

**HAMPSHIRE FIRE AND RESCUE AUTHORITY
STATEMENT OF ACCOUNTS 2003/04**

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Explanatory Foreword

1. Introduction

1.1 This foreword gives:

- * a summary of the various statements which make up the 2003/04 accounts
- * a broad picture of where the money comes from and what it is spent on
- * a summary of the revenue expenditure on services and capital expenditure on new assets over the course of the year.

2. Summary of Statement of Accounts

2.1 The accounts for 2003/04 are set out on pages 5 - 7 and 17 – 36. They consist of:

- * statement of accounting policies
- * summary revenue account – this covers income and expenditure on the service
- * balance sheet – this sets out the financial position on 31 March 2004
- * cash flow statement - this summarises cash coming in or going out from transactions with others for revenue and capital purposes
- * statement of total movements in reserves – this sets out how reserves have changed and been used during the year.

3. Where the money comes from

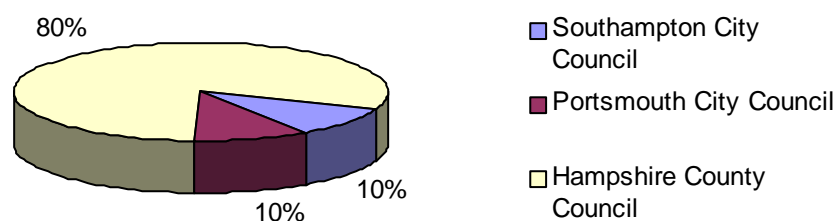
3.1 The expenditure of Hampshire Fire and Rescue Authority was financed in 2003/04 by means of a levy on Hampshire County Council, Portsmouth City Council and Southampton City Council. It is shared between the councils in proportion to their respective council tax bases. From 1 April 2004 the Authority moves to a precepting status and will receive its funding directly from the Government and Council Taxpayers.

3.2 The Authority did not have its own Formula Spending Share (FSS), which was the basis for government grant distribution to local authorities in 2003/04. The FSS for fire services forms part of the FSS of the three constituent authorities and therefore any variance in the actual level of spending has a direct impact on other local authority services.

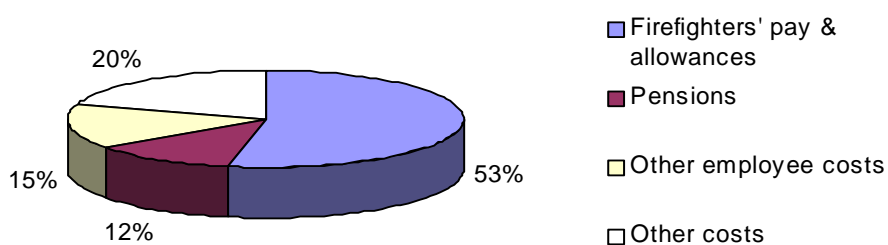
3.3 The Authority has its own basic credit approval (BCA) from the Government to enable borrowing to finance capital expenditure. In order to finance the level of capital programme approved by the Authority, this BCA had to be supplemented by contributions from the revenue budget and receipts from selling surplus assets.

Explanatory Foreword

- 3.4 The proportion of the Authority's income obtained from each of the constituent authorities in 2003/04 was as follows:



4. What the money is spent on



5. Overview of the year – revenue account

- 5.1 The Fire Authority set its levy for 2003/04 on 5 February 2003 requiring £51,311,000 from the constituent authorities. A supplementary levy totalling £784,000 was raised during the year to cover the costs of the firefighters' pay award.
- 5.2 This was financed by the constituent authorities as follows:

	£'000
Hampshire County Council	41,525
Portsmouth City Council	5,026
Southampton City Council	5,544

Explanatory Foreword

- 5.3 The main components of the 2003/04 revised budget and supplementary levy against the actual income and expenditure are set out below.

	Revised budget & supplementary Levy* £'000	Actual £'000	Variation £'000
Net cost of services	55,002	54,850	-152
Asset management account surplus	-1,729	-1,914	-185
Interest receivable	0	-43	-43
Pensions interest cost and expected return on pensions assets	14120	14,120	0
Net operating expenditure	67,393	67,013	-380
Revenue contribution to capital	0	19	+19
Provision for debt repayment:			
- Minimum Revenue Provision	167	142	-25
- Less depreciation and deferred charges included in net operating expenditure	-1,370	-1,385	-15
Movement on pensions reserve	-14,095	-14,095	0
Amount to be met by constituent authorities	52,095	51,694	-401

* the budget figures have been adjusted to reflect the FRS 17 actual figures so that the variations are not distorted by the introduction of this new accounting standard.

- 5.4 At the end of the year net expenditure totalled £51,694,000 which was £401,000 lower than the original budget.
- 5.5 Expenditure other than pensions was £286,000 overspent. The main reasons for this was a £865,000 increase in the provision for uninsured losses which was partly offset by additional income of £299,000 and lower interest payments of £183,000.
- 5.6 Pensions expenditure was £694,000 underspent. This was primarily due to fewer firefighters retiring than anticipated on ill-health grounds.

Explanatory Foreword

6. Overview of the year – capital expenditure

6.1 In 2003/04 the Authority spent £1,539,000 on capital projects:

Scheme:	£'000
Command and control system	367
Breathing Apparatus	346
Vehicles	716
Other schemes	110

6.2 Vehicles to the value of £1,481,000 were obtained through operational leasing during the year.

7. Debt

7.1 The Authority currently has nine loans totalling £3,250,000.
On a day to day basis the Authority is able to lend to and borrow from Hampshire County Council.

8. Further information

8.1 Further information can be obtained about the accounts from the Treasurer to the Fire and Rescue Authority at the County Treasurer's Department, Hampshire County Council, The Castle, Winchester, Hampshire, SO23 8UB, telephone (01962) 847518, or e-mail jane.lovett@hants.gov.uk.

Statement of Accounting Policies

1. General principles

- 1.1 The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain: A Statement of Recommended Practice (SORP) 2003 and the Accounts and Audit Regulations 2003. Any significant non-compliance is explained in the following notes.

2. Debtors and creditors

- 2.1 Debtors and creditors have been accrued in accordance with the Code of Practice.
- 2.2 There is, however, one exception. Electricity and other utility companies' quarterly payments are accounted for at the date of meter reading rather than being shared between financial years.
- 2.3 The above exceptions apply every year and do not have a material effect on the year's accounts.

3. Reserves and provisions

- 3.1 In 2003/04 the Authority was not permitted to hold reserves.
- 3.2 Provisions represent legal liabilities when the amount or date of payment is uncertain. They are charged to the revenue account in the year they are recognised.
- 3.3 The Authority holds two provisions. The first is a provision for bad debts which is deducted from the total for debtors. The second is for uninsurable and other claims. This covers costs which may arise as a result of the Authority being uninsured for a period, possible tribunals and other claims made against the Authority.

4. Fixed Assets

- 4.1 All spending on a fixed asset which yields benefits for a period of more than one year is treated as capital expenditure in the accounts.
- 4.2 Fixed assets are valued on the basis recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors. Fixed assets are classified into the groupings in the Code of Practice on Local Authority Accounting.
- 4.3 Land, property and other assets used for service provision are called "operational assets". They are included in the balance sheet at the open market value for their present use when there is sufficient evidence to support the value, or at depreciated replacement cost otherwise.

Statement of Accounting Policies

- 4.4 Assets not used to provide services are called “non-operational assets” and are assets that are currently not in use. These are included in the balance sheet at open market value.
- 4.5 Surpluses arising on the valuations of fixed assets have been credited to the fixed asset restatement reserve. Land and building assets were revalued during 1999/00 and the accounts reflect these values.
- 4.6 Income from the disposal of fixed assets is accounted for in the year in which it occurs. This is used to meet expenditure for capital purposes.

5. Basis of charges for capital

- 5.1 Notional interest charges are based on asset valuations at the beginning of the financial year. In 2003/04 an interest rate of 3.5% was used as prescribed by the CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Joint Committee.
- 5.2 Prior to 2000/01 depreciation charges were only made on vehicles, plant and equipment. Following the adoption of FRS 15 depreciation charges are now made on all fixed assets other than land and non-operational assets.
- 5.3 Depreciation is calculated on a straight line basis over the useful economic lives of the assets. In the case of permanent buildings a provisional average residual life has been assumed of 25 years for building components and 100 years for the other parts of the building pending a detailed review of the economic lives of individual assets. Furniture and equipment is assumed to have a life of ten years and vehicles between five and 15 years.

6. Deferred charges

- 6.1 The only category of expenditure coming under the heading of deferred charges is deferred revenue costs relating to the setting up of the Authority.

7. Redemption of debt

- 7.1 The Authority’s borrowing limit for capital purposes is based on the cumulative amount of capital expenditure it has incurred and for which it has received borrowing approval from the Government. The borrowing limit increases each year by the amount of that years capital approvals and reduces by the amount of that years minimum revenue provision. The Council makes provision for the redemption of debt in accordance with requirement that a minimum revenue provision is put aside from revenue. This must be at least equal to 4% of the borrowing limit for capital purposes at the start of each financial year.

Statement of Accounting Policies

8. Stocks and stores

- 8.1 Stocks worth £501,000 have been included in the consolidated balance sheet. Several stocks are held with the largest relating to vehicle spares, uniforms and operational equipment. All stocks are valued at latest buying price which is not in line with the SORP however the difference is immaterial.

9. Support Services

- 9.1 The costs of the support services are allocated over services according to their usage by direct services with the exception of some corporate services which are allocated on the basis of net expenditure.

10. Pension arrangements

- 10.1 The Authority participates in two different pension schemes which meet the needs of employees. Both schemes provide members with defined benefits relating to pay and service. The costs of providing pensions for employees are charged to the accounts in accordance with the statutory requirements.

11. Leasing

- 11.1 The Authority has, on occasions, used operating leases to acquire vehicles as an alternative to capital financing. The rentals on the leases are charged to services in the revenue account. The Authority took the decision not to take out any further operating leases in February 2004.

12. Changes

- 12.1 The implementation of FRS 17 (the new accounting standard covering retirement benefits) has had a material effect on the presentation of the statement of accounts. The previous policy was to recognise liabilities in relation to retirement benefits only when the employer's contributions became payable to the pension fund (in the case of the Local Government Pension Scheme) or when payments fell due to the pensioners for which the Authority is directly responsible for (in the case of the Firefighters' Pension Scheme). The timing and amount of actual payments does not change, so there is no impact on the Council Tax. However, this does mean that the Authority's balance sheet reflects what it would cost to pay all the firefighters' current and future pension liabilities (i.e. £243.58m), in addition to £5.03m for support staff, should the Authority in effect be 'closed down'. The new standard better reflects the current service cost accrued in the year by existing employees in the revenue account and the net pensions liability in the balance sheet.
- 12.2 The overall amount to be met from the Constituent Authorities has remained unchanged, and the costs disclosed for individual services are very similar after the replacement of the costs of retirement benefits paid to employees by current service costs. However Net Operating Expenditure is higher than it would have otherwise been.

Statement on the system of internal financial control

1. This statement is given in respect of the Statement of Accounts for Hampshire Fire and Rescue Authority (the Authority). I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.
2. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
3. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Authority. In particular, the system includes:
 - comprehensive budgeting systems;
 - regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
 - setting targets to measure financial and other performance;
 - the preparation of regular financial reports which indicate actual expenditure against the forecasts;
 - clearly-defined capital expenditure guidelines; and
 - as appropriate, formal project management disciplines.
4. Hampshire Fire and Rescue Authority employs an internal audit service which operates in accordance with the requirements of the code of practice for internal audit in local government in the United Kingdom, issued by CIPFA. The internal audit service provides an independent and objective appraisal function for reviewing the system of internal control. It examines, evaluates and reports to Senior Managers and the Treasurer on the adequacy of the internal financial control as a contribution to the proper economic, efficient and effective use of resources. Action is agreed by relevant managers to address issues raised and progress in implementing agreed action is monitored as appropriate.
5. The strategic and annual internal audit plans are prepared by the Chief Internal Auditor to take account of the characteristics and relative risks of the activities involved and are approved by the Treasurer. At least annually, the Chief Internal Auditor provides a report on internal audit activity to the Chief Fire Officer. The annual report includes the Chief Internal Auditor's independent opinion on the adequacy and effectiveness of the Authority's systems of internal control, including internal financial control.
6. My review of the effectiveness of the system of internal financial control is informed by the work of managers within Hampshire Fire and Rescue Authority; the work of the internal auditors as described above; and the external auditors in their annual audit letter and other reports.

Jon Pittam
Treasurer
6 July 2004

1 Scope of responsibility

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

In accordance with the requirements in the Accounts and Audit Regulations 2003, this statement sets out how the Authority has sought to meet these requirements during 2003/04, and how it intends to make further improvements during 2004/05.

2 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 reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at the Authority for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts. The next section outlines the internal control environment in which the Authority operates and reviews the effectiveness of the controls.

3 The internal control environment

The key elements of control are as follows:

- The Authority sets out its objectives through its corporate strategy and plan. This is supplemented by its Integrated Risk Management Plan (IRMP).
- The Authority facilitates policy and decision making through committees which operate in accordance with a range of policies and processes including financial regulations, standing orders, codes of conduct and scheme of delegation of decision taking.

Interim Statement of Internal Control

- The financial management of the Authority is led by the Treasurer and is integrated with and influenced by the processes set out above. It includes processes for forward planning of expenditure, consultation on budget proposals, setting and monitoring income and budgets, and completion of final accounts. All are intended to be accurate, informative, timely and within statutory requirements.
- In order to ensure compliance with policies, procedures and statutory requirements the Authority has a range of controls and processes in place, as set out and reviewed below. These processes also help the Authority to ensure the economical, effective and efficient use of resources, to secure continuous improvement in excising its functions, and to provide effective performance management and reporting.

Review of Effectiveness of Internal Controls

Control	Review of Effectiveness
Statutory roles of Monitoring Officer and Section 151 Officer to ensure internal control procedures are efficient and effective and are being complied with on a routine basis to ensure legality and sound financial standing.	Authority and Committees and the Chief Officer has a full range of professional officer advice to enable them to carry out their functions effectively and in compliance with statutory requirements. The External Auditor is satisfied with the Council's arrangements (Annual Audit Letter 2002/03).
Internal Audit provide independent and objective assurances across the whole range of the authority's activities.	<p>The External Auditor is able to place reliance on the work of the Internal Audit (Annual Audit Letter 2002/03), which is in turn based on a systematic assessment of the risks facing the Authority in carrying out its functions.</p> <p>To date the Treasurer has approved the Internal Audit Plan in consultation with the Chief Fire Officer. Arrangements are now being set up for Members to take a fuller role in this process through the Governance Committee. Fraud awareness policy and publicity is to be further developed.</p>
External Audit provide a further source of assurance by reviewing and reporting upon the Council's internal control processes and any other matters relevant to their statutory functions and codes of practice.	The Annual Audit Letter for 2002/03 commented positively on the Council's service performance and future plans, the management of its financial affairs and standards of financial conduct, and stated that the External Auditor was able to place reliance on the work performed by Internal Audit.

Interim Statement of Internal Control

Control	Review of Effectiveness
<p>Risk Management policies and procedures are in place with the objective of ensuring that the risks facing the authority in achieving its objectives are evaluated, regularly reviewed and mitigation strategies developed, and these arrangements are approved and reviewed by the Authority following advice from the Clerk, Treasurer and Chief Fire Officer.</p>	<p>The financial risks facing the Authority were assessed in a report from Clerk, Treasurer and Chief Fire Officer which led to the member decision on the level of reserves to be set up under precepting arrangements from 2004/05. Operational risks and the action required to respond to them are covered by the Chief Fire Officer in accordance with statutory guidance. Historically this was assessed at a national level, but is now being assessed more locally under the requirements of the IRMP. Other risk issues (including, for example, legal risks) are assessed by the Clerk. However, more work is needed to bring a risk management policy to the Authority for approval.</p>
<p>Provision of effective, efficient and responsive systems of financial management.</p>	<p>The Authority's financial strategy is expressed within its annual budget and three-year revenue budget projections. Regular monitoring reports are brought to compare progress against the plans and spending intentions expressed by the budget. Procedures have been reviewed to ensure the requirement for earlier completion of final accounts is achieved.</p> <p>New Financial Regulations were implemented from 1 April 1997. They have worked successfully to date, but it is intended to review their operation during the current financial year. The Authority's financial policies are demonstrated in practice rather than being formally spelled out, and this issue, too, will be addressed during 2004/05.</p> <p>The Statement on the system of Internal Financial Control provides the Treasurer's assurance that these controls are in place.</p>
<p>Codes of practice are issued by external bodies in respect of services and processes, with which the Authority is expected to comply.</p>	<p>The Authority has complied with the 2003 CIPFA Code relating to Capital Finance & Treasury Management.</p>
<p>The role of the Standards Committee is to promote and maintain high standards of conduct by councillors and co-opted members.</p>	<p>The Standards Committee has met on four occasions in the last financial year .</p>

Interim Statement of Internal Control

Control	Review of Effectiveness
Performance monitoring processes are in place to measure progress against objectives and to provide for remedial action where appropriate.	Regular performance monitoring reports are brought to the Finance and General Purposes Committee.
Continued implementation of best value reviews and related improvement plans.	A programme of Best Value reviews is in place. These are reported to the Performance Review Committee.
Review of performance management information and indicators.	Quarterly reports on statutory and local (voluntary) key performance indicators are monitored by the Performance Review Committee. Commentaries on actual performance against targets are provided and published on the Authority's public website. Performance is compared with that in similar (family group) fire and rescue authorities.
Specific reviews are commissioned on an ad hoc basis to test compliance with current and preparedness forthcoming legislation.	An example, in 2003/04, is the review – carried out by the Audit Commission – of the Authority's preparedness to satisfy the requirements of the Freedom of Information Act (2000). A detailed action plan has been produced of processes and procedures that need to be in place by 1 January 2005.
Delivery of services by trained, skilled and experienced personnel.	National standards are in place – and followed locally – for operational personnel. The Authority has appointed appropriately qualified officers to act as Clerk and Treasurer. The Authority has also demonstrated its commitment through recent increases in training budgets, the review of pay structure for support staff and substantial investment in IT facilities to support all staff.
<p>Other relevant reviews carried out by external bodies:</p> <p>The Audit Commission has been tasked with carrying out a Verification Study of fire and rescue authorities' progress on the Government's 'modernisation agenda'. The outcome of this review informs the National Employers and Government on whether sufficient progress has been made by authorities to justify the implementation of the pay award to the firefighters.</p>	<p>Inspection regime no longer in place, but results in 2002/03 were favourable. The Verification Study is being carried out in two phases. The first was carried out in January/February 2004 and the results were reported to the Authority at its May 2004 meeting. The second phase of the Study is being carried out in June/July 2004.</p>

Interim Statement of Internal Control

4 Significant Internal Control Issues

It is considered that there are no significant internal control issues. However, it is accepted that more needs to be done as a separate precepting Authority to formalise arrangements for ensuring good corporate governance. That lies behind the decision to set up a Governance Committee together with its associated programme of work. This will deal with the issues set out above and enable a full statement of assurance to be given for 2004/05.

Signed : _____

Chief Fire Officer

Signed : _____

Chairman
Hampshire Fire and Rescue Authority

Statement of Responsibilities for the Statement of Accounts - Authority

1. The Authority's responsibilities

1.1 The 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 this Authority, that officer is the Treasurer:
- to manage its affairs so as to secure economic, efficient and effective use of resources and safeguard its assets:
- to approve the Statement of Accounts

2. The Chairman's Statement

2.1 I certify that the statement of accounts for 2003/04 were considered and approved at the Finance and General Purposes Committee meeting on 28 July 2004.

Cllr. P. Heath
Chairman – Finance and General Purposes Committee
28 July 2004

Statement of Responsibilities for the Statement of Accounts - Treasurer

3. The Treasurer's responsibilities

- 3.1 The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the code of practice').

In preparing this statement of accounts, the Treasurer has sought to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that were reasonable and prudent
- comply with the Code of Practice on Local Authority Accounting in Great Britain

The Treasurer has also:

- kept proper records which are up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

4. The Treasurer's statement

- 4.1 I certify that the Statement of Accounts presents fairly the financial position of the Hampshire Fire and Rescue Authority as at 31 March 2004 and its income and expenditure for the year ended 31 March 2004.

JC Pittam BSc, CPFA
Treasurer
7 July 2004

Auditors' Report to Hampshire Fire and Rescue Authority

I have audited the statement of accounts on pages 17 to 36 which have been prepared in accordance with the accounting policies applicable to fire authorities as set out on pages 5 to 7.

This report is made solely to Hampshire Fire and Rescue 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 Treasurer and Auditors

As described on page 15, the Treasurer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2003. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts present fairly the financial position of the Authority and its income and expenditure for the year.

I review whether the statement on internal control on page 9 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. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of audit opinion

I conducted my 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the statement of accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In my opinion the statement of accounts present fairly the financial position of Hampshire Fire and Rescue Authority as at 31 March 2004 and its income and expenditure for the year then ended.

Certificate

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

Signature: Date: 8 December 2004

Name: Chris Williams CIPFA
Audit Commission

Summary Revenue Account

2002/03		Gross	2003/04	Gross	Net
Net		Exp	Income	Exp	Exp
£'000		£'000	£'000	£'000	£'000
Community Fire Safety :					
3,565	Statutory inspection, certification & enforcement	3,277	48		3,229
1,533	Prevention and education	2,010	429		1,581
Firefighting and Rescue Operations :					
41,730	Operational responses	47,058	741		46,317
2,965	Communications and mobilising	2,195	22		2,173
111	Securing water supplies	132	0		132
293	Corporate management	345	0		345
114	Democratic representation and management	208	0		208
55	Non-distributed costs	0	0		0
287	Increase in provisions	865	0		865
50,653	Net Cost of Services	56,090	1,240		54,850
-3,307	Asset management revenue account	1,545	3,459		-1,914
-16	Interest received		43		-43
13,550	Pensions interest cost and expected return on pensions assets	14,540	420		14,120
60,880	Net Operating Expenditure	72,175	5,162		67,013
336	Capital expenditure financed from revenue				19
-11,812	Movement on pensions reserve				-14,095
-1,192	Reconciling amount for provisions for loan repayment				-1,243
48,212	Amount to be met by Constituent Authorities				51,694
38,418	Hampshire County Council				41,205
4,664	Portsmouth City Council				4,988
5,130	Southampton City Council				5,501
48,212					51,694

Notes to the Summary Revenue Account

1. Format

- 1.1 The summary revenue account brings together income and expenditure on the service. It uses the nationally recognised Best Value Accounting Code of Practice. This helps comparison between authorities.

2. Prior period adjustments

- 2.1 The 2002/03 summary revenue account has been adjusted to show the impact of FRS 17 (the accounting standard for retirement benefits) as if it had been implemented in 2002/03 as it had been in 2003/04. The effect in the revenue account is to charge the net cost of services with the current service cost of pension benefits earned in the year and the value of unfunded liabilities arising from decisions during the year. This replaces the actual income and expenditure in relation to current employees for the firefighters pension scheme and the employer's contribution made to the Hampshire pension fund for support staff. Net operating expenditure is charged with the difference between the increase in the present value of pension liabilities and the expected return on pension assets. These costs are offset by a transfer from the pensions reserve so that the amount to be met from the constituent authorities is unchanged.

These prior period adjustments are shown below:

	2002/03 original £'000	2002/03 adjusted £'000	difference £'000	
Net cost of services	52,391	50,653	-1,738	*
Pensions interest cost and expected return on pensions assets	0	13,550	13,550	
Net operating expenditure	49,068	60,880	11,812	
Contribution from pensions reserve	0	-11,812	-11,812	
Amount to be met constituent authorities	48,212	48,212	0	

* The actuarial assessment of additional pension liabilities in the year identified £5,495,000 (£5,430,000 on Fire Fighter's Pension Scheme and £65,000 on Local Government Pension Scheme) to be apportioned over the service departments. This was offset in the net cost of services by the removal of the actual pension costs in the year of £7,233,000.

3. Expenditure on publicity

- 3.1 Section 5 of the Local Government Act 1986 required local authorities to keep a separate account of expenditure on publicity. Spending on publicity in 2003/04 was £169,000 (£158,000 in 2002/03), of which £47,000 (£50,000 in 2002/03) related to staff advertising.

Notes to the Summary Revenue Account

4. Local Authorities (Goods and Services) Act 1970

- 4.1 Services are provided to other authorities and public bodies under the Local Authorities (Goods and Services) Act 1970. Income from this was £30,000 (£2,000 in 2002/03).

5. Asset Management revenue account

- 5.1 The balance on this account reflects the difference between capital charges levied on services (which represent a realistic economic cost of using assets in the delivery of services) and the costs to the Authority of financing its assets (from borrowing) and depreciation suffered on the assets during the year:

	2002/03	2003/04
	£'000	£'000
Capital charges to services	-4,790	-3,459
Less: Depreciation provision	1,335	1,384
Expenditure: Interest payable	148	161
Asset management revenue account surplus	<u>-3,307</u>	<u>-1,914</u>

6. Changes in Provisions

	2002/03	2003/04
	£'000	£'000
6.1 The contributions were:		
Provision for doubtful debts	0	0
Provision for uninsurable and other claims	287	865
	<u>287</u>	<u>865</u>

Note 11 to the balance sheet sets out more information on these provisions.

	2002/03	2003/04
	£'000	£'000
6.2 The provision for debt repayment comprises:		
Provision for repaying loans	148	142
Less : depreciation provision	-1,335	-1,379
: deferred charges written out	-5	-5
Provision for debt repayment	<u>-1,192</u>	<u>-1,242</u>

7. Officers' emoluments

- 7.1 The number of employees whose remuneration, excluding pension contributions, was £50,000 or more is set out below:

Total remuneration	Number of Employees	
	2002/03	2003/04
£50,000 - £59,999	2	5
£60,000 - £69,999	0	3
£70,000 - £79,999	1	1
£80,000 - £89,999	1	2
£90,000 - £99,999	0	0
£100,000 - £110,000	2	1

Notes to the Summary Revenue Account

8. Local Authorities (Members' Allowances) Act 2003

From 1 May 2003 the Authority was required to make a scheme for the payments of basic allowances, special responsibilities, travelling and subsistence and other specified Members' allowances. In 2003/04 £102,893 was paid to Members under this scheme.

9. Audit fee disclosure

9.1 The following fees were paid to the Audit Commission during the year:

	2002/03 £000	2003/04 £000
Code of Audit Practice audit	59	26
Statutory inspections	0	0
Certification of grant claims	0	0
Other work	0	35
Total	59	61

10. Pensions

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

10.2 The Authority participates in two pension schemes:

- The Local Government Pension Scheme for non-uniformed staff, administered by Hampshire County Council – this is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- The Firefighters' Pension Scheme for firefighters – this is an unfunded scheme, meaning that there are no investments assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

10.3 The cost of retirement benefits are recognised in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. The charge made against the Constituent Authorities is based on the cash payable in the year, in the form of employer's contributions or actual pension payments. This is achieved as a result of a transfer to a pensions reserve to neutralise the impact of the amended accounting treatment. The following transactions have been made in the Summary Revenue Account:

Notes to the Summary Revenue Account

	Local Government Pension Scheme		Firefighters' Pension Scheme	
	2002/03 £000	2003/04 £000	2002/03 £000	2003/04 £000
Net Cost of Services:				
• Current service cost	600	650	5,430	6,030
• Past service cost	0	0	0	0
Net Operating Expenditure:				
• interest cost	660	720	13,430	13,820
• expected return on assets in the scheme	-540	-420	0	0
Amount to be met by Constituent Authorities:				
• Movement on pensions reserve	-185	-340	-11,627	-13,755
	535	610	7,233	6,095
Actual amount charged against Constituent Authorities for pensions in the year:				
• employers' contributions payable to scheme	-535	-610		
• retirement benefits payable to pensioners			-7,233	-6,095
Net effect on budget requirement	0	0	0	0

10.4 Details of the assets and liabilities for pensions can be found in note 19 to the Balance Sheet and details of the actuarial gains and losses are set out in note 5 to the Statement of Movements in Reserves.

10.5 Further information can be found in the actuary's valuation report, which has already been published and the Hampshire Pension Fund Annual Report which are both available from The Treasurer, The Castle, Winchester, SO23 8UB.

11. Related party transactions

11.1 During the year there were no related party transactions involving members or chief officers of the Authority.

Balance Sheet

1 April 2003		31 March 2004	
£'000		£'000	£'000
	Long Term Assets		
	Fixed assets : (see note 1)		
2,193	Authority dwellings	2,194	
50,075	Other land and buildings	49,576	
4,996	Vehicles, plant and equipment	5,022	
601	Work in Progress	804	
730	Non-operational assets	730	
58,595	Total fixed assets		58,326
10	Deferred charges (see note 2)		5
37	Long-term debtors (see note 3)		31
58,642	Total long term assets		58,362
	Current Assets		
594	Stocks (see note 4)	501	
1,355	Debtors - general (see note 5)	566	
700	Payments in advance (see note 6)	712	
1,267	Temporary Lending (see note 9)	1,355	
9	Imprests	8	
3,925	Total current assets	3,142	
	Current Liabilities		
-3,736	Creditors (see note 7)	-2,498	
-85	Receipts in advance (see note 8)	-176	
0	Temporary Borrowing (see note 9)	0	
-3,821	Total current liabilities	-2,674	
104	Net current (liabilities) or assets		468
58,746	Total assets plus net current (liabilites)/assets		58,830
	Long term liabilities		
-3,250	Long term borrowing (see note 10)	-3,250	
-617	Provisions (see note 11)	-1,482	
-3,867	Total long term liabilities		-4,732
5,970	Assets relating to defined benefit pension scheme	7,960	
-237,450	Liabilities relating to defined benefit pension schemes (see note 19)	-256,565	-248,605
-176,601	Total Net Assets		-194,507
	Financed by :		
-231,480	Pensions reserve (see note 19)		-248,605
56,864	Fixed asset restatement reserve (see note 12)		56,854
-2,079	Capital financing reserve (see note 13)		-2,756
94	Usable capital receipts reserve (see note 14)		0
-176,601			-194,507

Notes to the Balance Sheet continued...

Financial Reporting Standard 15 requires most assets to be depreciated over their useful lives. The requirement to depreciate all operational buildings was a new requirement in 2000/01 and useful lives and residual values have been estimated on a provisional basis. A more precise basis has been determined for implementation when buildings are next revalued.

Asset valuations are also required to reflect any impairment during the year but there was none during the year.

Details of the policies applied to fixed assets and depreciation can be found in the Statement of Accounting Policies.

1.4 Capital spending and financing

Capital spending on fixed assets was as follows:

Capital expenditure	2002/03	2003/04
	£'000	£'000
Land	164	2
Construction work	157	106
Vehicles and equipment	915	1,431
Fees and salaries	54	0
	<u>1,290</u>	<u>1,539</u>

Capital spending was financed as follows :

Capital financing	2002/03	2003/04
	£'000	£'000
Capital receipts	531	547
Revenue contributions	336	19
Basic Credit Approval	0	973
Supplementary Credit Approval	4	0
Capital creditors	419	0
	<u>1,290</u>	<u>1,539</u>

1.5 Capital commitments

The Authority has authorised expenditure in future years under its capital programme of £1,193,000 of which £850,000 is contracted.

	Expenditure approved and contracted at 31 March 2004 £'000	Expenditure approved but not contracted at 31 March 2004 £'000
Command and Control	135	24
2003/04 Frontline appliances	701	34
2003/04 Water carrier	0	134
Other schemes	14	222
	<u>850</u>	<u>414</u>

These commitments are expected to be paid during 2004/05

Notes to the Balance Sheet continued..

2. Deferred charges

2.1 Movements in the value of deferred charges during the year were as follows :

	2002/03 £'000	2003/04 £'000
Balance as at 1 April	16	10
Expenditure	0	0
Less : amounts written off to capital financing reserve	-6	-5
Balance as at 31 March	<u>10</u>	<u>5</u>

2.2 Deferred charges represent expenditure which has been capitalised but which does not add to the value of Authority owned assets. This consists of one-off expenditure in creating the Authority.

3. Long term debtors

	31 March 2003 £'000	31 March 2004 £'000
Car loans to staff	<u>37</u>	<u>31</u>

4. Stocks

	31 March 2003 £'000	31 March 2004 £'000
Uniforms	241	168
Equipment	73	90
Workshops	222	178
Fuel	22	26
Hydrants	6	6
Memorabilia	4	4
Foam	14	15
Stationery	12	13
First Aid	0	1
	<u>594</u>	<u>501</u>

5. Debtors

	31 March 2003 £'000	31 March 2004 £'000
Government departments	117	19
Other local authorities	101	117
Sundry debtors	1,137	430
	<u>1,355</u>	<u>566</u>

5.1 The large decrease in debtors balance is due to there being no vehicles waiting to be leased as at 31 March 2004 compared with the £861,000 as at 31 March 2003.

6. Payments in advance

6.1 These mainly represent the annual payments on leasing arrangements of £705,000.

7. Creditors

	31 March 2003 £'000	31 March 2004 £'000
Government departments	822	483
Other local authorities	784	597
Sundry creditors	2,130	1418
	3,736	2,498

The Authority's policy is to pay business creditors 30 days after the date shown on the invoice.

7.1 The large decrease in the creditors balance at 31 March 2004 is due to :

* Government Departments - £503,000 for pay deductions made due to the strike action owed to the Office of the Deputy Prime Minister as at 31 March 2003.

* Sundry creditors - £419,000 capital creditors, £190,000 to staff for accelerated pay movements and £140,000 for multimedia presentation units were all outstanding as at 31 March 2003.

8. Receipts in advance

8.1 The balance shown represents some leasing rebates received in advance and funding for some local fire initiatives

9. Temporary Borrowing and Lending

9.1 The balance represents the amount borrowed from or lent to Hampshire County Council.

10. Long term borrowing

10.1 Range of interest rates payable	Source of loan	31 March 2003 £'000	31 March 2004 £'000
4.5 - 5.875%	Public Works Loan Board	3,250	3,250

All loans mature between 2019 and 2026.

11. Provisions

11.1 The Authority holds two provisions. The first is for the provision for bad debts, which totals £308 This has been netted off the balance of debtors.

Notes to the Balance Sheet continued...

- 11.2 The second is for uninsurable and other claims. This covers costs which may arise as a result of the Authority being uninsured for a period (one of the Authority's insurers went into liquidation), possible tribunals (together with their associated costs) and other claims made against the Authority. These cases may take a number of years to settle.

The movement on this provision can be summarised as follows:

	2002/03	2003/04
	£000	£000
Balance as at 1 April	330	617
Increases made during year	287	865
Balance as at 31 March	<u>617</u>	<u>1,482</u>

12. Fixed asset restatement reserve

- 12.1 The fixed asset restatement reserve was created in order to allow assets to be maintained in the accounts at current value. The reserve is written down by the net book value of assets being disposed of. The reserve is also debited or credited with deficits or surpluses when revaluations are made.

13. Capital financing reserve

- 13.1 The capital financing reserve contains :

- * the amount of capital expenditure financed from revenue and capital receipts
- * the statutory amount required to provide for the repayment of external loans less the amounts included for depreciation and writing down of deferred charges.

The change in the reserve is analysed below:

	2002/03	2003/04
	£'000	£'000
Balance as at 1 April	1,753	2,079
Revenue contributions	-336	-19
Capital receipts applied	-531	-547
Minimum revenue provision	-147	-142
Depreciation	1,334	1,380
Deferred charges	6	5
Balance as at 31 March	<u>2,079</u>	<u>2,756</u>

14. Usable capital receipts reserve

- 14.1 The balance on the usable capital receipts reserve is made up as follows :

	2002/03	2003/04
	£'000	£'000
Balance as at 1 April	-4	-94
Receipts in the year	-621	-453
Less : used to finance capital expenditure	531	547
Balance as at 31 March	<u>-94</u>	<u>0</u>

15. Contingent liabilities

- 15.1 There are no contingent liabilities that have been provided for in the accounts.

16. Amounts set aside for loan repayments

16.1 In accordance with the Local Government and Housing Act 1989 a provision for credit liabilities is maintained.

	31 March 2003 £'000	31 March 2004 £'000
Balance brought forward	0	0
Amount set aside for minimum revenue provision (MRP)	147	142
Amount applied in lieu of loans	-147	-142
Balance carried forward	<u>0</u>	<u>0</u>

17. Finance and operating leases

17.1 The Authority does not hold any assets under finance leases.

17.2 Vehicles and equipment are used which are financed under operational leasing agreements. Total rentals paid in 2003/04 were £865,000 (£730,000 in 2002/03). Outstanding rental obligations were £6,316,000 on 31 March 2004 (£5,404,000 on 31 March 2003). Rental payments on these will be £925,000 in 2004/05 (£780,000 in 2003/04), falling to £69,000 in 2015/16.

17.3 The Authority took the decision in February 2004 to cease operational leasing. Therefore there is no expenditure approved and contracted as at 31 March 2004.

	Expenditure approved and contracted at 31 March 2003 £'000	Expenditure approved and contracted at 31 March 2004 £'000
Frontline appliances	1,410	0
Support Vehicles	59	0
	<u>1,469</u>	<u>0</u>

18 Euro costs

The Authority does not have any commitments in respect of Euro costs.

19. Disclosure of net pensions asset/liability.

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

Notes to the Balance Sheet continued...

19.2 The Authority participates in two pension schemes:

- The Local Government Pension Scheme for non-uniformed employees, administered by Hampshire County Council - this is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets.
- The Firefighters' Pension Scheme for firefighters - this is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

19.3 An independent actuary, Hewitt, Bacon and Woodrow has calculated that the following assets and liabilities for pensions should be included in the balance sheet.

It is based on a formal actuarial valuation as at 31 March 2001.

31 March 2003	Local Government Pension Scheme £m	Firefighters' Pension Scheme £m	Total £m
Estimated Liabilities in Scheme	11.46	225.99	237.45
Estimated assets in scheme	5.97	0.00	5.97
Net liability	<u>5.49</u>	<u>225.99</u>	<u>231.48</u>

31 March 2004	Local Government Pension Scheme £m	Firefighters' Pension Scheme £m	Total £m
Estimated Liabilities in Scheme	12.99	243.58	256.57
Estimated assets in scheme	7.96	0.00	7.96
Net liability	<u>5.03</u>	<u>243.58</u>	<u>248.61</u>

Notes to the Balance Sheet continued...

19.4 Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The main assumptions are as follows :

	2002/03	2003/04
	%	%
Discount rate	6.1	6.4
Rate of inflation	2.6	2.9
Rate of increase in salaries	4.1	4.4
Rate of increase in pensions	2.6	2.9
Rate of increase on deferred pensions	2.6	2.9
Long - term expected rate of return on equities	7.6	7.7
Long - term expected rate of return on bonds	4.6	4.7
Long - term expected rate of return on property	6.6	6.7
Long - term expected rate of return on other assets	3.1	4.2
Average long - term expected rate of return	6.6	6.9

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion:

	31 March 2003	31 March 2004
	%	%
Equity investments	66	71
Bonds	23	21
Property	6	4
Other assets	5	4
	<u>100</u>	<u>100</u>

The proportions of total assets held in each asset type, shown above, reflect the proportions held by the Fund as a whole at 31 March 2004.

19.5 The requirement to meet the liabilities of the firefighters' scheme falls on the Authority in the year the firefighter retires. The liability for the deficit on the Local Government scheme will be reflected in future employer's pension contributions made by the Authority. Both costs will in turn be met by Council Taxpayers and Government Support Grant.

19.6 The movement in the net pension liability for the year to 31 March 2004 is as follows :

	Local Government Pension Scheme	Firefighters Pension Scheme
	£m	£m
Net deficit at the beginning of the year	-5.49	-225.99
Movement in year :		
Current service cost	-0.65	-6.03
Contributions	0.61	6.09
Expected return on pension fund asset	0.42	0.00
Interest on pension scheme liabilities	-0.72	-13.82
Actuarial gain / loss	0.80	-3.83
Net deficit at the end of the year	<u>-5.03</u>	<u>-243.58</u>

Cash Flow Statement

	2002/03 £'000	2003/04 £'000
Revenue Activities		
Cash outflows		
Cash paid to and on behalf of employees	40,557	43,731
Other operating costs	8,300	11,093
	<u>48,857</u>	<u>54,824</u>
Cash inflows		
Cash received for goods and services	-547	-1,529
Levies	-48,867	-51,040
Rents	-55	-75
Other income	-2,999	-3,051
	<u>-52,468</u>	<u>-55,695</u>
Net cash inflow/outflow from revenue activities (note 1)	-3,611	-871
Returns on Investments and Servicing of Finance		
Cash outflow		
Interest paid	148	161
Cash inflow		
Interest received	-16	-43
Capital Activities		
Cash outflows		
Purchase of fixed assets	870	1,539
	<u>870</u>	<u>1,539</u>
Cash inflows		
Sale of fixed assets	-621	-452
	<u>-621</u>	<u>-452</u>
Net cash outflow from capital activities	249	1,087
Net cash outflow/inflow before financing	-3,230	334
Management of Liquid Resources		
Net increase/decrease in short term deposits	1267	88
Financing		
Cash outflows		
Repayments of amounts borrowed	16,154	4,010
Cash inflows		
New long term loans	-700	0
New short term loans	-13,909	-4,010
Decrease / increase in cash (note 2)	-418	422

Notes to the Cashflow Statement

1. Reconciliation to revenue account

	2002/03 £'000	2003/04 £'000
Balance on revenue account	0	0
Items on an accruals basis :		
Increase/decrease in stocks	62	-93
Increase/decrease in debtors	255	-794
Increase/decrease in payments in advance	-339	12
Increase/decrease in creditors	-2,681	1,238
Increase/decrease in receipts in advance	-5	-91
	<u>-2,708</u>	<u>272</u>
Non cash transactions :		
Revenue contributions to capital	-336	-19
Provision for loan repayment	-147	-142
Provision for bad debts	0	0
Insurance provision	-287	-865
Items classified elsewhere in cash flow statement :		
Interest paid	-148	-161
Interest received	16	43
Net cash inflow/outflow from revenue activities	<u>-3,610</u>	<u>-872</u>

2. Reconciliation of the movement in cash with the movement in net debt

	2002/03 £'000	2003/04 £'000
Movement of net debt in balance sheet :		
Long term loans :		
- 1 April	-2,550	-3,250
- 31 March	-3,250	-3,250
- Movement	<u>-700</u>	<u>0</u>
Short term loans :		
- 1 April	-2,245	0
- 31 March	0	0
- Movement	<u>2,245</u>	<u>0</u>
Deposits		
- 1 April	0	1,267
- 31 March	1,267	1,355
- Movement	<u>1,267</u>	<u>88</u>
Total movement in net debt	2,812	88
Net cash outflow before financing	-3,230	334
Decrease/increase in cash	<u>-418</u>	<u>422</u>

3. Reconciliation of items shown in financing and management of liquid resources to the related items in the balance sheet

	2002/03	2003/04
	£'000	£'000
Net increase/decrease in short term deposits	1,267	88
Repayments of amounts borrowed	16,154	4,010
New long term loans	-700	0
New short term loans	-13,909	-4,010
Total movement in net debt in balance sheet	2,812	88

Statement of Movements in Reserves

2002/03 £'000		£'000	2003/04 £'000
91	Increase/decrease in useable capital receipts	-95	
0	Increase/decrease in unapplied capital grants and contributions	0	
91	Total increase/decrease in realised capital resources (note 1)		-95
19	Gains/losses on revaluation of fixed assets	0	
0	Impairment losses on fixed assets due to general changes in prices	0	0
19	Total increase/decrease in unrealised value of fixed assets (note 2)		0
-380	Value of assets sold, disposed of or decommissioned (note 3)		-10
530	Capital receipts set aside	547	
-856	Revenue resources set aside	-1,224	
-326	Total increase/decrease in amounts set aside to finance capital investment (note 4)		-677
-800	Net actuarial loss relating to pensions (note 5)		-3,030
-1,396	Total recognised gains and losses		-3,812

Notes to the Statement of Movements in Reserves

1. Movements in realised capital resources

	Useable Capital Receipts	
	2003/04 £'000	2004/05 £'000
Amounts receivable during the year	452	
Amounts applied to finance new capital investment during the year	-547	
Total increase/decrease in realised capital resources	-95	0
Balance brought forward at 1 April	95	0
Balance carried forward at 31 March	0	0

The useable capital receipts reserve is a cash-backed reserve.

Fixed Asset Restatement Reserve

	2003/04	2004/05
	£'000	£'000
2. Movements in unrealised value of fixed assets		
Gains/losses on revaluation of fixed assets during the year	0	
Impairment losses on fixed assets due to general changes in prices	0	
Total increase/decrease in unrealised capital resources	0	0

3. Value of assets sold, disposed of or decommissioned

Amounts written off fixed asset balances for disposals in year	-10	
Total movement on reserve during year	-10	0
Balance brought forward at 1 April	56,845	56,835
Balance carried forward at 31 March	56,835	56,835

The fixed asset restatement reserve relates to the valuation of existing capital assets and is therefore not cash-backed.

Notes to the Statement of Movements in Reserves continued...

4. Movements in amounts set aside to finance capital investment

	Capital Financing Reserve	
	2003/04 £'000	2004/05 £'000
Capital receipts set aside in year:		
- reserved receipts	0	
- useable receipts applied	547	
Total capital receipts set aside during year	547	0
Revenue resources set aside in year:		
- capital expenditure financed from revenue	19	
- reconciling amount for provisions for loan repayment	-1,243	
Total revenue resources set aside during year	-1,224	0
Total movement on reserve during year	-677	0
Balance brought forward at 1 April	-2,079	-2,756
Balance carried forward at 31 March	-2,756	-2,756

The capital financing reserve relates to the financing of existing capital assets and is therefore not cash-backed.

5. Movements in the pension reserve

The actuarial gains and losses identified as movements on the Pensions Reserve can be analysed into the following categories measured as absolute amounts and as a percentage of assets or liabilities as at 31 March 2004.

	Local Government Pension scheme		Firefighters' Pension Scheme	
	£000 scheme assets/liabilities	% assets/liabilities	£000 scheme assets/liabilities	% assets/liabilities
Differences between the expected and actual return on assets	790	9.9	-	-
Differences between actuarial assumption about liabilities and actual experience	-	-	-3,990	-1.6
Changes in assumptions underlying the present value of pension liabilities	10	0.1	160	0.1
	<u>800</u>		<u>-3,830</u>	
Comparative totals for 2002/03	-2,040		1,240	