

# **CESHIRE FIRE AUTHORITY**



## **STATEMENT OF ACCOUNTS**

**2004 - 2005**

**Cheshire Fire Authority**  
**Statement of Accounts 2004-2005**

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## **INTRODUCTION TO THE STATEMENT OF ACCOUNTS**

### **by The Treasurer**

The following pages comprise the Cheshire Fire Authority's Statement of Accounts for the year ended 31 March 2005. The Statement includes an analysis of the Authority's financial position, a statement of responsibilities, a statement on internal control, a statement of accounting policies and the statutory accounts. The following paragraphs provide an explanation of the Fire Authority's financial activities. They review revenue and capital expenditure and performance against the Authority's overall budget. In addition, the Statement of Accounts includes a summary of the revenue account in the form recommended by the Chartered Institute of Public Finance and Accountancy, in its Best Value Accounting Code of Practice.

### **Reporting the Accounts**

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

### **Local Government Reorganisation**

This is the 7th year of the Cheshire Fire Authority. Until 31 March 1998 Cheshire County Council was the Fire Authority for the Cheshire area and as such all expenditure, income, assets and liabilities relating to fire activities were included within the Statement of Accounts of the County Council. As a result of Local Government Reorganisation (LGR), from 1 April 1998, Cheshire County Council, Halton Borough Council and Warrington Borough Council became fire authorities and are required to meet their obligations through a combined Cheshire Fire Authority (CFA). The CFA is an independent body and is legally separate from its constituent authorities.

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

The Authority operates within a robust framework of accountability. The aim is to ensure that the Authority's financial systems are underpinned by sound internal controls. An Internal Audit service monitors the operation of these systems and controls. On page 5 here 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.

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

The Local Government Act 2003 changed the status of Combined Fire Authorities to precepting bodies. The major implication of this change is the way in which the Authority will be funded. Prior to 1 April 2004, the Fire Authority was funded by way of levy on its constituent authorities. From 1 April 2004, funding is from two main sources:

1. *Revenue Support Grant\National Non-Domestic Rates*

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

2. *Council Tax Precept*

To be set by the Authority and collected on its behalf by District Borough Councils as collection authorities.

### **Fire Authority Funding**

In 2004-05 the Local Council Tax met 54.6% of the Authority's net spending, with the balance being funded by the Government via Revenue Support Grant (43%), National Non Domestic Rates (1.2%) and Transitional Grant (1.2%). In addition, income is generated from fees and charges generated by the Service and interest on cash flow.

### **Analysis of 2004-05 Financial Position**

Actual gross revenue expenditure for the year amounted to £44,006K. Overall, there has been an under spend of £44k against the net revenue budget of £36,476K. This under spend is attributable across service expenditure, with no individual area significantly represented.

### **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 (Assistant Treasurer) on telephone number 01244 602 642.



Liz Lunn BA, CPFA  
Treasurer  
Cheshire Fire Authority

## **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 (SORP 2004), the Code of Practice on Treasury Management and the Accounts and Audit Regulations. The CIPFA Best Value Accounting Code of Practice, introduced for accounting periods from 1 April 2000, requires the net cost of service shown in the revenue account to be analysed over the mandatory divisions of service prescribed by the Code.

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

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

The Treasurer has also ensured that:

- 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 2005.

Signed:

Liz Lunn BA, CPFA  
Treasurer to Cheshire Fire Authority

## **1. SCOPE OF RESPONSIBILITY**

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

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

## **2. CODE OF CORPORATE GOVERNANCE**

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

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

Throughout 2004-05, the Authority via its Standards Committee worked to develop its Code of Corporate Governance. In 2004-05, Internal Audit reviewed progress against the action plan designed to embed Corporate Governance into the Authority and were satisfied with the progress being made.

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

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

A system of internal control has been in place at Cheshire Fire Authority for the year ended 31 March 2005 and up to the publication of accounts. Except for the details of significant internal control issues identified in Section 6, the system of internal control within Cheshire Fire Authority accords with proper practice.

## **4. THE INTERNAL CONTROL FRAMEWORK**

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

#### **4.1 Establish and monitor the achievement of the Authority's objectives**

The objectives of the Authority were set out in the updated Best Value Performance and Corporate Plan. During 2004-05 performance scrutiny took place through regular reporting to the Authority's Standards Committee and onwards to the full Authority. Latterly, the newly constituted Performance and Overview Committee has been charged with the responsibility of scrutinising performance.

Internally, senior officers of the Service receive regular reports updating on performance issues and where necessary instigate corrective action.

#### **4.2 Facilitate policy and decision making**

During 2004-05, the Authority continued to operate using the established structure of Member committees and advisory groups who conducted business and make decisions in accordance with the Authority's Standing Orders. On 1st April 2005, the Authority voluntarily moved to a revised committee structure (incorporating a Policy Committee and Performance and Overview Committee) with a view to assisting Members with their continuing challenge and scrutiny roles.

#### **4.3 Ensure compliance with established policies, procedures, laws and regulations**

The business of the Authority is conducted in accordance with defined processes and responsibilities as set out in Standing Orders and Financial Regulations.

Authority and Service officers use their professional knowledge to ensure that decisions taken by the Authority are within their powers and in accordance with relevant laws and regulations. Key officers include the Authority's Section 151 Officer (Treasurer) and Monitoring Officer (now Brigade Manager - Corporate Services). In addition, the Treasurer procures an Internal Audit service on behalf of the Authority and External Audit also closely monitor compliance with established policies and regulations. Both External and Internal Audit's annual plans are designed to be complementary and avoid duplication of effort.

During 2004-05 the Authority's statutory officers were not required to make any reports of irregularity.

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

Financial and service planning are becoming better aligned through better co-ordination of planning cycles. Reserves are healthy and leave the Authority well placed to deal with future budget pressures.

Partnership working is increasing capacity and resources and the Authority is proactive at accessing external funds and expertise, using an approach guided by an overarching partnership strategy and toolkit

The Authority uses its Best Value process effectively to challenge existing provision and drive efficiency. A number of Best Value reviews have been commissioned and will

report in 2005-06 focusing on areas such as accommodation, the types of incidents we respond to and duty systems(?).

#### **4.5 Provide appropriate financial management and the reporting thereof**

2004-05 was the first year of the Authority as a precepting body. In preparation for this, a detailed Medium Term Financial Plan was developed and is considered by the Authority at regular intervals to inform financial planning.

In addition, a base budget review began late in 2004-05 with a view to realigning budgets with corporate objectives to provide a robust basis on which to monitor financial performance.

For 2005-06, it is intended to amalgamate the reporting of financial and service performance to the Authority in recognition of the inter-dependencies.

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

#### **4.6 Ensure adequate performance management and the reporting thereof**

The Authority has worked hard to develop a robust approach to performance management and now has a strong framework in place. Clear standards are published on our website and in our plans so that stakeholders know what to expect.

Performance management information is delivered to managers at all levels within the organisation who then use this information to identify areas of underperformance leading to local action and impacting on the allocation of resources.

The Senior Management Team and Authority Members receive detailed performance reports which utilise "traffic light" reporting on national and local performance indicators.

On an individual level, staff appraisals highlight individual objectives that feed into and link with corporate objectives via a hierarchical system of plans.

### **5. REVIEW OF EFFECTIVENESS**

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

A multi-disciplinary group agreed a process by which evidence could be gathered and evaluated to assist in the production of this Statement on Internal Control. Independent Member scrutiny was provided by the Chairman of the Standards Committee and by the Members of the Authority who approved the final statement.

### **6. SIGNIFICANT INTERNAL CONTROL ISSUES**



The Authority faces another challenging year in 2005-06 and the following issues represent key issues in relation to internal control:-

The final accounts must be completed in accordance with the accelerated timescale for 2005-06. A plan has been put in place, which will require careful monitoring to ensure that the accounts for 2004-05 can be approved by the Authority by June 2006.

The Authority has adopted a revised Committee structure based on a scrutiny model. These new arrangements must continue to support the role of Cheshire Fire Authority Members in providing robust challenge and support to the Service.

The introduction of the integrated management systems will bring with it significant changes to many key processes. It is important that the timeliness and integrity of our transactions are maintained during the "bedding in" period of the new systems.



Cllr Anthony Hooton  
Chairman of Cheshire Fire Authority



Steve McGuirk  
Chief Fire Officer



Liz Lunn  
Treasurer to Cheshire Fire Authority

## **AUDITORS' REPORT TO CHESHIRE FIRE AUTHORITY**

We have audited the Statement of Accounts which comprises the Summary Revenue Account, the Balance Sheet, the Cash Flow Statement and the notes to those statements and which has been prepared in accordance with the accounting policies applicable to local authorities as set out in the Statement of Accounting Policies.

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

### **Basis of audit opinion**

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

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Statement of Accounts. It also includes an assessment of the significant estimates and judgments made by the 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 2005 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: *PricewaterhouseCoopers LLP* ....Date: ...27/10/05.....

## STATEMENT OF ACCOUNTING POLICIES

### INTRODUCTION

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

### PRIOR PERIOD ADJUSTMENTS

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

### FIXED ASSETS

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

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

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

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

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

In 2004-05, the Statement of Recommended Practice has refined the definition for non-operational and operational assets to clarify that if an asset is being used in pursuit of the strategy or service objectives of the Authority then it should be categorised as an operational asset. The Fire Authority is currently implementing a new computer software system. As this is under development, it has been classified as a non-operational asset.

### CURRENT ASSETS & LIABILITIES

#### *Stock*

Stocks of specialised fire fighter clothing & uniforms, vehicle spares and fuel are shown at cost, or net realisable value. Stocks of stationery and catering supplies are not included in the balance sheet as such stocks are incidental and deemed not to be material to the accounts.

#### *Investments*

All investments are shown at the original cost price.

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

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

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

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

### ***Grants***

Government grants are credited to income in the same period in which the related expenditure is charged, in accordance with each grant's criteria for use.

### ***Pension Costs***

FRS 17 is a financial reporting standard concerned with accounting for pension costs. 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 related 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.

FRS 17 has been introduced on a phased basis over the last two years. With effect from 1 April 2003 the standard had to be implemented in full. The Authority has therefore prepared disclosures in respect of pension benefits for both fire officers and fire staff in accordance with the full standard. The Authority participates in two schemes:

- The Local Government Pension Scheme for non uniformed staff

All fire non uniformed staff, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme, through the medium of the Cheshire Pension Fund. The scheme, which is a funded, defined benefit scheme, is administered by Cheshire County Council in accordance with the Pension Regulations 1997. The Authority currently pays an employer's contribution of 14.7% of pensionable employees' pensionable pay into the Cheshire Pension Fund. All pension payments to fire staff are met from this fund.

Employer contribution rates are reviewed every three years. The last review took place at 31 March 2001 and was effective from 1 April 2002. The next review will be effective from 1 April 2005. Contributions are set at a level intended to balance pension liabilities with the Authority's share of the Fund's investment assets.

- The Fire-fighter Pension Scheme for uniformed staff

This is an unfunded, defined benefit scheme which is regulated by the Pension Regulations 1987. The net cost of pensions and other benefits, after allowing for contributions made by fire officers, is met from the revenue budget on a pay as you go basis

The impact of these two pension schemes is identified separately in the revenue account and balance sheet. In presenting the detailed information required in the Statement of Recommended Practice, the Authority has implemented the following accounting policies:

- Net assets/net liabilities are identified for both pension schemes
- The attributable assets of the scheme (local government) are measured at fair value
- The attributable liabilities of both schemes are measured on an actuarial basis, using the projected unit method
- Scheme liabilities are discounted at a rate that reflects the time value of money and the characteristics of

the liability

- The surplus/deficit in each scheme is the excess/shortfall of the value of assets over/below the present value of the liabilities.
- The current service cost is based on the most recent actuarial valuation at the beginning of the period, with the financial assumptions updated to reflect conditions at that date
- The interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period
- The expected return on assets is based on long term expectations at the beginning of the period and is expected to be reasonably stable
- Recognises that actuarial gains and losses may arise from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date
- Past service costs are disclosed on a straight-line basis over the period in which the increase in benefits vest
- Losses arising from settlements or curtailments and allowed for in the actuarial assumptions are measured at the date on which the employer becomes committed to the transaction
- Gains arising from settlements or curtailments and not allowed for in the actuarial assumptions are measured at the date on which all parties whose consent is required are irrevocably committed to the transaction

#### *Pensions Reserve/Pensions Liability*

The cost of providing pensions for employees is funded in accordance with the statutory requirements governing the particular schemes in which the Authority participates. However, accounting for pensions is in accordance with generally accepted accounting practice, subject to the interpretations provided in the Statement of Recommended Practice.

Where the payments made for the year in accordance with the scheme requirements do not match the change in the Authority's recognised asset or liability for the same period, the recognised cost of pensions will not match the amount required to be raised via taxation. This is represented by an appropriation to or from the notional pensions reserve, which equals the net change in the pensions liability recognised in the Revenue Account.

#### **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 occurs when the discounted minimum lease payments are 90% or more of the fair value. Also, a finance lease transfers substantially all the risks and rewards of ownership of an asset to the lessee, other than legal title.

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

#### **Interest**

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

## **RESERVES**

### ***Notional Accounts***

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

#### **Fixed Asset Restatement Account**

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

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

This reserve represents the disclosure requirements as laid out in FRS17.

#### **Capital Financing Account**

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

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

### ***Earmarked Reserves***

These reserves represent monies set aside for specific purposes. They include both revenue and capital reserves.

#### **Commutation Reserve**

This reserve represents the estimated cash cost of commutations for those fire-fighters who are eligible for retirement but who have decided not to retire. Due to full FRS 17 disclosure in 2004-05, this provision has been restated as a reserve.

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

#### **Capital Reserve - Schemes**

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

#### **Capital Reserve - Unapplied Receipts**

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

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

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

#### **Community Risk Reduction Smoke Alarm and Prevention Reserve**

The purpose of this reserve is to improve the ability and speed by which the Service can respond to community need

#### **General Reserve**

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

## **OTHER**

### **Contingent Assets/Liabilities**

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

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

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

### **Cost of Support Services**

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



**CHESHIRE FIRE AUTHORITY  
SUMMARY REVENUE ACCOUNT 2004-05**

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

|  | Gross<br>Expenditure<br>2004-05<br>£000 | Income<br>2004-05<br>£000 | Net<br>Expenditure<br>2004-05<br>£000 | Net<br>Expenditure<br>2003-04<br>£000 |
|--|---|---------------------------|---------------------------------------|---------------------------------------|
| Corporate & Democratic Core  | 1,022                                   | 52                        | 970                                   | 988                                   |
| Fire Fighting & Rescue Operations                                  | 36,977                                  | 546                       | 36,431                                | 30,076                                |
| Community Fire Safety  | 6,007                                   | 778                       | 5,229                                 | 5,319                                 |
| Non Distributed Costs - FRS 17                                     | 0                                       |                           | 0                                     | 44                                    |
| <b>Net Cost of Service</b>   | <b>44,006</b>                           | <b>1,376</b>              | <b>42,630</b>                         | <b>36,427</b>                         |
| <b>Adjustments</b>   |   |                           |                                       |                                       |
| Asset Management Account (Note 4)                                  |   |                           | (898)                                 | (927)                                 |
| Interest Income  |   |                           | (460)                                 | (357)                                 |
| Pensions Interest Cost and Expected return on Assets - FRS17       |   |                           | <u>8,760</u>                          | <u>9,257</u>                          |
|  |   |                           | <b>7,402</b>                          | <b>7,973</b>                          |
| <b>Net Operating Expenditure</b>                                   |   |                           | <b>50,032</b>                         | <b>44,400</b>                         |
| <b>Appropriations</b>  |   |                           |                                       |                                       |
| Fixed Asset Restatement Account - Restatements                     |   |                           |                                       | (3)                                   |
| Provision for Debt Repayment (Note 12)                             |   |                           | 234                                   | 172                                   |
| Net Depreciation charged to Fixed Assets                           |   |                           | (1,396)                               | (1,410)                               |
| Revenue Contribution to Capital Outlay                             |   |                           | 79                                    | 193                                   |
| Capital Reserve - Transfers in year, net                           |   |                           | 382                                   | 694                                   |
| CRR Smoke Alarms & Prevention Reserve - Transfer in year           |   |                           | 200                                   | -                                     |
| Resource Centre Managers Reserve - Transfers in year               |   |                           | (57)                                  | (288)                                 |
| Pension Reserve FRS17 - Transfers in year                          |   |                           | (13,042)                              | (10,283)                              |
| <b>Total Cost of Appropriations</b>                                |   |                           | <b>(13,600)</b>                       | <b>(10,922)</b>                       |
| <b>Amount to be met from Government grants and Local Taxpayers</b> |   |                           | <b>36,432</b>                         | <b>33,478</b>                         |
| <b>Council Tax and Revenue Support Grants Received</b>             |   |                           | <b>(36,476)</b>                       | <b>(32,610)</b>                       |
| <b>Net General Fund (Surplus) / Deficit</b>                        |   |                           | <b>(44)</b>                           | <b>868</b>                            |
| <b>Balance on General Fund Brought Forward</b>                     |   |                           | <b>(2,952)</b>                        | <b>(3,820)</b>                        |
| <b>Balance on General Fund Carried Forward</b>                     |   |                           | <b>(2,996)</b>                        | <b>(2,952)</b>                        |
| <b>Council Tax and Revenue Support Grants Comprise:</b>            |   |                           |                                       |                                       |
| Revenue Support Grant and NNDR                                     |   |                           | 16,096                                | -                                     |
| Transitional Grant   |   |                           | 471                                   | -                                     |
| Precept on Council Tax Collection Funds                            |   |                           | <u>19,909</u>                         | <u>32,610</u>                         |
|  |   |                           | <b>36,476</b>                         | <b>32,610</b>                         |

# CHESHIRE FIRE AUTHORITY

## BALANCE SHEET 2004-2005

|  |         | 2004-05   |                  | 2003-04   |                  |
|--|---------|-----------|------------------|-----------|------------------|
|  |         | £000      | £000             | £000      | £000             |
| <b>FIXED ASSETS</b>                            |         |           |                  |           |                  |
| Operational Assets                             | Note 14 |           |                  |           |                  |
| Property                                       |         | 25,842    |                  | 26,240    |                  |
| Vehicles                                       |         | 2,930     |                  | 3,051     |                  |
| Equipment                                      |         | 1,131     |                  | 1,154     |                  |
| Non Operational Assets                         |         | 39        |                  | 0         |                  |
| <b>TOTAL LONG TERM ASSETS</b>                  |         |           | <b>29,942</b>    |           | <b>30,445</b>    |
| <b>CURRENT ASSETS</b>                          |         |           |                  |           |                  |
| Stocks   | Note 15 | 185       |                  | 185       |                  |
| Debtors and prepayments                        | Note 16 | 1,771     |                  | 728       |                  |
| Investments (Short Term)                       | Note 17 | 9,793     |                  | 8,188     |                  |
| Cash in Hand                                   |         | 6         | 11,755           | 5         | 9,106            |
| Less Current Liabilities                       |         |           |                  |           |                  |
| Creditors                                      | Note 18 | (3,051)   |                  | (2,957)   |                  |
| Cash Overdrawn                                 |         | (1,406)   |                  | (465)     |                  |
| Current Portion LT Borrowing                   | Note 20 | (133)     | (4,590)          | (133)     | (3,555)          |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>   |         |           | <b>37,107</b>    |           | <b>35,996</b>    |
| Pension Liability - LT Creditors               | Note 19 |           | (64)             |           | (108)            |
| Long Term Borrowing                            | Note 20 |           | (3,757)          |           | (2,969)          |
| Pension Liability (FRS 17)                     | Note 21 |           | (244,500)        |           | (160,397)        |
| <b>TOTAL ASSETS LESS TOTAL LIABILITIES</b>     |         |           | <b>(211,214)</b> |           | <b>(127,478)</b> |
| <b>REPRESENTED BY</b>                          |         |           |                  |           |                  |
| <u>Notional Accounts</u>                       |         |           |                  |           |                  |
| Fixed Assets Restatement Account               | Note 22 | 31,525    |                  | 31,553    |                  |
| Pension Account (FRS 17)                       |         | (244,500) |                  | (160,397) |                  |
| Capital Financing Account                      | Note 23 | (5,374)   | (218,349)        | (4,299)   | (133,143)        |
| <u>Earmarked Reserves</u>                      |         |           |                  |           |                  |
| Commutation                                    | Note 24 | 1,663     |                  | 844       |                  |
| Capital - Schemes                              | Note 25 | 1,721     |                  | 1,339     |                  |
| Capital - Unapplied Receipts                   | Note 26 | 364       |                  | 355       |                  |
| Resource Centre Managers                       | Note 27 | 118       |                  | 175       |                  |
| Community Risk Reduction - Alarms & Prevention | Note 28 | 200       |                  | -         |                  |
| Government Capital Grant - Deferred            | Note 29 | 73        |                  | -         |                  |
| General  | Note 30 | 2,996     | 7,135            | 2,952     | 5,665            |
| <b>TOTAL EQUITY</b>                            |         |           | <b>(211,214)</b> |           | <b>(127,478)</b> |

## NOTES TO THE FINANCIAL STATEMENTS

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

### 2 Summary Revenue Account

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

| <u>Category of Expenditure</u>   |  | <b>2004-05</b>      | 2003-04 |
|----------------------------------|--|---------------------|---------|
|                                  |  | <b>£000</b>         | £000    |
| Employees:                       | Uniformed                              | <b>21,983</b>       | 20,427  |
|                                  | Non Uniformed                          | <b>2,876</b>        | 2,375   |
|                                  | Other Employee Costs                   | <b>543</b>          | 548     |
|                                  |  | <b>25,402</b>       | 23,350  |
| Overheads:                       |  |                     |         |
|                                  | Agency & Contracted Services           | Note 3 <b>984</b>   | 765     |
|                                  | Capital Charges                        | Note 4 <b>2,471</b> | 2,482   |
|                                  | Members                                | Note 5 <b>77</b>    | 60      |
|                                  | Premises                               | <b>1,357</b>        | 1,447   |
|                                  | Supplies, Services and Other Expenses  | <b>2,822</b>        | 2,889   |
|                                  | Transport                              | <b>957</b>          | 883     |
|                                  |  | <b>8,668</b>        | 8,526   |
| Pensions:                        |  |                     |         |
|                                  | Pensions FRS17                         | <b>9,936</b>        | 6,006   |
|                                  | Non-Distributed Pensions Costs - FRS17 | -                   | 44      |
|                                  |  | <b>9,936</b>        | 6,050   |
| Gross Cost of Service per BVACOP |  | <b>44,006</b>       | 37,926  |
| Service Income                   | Note 6                                 | <b>(1,376)</b>      | (1,499) |
| <b>Net Cost of Service</b>       |  | <b>42,630</b>       | 36,427  |

### 3 Agency & Contracted Services

|                        |               | <b>2004-05</b> | 2003-04 |
|------------------------|---------------|----------------|---------|
|                        |               | <b>£000</b>    | £000    |
| Section 12 Payments to | Staffordshire | <b>25</b>      | 27      |
|                        | Merseyside    | <b>14</b>      | 16      |
| Services Bought In     |               | <b>945</b>     | 722     |
| <b>TOTAL</b>           |               | <b>984</b>     | 765     |

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

### 4 Capital Charges & Asset Management Revenue Account (AMRA)

|                            | <b>2004-05</b> | 2003-04 |
|----------------------------|----------------|---------|
|                            | <b>£000</b>    | £000    |
| Provision for Depreciation | <b>1,414</b>   | 1,410   |
| Notional Interest Charges  | <b>1,057</b>   | 1,072   |
| <b>Capital Charges</b>     | <b>2,471</b>   | 2,482   |
| External Interest Payable  | <b>177</b>     | 145     |
| Notional Interest Reversed | <b>(1,057)</b> | (1,072) |
| Capital Grants Amortised   | <b>(18)</b>    | -       |
| <b>AMRA</b>                | <b>(898)</b>   | (927)   |

## 5 Members' Allowances

In accordance with the Local Authorities Regulations 1995 (Nov 2003), the total amount spent on members' allowances in 2004-05 was £76,524.

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

## 6 Income

|                     | 2004-05<br>£000 | 2003-04<br>£000 |
|---------------------|-----------------|-----------------|
| Fees & Other Income | 642             | 729             |
| Specific Grants     | 246             | 239             |
| Princes Trust       | 488             | 531             |
|                     | <u>1,376</u>    | <u>1,499</u>    |

## 7 Publicity

Per the requirements of Section 5 (1) of the Local Government Act 1986, the Authorities spending on publicity was £67,271 ((2003-04 £98,602).

## 8 Leases

The Authority has no finance leases. Payments under operating leases made in 2004-05 totalled £330,762.

Operating lease committed payments expiring in the next financial year

|                                      |          |
|--------------------------------------|----------|
| Commitments expiring next year       | £193,054 |
| Commitments expiring in 2 to 5 years | £205,057 |
| Commitments expiring after 5 years   | £0       |

## 9 Officers' Emoluments

In accordance with the Accounts and Audit Regulations 2003, the number of employees whose taxable emoluments for 2004-05 exceeded £50,000 is detailed below:

| £               | Number of Officers |                 |
|-----------------|--------------------|-----------------|
|                 | 2004-05<br>£000    | 2003-04<br>£000 |
| 50,000-59,999   | 9                  | 4               |
| 60,000-69,999   | 4                  | 1               |
| 70,000-79,999   | 0                  | 0               |
| 80,000-99,999   | 2                  | 1               |
| 100,000-109,999 | 0                  | 1               |
| 110,000-119,999 | 1                  | 0               |

## 10 Related Party Transactions

Under the 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 and the district councils of Cheshire) 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.

- (3) Transactions with Central Government have been disclosed within the revenue account and the cash flow statement, as well as in the other notes to the accounts.

There are no material transactions to disclose in respect of:

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

## 11 Audit Costs

In 2004-05 the Authority incurred costs:

|  | 2004-05<br>£000 | 2003-04<br>£000 |
|--|-----------------|-----------------|
| Fees payable to the Audit Commission   | 17              | 19              |
| Fees payable in respect of other services provided by the Appointed Auditors | 49              | 79              |
|  | 66              | 98              |

## 12 Provision for the Repayment of Debt

The Authority is required by statute to set aside a minimum revenue provision for the repayment of external debt. The figure used to calculate the annual provision for debt repayment was £3,491,000. The Authority has decided to make an additional debt repayment provision to recognise the estimated life of the assets being financed through loans.

|                               | 2004-05<br>£000 | 2003-04<br>£000 |
|-------------------------------|-----------------|-----------------|
| Minimum repayment provision   | 139             | 103             |
| Voluntary repayment provision | 94              | 69              |
|                               | 233             | 172             |

## 13 Pension Costs

### Non Uniformed Staff Pension Costs

The LGPS is a funded scheme, meaning that the scheme's liabilities are backed by investment assets. The Authority and its employees pay contributions into the fund, calculated at a level intended to fund the growth in pension liabilities over the longer term.

In 2004-05 the Cheshire Fire Authority paid employer contributions of £500,000 (2003-04 £431,000) into the Cheshire Pension Fund (the Fund). This represented 15.6% (2003-04 14.8%) of employees' pensionable pay (other than Fire Officers), into the Cheshire Pension Fund. The Authority has also made payments to fund 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          |
| Capitalised costs of Discretionary Retirements to 31 March 2004    | 0          |
| <b>Total</b>   | <b>396</b> |

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 payment to the Fund.

The rate of employer contributions due to the Fund is determined every three years based on a valuation by the Fund's Actuary. The valuation effective for the 2004-05 financial year was undertaken as at 31 March 2004. The main actuarial assumptions were:

|                    | Nominal % p.a | Real % p.a. |
|--------------------|---------------|-------------|
| Investment Return: |               |             |
| Equities           | 7.2%          | 3.8%        |
| Bonds              | 6.7%          | 3.3%        |
| Earnings Growth    | 4.9%          | 1.5%        |
| Price Inflation    | 3.4%          | -           |

FRS 17 Accounting for Retirement Benefits is based on the simple principle that the operating costs of providing retirement benefits should be accounted for at the time the Authority is committed to give them even if the actual giving will be many years into the future. FRS 17 also requires that related finance costs be recognised in the period in which they arise. The charges to the revenue account as calculated on an FRS 17 basis in respect of non uniformed fire staff are set out in the table below.

|   | Local Government Pension Scheme |                 |
|---|---------------------------------|-----------------|
|   | 2004-05<br>£000                 | 2003-04<br>£000 |
| Current Service Cost                                | 510                             | 347             |
| Past service cost                                   | 0                               | 44              |
| Settlements & Curtailments                          | 0                               | 0               |
| <b>Total Operating Cost</b>                         | <b>510</b>                      | <b>391</b>      |
| Expected Return on Employer Assets                  | (490)                           | (385)           |
| Interest on Pension Scheme Liabilities              | 450                             | 442             |
| <b>Net return on Assets/Interest on Liabilities</b> | <b>(40)</b>                     | <b>57</b>       |
| <b>Net operating Cost (FRS17)</b>                   | <b>470</b>                      | <b>448</b>      |

The implementation of FRS17 has a nil impact on council tax. The charge made against council tax is based on the actual contributions payable in the year. An appropriation to cover the net operating cost, calculated on an FRS17 basis, has been made from a notional Pension Reserve.

#### Uniformed Firefighters Pension Costs

The Uniformed Pension Scheme is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities. Actual net costs are met by the revenue budget as they fall due.

The ODPM recently issued a consultation document outlining their proposals for the future financing of the Firefighter pension scheme. This included a proposal to establish a local pensions account and to move to a system of employers contributions rather than direct financing of pension costs. It is anticipated that these changes will take effect from 1st April 2006 and may impact on the future presentation of FRS17 notes, although this is still uncertain.

In 2004-05 the net cost of pensions amounted to £5.3m representing 26% of pensionable pay.

FRS 17 'Accounting for Retirement Benefits' applies equally to Firefighters' pension benefits - i.e. the operating costs of providing retirement benefits are accounted for at the time the Authority is committed to give them even if the actual giving will be many years into the future. The charges to the revenue account as calculated on a FRS 17 basis are set out in the table below.

|   | Uniformed Pension Scheme |                 |
|---|--------------------------|-----------------|
|   | 2004-05<br>£000          | 2003-04<br>£000 |
| Current Service Cost                                  | 8,600                    | 5,600           |
| Past service cost                                     | 0                        | 0               |
| Settlements & Curtailments                            | 0                        | 0               |
| <b>Total Operating Cost</b>                           | <b>8,600</b>             | <b>5,600</b>    |
| Expected Return on Employer Assets                    | 0                        | 0               |
| Interest on Pension Scheme Liabilities                | 8,800                    | 9,200           |
| <b>Net Return on Assets/(Interest on Liabilities)</b> | <b>8,800</b>             | <b>9,200</b>    |
| <b>Net Operating Cost (FRS17)</b>                     | <b>17,400</b>            | <b>14,800</b>   |

The implementation of FRS17 has a nil impact on council tax. The charge made against council tax is based on the actual contributions payable in the year. An appropriation to cover the net operating cost, calculated on an FRS17 basis, has been made from a notional Pension Reserve.

FRS17 is also referred to in Note 21.

#### 14 Fixed Assets

The figures below provide information on the movement of fixed assets held by the Authority during 2004-05. Following the introduction of capital asset accounting, the fixed assets are shown at their current value (see Statement of Accounting Policies).

|  | Property<br>£000 | Vehicles<br>£000 | Equip<br>£000 | Non-Operational<br>£000 | Total<br>£000 |
|--|------------------|------------------|---------------|-------------------------|---------------|
| <b>Net Book Value at 1 April 2004</b>  | 26,240           | <b>3,051</b>     | <b>1,154</b>  | -                       | <b>30,445</b> |
| Gross Book Value at 1 April 2004       | 29,079           | 7,001            | 3,121         | -                       | 39,201        |
| Additions                              | 199              | 457              | 247           | 39                      | 942           |
| Disposals                              |                  | (589)            |               |                         | (589)         |
| Revaluations and Restatements          |                  |                  |               |                         |               |
| Gross Book Value at 31 March 2005      | <b>29,278</b>    | <b>6,869</b>     | <b>3,368</b>  | <b>39</b>               | <b>39,554</b> |
| Depreciation at 1 April 2004           | 2,840            | 3,951            | 1,967         |                         | 8,758         |
| Charge for the year                    | 596              | 549              | 269           |                         | 1,414         |
| Disposals                              |                  | (561)            |               |                         | (561)         |
| Revaluations and Restatements          |                  |                  |               |                         |               |
| Depreciation at 31 March 2005          | <b>3,436</b>     | <b>3,939</b>     | <b>2,236</b>  |                         | <b>9,611</b>  |
| <b>Net Book Value at 31 March 2005</b> | <b>25,842</b>    | <b>2,930</b>     | <b>1,131</b>  | <b>39</b>               | <b>29,942</b> |

#### Valuation

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

Specialist properties (including fire stations and Headquarters) have been valued on the basis of depreciated replacement costs, which include an estimate of the value of the land in its existing use, together with the current gross construction costs of the building and external works, less

appropriate deductions for age condition etc. The resultant valuation may therefore be less than a new replacement building.

All property was re-valued in 1999-2000 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. A revaluation will take place in late 2005. The delay in revaluation is due to a Best Value Review on Accommodation, which is in progress and due to report in Summer 2005.

Fixed Assets owned by the Authority on 31 March 2005 include the following:

|   |     |
|---|-----|
| Fire Stations (including Headquarters and Control Room) | 25  |
| Fire Houses   | 53  |
| Vehicles  | 100 |

The Fire Authority is currently implementing a new computer software system. As this is under development, it has been classified as a non-operational asset.

**15 Stocks**

|                | <b>2004-05</b> | 2003-04    |
|----------------|----------------|------------|
|                | <b>£000</b>    | £000       |
| Uniforms       | 92             | 85         |
| Vehicle Spares | 82             | 84         |
| Fuel           | 11             | 16         |
|                | <u>185</u>     | <u>185</u> |

**16 Debtors**

|                                      | <b>2004-05</b> | 2003-04    |
|--------------------------------------|----------------|------------|
|                                      | <b>£000</b>    | £000       |
| General Debtors less than 1 year old | 746            | 718        |
| Payments in advances                 | 1,025          | 10         |
|                                      | <u>1,771</u>   | <u>728</u> |

The prior year has been restated to reflect reclassifications to creditors.

**17 Investments**

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

|                         | <b>2004-05</b> | 2003-04      |
|-------------------------|----------------|--------------|
|                         | <b>£000</b>    | £000         |
| Money Market Deposits   | 5,000          | 8,188        |
| Cheshire County Council | 4,793          | -            |
|                         | <u>9,793</u>   | <u>8,188</u> |

**18 Creditors**

|                           | <b>2004-05</b> | 2003-04      |
|---------------------------|----------------|--------------|
|                           | <b>£000</b>    | £000         |
| Trade Creditors           | 2,352          | 2,641        |
| Pay Accruals              | 240            | -            |
| Revenue Grants - Deferred | 459            | 316          |
|                           | <u>3,051</u>   | <u>2,957</u> |

The prior year has been restated to reflect reclassifications from debtors.

**19 Pension Liability - Long Term Creditors**

The long term creditor of £63,920 represents the unpaid costs of any non-uniformed staff early retirements. These costs are paid out over a period up to 5 years.



20 **Loans Outstanding - Long Term Borrowing**

As at 31 March 2004 debt outstanding was £3,102,000. During the year further loans were taken out for £922,000 and principal totalling £133,200 was re-paid. The following tables analyse long term borrowing by type and debt maturity.

|                         | <b>2004-05</b> | 2003-04 |
|-------------------------|----------------|---------|
| Loan Type               | <b>£000</b>    | £000    |
| Public Works Loan Board | <b>3,491</b>   | 2,569   |
| Instalment Loans        | <b>399</b>     | 532     |
| Balance at 31 March     | <b>3,890</b>   | 3,102   |

|                     | <b>2004-05</b> | 2003-04 |
|---------------------|----------------|---------|
| Loan Maturity       | <b>£000</b>    | £000    |
| 2 - 7 Years         | <b>987</b>     | 533     |
| 7 - 15 Years        | <b>758</b>     | 437     |
| More than 15 Years  | <b>2,132</b>   | 2,132   |
| Balance at 31 March | <b>3,890</b>   | 3,102   |

21 **Pensions FRS 17**

Note 13 to the revenue account contains details of how the Authority's participation in the Local Government Pensions Scheme (administered by Cheshire County Council) and the Fire fighters' Pension Scheme in providing uniformed and non uniformed staff with retirement benefits, impacts upon the revenue account on an FRS 17 basis.

Assets

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 table below also includes the expected long term return from each of the asset categories.

|              | Long Term Returns | Proportion of the Fund<br>31 March 2005 | Proportion of the Fund<br>31 March 2004 |
|--------------|-------------------|---|---|
|              | % per year        | %                                       | %                                       |
| Equity       | 7.7               | 76.6                                    | 76.8                                    |
| Bonds        | 4.8               | 10.9                                    | 11.0                                    |
| Property     | 5.7               | 9.1                                     | 9.5                                     |
| Cash         | 4.8               | 3.4                                     | 2.7                                     |
| <b>Total</b> |                   | <b>100.0</b>                            | <b>100.0</b>                            |

The Fire Fighters' Pension Scheme has no assets to cover its liabilities.

Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, which is an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government and Firefighters' Pension Scheme liabilities have been assessed by Hymans Robertson and Co, an independent firm of actuaries. The main assumptions used in their calculations are shown in the following table:

|                   | Local Government Pension Scheme |         | Fire Fighters Pension Scheme |         |
|-------------------|---------------------------------|---------|------------------------------|---------|
|                   | <b>2004-05</b>                  | 2003-04 | <b>2004-05</b>               | 2003-04 |
|                   | %                               | %       | %                            | %       |
| Price increases   | <b>2.9</b>                      | 2.9     | <b>2.9</b>                   | 2.9     |
| Salary Increases  | <b>4.4</b>                      | 4.4     | <b>4.4</b>                   | 4.4     |
| Pension increases | <b>2.9</b>                      | 2.9     | <b>2.9</b>                   | 2.9     |
| Discount rate     | <b>5.4</b>                      | 6.5     | <b>5.4</b>                   | 6.5     |

The underlying assets for retirement benefits attributable to the Authority at 31 March are shown in the following table.

|                               | Local Government Pension Scheme |                       | Fire Fighters Pension Scheme |                       | Total                 | Total                 |
|-------------------------------|---------------------------------|-----------------------|------------------------------|-----------------------|-----------------------|-----------------------|
|                               | 31 March 2005<br>£000           | 31 March 2004<br>£000 | 31 March 2005<br>£000        | 31 March 2004<br>£000 | 31 March 2005<br>£000 | 31 March 2004<br>£000 |
| Estimated employer assets     | 7,900                           | 6,576                 | 0                            | 0                     | 7,900                 | 6,576                 |
| Estimated pension liabilities | (11,100)                        | (8,016)               | (241,300)                    | (159,200)             | (252,400)             | (167,216)             |
| Net pension liability         | (3,200)                         | *(1,440)              | (241,300)                    | (159,200)             | (244,500)             | (160,640)             |

\* Figure for 31st March 2004 have been re-stated in light of actuarial experience.

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £245 million has a substantial impact on the net worth of the Authority as shown in the Balance Sheet, resulting in a negative overall balance of £211 million at 31 March 2005. However, statutory arrangements for funding the deficit means that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme's actuary.
- Finance is only required to be raised to cover fire pensions when the pensions are actually paid, although as referenced in Note 13, this is subject to change.

#### Movement on Net Pension Liability

The movement in the net pension liability for the year to 31 March 2005 is as follows:

|   | Local Government Pension Scheme<br>£000 | Fire Fighters Pension Scheme<br>£000 |
|---|---|--------------------------------------|
| <b>Net pension liability at 31 March 2004</b> | <b>(1,440)</b>                          | <b>(159,200)</b>                     |
| Current Service Cost                          | (510)                                   | (8,600)                              |
| Employer contributions                        | 500                                     | 4,000                                |
| Pension & Lump Sum expenditure                | 0                                       | 0                                    |
| Past service cost                             | 0                                       | 0                                    |
| Transfer In from Other Authorities            | 0                                       | (176)                                |
| Transfer Out from Other Authorities           | 0                                       | 504                                  |
| Impact of settlements & curtailments          | 0                                       | 0                                    |
| Net return on assets                          | 40                                      | 0                                    |
| Interest cost on liabilities                  | 0                                       | (8,800)                              |
| Actuarial gains/(losses)                      | (1,790)                                 | (69,028)                             |
| <b>Net pension liability at 31 March 2005</b> | <b>(3,200)</b>                          | <b>(241,300)</b>                     |

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 2005.

|   | Local Government Pension Scheme |             | Fire Authority Pension Scheme |             |
|---|---------------------------------|-------------|-------------------------------|-------------|
|   | £000                            | % of assets | £000                          | % of assets |
| Differences between the expected and actual return on assets                            | 250                             | 3.2         | N/A                           | N/A         |
| Differences between actuarial assumptions and actual experience                         | (220)                           | (2.0)       | (22,300)                      | (9.2)       |
| Changes in Financial Assumptions Underlying the Present Value of the Scheme Liabilities | (1,820)                         | 15.0        | (46,728)                      | (19.4)      |
| Other losses on liabilities   | 0                               | 0           | 0                             | 0           |
| Changes in demographic assumptions  | 0                               | 0           | 0                             | 0           |
| <b>Actuarial gains and (losses)</b>   | <b>(1,790)</b>                  | <b>16.2</b> | <b>(69,028)</b>               | <b>28.6</b> |

The net pension liability identified in the FRS17 disclosures set out above does not represent an immediate call on the Authority's reserves. Rather this is the notional amount, using the prescribed FRS17 calculation basis, by which the Authority's pension liabilities exceed its share of the Fund's assets.

|           |  |                       |                |
|-----------|--|-----------------------|----------------|
| <b>22</b> | <b>Fixed Asset Restatement Account</b>                                 |                       |                |
|           |  | <b>2004-05</b>        | 2003-04        |
|           |  | <b>£000</b>           | £000           |
|           | Balance at 1 April   | <b>31,553</b>         | 31,580         |
|           | Disposal of Fixed Assets   | <b>(28)</b>           | (27)           |
|           | Balance at 31 March  | <b><u>31,525</u></b>  | <u>31,553</u>  |
| <b>23</b> | <b>Capital Financing Account</b>                                       |                       |                |
|           |  | <b>2004-05</b>        | 2003-04        |
|           |  | <b>£000</b>           | £000           |
|           | Balance at 1 April   | <b>(4,299)</b>        | (3,305)        |
|           | Revenue Contribution Applied in Year                                   | <b>79</b>             | 192            |
|           | Capital Receipts Applied   | <b>26</b>             | 52             |
|           | Provision for debt repayment   | <b>234</b>            | 172            |
|           | Depreciation charged to fixed assets                                   | <b>(1,414)</b>        | (1,410)        |
|           | Balance at 31 March  | <b><u>(5,374)</u></b> | <u>(4,299)</u> |
| <b>24</b> | <b>Commutation Reserve</b>   |                       |                |
|           | This reserve has been created in line with FRS17 Pension requirements. |                       |                |
|           |  | <b>2004-05</b>        | 2003-04        |
|           |  | <b>£000</b>           | £000           |
|           | Balance at 1 April   | <b>843</b>            | -              |
|           | Provision made in year   | <b>820</b>            | 843            |
|           | Balance of at 31 March   | <b><u>1,663</u></b>   | <u>843</u>     |
| <b>25</b> | <b>Capital Programme</b>   |                       |                |
|           |  | <b>2004-05</b>        | 2003-04        |
|           |  | <b>£000</b>           | £000           |
|           | Balance at 1 April   | <b>1,340</b>          | 646            |
|           | Appropriation (to)\from revenue in year                                | <b>382</b>            | 694            |
|           | Balance of at 31 March   | <b><u>1,722</u></b>   | <u>1,340</u>   |
| <b>26</b> | <b>Capital Receipts</b>  |                       |                |
|           |  | <b>2004-05</b>        | 2003-04        |
|           |  | <b>£000</b>           | £000           |
|           | Balance at 1 April   | <b>355</b>            | 355            |
|           | Usable capital receipts in year  | <b>109</b>            | 52             |
|           | Capital receipts applied to schemes in year                            | <b>(100)</b>          | (52)           |
|           | Balance of at 31 March   | <b><u>364</u></b>     | <u>355</u>     |
| <b>27</b> | <b>Resource Centre Managers' Reserve</b>                               |                       |                |
|           |  | <b>2004-05</b>        | 2003-04        |
|           |  | <b>£000</b>           | £000           |
|           | Balance at 1 April   | <b>175</b>            | 302            |
|           | Transfers to revenue   | <b>(57)</b>           | (285)          |
|           | Restatements, net  | <b>-</b>              | 158            |
|           | Balance of at 31 March   | <b><u>118</u></b>     | <u>175</u>     |
| <b>28</b> | <b>Community Risk Reduction Reserve - Alarms &amp; Prevention</b>      |                       |                |
|           |  | <b>2004-05</b>        |                |
|           | Balance at 1 April   | <b>-</b>              |                |
|           | Transfers to/from Revenue  | <b>200</b>            |                |
|           | Balance 31 March   | <b><u>200</u></b>     |                |

29 **Government Capital Grants - Deferred**

|                      | 2004-05   |
|----------------------|-----------|
| Balance at 1 April   | -         |
| Additions            | 91        |
| Amortisation in year | (18)      |
| Balance 31 March     | <u>73</u> |

30 **General Reserve**

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

|                     | 2004-05      |              | 2003-04     |             |               |
|---------------------|--------------|--------------|-------------|-------------|---------------|
|                     | £000         | CCC<br>£000  | WBC<br>£000 | HBC<br>£000 | Total<br>£000 |
| Balance at 1 April  | 2,952        | 2,736        | 697         | 387         | 3,820         |
| Transfers in year   | 44           | (622)        | (157)       | (89)        | (868)         |
| Balance at 31 March | <u>2,996</u> | <u>2,114</u> | <u>540</u>  | <u>298</u>  | <u>2,952</u>  |

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

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

|                              | 2004-05<br>£000 | 2003-04<br>£000 |
|------------------------------|-----------------|-----------------|
| Balance at 1 April           | 521             | 349             |
| Provision for debt repayment | 234             | 172             |
| Balance at 31 March          | <u>755</u>      | <u>521</u>      |

32 **Capital Expenditure and Disposals**

|                            | 2004-05<br>£000 | 2003-04<br>£000 |
|----------------------------|-----------------|-----------------|
| <b>Capital Expenditure</b> |                 |                 |
| Property                   | 199             | 95              |
| Vehicles                   | 457             | 528             |
| Equipment                  | 247             | 459             |
| Non-Operational            | 39              |                 |
|                            | <u>942</u>      | <u>1,082</u>    |

**Capital Expenditure was financed as follows:**

|                      | 2004-05<br>£000 | 2003-04<br>£000 |
|----------------------|-----------------|-----------------|
| Borrowing            | 763             | 838             |
| Revenue Contribution | 79              | 192             |
| Capital Receipts     | 9               | 52              |
| Capital Grant        | 91              | -               |
|                      | <u>942</u>      | <u>1,082</u>    |

**Capital Disposals**

|          | 2004-05<br>£000 | 2003-04<br>£000 |
|----------|-----------------|-----------------|
| Vehicles | 589             | 406             |
|          | <u>589</u>      | <u>406</u>      |

## CHESHIRE FIRE AUTHORITY

### CASH FLOW STATEMENT 2004-2005

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

|  | £000            | £000            |
|--|-----------------|-----------------|
| <b>REVENUE ACTIVITIES</b>                                |                 |                 |
| <u>Outflows</u>  |                 |                 |
| Payments to and on behalf of employee                    | (31,806)        | (29,400)        |
| Other operating payments                                 | (5,619)         | (4,234)         |
|  | <u>(37,425)</u> | <u>(33,634)</u> |
| <u>Inflows</u>   |                 |                 |
| Charges for services and other receipts                  | 1,376           | 1,499           |
| Contribution from Council Tax & RSG                      | 36,476          | 32,610          |
|  | <u>37,852</u>   | <u>34,109</u>   |
| <b>REVENUE ACTIVITIES NET CASH INFLOW</b>                | <u>427</u>      | <u>475</u>      |
| <b>SERVICING OF FINANCE</b>                              |                 |                 |
| <u>Outflows</u>  |                 |                 |
| Interest paid  | (177)           | (145)           |
| <u>Inflows</u>   |                 |                 |
| Interest received  | 460             | 357             |
| <b>SERVICING OF FINANCING ACTIVITIES NET CASH INFLOW</b> | <u>283</u>      | <u>212</u>      |
| <b>CAPITAL ACTIVITIES</b>                                |                 |                 |
| <u>Outflows</u>  |                 |                 |
| Purchase Of Fixed Assets                                 | (942)           | (1,082)         |
| <u>Inflows</u>   |                 |                 |
| Capital Receipts   | 109             | 52              |
| <b>CAPITAL ACTIVITIES NET CASH OUTFLOW</b>               | <u>(833)</u>    | <u>(1,030)</u>  |
| <b>NET CASH INFLOW BEFORE FINANCING</b>                  | <u>(123)</u>    | <u>(343)</u>    |
| <b>FINANCING</b>   |                 |                 |
| <u>Outflows</u>  |                 |                 |
| Principal Repayments                                     | (133)           | (133)           |
| <u>Inflows</u>   |                 |                 |
| New loans raised   | 922             | 666             |
| <b>FINANCING ACTIVITIES NET INCREASE IN CASH</b>         | <u>789</u>      | <u>533</u>      |
| <b>MANAGEMENT OF LIQUID RESOURCES</b>                    | <u>(1,605)</u>  | <u>(285)</u>    |
| <b>NET DECREASE IN CASH</b>                              | <u>(939)</u>    | <u>(95)</u>     |

| 1 <b>Reconciliation of revenue cash flow</b>        | £000          | £000          |
|---|---------------|---------------|
| General Fund Surplus                                | (13,600)      | (10,922)      |
| <u>Adjustments for Non Cash Transactions:</u>       |               |               |
| FRS 17  | 13,042        | 10,283        |
| AMRA  | 1,591         | 1,555         |
| Loss on Disposals                                   | 28            | 26            |
| Bad Debt Provision                                  | 2             | 10            |
|   | <b>14,663</b> | <b>11,874</b> |
| <u>Adjustment: Changes to Working Capital</u>       |               |               |
| Decrease/(Increase) in debtors                      | (1,043)       | 932           |
| Increase /(Decrease) in creditors                   | 94            | (1,144)       |
| Reserve Restatements Affecting Working capital, net | 269           | 613           |
|   | (680)         | 401           |
| <b>Revenue Activities Net Cash Flow</b>             | <b>383</b>    | <b>1,353</b>  |

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

|                           | As at<br>31/03/05<br>£000 | As at<br>31/03/04<br>£000 | Movement<br>during Year<br>£000 |
|---------------------------|---------------------------|---------------------------|---------------------------------|
| Liquid Resources          |                           |                           |                                 |
| Investments (short term)  | 9,793                     | 8,188                     | 1,605                           |
| Stocks                    | 185                       | 185                       | -                               |
| Debtors                   | 1,771                     | 728                       | 1,043                           |
| Creditors                 | (3,051)                   | (2,957)                   | (94)                            |
|                           | (1,095)                   | (2,044)                   | 949                             |
| Cash ( Imprest Accounts ) | 6                         | 5                         | 1                               |
| Bank Overdraft            | (1,406)                   | (465)                     | (941)                           |

## 3     **Movement in long term borrowing**

|       |       |       |     |
|-------|-------|-------|-----|
| Loans | 3,890 | 3,102 | 789 |
|-------|-------|-------|-----|

**CHESHIRE FIRE AUTHORITY**

**STATEMENT OF TOTAL MOVEMENT IN RESERVES 2004-2005**

The following statement summarises changes in the Authority's Notional and Earmarked Reserves.

|                                   | NOTIONAL RESERVES        |                   |                         |                 | EARMARKED RESERVES |              |                           |                  |             |                                 | Total            |
|-----------------------------------|--------------------------|-------------------|-------------------------|-----------------|--------------------|--------------|---------------------------|------------------|-------------|---------------------------------|------------------|
|                                   | Fixed Asset Re-Statement | Capital Financing | Usable Capital Receipts | Capital Reserve | Commutation        | General      | Resource Centre Managers' | Pension FRS17    | CRR Reserve | Gov't Capital Grants - Deferred |                  |
|                                   | £000s                    | £000s             | £000s                   | £000s           | £000s              | £000s        | £000s                     | £000s            | £000s       | £000s                           | £000s            |
| <b>Balance 1 April</b>            | 31,553                   | (4,299)           | 355                     | 1,339           | 844                | 2,952        | 175                       | (160,397)        | -           | -                               | (127,478)        |
| Surplus for year                  | -                        | -                 | -                       | -               | -                  | 44           | -                         | -                | -           | -                               | 44               |
| <b>Transfers in year:</b>         |                          |                   |                         |                 |                    |              |                           |                  |             |                                 |                  |
| Anticipated Contribution          | -                        | -                 | -                       | -               | -                  | -            | -                         | -                | -           | -                               | 200              |
| Loss on Disposals                 | (28)                     | -                 | -                       | -               | -                  | -            | -                         | -                | -           | -                               | (28)             |
| Cash Receipts, net                | -                        | 26                | 9                       | -               | -                  | -            | -                         | -                | -           | -                               | 108              |
| Provision for Commitments         | -                        | -                 | -                       | -               | 819                | -            | -                         | (84,103)         | -           | -                               | (83,284)         |
| Revenue Financing of Fixed Assets | -                        | 79                | -                       | -               | -                  | -            | -                         | -                | -           | -                               | 79               |
| Adjustments, net                  | -                        | -                 | -                       | 382             | -                  | -            | (57)                      | -                | -           | -                               | 325              |
| Provision for Debt Repayment      | -                        | 234               | -                       | -               | -                  | -            | -                         | -                | -           | -                               | 234              |
| Provision for Depreciation        | -                        | (1,414)           | -                       | -               | -                  | -            | -                         | -                | -           | -                               | (1,414)          |
| <b>Balance 31 March</b>           | <b>31,525</b>            | <b>(5,374)</b>    | <b>364</b>              | <b>1,721</b>    | <b>1,663</b>       | <b>2,996</b> | <b>118</b>                | <b>(244,500)</b> | <b>200</b>  | <b>73</b>                       | <b>(211,214)</b> |

## **GLOSSARY OF TERMS**

### **Accruals**

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

### **Appropriations**

Amounts transferred to or from revenue or capital receipts.

### **Asset Charges**

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

### **Asset Management Revenue Account**

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

### **Budget**

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

### **Capital Expenditure**

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

### **Capital Financing Account**

This account 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 account 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 Account**

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

### **Income**

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



**Long-Term Borrowing**

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

**Provisions**

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

**Reserves**

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

**Revenue Expenditure**

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

**Revenue Support Grant**

General government grant support towards fire authority expenditure.

**SORP (Statement of Recommended Practice)**

Guidelines and requirements issued by CIPFA with respect to the accounting and reporting arrangements for Local Authorities, including Fire Authorities.

**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.