



Hampshire Fire and Rescue Authority

Statement of Accounts
2004 - 2005

**HAMPSHIRE FIRE AND RESCUE AUTHORITY
STATEMENT OF ACCOUNTS 2004/05**

Contents:	Page No
Explanatory Foreword	1
Statement of Accounting Policies	4
Statement of Internal Control	7
Statement of Responsibilities for the Statement of Accounts	13
Auditors Report	15
Summary Revenue Account	17
Notes to the Summary Revenue Account	18
Balance Sheet	22
Notes to the Balance Sheet	23
Cash Flow Statement	31
Notes to the Cash Flow Statement	32
Statement of Movements in Reserves	34
Notes to the Statement of Movements in Reserves	35

Explanatory Foreword

1. Introduction

1.1 This foreword gives:

- a summary of the various statements which make up the 2004/05 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 2004/05 are set out on pages 4 - 6 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 2005
- 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 On 1 April 2004 the Authority moved to a precept status. The Authority's income now comes from general Government grants, a share of national business rates and the council tax. In addition specific Government grants are received for certain services and fees are charged to customers for some services. Interest is also earned on day to day balances.

The proportion of the Council's income from these sources is as follows:

	%
Council tax	50.9
National business rates	26.4
General Government grants	18.9
Fees, charges & interest	2.2
Specific Government grants	1.6
	<hr/> 100

4. What the money is spent on

4.1 The Authority spent its money as follows:

	2003/04	2004/05
	%	%
Firefighters' pay and allowances	53	53
Pensions	12	13
Other employee costs	15	14
Other costs	20	20
	<hr/> 100	<hr/> 100

Explanatory Foreword

5. Overview of the year – revenue account

- 5.1 The Authority set its budget requirement at £58,368,000 which was 13.75% more than the original budget for 2003/04.

The main components of the 2004/05 budget and actual income and expenditure are set out below.

	Original Budget £'000	Actual £'000	Variation £'000
Net cost of services	58,705	58,473	-232
Asset management account surplus	-1,656	-1,923	-267
Interest receivable	0	-316	-316
Pensions interest cost and expected return on pensions assets	15,920	15,910	-10
Net operating expenditure	72,969	72,144	-825
Provision for debt repayment:			
- Minimum Revenue Provision	183	176	-7
- Less depreciation and deferred charges included in net operating expenditure	-1,421	-1,419	2
Contributions to/(from) other reserves	88	4,301	4,213
Movement on pensions reserve	-14,236	-17,619	-3,383
Amount to be met from Government grant, Local taxpayers and balances	57,583	57,583	0
Council tax precept income	30,880	30,880	0
General Government grant	11,461	11,461	0
National business rates	16,027	16,027	0
Budget requirement	58,368	58,368	0
Variation in revenue account balance	785	785	0
Revenue account balance			
Brought forward 1 April 04	615	615	0
Carried forward 31 March 05	1,400	1,400	0

- 5.2 At the end of the year net expenditure totalled £54.1m which was £4.3m lower than the budget requirement.

Explanatory

Foreword

- 5.3 This position reflects three main factors:
- a precautionary approach to setting up the Authority's financial position on moving to precepting status from 2004/05
 - a number of difficult-to-predict spending and income areas which have all moved in the same direction over 2004/05 and
 - efforts made by the service to minimise spending in order to achieve the best possible position for future development.

6. Overview of the year – capital expenditure

- 6.1 In 2004/05 the Authority spent £1,574,000 on capital projects:

Scheme:	£'000
Vehicles	1,360
Home Fire Risk Check Initiative	140
Other schemes	74
	<hr/>
	1,574

7. Debt

- 7.1 The Authority currently has thirteen loans totalling £5,100,000. On a day to day basis the Authority is able to lend to and borrow from Hampshire County Council.

8. Changes

- 8.1 The Authority ceased to levy on Hampshire County Council, Portsmouth City Council and Southampton City Council on 31 March 2004. The Authority now receives a share of the national business rate and Government grant directly and sets its own council tax precept. On 1 April 2004 the Authority received £615,000 for its starting revenue account balance based on a formula agreed between the three former constituent authorities and this Authority.
- 8.2 The Authority implemented the new Financial Reporting Standard on Retirement benefits (FRS17) in preparing its financial statements for 2003/04. In 2003/04 the present value of pension liabilities was assessed using a rate determined by the Government Actuaries Department based on the assumed long term real rate of return on long dated index linked stocks. In 2004/05 the Accounting Code of Practice required liabilities to be discounted on the AA corporate bond rate, as prescribed by FRS17. This had the effect of reducing the discount rate by 1.1% in 2004/05 and this revised assumption added approximately £50m to the value of pension liabilities in 2004/05. This liability is both long term and volatile. Employer's rates on the Local Government Pension Scheme have been subject to an annual phased increase as a result of the March 2001 actuarial valuation and will continue to increase on a phased basis following the March 2004 valuation, with the aim of restoring full funding over the longer term.

9. Further information

- 9.1 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) 2004 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' payments are accounted for at the date of meter reading rather than being shared between financial years. This applies every year and therefore does not have a material effect on the year's accounts.

3. Reserves and provisions

- 3.1 Variations to reserves and provisions are shown in the notes to the summary revenue account
- 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.
- 3.4 The Authority has the following reserves:
- the Revenue Account balance is the surplus of revenue income over expenditure. It can be used to supplement income in future years
 - the capital reserve is used to help pay for future years' capital payments
 - the modernisation reserve will be used to help finance the range of initiatives required by the modernisation programme
 - the underspendings reserve is used to carry forward specific budget underspends from one year to the next
 - the transitional grant reserve will be used to repay the transitional funding as and when required by the Government.
 - the pensions reserve, which is not cash backed, represents the difference between the Authority's recognised liability in relation to pensions and the amount raised through taxation to pay that liability.

Statement of Accounting Policies

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.
- 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 account. Land and building assets were revalued during 2004/05 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 2004/05 an interest rate of 3.5% was used as prescribed by the CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Joint Committee.
- 5.2 Depreciation charges are made on all fixed assets other than land and non-operational assets in line with FRS 15.
- 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 Deferred charges are payments, which are capitalised but do not create tangible fixed assets. There are, for 2004/05, two categories of expenditure

Statement of Accounting Policies

coming under the heading of deferred charges, deferred revenue costs relating to the setting up of the Authority and the costs associated with the Home Fire Risk Check Initiative.

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.

8. Stocks and stores

- 8.1 Stocks worth £595,000 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 for operational vehicles in February 2004.

Statement of Internal Control

1 Scope of responsibility

- 1.1 Hampshire Fire and Rescue 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.
- 1.2 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.
- 1.3 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.
- 1.4 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 2004/05.

2 The purpose of the system of internal control

- 2.1 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.
- 2.2 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.

3 The internal control environment

- 3.1 The Authority has responsibility for 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 the internal auditors and the executive managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates. The system of internal control has been in place for the year ended 31 March 2005 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.
- 3.2 The Authority sets out its key aims and objectives in its Corporate Plan and Integrated Risk Management Plan (IRMP). These are supplemented by a number of medium-term functional or business plans which set out in more detail the actions and activities that will

Statement of Internal Control

be pursued. These plans are integrated and monitored as part of the Authority's well-established corporate planning process and performance management framework.

- 3.3 The IRMP, in particular, sets out for the benefit of all our stakeholders the key corporate aims and the primary actions the Authority will take to achieve them. It shows how the Authority will respond to changes and challenges, identifies common aims with partners and sets priorities and targets for improvement. The IRMP is approved by the full Authority. Actions set out in the IRMP are reviewed regularly and the Plan itself is informed by the outcomes of consultation, performance results, other review programmes and factors such as local and national policies and initiatives. It is published on the Authority's website together with current information on actual performance against targets. It is also published in hard copy for circulation internally and to key partners. The IRMP is supported by promotional activities and campaigns to ensure that the Authority's five corporate aims and targets provide a cornerstone for all internal and external communication activities.
- 3.4 The Authority's Performance Review Committee has responsibility for overseeing service planning and reporting on performance. The Corporate Management Team (CMT) also plays an important role in working with officers on drafting new policies and actions.
- 3.5 The development and revision of the IRMP is subject to an extensive corporate consultation strategy involving key stakeholders (including residents, partners and staff). The research findings are published, in summary, on the Authority's website as part of our extensive consultation strategy.
- 3.6 The Authority has a Constitution, originally adopted with effect from 1 April 1997 which sets out in full the processes by which its policies are made and decisions taken. It sets out clearly the role of the Authority and its Standing Committees. It also identifies the role of the Governance Committee (established in 2004) to give added focus on governance issues.
- 3.7 The financial management of the Authority is led by the Treasurer in conjunction with the Chief Officer and is integrated with and influenced by the corporate planning and monitoring processes set out above. This 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. The approaches taken are summarised annually in the Authority's Budget Book.
- 3.8 The Authority's Financial Regulations and Scheme of Delegation to Officers have been reviewed and revised during 2004/05.

4 Review of effectiveness of internal control

4.1 In order to ensure compliance with policies, procedures and statutory requirements the Authority has a range of controls and processes in place which are summarised in this section. These processes also help the Authority to ensure the economical, effective and efficient use of resources, to secure continuous improvement in exercising its functions, and to provide effective performance management and reporting.

4.2 *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.*

The role of Monitoring Officer is combined with that of Clerk. He works with the Authority's Internal Auditor and they have close working relationships with the Standards Committee and Governance Committee. The Standards Committee has responsibility for maintaining high standards of probity amongst members through the provision of advice and training and by carrying out investigations referred to it by the Standards Board. The Governance Committee is responsible for monitoring, reviewing and reporting to the Authority the governance arrangements.

The Authority, its standing committees and the Chief Officer have a full range of professional officer (including legal and financial) advice to enable them to carry out their functions effectively and in compliance with statutory requirements. Legal and financial services are provided through a contract for services with Hampshire County Council. This is supplemented by specialist legal advice (mainly for fire and rescue specific activities and occasional employment advice) by other external providers. The External Auditor is satisfied with the Authority's arrangements (Annual Audit Letter 2003/04) and aware of the Authority's intention to review the contracts for services with Hampshire County Council in 2005/06.

4.3 *Internal Audit provide independent and objective assurances across the whole range of the Authority's activities.*

The Governance Committee has approved the Internal Audit Strategy and Plan for 2005/06 and will receive the Annual Internal Audit Opinion for 2004/05 at its July 2005 meeting.

The Authority's Internal Auditor has provided an Annual Statement of Assurance which is included in the Final Accounts report for 2004/05.

4.4 *External Audit provide a further source of assurance by reviewing and reporting upon the Authority's internal control processes and any other matters relevant to their statutory functions and codes of practice.*

The Annual Audit Letter for 2003/04 commented positively on the Authority's governance arrangements and performance.

Statement of Internal Control

For the first time all fire and rescue services have been reviewed under a Comprehensive Performance Assessment (CPA) and the results of this will be published at the end of July 2005. Provisional feedback suggests that there are no concerns expressed about the Authority's financial and governance arrangements.

- 4.5 *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.*

The Authority has developed a Risk Management Policy and Strategic Risk Register which were reported to the Authority in February 2005. This is now under a process of continual review. The CMT takes an active role in the monitoring process.

Additional risk assessment training is being progressively rolled-out to those senior managers with responsibility for business planning.

Insurance policies and funds are in place and are regularly reviewed to ensure the Authority is adequately safeguarded.

- 4.6 *Provision of effective, efficient and responsive systems of financial management.*

The Authority's financial management strategy is incorporated in the Budget Book for 2005/06. Progress against it is monitored during the year by the Finance and General Purposes Committee and will be reviewed annually in the Final Accounts report. Procedures have been reviewed to ensure that the timetable for earlier completion of Final Accounts is achieved. As part of CPA process, no concerns were raised in relation to the Authority's policies and procedures in the use of resources. Revised Financial Regulations were approved by the Authority in February 2005 and implemented from 1 April 2005.

Internal Audit monitor the effectiveness and level of compliance as part of their work during the year. It has been confirmed - in the Audit Opinion - that they continue to operate successfully.

- 4.7 *Codes of practice are issued by external bodies in respect of services and processes, with which the Authority is expected to comply.*

The Authority complies with the 2003 CIPFA Code of Practice relating to Capital Finance and Treasury Management. This work is undertaken on behalf of the Authority by Hampshire County Council's Treasurers Department under a contract for services. The Authority monitors policies, practices and activities through regular reports.

- 4.8 *The role of the Standards Committee is to promote and maintain high standards of conduct by councillors and co-opted members.*

Statement of Internal Control

The Standards Committee has met only once in the last financial year and have not dealt with any major issues of concern.

- 4.9 *Governance Committee is charged with governance responsibilities.*

A Governance Committee was established during the year to give enhanced focus on corporate governance issues. This is reflected in the Committee's terms of reference.

- 4.10 *Performance Management processes are in place to measure progress against objectives and to provide for remedial action where appropriate.*

The entire performance management framework is well-developed. The Authority has a good track record of monitoring performance via the Performance Review Committee which also now receives reports on compliance with audit recommendations. All performance indicators, both national and local, are clearly set out on the Authority's website and responsibility for monitoring each indicator is allocated to a member of the Service Management Team.

The Authority is actively involved in regional collaboration across the full six workstreams set out in the National Framework for the Fire and Rescue Service. Hampshire takes the lead on the Human Resources workstream.

A Best Value review of vehicle workshops was undertaken in 2004/05 which made a series of recommendations to improve efficiency and effectiveness of the operation.

- 4.11 *A corporate procurement policy has been formally approved and communicated to all relevant staff.*

The Authority, having completed a Best Value review of its procurement function, has appointed a Procurement Manager tasked with pursuing all the outstanding actions arising from the Review. This also includes active participation in the national and regional procurement initiatives –especially the 'FireBuy' consortium arrangement.

- 4.12 *A Corporate Health and Safety Policy has been formally approved and communicated to all relevant staff.*

The Authority has a well-established policy (Service Order 8/1/1) which has been communicated widely to its staff. Comprehensive information and advice is available on our website.

- 4.13 *A corporate complaints policy/procedure has been formally approved, communicated to all relevant staff, the public and other stakeholders and is regularly reviewed.*

The Authority has a well-established complaints procedure (Service Order 2/8/3/6/2) setting out our policy and procedure for dealing with complaints. Full information is available on our website.

Statement of Internal Control

4.14 *Reports received from external agencies and inspectorates. Relevant external inspection reports.*

The Authority's rating under CPA was confirmed as 'good' at the end of July 2005.

4.15 *Delivery of services by trained, skilled and experienced personnel.*

The Authority has achieved ISO 9001 accreditation for its Commercial Training function.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Authority and the Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Signed:
Chairman

Signed:
Chief Officer

Date:

Date:

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 2004/05 were considered and approved at the Finance and General Purposes Committee meeting on 26 July 2005. They were subsequently revised and therefore considered and approved under delegated authority following the Finance and General Purposes Committee meeting on 21 October 2005.

Cllr. P. Heath
Chairman – Finance and General Purposes Committee
31 October 2005

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 2005 and its income and expenditure for the year ended 31 March 2005

JC Pittam BSc, CPFA
Treasurer
12 July 2005

Auditor's 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 local authorities as set out on pages 4 to 6.

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 Auditor

As described on page 14 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 2004. 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 7 to 12 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 whether the statement on internal control covers all risks and controls, or 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 is 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.

Auditor's Report to Hampshire Fire and Rescue Authority

Opinion

In my opinion the statement of accounts presents fairly the financial position of Hampshire Fire and Rescue Authority as at 31 March 2005 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:

Name: Stephen Taylor
District Auditor

Address: Audit Commission
Southern House
Sparrowgrove
Otterbourne
SO21 2RU

Summary Revenue Account

2003/04		Gross	2004/05	Gross	Net
Net		Exp	Gross	Income	Exp
Exp		£'000	£'000	£'000	£'000
£'000		£'000	£'000	£'000	£'000
	Community Fire Safety :				
3,229	Statutory inspection, certification & enforcement	3,936	67		3,869
1,581	Prevention and education	2,558	455		2,103
	Firefighting and Rescue Operations :				
46,317	Operational responses	51,603	1,764		49,839
2,173	Communications and mobilising	2,358	14		2,344
132	Securing water supplies	94	0		94
345	Corporate management	434	0		434
208	Democratic representation and management	259	0		259
0	Non-distributed costs	30	0		30
865	Decrease in provisions	0	499		-499
54,850	Net Cost of Services	61,272	2,799		58,473
-1,914	Asset management revenue account	1,626	3,549		-1,923
-43	Interest received		316		-316
14,120	Pensions interest cost and expected return on pensions assets	16,480	570		15,910
67,013	Net Operating Expenditure	79,378	7,234		72,144
19	Capital expenditure financed from revenue				0
-14,095	Movement on pensions reserve				-17,619
-1,243	Reconciling amount for provisions for loan repayment				-1,243
0	Contribution to/from other reserves				4,301
51,694	Amount to be met by Government Grant and Local Taxpayers				57,583
0	Revenue Support Grant				-11,461
0	National business rates				-16,027
-51,694	Levies/Precept				-30,880
0	Increase in Revenue Account Balance for the year				785
0	Balance on 1 April				615
0	Balance carried forward as at 31 March				1,400

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 There are no prior period adjustments for 2004/05.

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 2004/05 was £188,000 (£169,000 in 2003/04), of which £52,000 (£47,000 in 2003/04) related to staff advertising.

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 £33,000 (£30,000 in 2003/04).

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:

	2003/04	2004/05
	£'000	£'000
Capital charges to services	-3,459	-3,409
Less: Depreciation provision	1,384	1,274
Expenditure: Interest payable	161	212
Asset management revenue account surplus	<u>-1,914</u>	<u>-1,923</u>

6. Changes in Provisions

	2003/04	2004/05
	£'000	£'000
6.1 The contributions during the year were:		
Provision for doubtful debts	0	0
Provision for uninsurable and other claims	865	-499
	<u>865</u>	<u>-499</u>

These changes result from the assessment of risks at the end of each year. Note 11 to the balance sheet sets out more information on these provisions.

Notes to the Summary Revenue Account

6.2 The provision for debt repayment comprises:

	2003/04	2004/05
	£'000	£'000
Provision for repaying loans	142	176
Less : depreciation provision	-1,379	-1,274
: deferred charges written out	-5	-145
Provision for debt repayment	<u>-1,242</u>	<u>-1,243</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	
	2003/04	2004/05
£50,000 - £59,999	5	3
£60,000 - £69,999	3	2
£70,000 - £79,999	1	1
£80,000 - £89,999	2	1
£90,000 - £99,999	0	0
£100,000 - £110,000	1	1

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 2004/05 £119,000 was paid to Members under this scheme (£103,000 in 2003/04).

9. Audit fee disclosure

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

	2003/04	2004/05
	£000	£000
Code of Audit Practice audit	26	56
Statutory inspections	0	19
Certification of grant claims	0	2
Other work	35	0
Total	61	77

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.

Notes to the Summary Revenue Account

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:

	Local Government Pension Scheme		Firefighters' Pension Scheme	
	2003/04	2004/05	2003/04	2004/05
	£000	£000	£000	£000
Net Cost of Services:				
• Current service cost	650	920	6,030	8,740
• Past service cost	0	30	0	0
Net Operating Expenditure:				
• interest cost	720	860	13,820	15,620
• expected return on assets in the scheme	-420	-570	0	0
Amount to be met by Constituent Authorities:				
• Movement on pensions Reserve	-340	-568	-13,755	-17,051
	610	672	6,095	7309
Actual amount charged against Revenue account for pensions in the year:				
• Added years contributions		-2		
• employers' contributions payable to scheme	-610	-670		
• retirement benefits payable to pensioners			-6,095	-7,309
Net effect on budget requirement	0	0	0	0

Notes to the Summary Revenue Account

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 The following Government grants were received during the year:

	2004/05 £'000
General government grants	27,488
Transitional Grant	787
Other specific revenue grants	272
Capital grant – home fire safety checks	146
Total	<u>28,693</u>

11.2 The Treasurer is also the County Treasurer of Hampshire County Council.

The Authority's daily cash surplus or deficit is pooled with that of the County Council and interest paid based on the average 7 day rate. The total interest received was £306,000 (£43,000 in 2003/04 and the balance temporarily invested as at 31 March 2005 was £5,521,000 (£1,355,000 on 31 March 2004).

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

12. Earmarked reserve accounts

The following additions to earmarked reserve accounts have been made:

	2004/05 £'000
Capital	2,514
Transitional Grant	787
Modernisation	500
Underspendings	500
Total	<u>4,301</u>

13. Operating lease payments

The total operating lease payments made in 2004/05 was £1,179,000. These related to operational vehicles (£918,000), leased cars (£245,000) and photocopiers (£16,000).

Balance Sheet

31 March 2004		31 March 2005	
£'000		£'000	£'000
	Long Term Assets		
	Fixed assets : (see note 1)		
2,194	Authority dwellings	4,893	
49,576	Other land and buildings	73,266	
5,022	Vehicles, plant and equipment	5,487	
804	Work in Progress	646	
730	Non-operational assets	1,272	
58,326	Total fixed assets		85,564
5	Deferred charges (see note 2)		0
31	Long-term debtors (see note 3)		39
58,362	Total long term assets		85,603
	Current Assets		
501	Stocks (see note 4)	595	
566	Debtors - general (see note 5)	469	
712	Payments in advance (see note 6)	684	
1,355	Temporary Lending (see note 9)	5,521	
8	Imprests	5	
3,142	Total current assets	7,274	
	Current Liabilities		
-2,498	Creditors (see note 7)	-1,368	
-176	Receipts in advance (see note 8)	-281	
0	Temporary Borrowing (see note 9)	0	
-2,674	Total current liabilities	-1,649	
468	Net current (liabilities) or assets		5,625
58,830	Total assets plus net current (liabilities)/assets		91,228
	Long term liabilities		
-3,250	Long term borrowing (see note 10)	-5,100	
-1,482	Provisions (see note 11)	-303	
-4,732	Total long term liabilities		-5,403
7,960	Assets relating to defined benefit pension scheme	11,630	
-256,565	Liabilities relating to defined benefit pension schemes (see note 19)	-332,094	-320,464
-194,507	Total Net Assets		-234,639
	Financed by :		
-248,605	Pensions reserve (see note 19)		-320,464
56,854	Fixed asset restatement account (see note 12)		84,081
-2,756	Capital financing account (see note 13)		-3,999
0	Usable capital receipts reserve (see note 14)		42
0	Earmarked reserves (see note 18)		4,301
0	Revenue account		1,400
-194,507			-234,639

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	2003/04	2004/05
	£'000	£'000
Land	2	0
Construction work	106	17
Vehicles and equipment	1,431	1,501
Fees and salaries	0	56
	<u>1,539</u>	<u>1,574</u>

Capital spending was financed as follows :

Capital financing	2003/04	2004/05
	£'000	£'000
Capital receipts	547	0
Revenue contributions	19	0
BCA/Supported borrowing	973	1424
Capital contribution	0	10
Capital grant	0	140
	<u>1,539</u>	<u>1,574</u>

1.5 Capital commitments

The Authority has authorised expenditure in future years under its capital programme of £1,058,000 of which £699,000 is contracted.

	Expenditure approved and contracted at 31 March 2005 £'000	Expenditure approved but not contracted at 31 March 2005 £'000
2004/05 Frontline appliances	566	181
Other schemes	133	178
	<u>699</u>	<u>359</u>

These commitments are expected to be paid during 2005/06

Notes to the Balance Sheet continued..

2. Deferred charges

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

	2003/04 £'000	2004/05 £'000
Balance as at 1 April	10	5
Expenditure	0	140
Less : amounts written off to capital financing account	-5	-145
Balance as at 31 March	<u>5</u>	<u>0</u>

2.2 Deferred charges represent expenditure which has been capitalised but which does not add to the value of Authority owned assets. The balance as at 1 April relates to one-off expenditure in creating the Authority. The expenditure during the year was the cost of the Home Fire Safety Checks.

3. Long term debtors

	31 March 2004 £'000	31 March 2005 £'000
Car loans to staff	31	34
Other	0	5
	<u>31</u>	<u>39</u>

4. Stocks

	31 March 2004 £'000	31 March 2005 £'000
Uniforms	168	268
Equipment	90	72
Workshops	178	162
Fuel	26	28
Hydrants	6	6
Memorabilia	4	3
Foam	15	37
Stationery	13	17
First Aid	1	2
	<u>501</u>	<u>595</u>

5. Debtors

	31 March 2004 £'000	31 March 2005 £'000
Government departments	19	13
Other local authorities	117	0
Sundry debtors	430	456
	<u>566</u>	<u>469</u>

The balance to other local authorities on 31/03/04 related to transfer values expected in relating to that year.

6. Payments in advance

6.1 These mainly represent the annual payments on leasing arrangements of £666,000.

7. Creditors

	31 March 2004 £'000	31 March 2005 £'000
Government departments	483	609
Other local authorities	597	39
Sundry creditors	1,418	720
	2,498	1,368

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

7.1 The balance to other local authorities on 31/03/04 related to levy refunds owed to the constituent authorities.

The variance in sundry creditors between 31/03/04 and 31/03/05 mainly relates to large creditors included in 2003/04 for backdated pay awards.

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

Range of interest rates payable	Source of loan	31 March 2004 £'000	31 March 2005 £'000
4.5 - 5.875%	Public Works Loan Board	3,250	5,100

All loans mature between 2019 and 2034.

11. Provisions

11.1 The Authority holds two provisions. The first is for the provision for bad debts, which totals £793 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:

	2003/04	2004/05
	£000	£000
Balance as at 1 April	617	1,482
Payments made during the year	0	-680
Increase/decrease(-) made during year	865	-499
Balance as at 31 March	<u>1,482</u>	<u>303</u>

12. Fixed asset restatement account

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

13. Capital financing account

- 13.1 The capital financing account 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 account is analysed below:

	2003/04	2004/05
	£'000	£'000
Balance as at 1 April	2,079	2,756
Revenue contributions	-19	0
Capital receipts applied	-547	0
Minimum revenue provision	-142	-176
Depreciation	1,380	1,414
Deferred charges	5	145
Deferred Gov grants applied		-140
Balance as at 31 March	<u>2,756</u>	<u>3,999</u>

14. Usable capital receipts reserve

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

	2003/04	2004/05
	£'000	£'000
Balance as at 1 April	-94	0
Receipts in the year	-453	-42
Less : used to finance capital expenditure	547	0
Balance as at 31 March	<u>0</u>	<u>-42</u>

15. Contingent liabilities

- 15.1 The Authority is not aware of any contingent liabilities that should be disclosed in these accounts.

16. Finance and operating leases

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

16.2 The Authority has operational leases for operational vehicles, employee leased cars and photocopiers. The Authority is committed to make payments totalling £1,118,000 during 2005/06 for leases which expire over the following timescales:

	2005/06 £'000
Within the year	78
Within the second to fifth year	638
Over five years	402
Total	<u>1118</u>

17. Euro costs

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

18. Earmarked reserves

	31 March 2005 £'000
Transitional Grant reserve	787
Underspendings carried forward	500
Capital payments reserve	2514
Modernisation reserve	500
Total	<u>4301</u>

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.

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 2004.

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>

31 March 2005	Local Government Pension Scheme £m	Firefighters' Pension Scheme £m	Total £m
Estimated Liabilities in Scheme	19.46	312.63	332.09
Estimated assets in scheme	11.63	0.00	11.63
Net liability	<u>7.83</u>	<u>312.63</u>	<u>320.46</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 :

	2003/04	2004/05
	%	%
Discount rate	6.4	5.3
Rate of inflation	2.9	2.9
Rate of increase in salaries	4.4	4.4
Rate of increase in pensions	2.9	2.9
Rate of increase on deferred pensions	2.9	2.9
Long - term expected rate of return on equities	7.7	7.7
Long - term expected rate of return on bonds	4.7	4.7
Long - term expected rate of return on property	6.7	6.7
Long - term expected rate of return on other assets	4.2	4.8
Average long - term expected rate of return	6.9	6.8

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 2004	31 March 2005
	%	%
Equity investments	71	69
Bonds	21	22
Property	4	4
Other assets	4	5
	<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.

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 2005 is as follows :

	Local Government Pension Scheme	Firefighters Pension Scheme
	£m	£m
Net deficit at the beginning of the year	-5.04	-243.58
Movement in year :		
Current service cost	-0.92	-8.74
Contributions	0.70	7.31
Past service costs	-0.03	0.00
Expected return on pension fund asset	0.57	0.00
Interest on pension scheme liabilities	-0.86	-15.62
Actuarial gain / loss (-)	-2.26	-52.00
Net deficit at the end of the year	<u>-7.84</u>	<u>-312.63</u>

Cash Flow Statement

	2003/04 £'000	2004/05 £'000
Revenue Activities		
Cash outflows		
Cash paid to and on behalf of employees	43,731	47,085
Other operating costs	11,093	12,781
	<u>54,824</u>	<u>59,866</u>
Cash inflows		
Cash received for goods and services	-1,529	-1,030
Government Grant	0	-806
Levies	-51,040	0
Precepts	0	-30,880
Revenue Settlement Grant	0	-11,461
National Business Rates	0	-16,027
Rents	-75	-76
Other income	-3,051	-3,243
	<u>-55,695</u>	<u>-63,523</u>
Net cash inflow/outflow from revenue activities (note 1)	-871	-3,657
Returns on Investments and Servicing of Finance		
Cash outflow		
Interest paid	161	212
Cash inflow		
Interest received	-43	-317
Net cash outflow/inflow (-) from Servicing of Finance	118	-105
Capital Activities		
Cash outflows		
Purchase of fixed assets	1,539	1,434
Deferred charges	0	140
	<u>1,539</u>	<u>1,574</u>
Cash inflows		
Sale of fixed assets	-452	-42
Capital Grant	0	-140
Capital Contribution	0	-10
	<u>-452</u>	<u>-192</u>
Net cash outflow from capital activities	1,087	1,382
Net cash outflow/inflow before financing	334	-2,380
Management of Liquid Resources		
Net increase/decrease in short term deposits	88	4,166
Financing		
Cash outflows		
Repayments of amounts borrowed	4,010	0
Cash inflows		
New long term loans	0	-1,850
New short term loans	-4,010	0
Decrease / increase in cash (note 2)	422	-64

Notes to the Cashflow Statement

1. Reconciliation to revenue account

	2003/04 £'000	2004/05 £'000
Balance on revenue account	0	-785
Items on an accruals basis :		
Increase/decrease in stocks	-93	94
Increase/decrease in debtors	-794	-90
Increase/decrease in payments in advance	12	-28
Increase/decrease in creditors	1,238	1,130
Increase/decrease in receipts in advance	-91	-104
Increase/decrease in balances	0	-4,301
	<u>272</u>	<u>-3,299</u>
Non cash transactions :		
Revenue contributions to capital	-19	0
Provision for loan repayment	-142	-176
Provision for bad debts	0	0
Insurance provision	-865	499
Items classified elsewhere in cash flow statement :		
Interest paid	-161	-212
Interest received	43	316
Net cash inflow/outflow from revenue activities	<u>-872</u>	<u>-3,657</u>

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

	2003/04 £'000	2004/05 £'000
Movement of net debt in balance sheet :		
Long term loans :		
- 1 April	-3,250	-3,250
- 31 March	-3,250	-5,100
- Movement	<u>0</u>	<u>-1,850</u>
Short term loans :		
- 1 April	0	0
- 31 March	0	0
- Movement	<u>0</u>	<u>0</u>
Deposits		
- 1 April	1,267	1,355
- 31 March	1,355	5,521
- Movement	<u>88</u>	<u>4,166</u>
Total movement in net debt	88	2,316
Net cash outflow before financing	334	-2,380
Decrease/increase in cash	<u>422</u>	<u>-64</u>

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

	2003/04	2004/05
	£'000	£'000
Net increase/decrease in short term deposits	88	4,166
Repayments of amounts borrowed	4,010	0
New long term loans	0	-1,850
New short term loans	-4,010	0
Total movement in net debt in balance sheet	88	2,316

Statement of Movements in Reserves

2003/04 £'000		£'000	2004/05 £'000
	Surplus for the year		
0	Revenue Account	785	
0	Earmarked reserves (see notes to revenue account)	4,301	
	Total increase in revenue resources		5,086
-95	Increase/decrease(-) in useable capital receipts	42	
0	Increase/decrease(-) in unapplied capital grants and contributions	0	
-95	Total increase/decrease in realised capital resources (note 1)		42
0	Gains/losses on revaluation of fixed assets	-27,254	
0	Impairment losses on fixed assets due to general changes in prices	0	
0	Total increase/decrease in unrealised value of fixed assets (note 2)		-27,254
-10	Value of assets sold, disposed of or decommissioned (note 3)		-27
547	Capital receipts set aside	0	
-1,224	Revenue resources set aside	-1,243	
-677	Total increase/decrease in amounts set aside to finance capital investment (note 4)		-1,243
-3,030	Net actuarial loss relating to pensions (note 5)		-54,260
-3,812	Total recognised gains and losses		-82,742

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	42
Amounts applied to finance new capital investment during the year	-547	0
Total increase/decrease in realised capital resources	-95	42
Balance brought forward at 1 April	95	0
Balance carried forward at 31 March	0	42

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

	Fixed Asset Restatement Account	
	2003/04 £'000	2004/05 £'000
2. Movements in unrealised value of fixed assets		
Gains/losses on revaluation of fixed assets during the year	0	-27254
Impairment losses on fixed assets due to general changes in prices	0	0
Total increase/decrease in unrealised capital resources	0	-27,254

3. Value of assets sold, disposed of or decommissioned

Amounts written off fixed asset balances for disposals in year	10	27
Total movement on account during year	10	-27,227
Balance brought forward at 1 April	-56,864	-56,854
Balance carried forward at 31 March	-56,854	-84,081

The fixed asset restatement account 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 Account	
	2003/04 £'000	2004/05 £'000
Capital receipts set aside in year:		
- reserved receipts	0	0
- useable receipts applied	547	0
Total capital receipts set aside during year	547	0
Revenue resources set aside in year:		
- capital expenditure financed from revenue	19	0
- reconciling amount for provisions for loan repayment	-1,243	-1,243
Total revenue resources set aside during year	-1,224	-1,243
Total movement on account during year	-677	-1,243
Balance brought forward at 1 April	-2,079	-2,756
Balance carried forward at 31 March	-2,756	-3,999

The capital financing account 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 2005.

	Local Government Pension scheme		Firefighters' Pension Scheme	
	£000	%	£000	%
	scheme assets/liabilities		scheme assets/liabilities	
Differences between the expected and actual return on assets	450	3.9	-	-
Differences between actuarial assumption about liabilities and actual experience	910	4.7	-140	-0.1
Changes in assumptions underlying the present value of pension liabilities	-3,620	-18.7	-51,860	-16.6
	<u>-2,260</u>		<u>-52,000</u>	
Comparative totals for 2003/04	800		-3,830	