

CHESHIRE FIRE AUTHORITY



STATEMENT OF ACCOUNTS

2002-2003

Cheshire Fire Authority
Statement of Accounts 2002-03

CONTENTS

Introduction	3
Statement of Responsibilities	5
Statement on the System of Internal Financial Control	6
Auditor's Report to Cheshire Fire Authority	9
Statement of Accounting Policies	11
Revenue Account	14
Balance Sheet	20
Cash Flow Statement	29
Statement of Total Movement in Reserves	31
Glossary of Terms	32

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 2003. 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 5th 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 monitors the operation of these systems and controls. On page 5 there is a statement of the Treasurer's responsibilities. This includes the requirement to ensure that the CFA manages its affairs to secure economic, efficient and effective use of resources and to safeguard its assets. Presenting the accounts on a fair basis is part of that responsibility.

Fire Authority Funding

There are various sources of income which fund the Authority's expenditure, including fees and charges generated by the Service and interest on cash flow. However, most of the expenditure is met by the constituent authorities in proportion to the council tax base. For 2002-03 the relevant proportions are:-

	%
Cheshire County Council	71.69
Warrington Borough Council	18.20
Halton Borough Council	<u>10.11</u>
	<u>100.00</u>

Analysis of 2002-03 Financial Position

Actual revenue expenditure for the year amounted to £30,051,000, representing an underspending of £722,000 against the revised revenue budget of £30,773,000. This underspending is in the main attributable to the pensions budget and in particular the exceptional receipt of transfer value payments. The balance of £722,000 has been

transferred to the earmarked revenue reserve and will be used to help fund future years' pension liabilities.

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 £801,000.

The 2002/03 accounts have been set against the background of significant industrial action. The accounts have assumed that a 4% backdated pay settlement would be effective from 1 November 2002, and that the ODPM will require all deductions made in respect of the withdrawal of labour to be paid to H.M.Government.

Further Information

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

Liz Lunn BA, CPFA
Treasurer
Cheshire Fire Authority
September 2003

STATEMENT OF RESPONSIBILITIES

Responsibilities of the Cheshire Fire Authority

The Cheshire Fire Authority is required:

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

Responsibilities of the Treasurer to the Cheshire Fire Authority

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

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

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

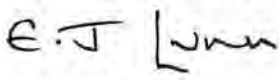
- suitable accounting policies have been selected and applied consistently
- judgements and estimates made were reasonable and prudent
- the Code of Practice on Local Authority Accounting in Great Britain and the Best Value Accounting Code of Practice has been complied with

The Treasurer has also ensured that:

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

The Treasurer's Certificate

I certify that the Statement of Accounts presents fairly the financial position of the Combined Fire Authority as at 31 March 2003.

Signed: 

Liz Lunn BA, CPFA
Treasurer to Cheshire Fire Authority

Date: 4 September 2003

Statement on the System of Internal Financial Control

1. Responsibility

The Account and Audit Regulations 2002-03 require all local authorities to issue a statement on the system of internal financial control. This statement is given in respect of Cheshire Fire Authority for the year 2002-03 and is closely aligned to Section 151 of the Local Government Act 1972 which requires local authorities to "make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". The Treasurer to the Authority is designated as responsible for the Authority's financial affairs.

2. Assurance

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

3. System of Internal Financial Control

The Authority's framework of Internal Financial Control comprises the following elements:

- The Authority's political structure comprises a Chairperson supported by the Policy Advisory Group and a developing scrutiny function undertaken by the Standards Committee.
- The Treasurer to the Authority is designated as responsible for the proper administration of the Authority's financial affairs.
- The Financial Regulations and Financial Conventions define the respective roles and responsibilities of the Authority, its members and officers on financial matters. Collectively they provide a framework of rules and procedures within which the Authority will conduct all its financial affairs and have been prepared with regard to national standards of best practice in public authority financial management.
- Managers are responsible for financial management supported by a Scheme of Financial Delegation, which together with the Financial Regulations, provide a framework for effective financial control.
- A Risk Management Strategy is being developed, which is monitored on behalf of the Service Management Board by the Risk Management Officer.
- The Authority has contracted Cheshire County Council to provide a full Internal Audit function.
- The Authority adopts a rigorous policy and planning review process through the medium term financial planning process and the setting of Service objectives and targets.
- The Authority and management team receive regular reports comparing actual revenue and capital expenditure with budgets and departmental performance against a wide range of targets and performance indicators.
- Managers maintain internal control processes that include segregation of duties, manuals of internal procedures and internal check.

4. Internal Audit

Internal Audit is defined as "an independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation". The requirement for internal audit is imbedded in Section 151 of the Local Government Act 1972 (para 1) and in the Accounts and Audit Regulations 2003 "the relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk".

The contracted internal audit function has a significant and wide ranging role in reviewing the system of internal financial control and is procured by the Treasurer in helping to discharge fully her S.151 responsibilities. All internal audit reports are reported to the Service Management Board in full and the management of reports is overseen by a Deputy Chief Officer. The annual internal audit plan is approved by the full Authority which also receives a report on the key findings of the previous 12 months.

5. Reviews

Our assessment of the effectiveness of the system of internal control relies upon the work of the internal audit function and the external auditors, PricewaterhouseCoopers. This work is described in the annual report to the Authority and the external auditors' annual audit letter and other reports. It is also informed by the following specific reviews:

- **Corporate Governance**

The Director of Planning and Innovation undertook a gap analysis of the corporate governance framework in which the Authority's existing arrangements were compared with the best practice framework recommended by the CIPFA/SOLACE working party in the document "Corporate Governance in Local Government". The review is to be used as a basis for developing a "Cheshire Fire Authority Code of Corporate Governance" which will be produced early in 2003-04.

- **Managed Audit**

The Authority uses financial systems provided and maintained by the County Council who undertake an annual 'managed audit' of the systems. The audit found that the systems were generally well controlled although there were some areas that could be improved. However, since the Authority proposes to move to a new integrated suite of management systems from 1st April 2004, the focus of work in 2003-04 will be on ensuring that the internal controls within the new system are as robust as possible.

6. Conclusions and Actions

The systems described in Section 3 have been developed since the formation of the Authority in 1998 and form a robust framework of internal control. However, both locally and nationally, the Fire Service will undergo a period of unprecedented change during 2003-04 including the need to deliver the modernisation agenda, the move to precepting status and locally, the implementation of new management systems. The Authority is committed to reviewing and improving its systems of internal control and during 2003-04 will:

- Formally adopt a Code of Corporate Governance and take positive action to meet its requirements.
- Along with Internal and External Audit, monitor compliance with the new Code of Corporate Governance.
- Develop a member led top down risk management approach that will be linked to corporate objectives and service plans and will be fully embedded in the organisation.

- Engage Internal Audit in the process of implementing new management systems.
- Revise Financial Regulations and Standing Orders to reflect the Authority's move to precepting status.

(Signed) E. J. Lunn

Treasurer to Cheshire Fire Authority

(Dated) 4 September 2003

(Signed) [Signature]

Chief Fire Officer

(Dated) 4 September 2003.

Auditors' Report to Cheshire Fire Authority

We have audited the statement of accounts on pages 13 to 30 which has been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 10 to 12.

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

Respective Responsibilities of the Chief Financial Officer and Auditors

As described on page 5 the Treasurer is responsible for the preparation of the statement of accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2002. Our responsibilities, as auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

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

We review whether the statement on the system of internal financial control on page 6 reflects compliance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2002. We report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information we are aware of from our audit of the statement of accounts. We are not required to consider whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal financial control. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

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

Basis of audit opinion

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

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the statement of accounts, and of 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 considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the statement of accounts.

Opinion

In our opinion the statement of accounts presents fairly the financial position of Cheshire Fire Authority as at 31 March 2003 and its income and expenditure for the year then ended.

Certificate

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

Signature: Date:.....

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 as modified by the revaluation of fixed assets.

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. 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 Bad Debt and Debt Write Offs.

In line with proper accounting practice, the Service has reviewed all debts on an individual basis and as a result, £10,309 has been written off.

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 is charged.

Earmarked Reserve

The CFA cannot hold general reserves. However with the agreement of the constituent authorities any underspending in the year is held by the CFA in an earmarked revenue reserve, which will be used in a planned way over the period 2003-08 to meet future pension liabilities.

Reserves

Details of all reserves are provided in the notes to the accounts. The earmarked reserve, resource centre managers reserve and capital reserve are legally amounts owing to the constituent authorities and can therefore be called upon at any time.

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.

The capital financing reserve contains the amounts 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 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.

Contingent Assets/Liabilities

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

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 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 2002 was effective for the three year period from 1 April 2002 to 31 March 2005. The employer contribution rate set at this review was 14.7%, which will be reviewed for 2005/06. (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 2002-03**

Expenditure in Best Value Accounting Code of Practice Format

	Gross Expenditure 2002-03 £000	Income 2002-03 £000	Net Expenditure 2002-03 £000	Net Expenditure 2001-02 £000
Corporate & Democratic Core	680	(329)	351	254
Firefighting and Rescue Operations	26,533	(651)	25,882	24,155
Community Fire Safety	3,242	(653)	2,589	2,397
Pensions (Note 4 & 5)	6,269	(2,483)	3,786	4,400
Net Cost of Services	36,724	(4,116)	32,608	31,206
<u>Other Operating Expenditure/Income</u>				
Reversal of Notional Capital Charges			(3,177)	(2,950)
Net Expenditure			29,431	28,209
<u>Appropriations</u>				
Contributions to capital outlay			582	760
Contributions to\ (from) capital reserve			(10)	(50)
Contributions to\ (from) Earmarked Revenue Reserve (Note 9)			722	22
Contribution to\ (from) Resource Centre Managers Reserve			(84)	394
Provision for debt repayment (Note 10)			132	89
Total cost of appropriations			1,342	1,215
Net Cost to be borne by Constituent Authorities			30,773	29,424
FINANCED BY:				
<u>Contributions from Constituent Authorities-</u>				
Cheshire County Council			22,061	21,076
Warrington Borough Council			5,601	5,367
Halton Borough Council			3,111	2,981
			30,773	29,424
Surplus/Deficit for the year			-	-

Notes to the Revenue Account

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

<u>Category of Expenditure</u>		2002-03	2001-02
		£000	£000
Employees-	Uniformed	18,594	17,977
	Non Uniformed	2,242	1,981
	Other Employee Costs	473	470
Pensions (Net)	Note 4 & 5	3,764	4,023
Premises		1,358	1,118
Transport		823	746
Supplies, Services and Other Expenses		3,041	2668
Agency and Contracted Services	Note 6	513	436
Total Fire Expenditure		30,808	29,419
<u>Add:</u>			
External Interest on debt	Note 7	125	89
Notional Capital Charges	Note 7	3,177	2,997
Gross Cost of Service		34,110	32,505
<u>Income</u>			
Service Income	Note 8	(1,177)	(917)
External Interest Received		(325)	(382)
Total Income		(1502)	(1,299)
Net Expenditure		32,608	31,295
<u>Less:</u>			
Reversal of Notional Capital Charges		(3,177)	(2,997)
Net Cost of Service		29,431	28,209

3 Civilian Pension Costs – SSAP 24

In 2002-03 the CFA paid employer's contributions amounting to £345,298 (2001-2002 £244,000). This represented 14.7% (12% in 2001-02) 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	0
Capitalised costs of Discretionary Retirements to 31 March 2003	0
Total	<u>396</u>

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 previous valuation undertaken as at 31 March 2001 was effective from 1 April 2002, until 31 March 2005. 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 came into effect from 1 April 2002.

4 Uniformed Firefighters Pension Costs – SSAP 24

In 2002-03 the net cost of pensions and other benefits amounted to £3.764m representing 23.9% 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 £4.08m, representing 27.5% of pensionable pay, while the cost of spreading the unfunded accrued liability over 40 years would have been an additional £2.31m, representing 15.6% of pensionable pay. The Best Value Code of Practice includes an element of support costs, which accounts for the difference in net pension costs shown in the revenue account.

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.

	2002-03 £000	2002-03 £000	2001-02 £000
Expenditure			
Annual Pensions	4,678		4,387
Commutations	1,185		1,397
Transfer Values Paid	372		379
Other costs	12		44
Sub-Total		6,247	6,207
Less			
Employees Contributions	(1,598)		(1,600)
Transfer Values Received	(752)		(434)
Other income	(133)		(150)
Sub-total		(2,483)	(2,184)
Net Expenditure		<u>3,764</u>	<u>4,023</u>

6 Agency Services

	2002-03 £000	2001-02 £000
Section 12 payments to		
Staffordshire	8	16
Merseyside	27	0
Crime and Disorder and PSA Partnerships	53	0
Services Bought In	425	420
TOTAL	<u>513</u>	<u>436</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.

	2002-03 £000	2001-02 £000
External Interest Payable	125	89
Provision for Depreciation	1,360	1,282
Surplus on Asset Management Revenue Account	1,817	1,715
Notional Capital Charges	<u>3,177</u>	<u>2,997</u>

Reconciliation of Net Operating Expenditure

(Per CIPFA Accounting Code of Practice)

	2002-03 £000	2001-02 £000
Net Cost of Service –per Revenue Account	29,431	28,209
Add:		
Provision for depreciation	1,360	1,282
	<u>30,791</u>	<u>29,491</u>

8 Income

	2002-03	<i>2001-02</i>
	£000	<i>£000</i>
Sales	121	<i>148</i>
Fees	225	<i>93</i>
Invest to Save Contributions	249	<i>153</i>
Contributions from Princes Trust Volunteers	392	<i>283</i>
Other Income	190	<i>240</i>
	1,177	<i>917</i>

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 meet future pension liabilities, in particular the large increase in pension costs up to 2007-08.

The reserve was £3,819,000 on the 31 March 2003. In setting the 2003-04 budget it was agreed that £800,000 of this reserve would be used. The transfer of the 2002-03 net underspend of £722,000 is apportioned as below.

	2002-03	<i>2001-02</i>
	£000	<i>£000</i>
Cheshire County Council	518	<i>16</i>
Warrington Borough Council	131	<i>4</i>
Halton Borough Council	73	<i>2</i>
	722	<i>22</i>

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 figure used to calculate the annual provision for debt repayment was £1,970,000 and therefore the minimum debt provision requirement for 2002-03 is £78,800. However the Authority has decided to make a voluntary debt repayment provision of £53,200 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 £115,378. This represents a significant increase over 2001/2 due to the publication of fire safety literature during the period of the industrial dispute.

12 Officers' Emoluments

In accordance with the Accounts and Audit Regulations 1996, Section 6(2), the number of employees whose taxable emoluments for 2002-03 exceeded £50,000 is detailed below:

£	Number of Officers	
	2002-03	<i>2001-02</i>
50,000-59,999	2	<i>0</i>
60,000-69,999	0	<i>2</i>
70,000-79,999	1	<i>0</i>
80,000-89,999	1	<i>1</i>
90,000-99,999	0	<i>0</i>

13 Leases

The Authority has no finance leases. Payments under operating leases in 2002-03 amounted to £243,058.

Operating lease committed payments expiring in the next financial year

Commitments expiring next year	£ 30,254
Commitments expiring in 2 to 5 years	£ 111,871
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 2002-03

		2002-03		2001-02	
		£000	£000	£000	£000
FIXED ASSETS					
Operational Assets	Note 1				
Property		26,737		26,586	
Vehicles		3,059		3,175	
Equipment		1,005	30,801	1,087	30,848
TOTAL LONG TERM ASSETS			30,801		30,848
CURRENT ASSETS					
Stocks	Note 2	200		206	
Debtors and prepayments	Note 3	1,619		920	
Investments (Short Term)	Note 4	7,903		7,198	
Cash in Hand		5	9,727	5	8,329
Less Current Liabilities					
Creditors	Note 5	(3,328)		(2,513)	
Cash Overdrawn		(381)	(3,709)	(450)	(2,963)
TOTAL ASSETS LESS CURRENT LIABILITIES			36,819		36,214
Long Term Creditors	Note 6		(54)		(80)
Long Term Borrowing	Note 7		(2,569)		(1,936)
Provisions	Note 9		(801)		(795)
TOTAL ASSETS LESS TOTAL LIABILITIES			33,395		33,403
REPRESENTED BY NOTIONAL CAPITAL ACCOUNTING RESERVES					
Fixed Assets Restatement Reserve	Note 10	31,580		31,580	
Capital Financing Reserve	Note 11	(3,306)	28,274	(2,659)	28,921
Earmarked Reserves					
Capital Reserve	Note 12	646		655	
Usable Capital Receipts	Note 13	355		345	
Resource Centre Managers Reserve	Note 14	301		385	
Earmarked Revenue Reserve	Note 15	3,819	5,121	3,097	4,482
TOTAL EQUITY			33,395		33,403

NOTES TO THE BALANCE SHEET

1 Fixed Assets

The figures below provide information on the movement of fixed assets held by the Authority during 2002-03. 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	Equipme nt £000	Total £000
Net Book Value at 1 April 2002	26,586	3,175	1,088	30,849
Gross Book Value at 1 April 2002	28,250	6,752	3,088	38,090
Additions	738	361	213	1,312
Disposals		(235)		(235)
Revaluations and Restatements				
Gross Book Value at 31 March 2003	28,988	6,878	3,301	39,167
Depreciation at 1 April 2002	(1,664)	(3,577)	(2,000)	(7,241)
Charge for the year	(587)	(477)	(296)	(1,360)
Disposals		235		235
Revaluations and Restatements				
Depreciation at 31 March 2003	(2,251)	(3,819)	(2,296)	(8,366)
Net Book Value at 31 March 2003	26,737	3,059	1,005	30,801

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 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 housing stock has been valued on an open market basis. Assets under construction at year end are not depreciated until they are fully operational.

Fixed Assets owned by the Authority on 31 March 2003 include the following:-

Fire Stations (including Headquarters and Control Room)	25
Fire Houses	53
Vehicles	94

2	Stocks	2002-03	2001-02
		£000	£000
	Uniforms	95	92
	Vehicle Spares	87	94
	Fuel	18	20
		<u>200</u>	<u>206</u>

3	Debtors	2002-03	2001-02
		£000	£000
	General Debtors less than 1 year old	1,196	523
	Payments in advance-April Pensions	399	361
	Payments in advance-trade creditors	0	5
	Outstanding interest payments	24	31
	Capital Debtor	0	0
		<u>1,619</u>	<u>920</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.

	2002-03	2001-02
	£000	£000
Cheshire County Council	2,903	2,198
Money Market Deposits	5,000	5,000
	<u>7,903</u>	<u>7,198</u>

5	Creditors	2002-03	2001-02
		£000	£000
	Trade Creditors	1,549	1,934
	Holding Accounts	174	154
	Pay accruals	1,071	425
	ODPM-strike pay*	520	0
	Capital creditors	14	0
		<u>3,328</u>	<u>2,513</u>

*The £520,000 creditor represents the deduction made in respect of the withdrawal of labour during the industrial action. This sum is due to be paid to the Office of the Deputy Prime Minister.

6 Long Term Creditors

The long term creditor of £54,000 represents the full actuarial cost of any early retirements to the Cheshire Pension Fund. These can be paid over a five year period. The long term creditor therefore represents the balance to be paid over the next four years.

7 Loans Outstanding – Long Term Borrowing

As at 31 March 2002 debt outstanding was £1,936,000. During the year further loans were taken out for £633,000 which are 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	2,132
Total	<u>2,569</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.

	2002-03 £000	2001-02 £000
Balance at 1 April	217	128
Provision for debt repayment	132	89
Balance at 31 March	<u>349</u>	<u>217</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 2003, but have not elected to do so.

	2002-03 £000	2001-02 £000
Balance of Provision at 1 April	795	855
Additional provision made in year	307	516
Amounts used in year	(301)	(576)
Balance of provision at 31 March	<u>801</u>	<u>795</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. The balance on this reserve cannot be used to finance future capital expenditure.

	2002-03 £000	2001-02 £000
Balance at 1 April	31,580	31,594
Disposal of Fixed Assets	0	(51)
Revaluation of Fixed Assets		37
Balance at 31 March	<u>31,580</u>	<u>31,580</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.

	2002-03	2001-02
	£000	£000
Balance at 1 April	(2,659)	(2,238)
Capital Financing -		
Revenue Contribution Applied in Year	462	245
Resource Centre Managers Reserve Applied	109	0
Capital Reserve Applied	10	525
Provision for debt repayment	132	89
Depreciation charged to fixed assets	(1,360)	(1,280)
	<u>(3,306)</u>	<u>(2,659)</u>

12 Capital Reserve

The Capital reserve exists to meet slippage and known commitments.

	2002-03	2001-02
	£000	£000
Balance at 1 April	656	706
Appropriation (to) from revenue in year	(10)	0
Transfer from Revenue Account	0	(50)
Balance at 31 March	<u>646</u>	<u>656</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.

	2002-03	2001-02
	£000	£000
Balance at 1 April	345	305
Usable capital receipts in year	10	40
Capital receipts applied to schemes in year	0	0
Balance at 31 March	<u>355</u>	<u>345</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.

	2002-03	2001-02
	£000	£000
Balance at 1 April	385	(9)
Transfer from revenue in year	25	394
Transfer to revenue in year	(109)	
Balance at 31 March	<u>301</u>	<u>385</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, to be used in a planned way over the period 2002-08 to fund future pension liabilities under the firefighters' pension scheme. During budget setting it was agreed that £800,000 of this reserve would be used to support the 2003-04 Fire Authority Budget.

	2002-03				2001-02			
	CCC £000	WBC £000	HBC £000	Total £000	CCC £000	WBC £000	HBC £000	Total £000
Balance at 1 April	2,218	565	314	3,097	2,202	561	312	3,075
Transfer to Revenue	0	0	0	0	(208)	(53)	(30)	(291)
Transfer from Revenue	518	131	73	722	224	57	32	313
Balance at 31 March	2,736	696	387	3,819	2,218	565	314	3,097

16 Capital Expenditure and Disposals

	2002-03 £000	2001-02 £000
Capital Expenditure		
Property	738	712
Vehicles	361	538
Equipment	213	248
	1,312	1,498

Capital Expenditure was financed as follows

	2002-03 £000	2001-02 £000
Borrowing Approvals	731	734
Revenue Contribution	462	764
Capital Reserve	10	0
Resource Centre Manager	109	0
Capital Receipts	0	0
	1,312	1,498

Capital Disposals

	2002-03 £000	2001-02 £000
Property	0	10
Vehicles	235	192
	235	202

17 FRS 17

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

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

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

The Authority participates in two pension schemes:

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

In 2002-3 pension costs have been charged to the consolidated revenue account on the basis of contributions payable for the year to the Cheshire pension Fund (based on a formal actuarial valuation as at 31 March 2001) and the pensions payable in the year to retired fire officers.

However at 31 March 2003 the Authority had the following overall assets and liabilities for pensions that have not been included in the balance sheet.

	Local Government Pension Scheme		Fire Authority Pension Scheme		Total	Total
	31 March 2003	31 March 2002	31 March 2003	31 March 2002	31 March 2003	31 March 2002
Estimated employer assets	5,093	6,230			5,093	6,230
Estimated pension liabilities	(7,117)	(6,674)	(149,400)	(129,000)	(156,517)	(135,674)
Net pension liability	(2,024)	(444)	(149,400)	(129,000)	(151,424)	(129,444)

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

	Local Government Pension Scheme		Fire Authority Pension Scheme	
	2002/3	2001/2	2002/3	2001/2
	%	%	%	%
Price increases	2.5	2.8	2.5	2.8
Salary Increases	4.0	4.3	4.0	4.3
Pension increases	2.5	2.8	2.5	2.8
Discount rate	6.1	6.4	6.1	6.4

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

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

	Long Term Returns	Proportion of the Fund 31 March 2003	Proportion of the Fund 31 March 2002
	% per year	%	%
Equities	8.0	76.6	76.5
Bonds	4.8	18.6	11.5
Property	6.0	2.5	7.1
Cash	4.0	2.3	4.9
Total		100.0	100.0

The movement in the net pension liability for the year to 31 March 2003 is as follows:

Net Pension Liability as at	Local Government Pension Scheme	Fire Authority Pension Scheme
	£000	£000
Net pension liability at 1 April 2002	(444)	(129,000)
Current Service Cost	(276)	(5,300)
Employer contributions	345	
Pension & Lump Sum expenditure		5,860
Past service cost		(172)
Impact of settlements & curtailments		
Net return on assets	8	
Interest cost on liabilities		(8,300)
Actuarial gains/(losses)	(1,657)	(12,488)
Net pension liability at 31 March 2003	(2,024)	(149,400)

The actuarial losses can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2003.

	Local Government Pension Scheme		Fire Authority Pension Scheme	
	£000	% of assets	£000	%
Differences between the expected and actual return on assets	(1,682)	33.0	N/A	N/A
Differences between actuarial assumptions and actual experience	25	0.3	900	0.6
Other losses on liabilities			(13,388)	9.0
Changes in demographic assumptions			-	-
Actuarial gains and losses	(1,657)	23.3	(12,488)	8.4

18 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. 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 2002-03.

19 Fire Authority Reserves

The following reserves are legally amounts owing to the constituent authorities and can therefore be called upon at any time. The constituent authorities have agreed that any underspending in the year would be held by the CFA to meet future pension liabilities

	Opening Balance £'000	Transfer to Revenue £'000	Transfer from Revenue £'000	Closing Balance £'000
Earmarked Revenue Reserve	3,097	0	722	3,819
Resource Centre Managers Reserve	385	(109)	25	301
Capital Reserve	656	(10)	0	646
Total	4,138	(119)	747	4,765

CCC	3,416
Halton BC	482
Warrington BC	867
Total	4,765

CHESHIRE FIRE AUTHORITY

CASH FLOW STATEMENT 2002-03

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	24,003	
Other operating payments	<u>6,710</u>	30,713
<u>Inflows</u>		
Charges for services and other receipts	1,177	
Contribution from constituents	<u>30,773</u>	31,950
REVENUE ACTIVITIES NET CASH INFLOW		<u>1,237</u>
SERVICING OF FINANCE		
<u>Outflows</u>		
Interest paid	125	
<u>Inflows</u>		
Interest received	<u>318</u>	193
CAPITAL ACTIVITIES		
<u>Outflows</u>		
Purchase Of Fixed Assets	1,299	
<u>Inflows</u>		
Sale of Fixed Assets	<u>10</u>	(1,289)
NET CASH INFLOW BEFORE FINANCING		141
MANAGEMENT OF LIQUID RESOURCES		
Net Increase in short term investments	(705)	
Net increase in short term deposits	<u></u>	(705)
FINANCING		
<u>Inflows</u>		
New loans raised	633	633
INCREASE IN CASH		<u>69</u>

1. Reconciliation of revenue cash flow

	£000	£000
Surplus for the year		-
Interest (net)		(192)
<u>Add back non cash transactions</u>		
Capital financing		1,267
<u>Adjustment for items on an accruals basis</u>		
Increase in debtors	(699)	
Increase in creditors	861	162
Revenue Activities Net Cash Flow		1,237

2. Movement in liquid resources and cash

	As at 31/3/03 £000	As at 31/3/02 £000	Movement during year £000
Liquid Resources			
Investments (short term)	(7,903)	(7,198)	(705)
Bank Overdraft	381	450	(69)
Stocks	(200)	(206)	6
Debtors	(1,619)	(920)	(699)
Creditors	3,328	2,513	815
	<u>(6,013)</u>	<u>(5,361)</u>	<u>(652)</u>
Cash (Imprest Accounts)	5	5	0
3. Movement in long term borrowing	2,569	1,936	633
NET CASH OUTFLOW	<u>(3,439)</u>	<u>(3,420)</u>	<u>(19)</u>

CHESHIRE FIRE AUTHORITY

STATEMENT OF TOTAL MOVEMENT IN RESERVES 2002-03

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 2002	(31,580)	2,659	(345)	(656)	(3,097)	(385)	(33,404)
Net Surplus/deficit for year		647					647
Transfer to revenue reserve (net)					(722)	84	(638)
Transfer to capital reserve				10			10
Revaluation of Assets							
Effects of disposal of fixed assets:- Cost or value of assets disposed of							
Proceeds of disposal			(10)				(10)
Net (surplus)/deficit							
Financing of Fixed Assets	0	647	(10)	10	(722)	84	9
Balance as at 31 March 2003	(31,580)	3,306	(355)	(646)	(3,819)	(301)	(33,395)

* 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 which extends the life of or adds value to an existing fixed asset.

Capital Financing Reserve

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

Capital Receipts

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

Contingencies

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

Council Tax

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

Current Assets and Liabilities

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

Fixed Assets

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

Fixed Asset Restatement Reserve

The 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 revaluations 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.

