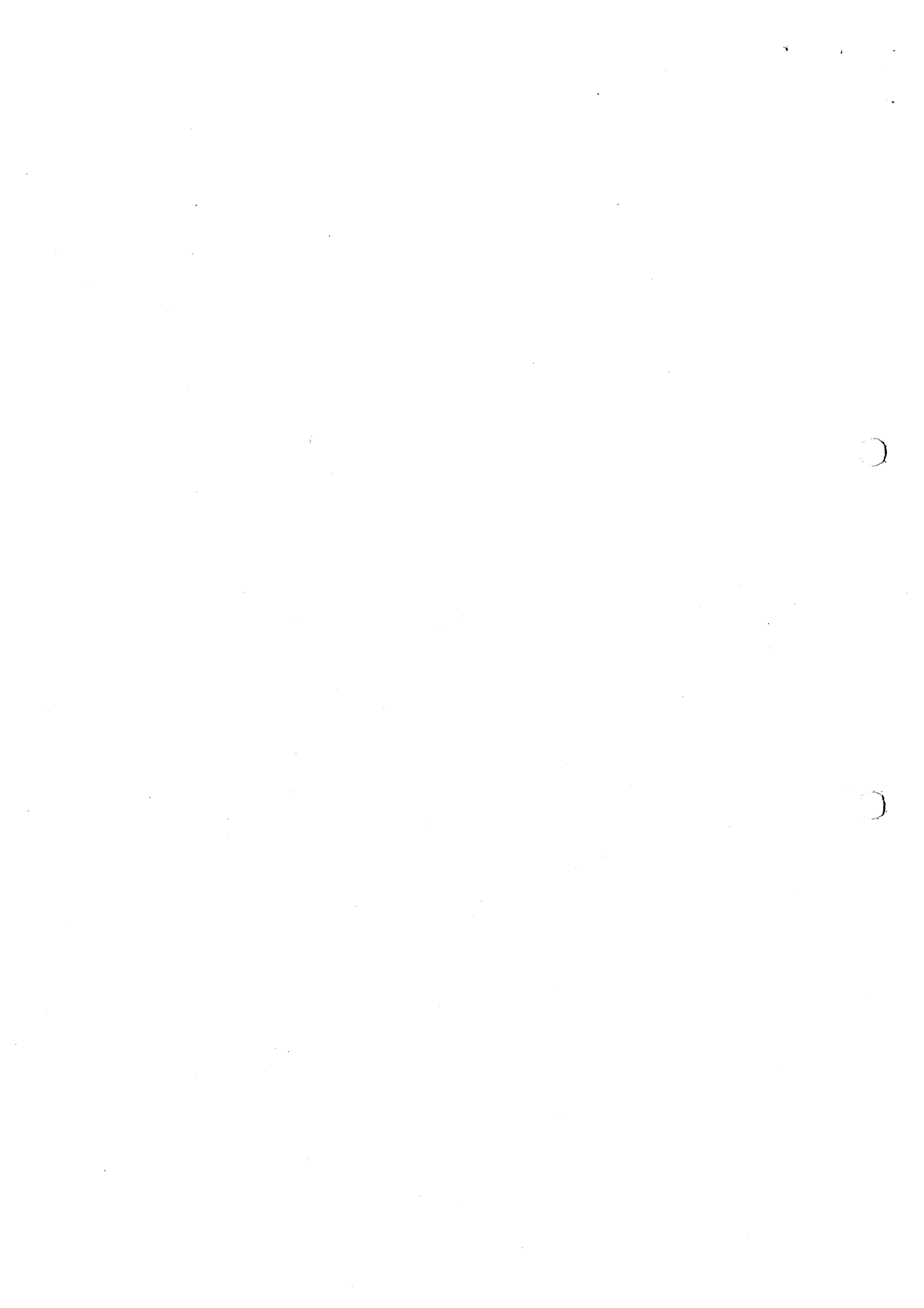
Further Information

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 , Mr Darren Griffiths, on telephone number 01244 602642.

Liz Lunn BA, CPFA
Treasurer
Cheshire Fire Authority

Date





CORPORATE GOVERNANCE

Cheshire Fire Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, members and senior officers are responsible for putting in place proper arrangements for the governance of Cheshire Fire Authority affairs and the stewardship of the resources at its disposal. To this end, Cheshire Fire Authority is working towards developing a Code of Corporate Governance that will be consistent with the requirements of the CIPFA/SOLACE Framework 'Corporate Governance in Local Government : A Keystone for Community Governance'.

The Fire Authority has considered the topic of Corporate Governance and has asked that an assessment of the current arrangements against the CIPFA/SOLACE framework be undertaken and initially considered by the Standards Committee. Specifically the following work has been commissioned:

- (i) internal and external audit undertake an overall stock take of the adequacy of the Authority's existing corporate governance arrangements against the checklist.
- (ii) The Chief Fire Officer, Secretary and Treasurer develop and refine the Service risk assessment during 2002-03.

Once the assessment has been completed a Corporate Governance action list and a code will be brought forward for approval by Members. Following the approval of a Code of Corporate Governance it is proposed that the Standards Committee monitor compliance with the code and report to the Authority.

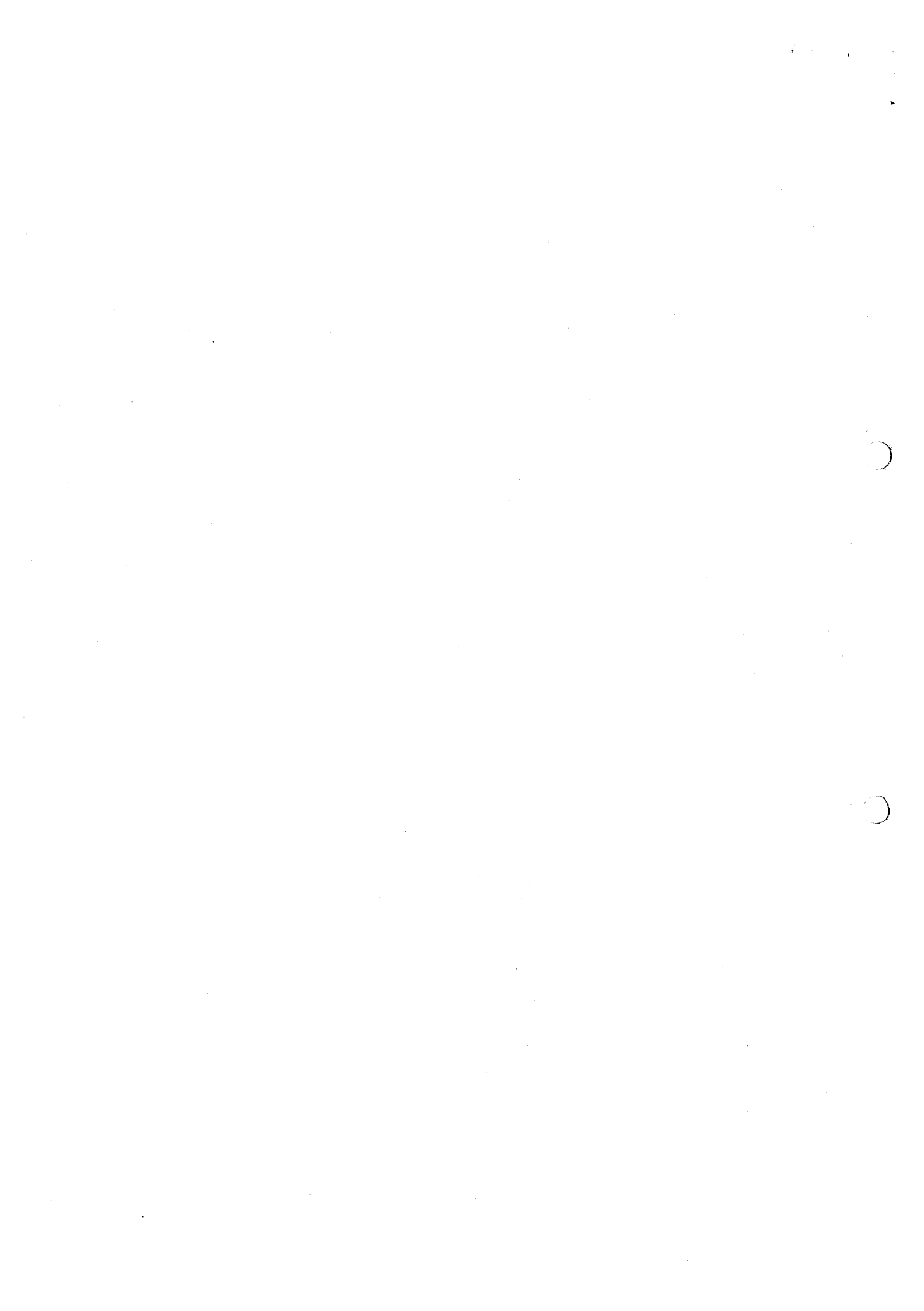
We are satisfied that the steps already taken will enhance our corporate governance arrangements and will ensure that a formal Code of Corporate Governance is in place by the end of the financial year 2002-03. Beyond this, steps will be taken to ensure that compliance with the Code is monitored and improvements put in place as part of a regular review process.

Signed.....

John Joyce, Chairman of the Fire Authority

Steve McGuirk, Chief Fire Officer

on behalf of the Members of Cheshire Fire Authority and senior officers of Cheshire Fire Service.



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 26 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

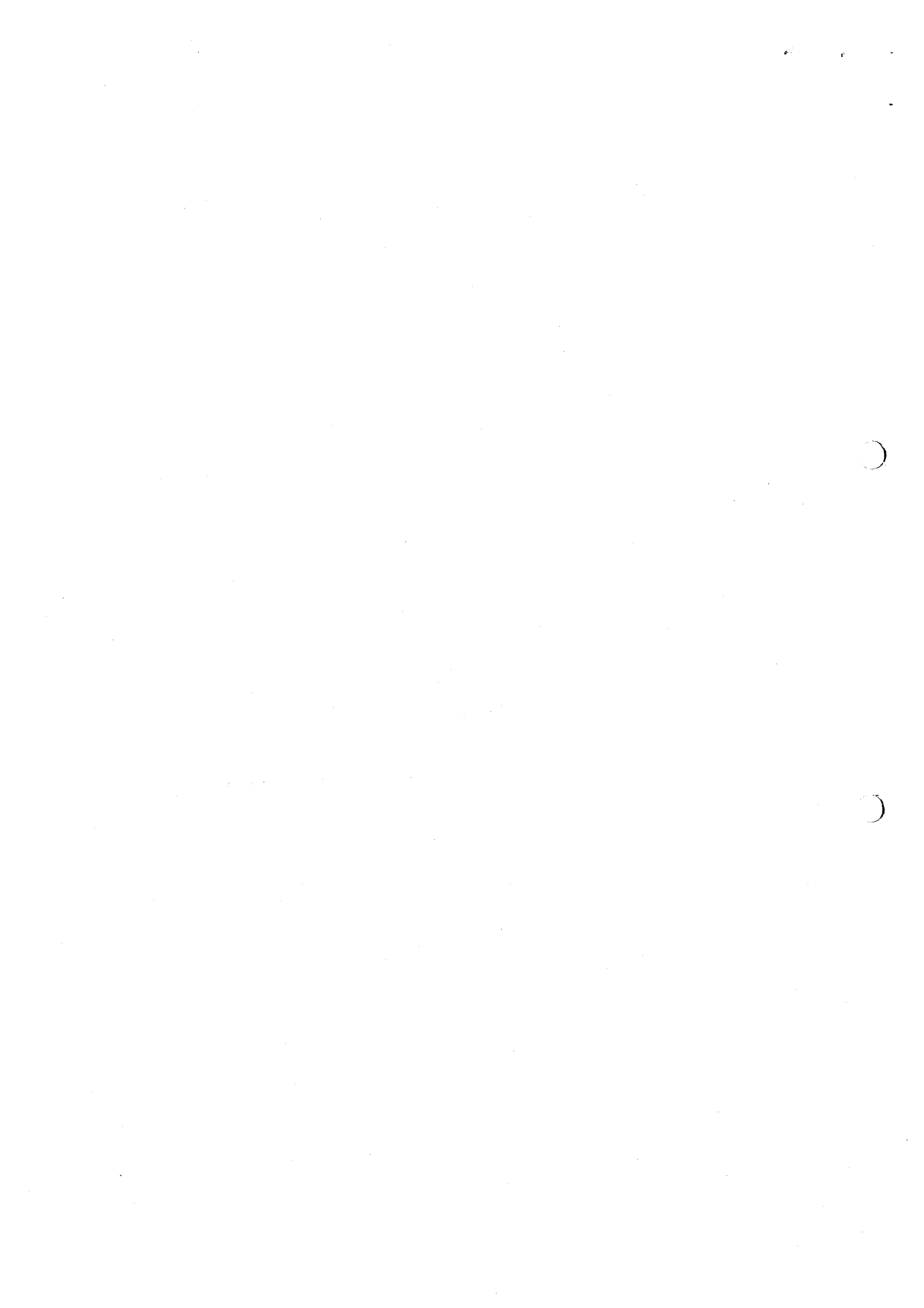
In our opinion the statement of accounts presents fairly the financial position of Cheshire Fire Authority at 31 March 2002 and its income and expenditure for the year then ended.

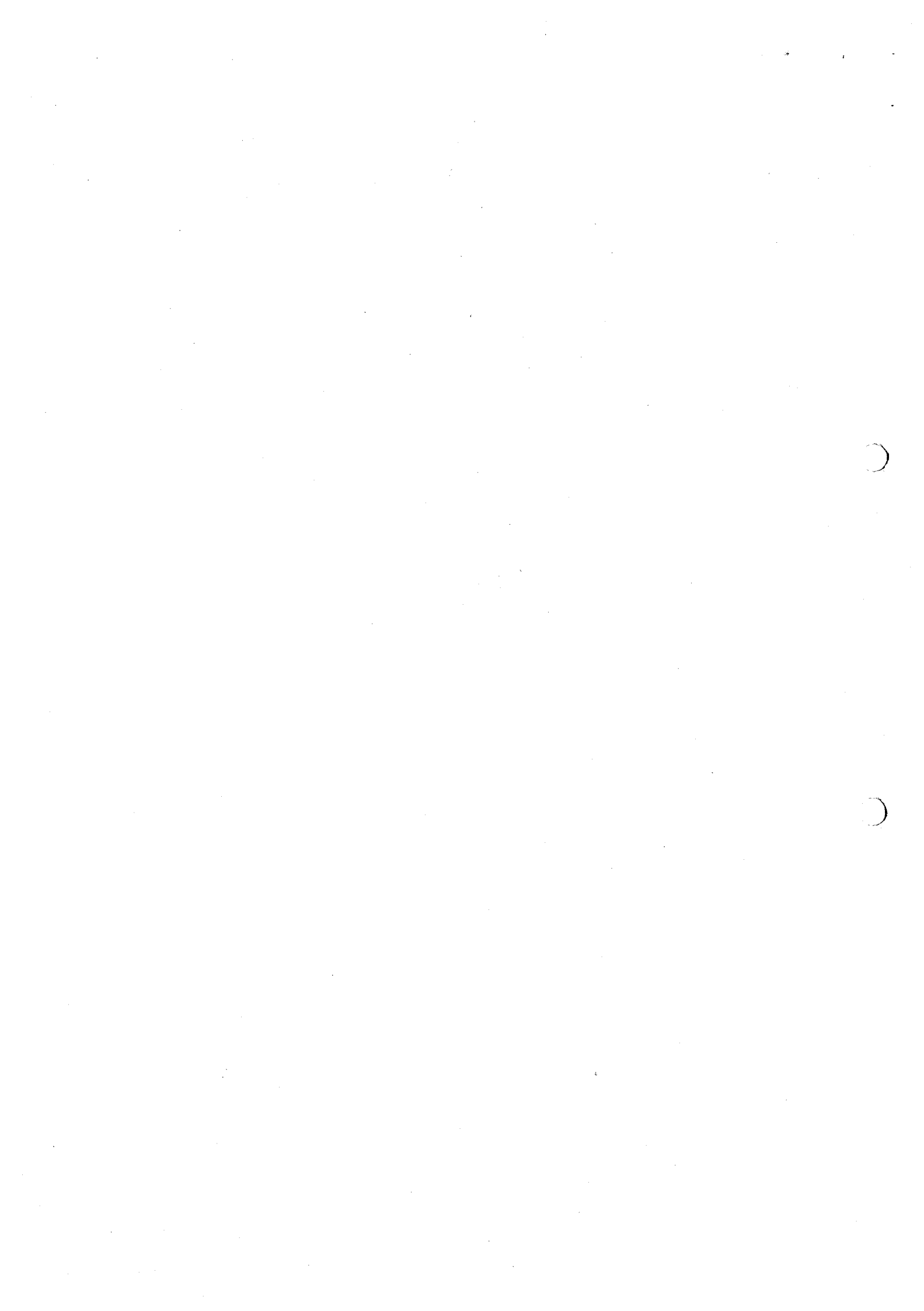
Certificate

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







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 firefighter's contributions from its annual revenue budget, together with the net effect of transfer values paid and received. Lump sum payments are also met from the revenue budget. (See note 4 to the revenue account)

b. Non-uniformed Staff

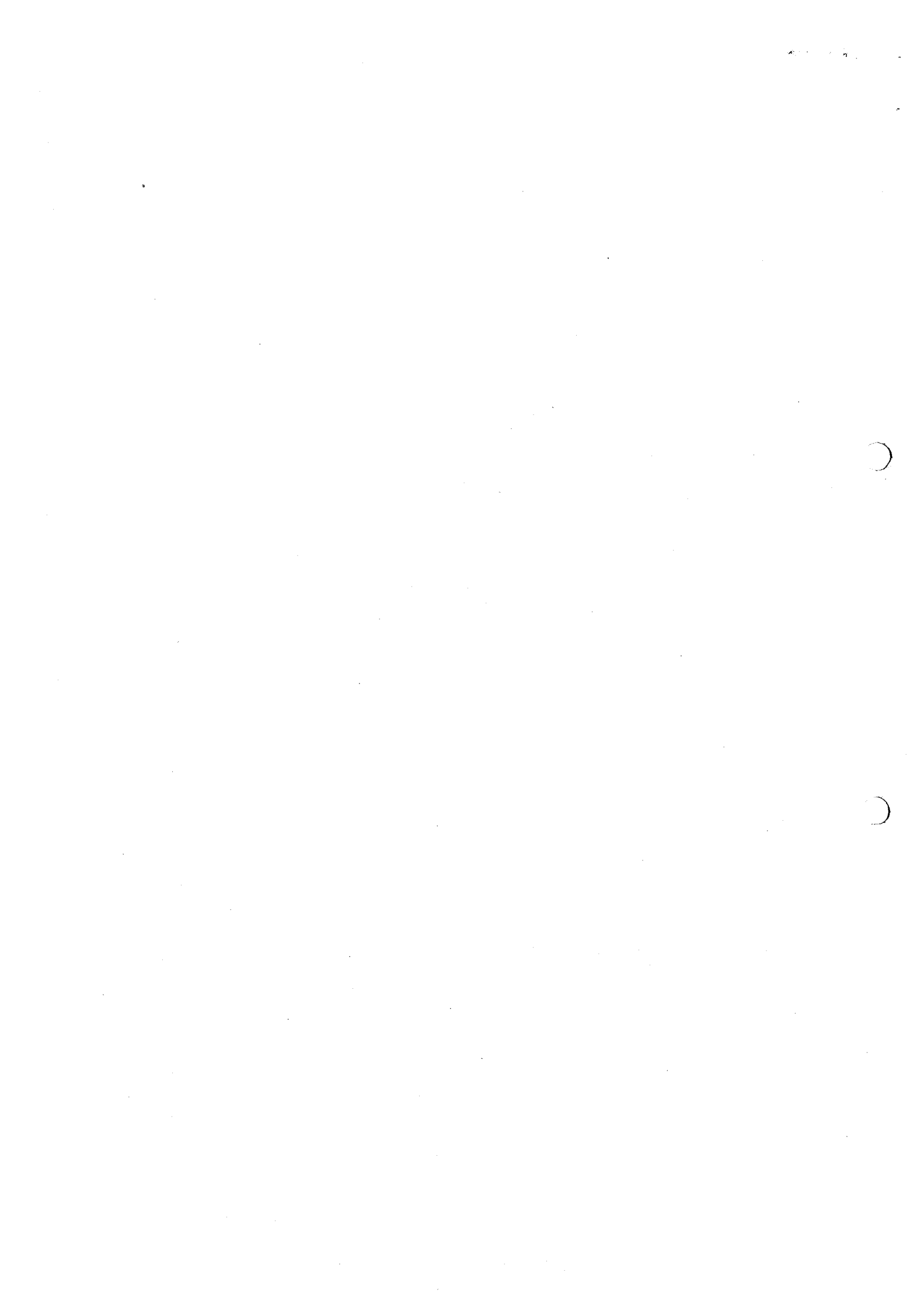
The Local Government Pension Scheme is a funded, defined benefits scheme, and is available to non-uniformed staff. The pension costs that are charged to the CFA's accounts in respect of non-uniformed staff represent the contributions paid to the funded scheme for these employees. Employer contribution rates are reviewed every 3 years. The review which took place at 31 March 1999 was effective for the three year period from 1 April 1999 to 31 March 2002. The employer contribution rate set at this review was 12%, which would be sufficient to meet 100% of existing and prospective liabilities, by around 2011-12 at the latest. (See note 3 to the revenue account)

Stocks

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

Investments

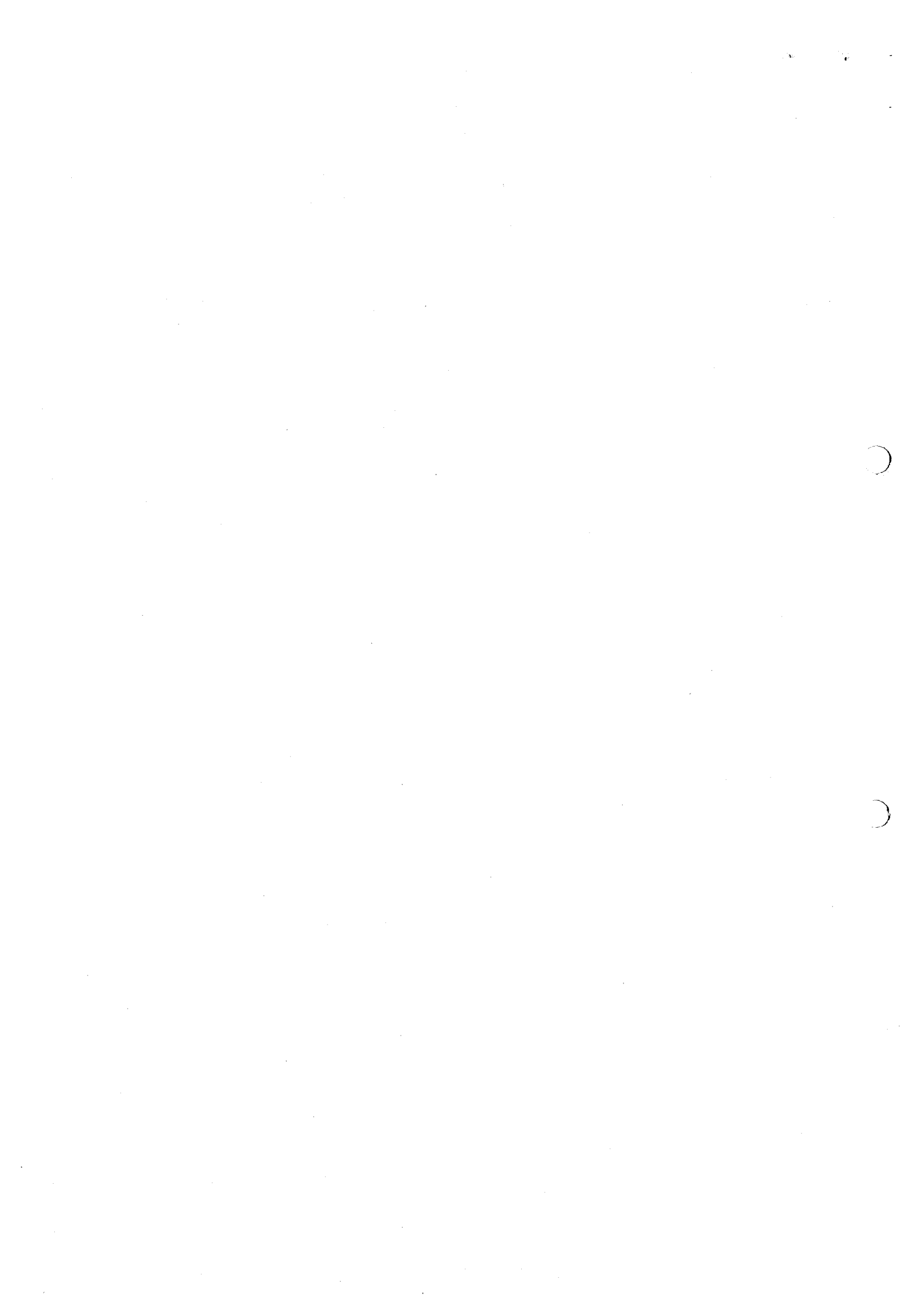
All investments are shown at the original cost price.



**CHESHIRE FIRE AUTHORITY
SUMMARY REVENUE ACCOUNT 2001-02**

Expenditure in Best Value Accounting Code of Practice Format

	Gross Expenditure 2001-02 £000	Income 2001-02 £000	Net Expenditure 2001-02 £000	Net Expenditure 2000-01 £000
Corporate & Democratic Core	638	384	254	262
Firefighting and Rescue Operations	25,054	810	24,244	23,220
Community Fire Safety	2,793	396	2,397	1,976
Pensions (Note 4 & 5)	6,584	2,184	4,400	3,386
Net Cost of Services	35,069	(3,774)	31,295	28,884
Other Operating Expenditure/Income				
Reversal of Notional Capital Charges			(3,086)	(3,175)
Net Expenditure			28,209	25,669
Appropriations				
Contributions to capital outlay			760	476
Contributions to/(from) capital reserve			(50)	705
Contributions to/(from) Earmarked Revenue Reserve (Note 9)			22	1,357
Contribution from Resource Centre Managers Reserve			394	4
Provision for debt repayment (Note 10)			89	57
Total cost of appropriations			1,215	2,599
Net Cost to be borne by Constituent Authorities			29,424	28,268
FINANCED BY:				
Contributions from Constituent Authorities-				
Cheshire County Council			21,076	20,240
Warrington Borough Council			5,367	5,176
Halton Borough Council			2,981	2,861
			29,424	28,268
Surplus/Deficit for the year			-	



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.

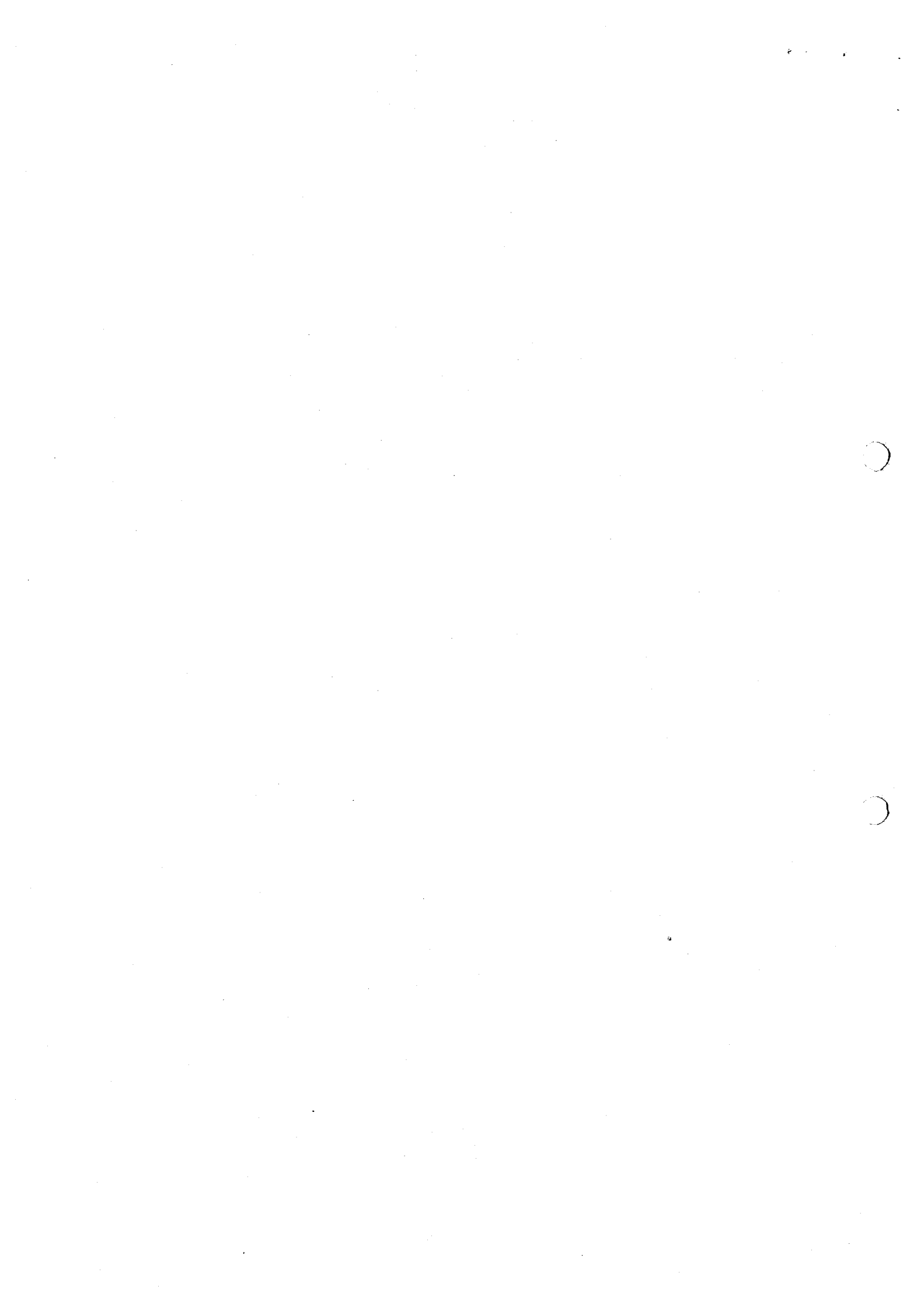
2 Summary Revenue Account

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

		2001-02 £000	2000-01 £000
Employees-	Uniformed	17,977	17,166
	Non Uniformed	1,981	1,672
	Other Employee Costs	470	442
Pensions (Net)	Note 4&5	4,023	3,353
Premises		1,118	973
Transport		746	740
Supplies, Services and Other Expenses		2,668	1,638
Agency and Contracted Services	Note 6	436	751
Total Fire Expenditure		29,419	26,735
Add:			
External Interest on debt	Note 7	89	65
Notional Capital Charges	Note 7	3,086	3,175
Gross Cost of Service		32,594	29,975
Income			
Service Income	Note 8	(917)	(750)
External Interest Received		(382)	(381)
Total Income		(1,299)	(1,131)
Net Expenditure		31,295	28,844
Less:			
Reversal of Notional Capital Charges		(3,086)	(3,175)
Net Cost of Service		28,209	25,669

3 Civilian Pension Costs – SSAP 24

In 2001-02 the CFA paid employer's contributions amounting to £244,000 (2000-2001 £336,000). This represented 12.00% (2000-2001 12%) of employees' pensionable pay (other than Fire Officers), into the Cheshire Pension Fund. The Fire 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's

Capitalised costs of Discretionary Retirements to 31 December 1999	263
Capitalised costs of Discretionary Retirements to 31 March 2001	133
Capitalised costs of Discretionary Retirements to 31 March 2002	-
Total	396

These discretionary retirement costs have already been substantially provided for by way of an uplift to employer contributions to the Fund (and included in the figures set out above) or, in the case of retirements since 31 December 1999, by way of additional payments to the Fund

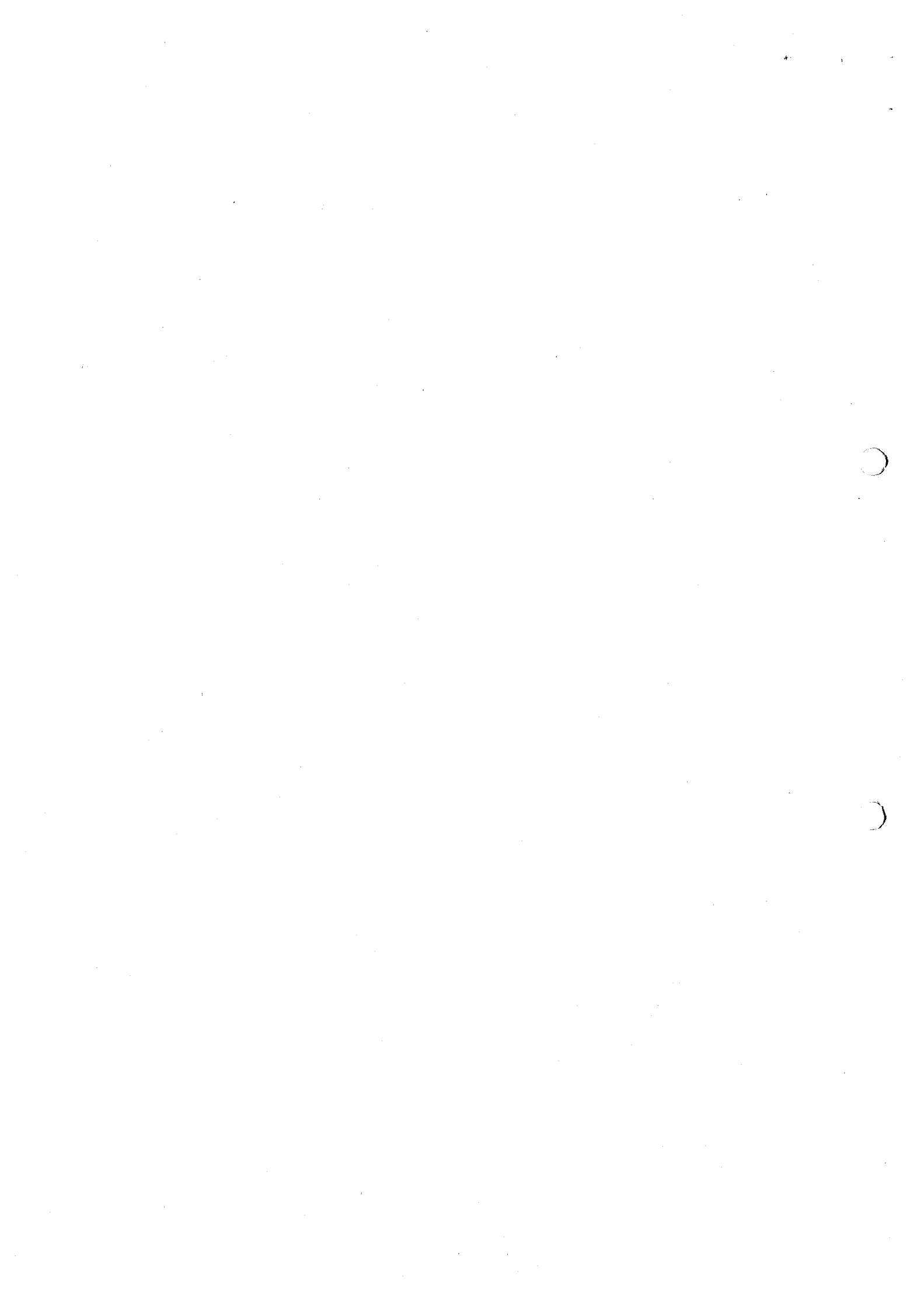
The rate of employers contributions to the Fund is determined every three years based on a valuation by the Fund's Actuary. The effective valuation for the 2001-02 year of account was undertaken as at 31 March 1998. The main actuarial assumptions were:

	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

A valuation of the Fund was undertaken at 31 March 2001. The Actuary has advised that employer contribution rates will need to increase as a result of improved life expectancy (meaning that pensions will be in payment for longer than was previously assumed) and to take account of reduced expectations for future investment returns. For the Fire Authority the employer contribution rate will increase to 14.7% of pensionable pay. The new rate will come into effect from 1 April 2002.

4 Uniformed Firefighters Pension Costs – SSAP 24

In 2001-02 the net cost of pensions and other benefits amounted to £4.023m, 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 £3.96m, representing 27.5% of pensionable pay, while the cost of spreading the unfunded accrued liability over 40 years would have been an additional £2.46m, representing 17.1% 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.

	2001-02 £000	2001-02 £000	2000-01 £000
Expenditure			
Annual Pensions	4,387		4,037
Commutations	1,397		1,179
Transfer Values Paid	379		65
Other costs	44		47
Sub-Total		6,207	5,328
Less Employees Contributions	(1,600)		(1,550)
Transfer Values Received	(434)		(270)
Other income	(150)		(155)
Sub-total		(2,184)	(1,975)
Net Expenditure		<u>4,023</u>	<u>3,353</u>

6 Agency Services

	2001-02 £000	2000-01 £000
Section 12 payments to		
Staffordshire	16	2
Merseyside	0	14
Services Bought In	<u>420</u>	<u>735</u>
	<u>436</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.

	2001-02 £000	2000-01 £000
External Interest Payable	89	65
Provision for Depreciation	1,282	1,326
Surplus on Asset Management Revenue Account	1,715	1,784
Notional Capital Charges	<u>3,086</u>	<u>3,175</u>

Reconciliation of Net Operating Expenditure
(Per CIPFA Accounting Code of Practice)

	2001-02 £000	2000-01 £000
Net Cost of Service –per Revenue Account	28,209	25,669
Add:		
Provision for depreciation	1,282	1,326
	<u>29,491</u>	<u>26,995</u>



8 Income

	2001-02	2000-01
	£000	£000
Sales	148	147
Fees	93	89
Invest to Save Contributions	153	55
Contributions from Princes Trust Volunteers	283	186
Other Income	240	273
	<u>917</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 on behalf of the constituent authorities and used primarily to fund pension commutation costs under the firefighters' pension scheme in future years budgets.

In setting the 2001-02 budget it was agreed that £291,000 of this reserve would be used. As a result, the transfer of the 2001-02 net underspend of £313,000, has been partially offset by the £291,000. The net effect is therefore an increase of £22,000 on the year:-

	2001-02	2000-01
	£000	£000
Cheshire County Council	16	972
Warrington Borough Council	4	248
Halton Borough Council	2	137
	<u>22</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 2001 was £1,324,736 and therefore the minimum debt provision requirement for 2001-02 is £52,990. However the Authority has decided to make a voluntary debt repayment provision of £35,768 to recognise the estimated life of the assets being financed from loan.

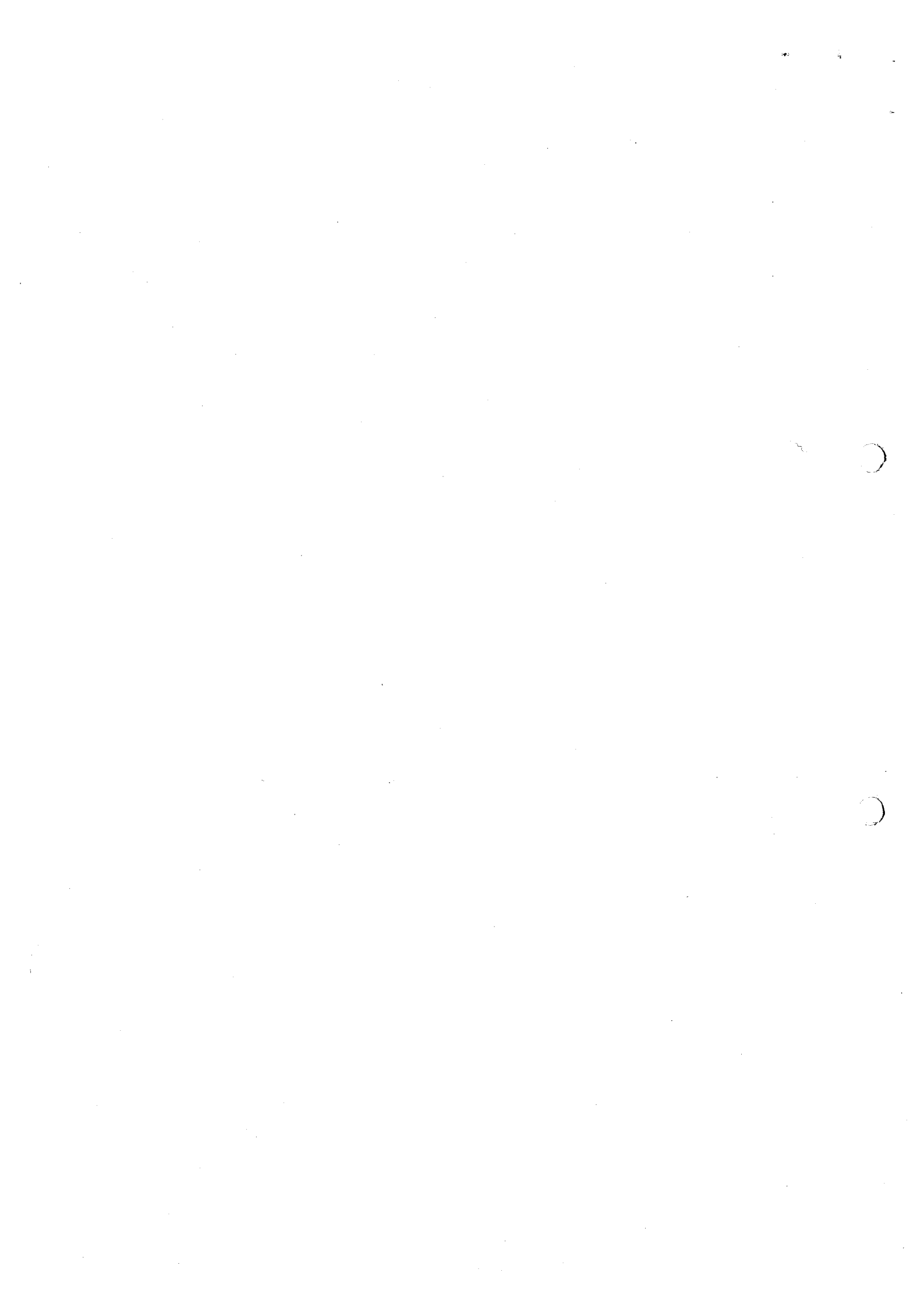
11 Recruitment and Publicity

Expenditure on publicity, as defined under the Local Government Act 1986, Section 5, totalled £81,527.

12 Officers' Emoluments

In accordance with the Accounts and Audit Regulations 1996, Section 6(2), the number of employees whose taxable emoluments for 2001-02 exceeded £40,000 is detailed below:

£	Number of Officers	
	2001-02	2000-01
40,000-49,999	4	4
50,000-59,999	0	2
60,000-69,999	2	0
70,000-79,999	0	1
80,000-89,999	1	-
90,000-99,999	-	-



13 **Leases**

The Authority has no finance leases. Payments under operating leases in 2001-02 amounted to £209,544.

Operating lease committed payments expiring in the next financial year

Commitments expiring next year	£ 38,779
Commitments expiring in 2 to 5 years	£114,948
Commitments expiring after 5 years	0

14 **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:

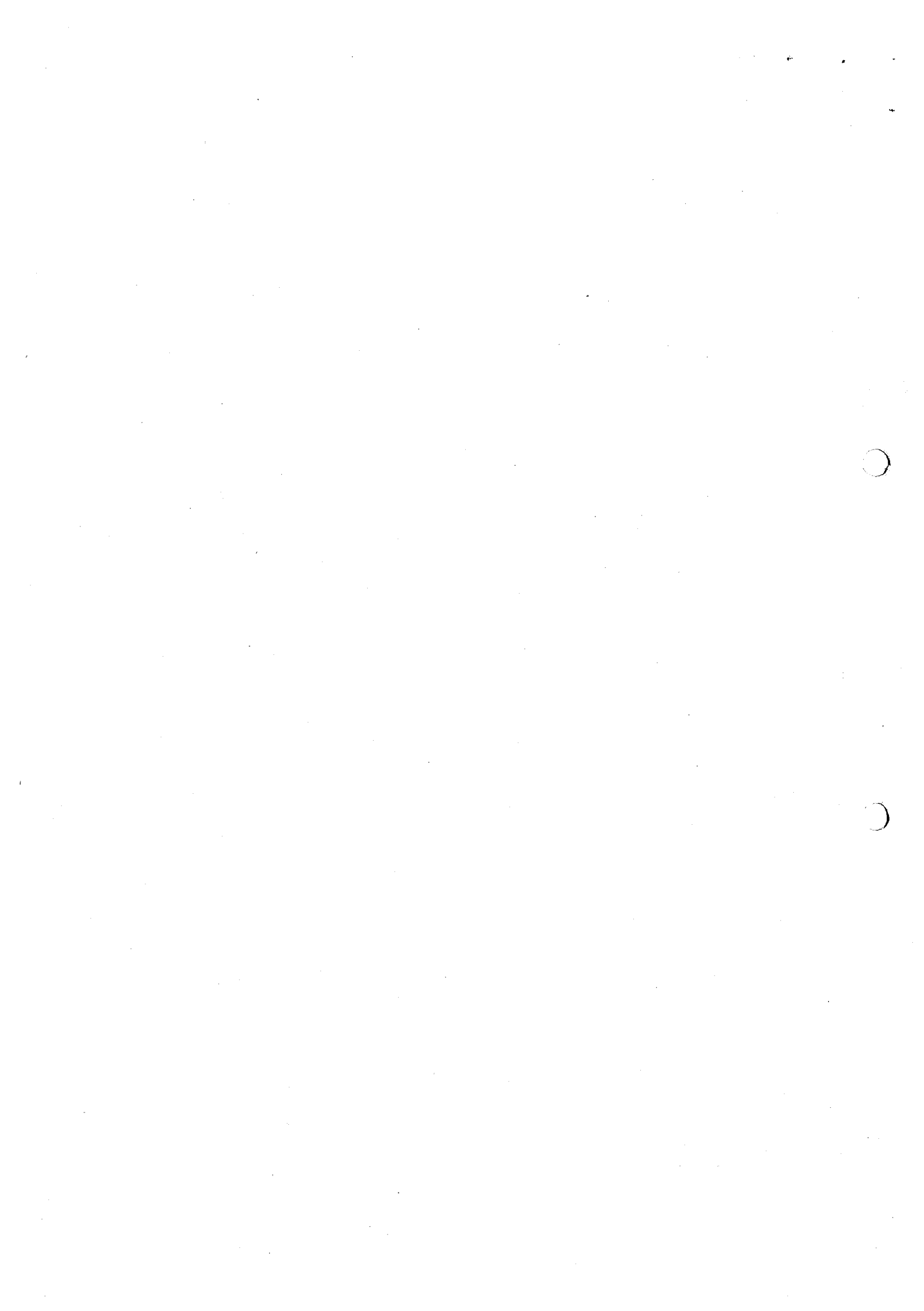
- (1) Partnership arrangements with organisations in the voluntary or independent sectors.
- (2) Members, Chief Officers,(including their close family) and the Fire Authority.



CHESHIRE FIRE AUTHORITY

BALANCE SHEET 2001-02

		2001-02		2000-01	
		£000	£000	£000	£000
FIXED ASSETS					
Operational Assets	Note 1				
Property		26,586		26,412	
Vehicles		3,175		3,108	
Equipment		1,087	30,848	1,125	30,645
TOTAL LONG TERM ASSETS			30,848		30,645
CURRENT ASSETS					
Stocks	Note 2	206		197	
Debtors and prepayments	Note 3	920		835	
Investments (Short Term)	Note 4	7,198		6,112	
Cash in Hand		5	8,329	4	7,148
Less Current Liabilities					
Creditors	Note 5	(2,513)		(1,796)	
Cash Overdrawn		(450)	(2,963)	(295)	(2,091)
TOTAL ASSETS LESS CURRENT LIABILITIES			36,214		35,702
Long Term Creditor					
Long Term Creditor	Note 6		(80)		(86)
Long Term Borrowing					
Long Term Borrowing	Note 7		(1,936)		(1,330)
Provisions					
Provisions	Note 9		(795)		(854)
TOTAL ASSETS LESS TOTAL LIABILITIES			33,403		33,432
REPRESENTED BY NOTIONAL CAPITAL ACCOUNTING RESERVES					
Fixed Assets Restatement Reserve	Note 10	31,580		31,594	
Capital Financing Reserve	Note 11	(2,659)	28,921	(2,238)	29,356
Earmarked Reserves					
Capital reserve	Note 12	655		705	
Usable capital Receipts	Note 13	345		305	
Resource Centre Managers Reserve	Note 14	385		(9)	
Earmarked Revenue Reserve	Note 15	3,097	4,482	3,075	4,076
TOTAL EQUITY			33,403		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 2001-02. 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
Net Book Value at 1 April 2001	26,412	3,108	1,125	30,645
Gross Book Value at 1 April 2001	27,511	6,406	3,265	37,182
* Additions	712	538	248	1,498
Disposals	(10)	(192)		(202)
* Revaluations and Restatements			(388)	(388)
Gross Book Value at 31 March 2002	28,213	6,752	3,125	38,090
Depreciation at 1 April 2001	1,097	3,308	2,132	6,537
Charge for the year	567	419	294	1,280
Disposals		(150)		(150)
Revaluations and Restatements			(426)	(426)
Depreciation at 31 March 2002	1,664	3,577	2,000	7,241
Net Book Value at 31 March 2002	26,549	3,175	1,125	30,849

- Vehicles include £515,000 for five vehicles which were under construction as at 31 March 2002 and which have not been depreciated.
- Revaluations and Restatements includes the writing out of the gross book value of equipment purchased in 1988-89 and 1990-91 (£426,400) offset by the capitalisation of equipment purchased in 2000-01 (£38,000)

Valuation

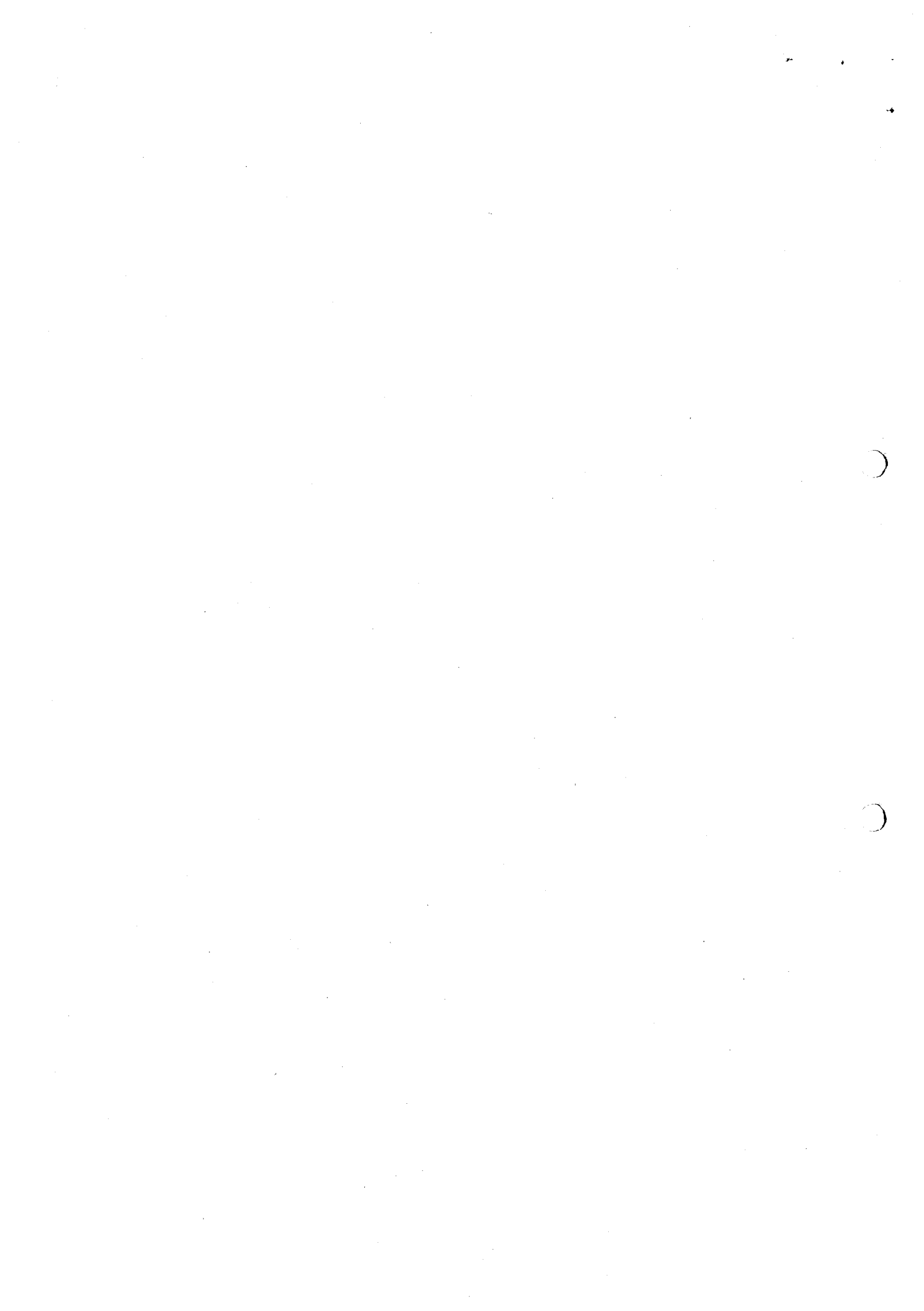
The freehold and leasehold properties that comprise the Authorities property folio have been valued by Cheshire County Council's Property Manager, Ian Gould FRICS. The valuations have been prepared on the basis set out below in accordance with the Statement of Asset Valuation Practice and Guidance Notes 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 2002 include the following:-

Fire Stations (including Headquarters and Control Room)	25
Fire Houses	53
Vehicles	89



2 Stocks

	2001-02	2000-01
	£000	£000
Uniforms	92	78
Vehicle Spares	94	93
Fuel	20	26
	<u>206</u>	<u>197</u>

3 Debtors

	2001-02	2000-01
	£000	£000
General Debtors < than 1 year old	523	408
Payments in advance-April Pensions	361	383
Payments in advance-trade creditors	5	
Outstanding interest payments	31	44
Capital Debtor	0	
	<u>920</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.

	2001-02	2000-01
	£000	£000
Cheshire County Council	2,198	2,112
Money Market Deposits	5,000	4,000
	<u>7,198</u>	<u>6,112</u>

5 Creditors

	2001-02	2000-01
	£000	£000
Trade Creditors	1,934	1,351
Holding Accounts	154	90
Pay accruals	425	355
	<u>2,513</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 2001 debt outstanding was £1,330,000. During the year a further loan was taken out for £606,000 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.

	Public Works Loan Board
	£000
<u>Debt Maturity</u>	
7-15 years	437
More than 15 years	1,499
Total	<u>1,936</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.

	2001-02	2000-01
	£000	£000
Balance at 1 April	128	71
Provision for debt repayment	88	57
Balance at 31 March	<u>216</u>	<u>128</u>

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 2002, but have not elected to do so.

	2001-02	2000-01
	£000	£000
Balance of Provision at 1 April	855	702
Additional provision made in year	516	575
Amounts used in year	(576)	(422)
Balance of provision at 31 March	<u>795</u>	<u>855</u>

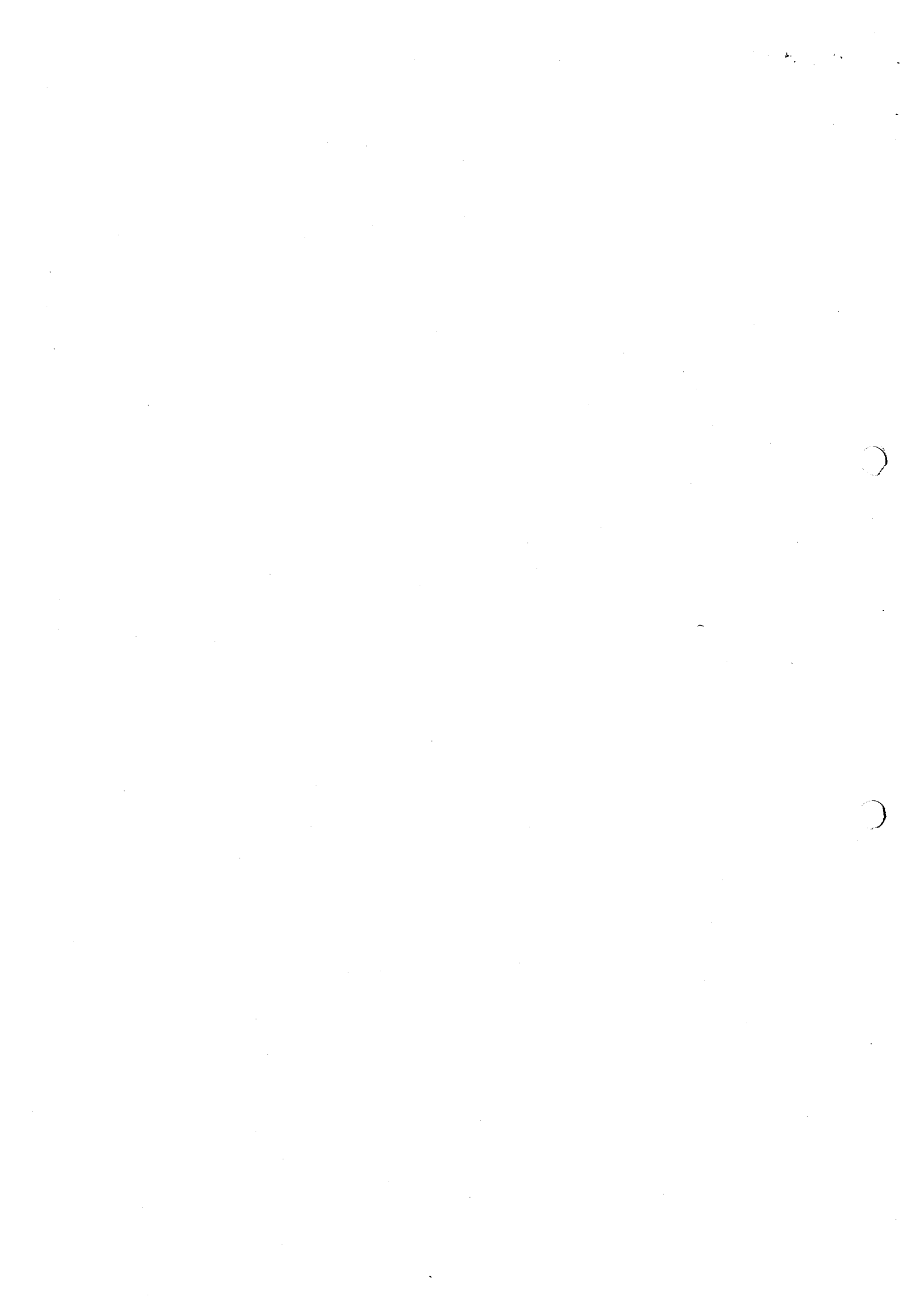
10 **Fixed Asset Restatement Reserve**

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.

	2001-02	2000-01
	£000	£000
Balance at 1 April	31,594	31,841
Disposal of Fixed Assets	(51)	(66)
Revaluation of Fixed Assets	37	(181)
Write out of accumulated depreciation	-	-
Balance at 31 March	<u>31,580</u>	<u>31,594</u>

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.



	2001-02 £000	2000-01 £000
Balance at 1 April	(2,238)	(1,445)
Capital Financing -		
Revenue Contribution Applied in Year	245	476
Capital Receipts Applied	-	-
Capital Reserve Applied	525	-
Provision for debt repayment	89	57
Depreciation charged to fixed assets	(1,280)	(1,326)
	<u>(2,659)</u>	<u>(2,238)</u>

12 Capital Reserve

The Capital reserve exists to meet slippage and known commitments.

	2001-02 £000	2000-01 £000
Balance at 1 April	705	-
Appropriation (to)\from revenue in year	(525)	705
Transfers to Revenue Account	475	-
Balance at 31 March	<u>655</u>	<u>705</u>

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.

	2001-02 £000	2000-01 £000
Balance at 1 April	305	241
Usable capital receipts in year	40	64
Capital receipts applied to schemes in year	-	-
Balance at 31 March	<u>345</u>	<u>305</u>

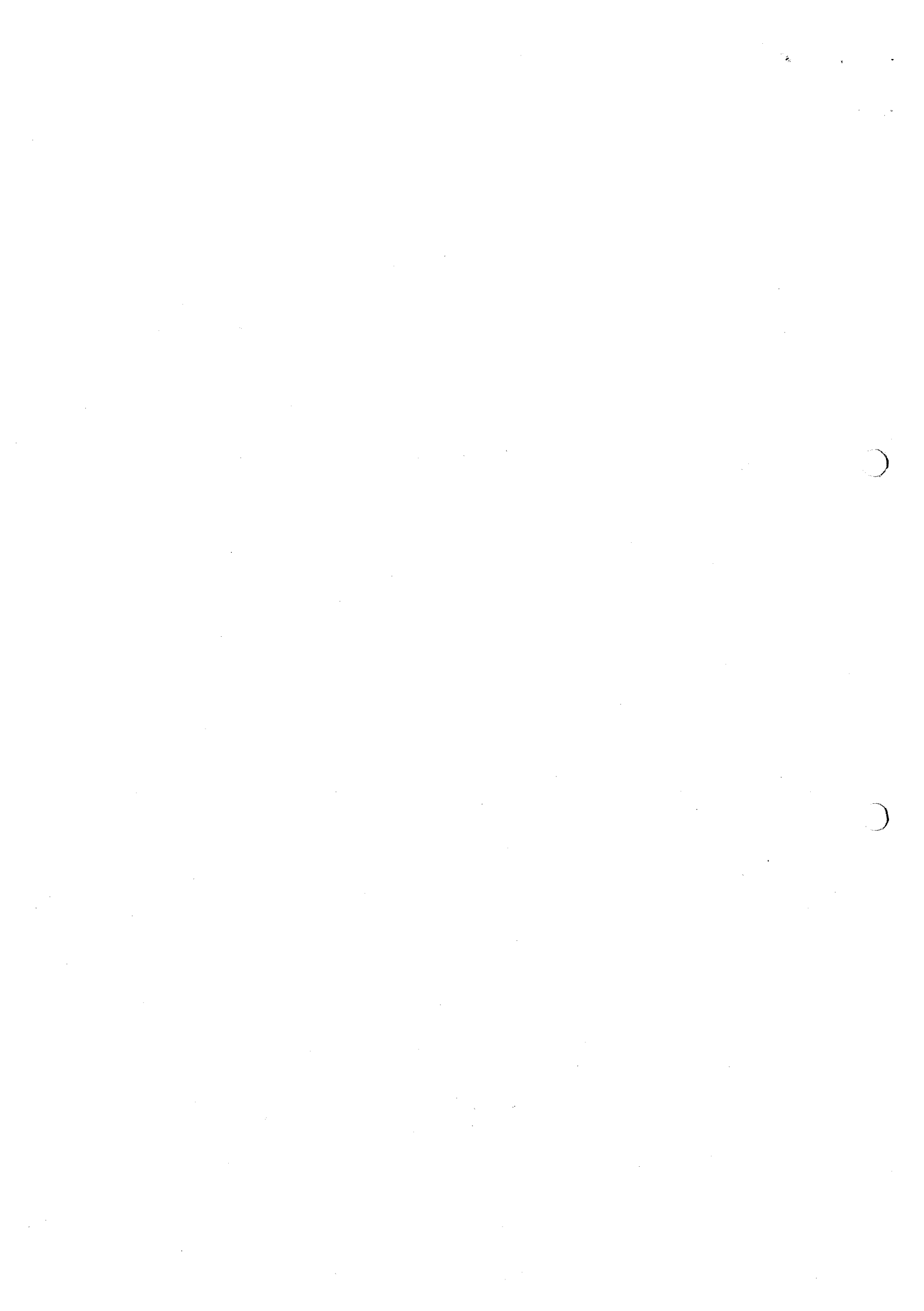
14 Resource Centre Managers Reserve

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

	2001-02 £000	2000-01 £000
Balance at 1 April	(9)	(13)
Transfer to (from) revenue in year	394	4
Balance at 31 March	<u>385</u>	<u>(9)</u>

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



	2001-02				2000-01			
	CCC £000	WBC £000	HBC £000	Total £000	CCC £000	WBC £000	HBC £000	Total £000
Balance at 1 April	2,202	561	312	3,075	1,230	313	175	1,718
Trsf to Rev	(208)	(53)	(30)	(291)	0	0	0	0
Trsf from Rev	224	57	32	313	972	248	137	1,357
Balance at 31 March	2,218	565	314	3,097	2,202	561	312	3,075

16 Capital Expenditure and Disposals

	2001-02 £000	2000-01 £000
Capital Expenditure		
Property	712	366
Vehicles	538	408
Equipment	248	233
	<u>1,498</u>	<u>1,007</u>

Capital Disposals

	2001-02 £000	2000-01 £000
Property	10	65
Vehicles	192	335
	<u>202</u>	<u>400</u>

Capital Expenditure was financed as follows

	2001-02 £000	2000-01 £000
Borrowing Approvals	734	531
Revenue Contribution	764	476
Capital Reserve	-	-
Capital Receipts	-	-
	<u>1,498</u>	<u>1,007</u>

17 Capital Contracts

The contract for the new Fire Awareness Training Unit was signed in March 2002. The value of this contract is £397,000.

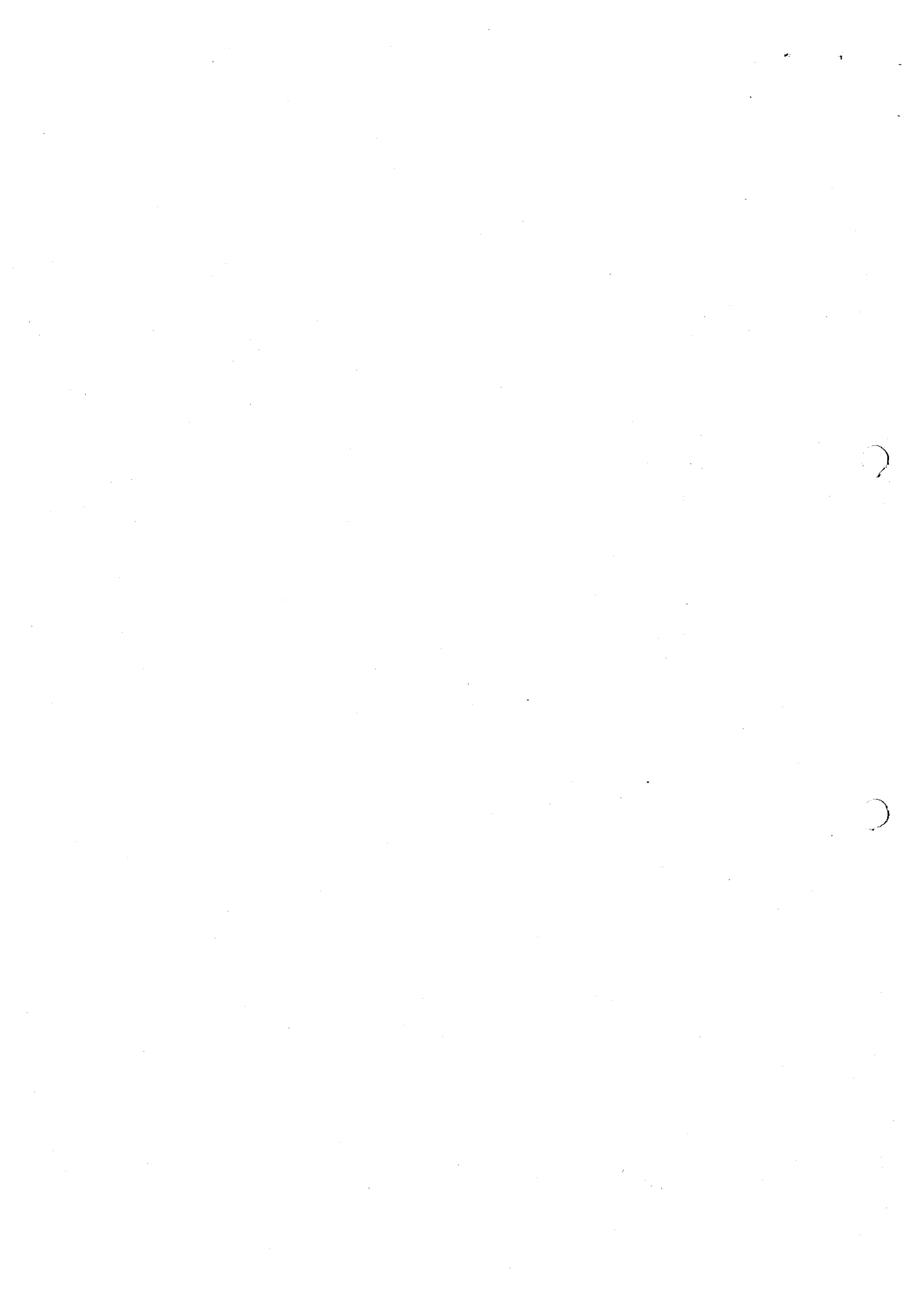
18 Contingent Assets

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

19 FRS 17

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

- Financial statements reflect at fair value the assets and liabilities arising from the employer's retirement benefit obligations and any unrelated funding;



- The operating costs of providing retirement benefits to employees are recognised in the accounting periods in which the benefits are earned by the employees and the related finance costs and any other changes in the value of the assets and liabilities are recognised in the accounting periods in which they arise; and
- The financial statements contain adequate disclosure of the cost of providing retirement benefits and the related gains, losses assets and liabilities.

For the Fire Authority FRS 17 will be implemented on a phased basis as follows:-

Accounting periods ending after

22 June 2001	Disclosure of year end balance sheet figures as a note to the accounts only.
22 June 2002	Disclosure of start and year end balance sheet figures and all performance statement figures as a note to the accounts only.
22 June 2003	Full implementation of FRS 17.

Local Government Pension Scheme

The following information reflects, on an FRS 17 basis, the Fire Authority's position with regard to participation in the Cheshire Pension Fund (the Fund) which is part of the Local Government Pension Scheme (LGPS) as at 31 March 2002.

The Fund is a statutory defined benefit final salary scheme and all employees of the Fire Authority (other than Fire Fighters) may participate in the Fund.

The main financial assumptions used in the FRS 17 calculation are set out below:

Assumptions as at 31 March 2002	Total % per year	Real % per year
Price increases	2.8	-
Salary increases	4.3	1.5
Pension Increases	2.8	-
Discount rate	6.4	3.5

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

Assets (Whole Fund)	Long Term Returns % per year	Fund Value at 31 March 2002 £000's	Proportion of the Fund %
Equities	7.5	1,121,317	76%
Bonds	5.5	168,887	12%
Properties	6.0	104,394	7%
Cash	4.0	72,377	5%
Total		1,466,975	100%

The Fire Authority's share of the Fund's Assets and the present value of its pension liabilities as assessed on an FRS 17 basis as at 31 March 2002 was:-

Net Pension Liability as at 31 March 2002	Cheshire Fire Authority £000's
Estimated employer Assets	6,230
Less Present Value of	



Employer pension liabilities	6,674
Net pension liability	(444)

The net pension liability identified above does not represent an immediate call on the Fire Authority's reserves. Rather this is the notional amount, using the FRS 17 calculation basis, by which the Fire Authority's pension liabilities exceed its share of the Fund's assets. The Fire Authority's actual liability to the Fund is reviewed every three years as part of the triennial valuation of the Fund. The County Council makes contributions to the Fund over the expected future working lifetime of its employees (typically a minimum of 15 years) to ensure the Fire Authority's share of the Fund's assets are sufficient to meet its liabilities. These contributions are described further in note 3 to the Revenue Account.

Firefighters Pension Scheme

The following information reflects, on an FRS 17 basis, the Fire Authority's position with regard to the Firefighters' pension scheme for the Cheshire Fire Authority as at 31 March 2002. Uniformed employees of the Cheshire Fire Authority may participate in the Firefighters' Pension Scheme, a defined benefit statutory scheme in accordance with the Firefighter's Pension Scheme Orders 1992 as amended. Unlike the Local Government Pension Scheme, the Firefighter's Scheme is "unfunded" which means that there are no assets. The FRS 17 net liability figure can therefore appear to be rather alarming. However, in practice pensions are paid from the Authority's revenue budget each year. The net pension liability identified below does not represent a real call on the Fire Authority's reserves. Rather this is the notional amount, using the FRS 17 calculation basis.

The main financial assumptions used in the FRS 17 calculation are set out below:

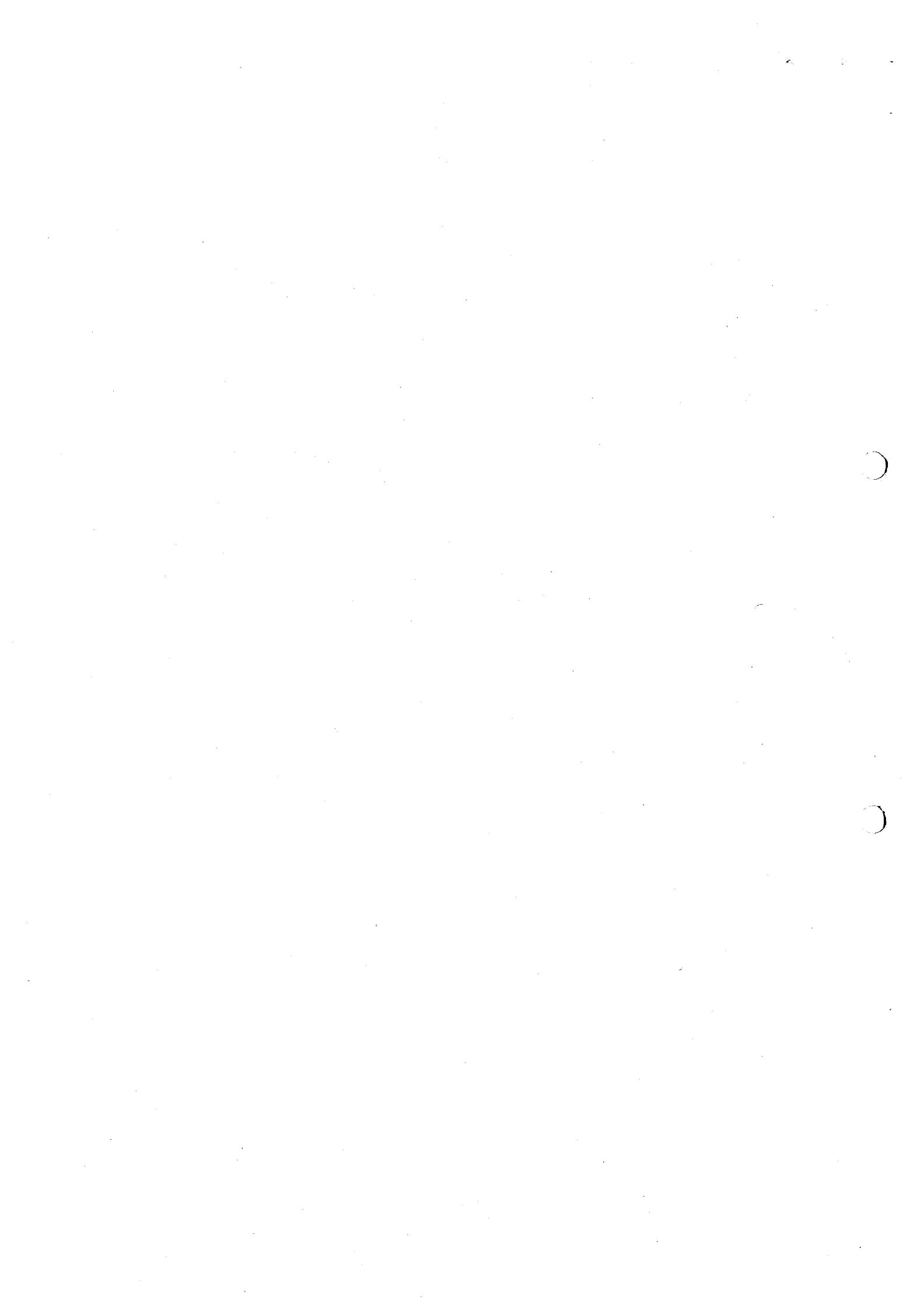
Assumptions as at 31 March 2002	Total % per year	Real % per year
Price increases	2.8	-
Salary increases	4.3	1.5
Pension Increases	2.8	-
Discount rate	6.4	3.5

The Cheshire Fire Authority accounts are prepared in accordance with CIPFA guidance and therefore the discount rate employed is the assumed long-term real rate of return on a portfolio of long-dated index-linked gilts, as determined by the Government Actuary's Department. The current real rate is 3.5% per annum. The inflation assumption has been derived by considering the difference in gross redemption yields of traditional and index linked gilt edged securities as at 31 March 2002. Salary increases are assumed to be 1.5% more than price increases.

The present value of the Fire Authority's Net Pension Liabilities as assessed on an FRS 17 basis as at 31 March 2002 was £129m.

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. No significant expenditure was committed by the CFA on Euro preparations during 2001-02.



CHESHIRE FIRE AUTHORITY

CASH FLOW STATEMENT 2001-02

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
REVENUE ACTIVITIES		
<u>Outflows</u>		
Payments to and on behalf of employees	20,757	
Other operating payments	<u>8,107</u>	28,864
<u>Inflows</u>		
Charges for services and other receipts	813	
Contribution from constituents	<u>29,424</u>	30,237
REVENUE ACTIVITIES NET CASH INFLOW		<u>1,373</u>
SERVICING OF FINANCE		
<u>Outflows</u>		
Interest paid	89	
<u>Inflows</u>		
Interest received	<u>395</u>	306
CAPITAL ACTIVITIES		
<u>Outflows</u>		
Purchase Of Fixed Assets	1,368	
<u>Inflows</u>		
Sale of Fixed Assets	40	<u>(1,328)</u>
NET CASH INFLOW BEFORE FINANCING		351
MANAGEMENT OF LIQUID RESOURCES		
Net Increase in short term investments	(1086)	
Net increase in short term deposits	<u>131</u>	(955)
FINANCING		
<u>Inflows</u>		
New loans raised		606
INCREASE IN CASH		<u>2</u>

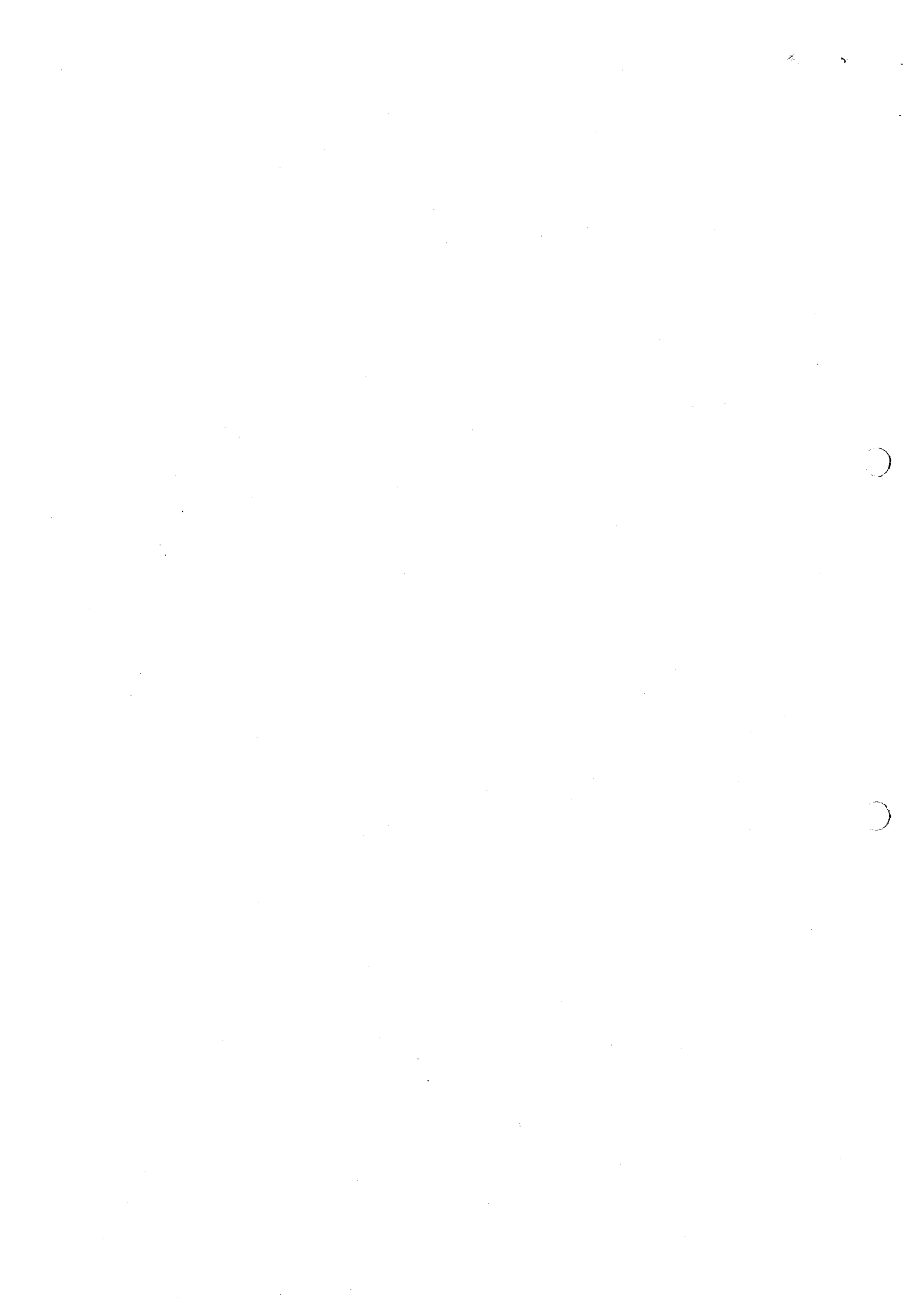


1. Reconciliation of revenue cash flow

	£000	£000
Surplus for the year		-
Interest (net)		(294)
<u>Add back non cash transactions</u>		
Voluntary debt repayment provision	89	
Contribution from earmarked revenue reserve	(291)	
Contribution to earmarked revenue reserve	313	
Contribution to resource centre managers reserve	394	
Contribution to capital outlay	760	
Contribution from capital reserve	(525)	
Contribution to capital reserve	475	
Contribution from bad debt provision	-	
Contribution from hydrants provision	-	
Contribution to pensions provision	(60)	1155
	<hr/>	
<u>Adjustment for items on an accruals basis</u>		
Decrease in debtors	(58)	
Decrease in creditors	570	
		<hr/>
		512
Revenue Activities Net Cash Flow		1,373

2. Movement in liquid resources and cash

	As at 31/3/02 £000	As at 31/3/01 £000	Movement during year £000
Liquid Resources			
Investments (short term)	(7,198)	(6,112)	(1,086)
Bank Overdraft	450	295	155
Stocks	(206)	(197)	(9)
Debtors	(238)	(167)	(71)
Creditors	65	5	60
	<hr/>	<hr/>	<hr/>
	(7,127)	(6,176)	(951)
Cash			
Imprest Accounts	5	4	1
3. Movement in long term borrowing	1,936	1,330	606
NET CASH OUTFLOW	<hr/>	<hr/>	<hr/>
	(5,186)	(4,842)	(344)



CHESHIRE FIRE AUTHORITY

STATEMENT OF TOTAL MOVEMENT IN RESERVES 2001-02

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	
Balance as at 1 April 2001	(31,594)	2,238	(305)	(705)	(3,075)	9	(33,432)
Net Surplus/deficit for year		421					421
Transfer to revenue reserve (net)					(22)	(394)	(416)
Transfer to capital reserve				50			50
Revaluation of Assets	(37)						(37)
Effects of disposal of fixed assets:- Cost or value of assets disposed of	51						51
Proceeds of disposal			(40)				(40)
Net (surplus)/deficit Financing of Fixed Assets	14	421	(40)	50	(22)	(394)	29
Balance as at 31 March 2002	(31,580)	2,659	(345)	(655)	(3,097)	(385)	(33,403)

RCM = Resource Centre Managers

