

SHROPSHIRE AND WREKIN FIRE AUTHORITY

STATEMENT OF ACCOUNTS

————— **2001/2002** —————

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This Statement of Accounts covers the period from 1 April 2001 to 31 March 2002 (2001/02), the fourth year of the Fire Authority.

Publication of accounts is required under the Accounts and Audit Regulations 1996 supported by the Code of Practice on Local Authority Accounting. The Regulations require that the Fire Authority approves the statement of accounts and that the responsible financial officer shall certify that it presents fairly the financial position of the body at the end of the respective period.

The Authority's accounts for the year are set out on pages 10 to 20. They consist of:

- The Revenue Account – which summarises expenditure and income of the Authority.
- The Balance Sheet – which sets out the financial position of the Authority.
- The Cash Flow Statement – which summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties.

These accounts are supported by the Statement of Responsibilities and the Statement of Accounting Policies that follow this foreword and by notes to the statements mentioned above. This document is complementary to the Best Value Performance Plan, which is available from Brigade Headquarters and is circulated to information centres throughout the County.

REVENUE

The Authority agreed an original revenue budget of £13,538,000 for 2001/2002. The outturn is some £747,000 below budget. £343,000 of this represents a reduction in the provision for future retirements. This follows a change in ruling by the external auditor on the making of provisions and reserves. This will impact on the 2002/03 budget. The balance of £404,000 represents a substantial achievement in containing, and in many cases, reducing revenue costs. This involved a rigorous review of internal procedures and processes, renegotiations of contracts, deferring purchases and pursuing income generation. Major areas for this underspend are as follows:

- A major review and revision of current leasing (£129,000).
- Lower than anticipated inflation (£48,000)
- One off gas and electricity adjustments, plus ongoing rates revaluations (£20,000)
- Reduced expenditure on transport, partly due to slippage in planned gearbox replacements. (£50,000)
- One off savings due to free of charge hydrant installations, and underspending on communications due to uncertainty with future projects such as radio replacement. (£53,000)
- Savings due to change in timetable for the Best Value Performance Plan, and temporary postponement of Best Value Reviews. (£45,000)
- Brigade income substantially higher than budgeted, and unexpected Bellwin Scheme compensation for flood expenses. (£67,000)

There continues to be potential impact on the Service from legislation that could affect expenditure. The effect on costs is pending further guidance, on a national basis. A particular area under review includes legislation that may impact on retained firefighters' contracts. Following employment tribunals at the end of last year, reports are expected in July 2002 which will clarify the position with regard to retained firefighters contracts. A general provision in 2002/03 will allow for liabilities resulting, and further liabilities are budgeted for in 2003/04.

A number of issues have already arisen that may affect the budget set for 2002/03, and would also impact on later year projections:

- Replacement of mobilising equipment in the Control Room
- Wholetime appliance crewing levels will have to be increased following a study undertaken at the recommendation of Her Majesty's Inspectorate.
- Review of the senior management structure, including the re-instatement of the Assistant Chief Fire Officer post.
- Increased insurance premiums, following review.
- Retained firefighter recruitment campaign.
- Water Safety training, a necessity identified by the Health and Safety Executive.
- Changes in the Occupational Health service.
- Section 19 application to reduce appliances has still not been resolved.
- Future firefighter's pay awards.

CAPITAL

The Authority is issued basic and supplementary credit approvals each year by the government. These permit borrowing to finance capital spending, and the maximum loans are raised, all from the Public Works Loans Board, in accordance with the Authority's approved Treasury strategy. The use of operational leasing is thereby minimised, but is still necessary for some vehicles and plant. Loans totalling £978,000 are currently outstanding and are managed again in accordance with the Authority's approved treasury strategy.

In 2001/02 the Authority spent £383,000 on capital compared to a revised budget of £388,000. In accordance with Authority policy, capital has been funded where possible through borrowing approval rather than leasing. This affords flexibility and secures the benefit of ownership, and also offers revenue savings in future years.

Expenditure has included the purchase of an off road appliance, three light vans and a mini Hydrosub Pump, as well as building works and IT improvements. Capital expenditure has been funded mainly from borrowing, although expenditure on appliances, carried forward from the previous year's capital programme, of around £105,000 has been funded through operational leasing.

The programme for future years includes further building works to stations, specialist appliances and plans for collaborative projects.

Statement of Responsibilities for the Statement of Accounts

Shropshire and Wrekin Fire Authority
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THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure 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 to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

THE TREASURER'S RESPONSIBILITIES

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices 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:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Treasurer has also:

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

CERTIFICATE OF THE TREASURER

In accordance with the requirement of the Accounts and Audit Regulations 1996, I certify that the Statement of Accounts on pages 10 to 21 presents fairly the financial position of the Shropshire and Wrekin Fire Authority at 31 March 2002 and its income and expenditure for the year then ended.

K Dixon CPFA
Treasurer

Dated:

Audit Certificate

Shropshire and Wrekin Fire Authority
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AUDIT OPINION

To: Shropshire and Wrekin Fire Authority

I certify that I have completed the audit of the statement of accounts on pages 10 to 21 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 6 to 9.

RESPECTIVE RESPONSIBILITIES OF TREASURER AND AUDITORS

As described on page 4 the Treasurer is responsible for the preparation of the statement of accounts. It is my responsibility to form an independent opinion, based on my audit, on the statements and to report my opinion thereon.

BASIS OF OPINION

I carried out 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.

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

OPINION

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

D M Rigg
District Auditor
Central Region

Dated:

Statement of Accounting Policies

Shropshire and Wrekin Fire Authority
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GENERAL

The accounts have been prepared in keeping with the Code of Practice on Local Authority Accounting ('The Code') issued in 1999 by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code is supported by a number of detailed accounting recommendations including the Application of Statements of Accounting Practice (SSAPs) to Local Authorities in Great Britain approved by the Accounting Standards Board.

PROVISIONS

A provision represents a liability or a loss which is certain to arise but for which there is uncertainty as to its size and, possibly, timing. The purpose of a provision is specific and counts as expenditure in the year in which the sum is earmarked. It is considered reasonable for combined fire authorities to provide for pension liabilities in respect of all those who have reached retirement in the year preceding that to which the financial statements relate. The level of this provision is reviewed annually (see note 10 to the Balance Sheet).

RESERVES

Reserves are sums set aside as balances to meet general rather than specific expenditure. The power of combined fire authorities to create and maintain reserves is dependent upon any such inclusion in the combination scheme orders and relevant local government legislation. In the absence of these powers, the carrying forward of unspent balances and the creation of reserves by combined fire authorities appears to be of dubious legality although there is recognition of the need to budget for contingencies. Shropshire and Wrekin Fire Authority hold no such reserves.

However, the current system of capital accounting requires the maintenance of two reserve accounts in the balance sheet, neither of which are 'cash-backed':

- the fixed asset restatement reserve, which represents principally the balance of the surpluses or deficits arising on the revaluation of fixed assets and
- the capital financing reserve, which represents the balance of amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and other financing transactions.

FIXED ASSETS

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the Authority for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to the revenue account.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are grouped in accordance with 'The Code' and valued on the following basis:

Operational properties and other operational assets are included in the balance sheet at depreciated replacement cost for specialised properties and open market value for non specialised

Statement of Accounting Policies

Shropshire and Wrekin Fire Authority
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properties. There are no holdings of non-operational assets or of community assets with all fire stations and Brigade Headquarters being classified as operational assets.

Revaluations of fixed assets are planned at five yearly intervals, although material changes to asset valuations will be adjusted in the interim period, as they occur. Surpluses or deficits on revaluation are credited or charged to the fixed asset restatement reserve. Impairment tests are carried out when there has been some indication that an impairment has occurred.

Income from the disposal of fixed assets is accounted for on an accruals basis. Such income that is not reserved for the repayment of external loans (forming part of the capital financing reserve) and has not already been used to finance capital expenditure is included in the balance sheet as usable capital receipts.

CHARGES TO REVENUE IN RESPECT OF FIXED ASSETS

The service revenue account is debited (charged) with a capital charge for all fixed assets used in the provision of services. The total charge covers any annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values.

Depreciation is provided on fixed assets with a finite useful life using the straight-line method. Newly acquired assets that are complete are depreciated from the start of the year. No depreciation is provided in the year of disposal.

The Asset Management Revenue Account is credited with the capital charge to the service account ensuring that these notional charges have no monetary impact on the contributions required from the constituent authorities and local taxation.

Any amounts set aside from revenue for the repayment of external loans and to finance capital expenditure are disclosed separately on the face of the service revenue account, below net operating expenditure.

DEFERRED CHARGES

Deferred charges represent expenditure that may properly be capitalised, but which does not represent tangible fixed assets. They are amortised from the balance sheet over an appropriate period related to the period over which the Authority receives benefit from the expenditure.

CAPITAL RECEIPTS

Income from the disposal of fixed assets is held in the usable capital receipts reserve until such time as they are set aside, used to finance capital expenditure or to repay debt.

Statement of Accounting Policies

Shropshire and Wrekin Fire Authority
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INTEREST CHARGES

External interest payable is charged to the Asset Management Revenue Account and not the service revenue account.

REDEMPTION OF DEBT

The Authority makes provision for the repayment of debt in accordance with the statutory Minimum Revenue Provision (MRP) requirements. The MRP applicable for the Authority's debt is 4% per annum.

LEASES

Rental payments under operating leases are charged to the revenue account on an accruals basis. The costs of assets acquired under operating leases and the related liability for future rentals are not included in the balance sheet.

Rental payments under finance leases are apportioned between the finance charge and the principal element, where material. Any finance element of these rentals is charged to the Asset Management Revenue Account.

DEBTORS AND CREDITORS

The accounts for the Authority are maintained on an income and expenditure basis. Where actual amounts due are not known at the time of closing the accounts, estimated amounts have been included. Periodic payments are recorded on a cash basis, unless material, and have not been accrued. This policy will apply across each year and will, therefore, not have a material effect on the accounts.

STOCKS

Stocks are valued at cost with an allowance for slow moving stock. Obsolescent stock is written off during the year.

OVERHEADS AND SUPPORT SERVICE COSTS

The Authority purchases some legal, personnel, financial, IT, estate management and other support from the constituent authorities and other external providers. The costs of these services are charged to the service revenue account and under the Best Value Accounting Code of Practice are apportioned to the relevant headings.

PENSIONS

The Fire Authority participates in two pension schemes for the firefighters and other employees respectively. The schemes are as follows:

Firefighters' Pension Scheme – This scheme for firefighters is regulated by the Home Office, under which the Fire Authority pays pensions on a 'pay-as-you-go' basis being an unfunded, defined benefit scheme. Contributions to the scheme are made by deductions from wholtime firefighters' pay only. Benefits and awards are payable to both wholtime and retained firefighters. The statutes and regulations governing payments made under the "Firemen's"

Statement of Accounting Policies

Shropshire and Wrekin Fire Authority
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Pension Scheme do not permit authorities to set up funds to meet the full cost of future liabilities and/or to make a proper charge to the revenue account in accordance with SSAP 24. As a result the Fire Authority does not comply with the accounting requirements of SSAP24 and although a provision is held, the liabilities in the balance sheet are understated. The spirit of this standard is met by disclosure of what the charge would have been if the statement had been applied.

Local Government Pension Scheme - Non-operational staff are eligible for membership of the Shropshire County Pension Fund administered by Shropshire County Council. The pension costs that are charged to the Authority's accounts in respect of its non-uniformed employees are equal to the contributions paid to the funded pension scheme for these employees. The amount of these contributions is determined by regular actuarial valuations. The accounts of the Shropshire County Pensions Fund are available from the County Council. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

INVESTMENTS

The CIPFA Code of Practice for Treasury Management in Local Authorities, which governs the way in which surplus cash is invested, has been adopted. The Authority's surplus cash is invested with other local authorities, approved banks and building societies, as authorised in the Authority's Treasury Policy Statement.

Revenue Account

Shropshire and Wrekin Fire Authority
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Best Value Accounting ¹	Year ended 31 March 2002		Year ended 31 March 2001	
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	£000
Expenditure:				
Community Fire Safety	1,004	12	992	582
Firefighting & Rescue Operations	12,443	88	12,355	10,751
Firefighters Pension	1,869	652	1,217	1,661
Gross Totals: Expenditure & Income				
Net Total Cost			14,564	12,994
Central Services:				
Democratic Representation & Management			219	187
Corporate Management			149	193
Unapportionable Central Overheads			7	7
Other Operating Income & Expenditure				
Asset Management Revenue Account			-602	-623
Investment Income			-75	-69
Net Operating Expenditure			14,262	12,689
Contributions from Capital Financing Reserve			-1,471	-26
Net Expenditure for the Year			12,791	12,663
Financed by:				
Shropshire County Council			8,692	8,636
Telford & Wrekin Council			4,099	4,027
			12,791	12,663

¹ for an explanation of this statement please refer to Note 1 to the Revenue Account

Revenue Account

Shropshire and Wrekin Fire Authority
Statement of Accounts 2001/2002

	Notes	Year ended 31 March 2002 £'000	£'000	Year ended 31 March 2001 £'000
Expenditure				
Employees				
Wholetime Firefighters		5,703		5,378
Retained Firefighters		1,525		1,415
Control Room		448		415
Non-uniformed Staff		1,031		919
Other Employee expenses		<u>32</u>		<u>39</u>
			8,739	8,166
Firefighters Pensions (net of contributions)	2	1,217		1,661
Premises		766		725
Transport		453		432
Supplies and Services		798		741
Administration		115		140
Operational Leasing	3	809		859
Capital Charges		<u>2,142</u>		<u>693</u>
			6,300	5,251
Expenditure			15,039	13,417
Income				
Fire Certificates		- 12		- 8
Rents		- 11		- 5
Other Services		<u>- 77</u>		<u>- 23</u>
			- 100	- 36
Net cost of Service			14,939	13,166
Financing				
Asset Management Revenue Account	6		- 602	- 623
Interest and Investment Income			<u>- 75</u>	<u>- 69</u>
Net Operating Expenditure			14,262	12,689
Contributions to/(from) Capital Financing Reserve -	7		<u>- 1,471</u>	<u>- 26</u>
Net Expenditure for the Year			12,791	12,663
Financed by:				
Shropshire County Council	11		8,692	8,636
Telford and Wrekin Council			<u>4,099</u>	<u>4,027</u>
			12,791	12,663

1. BEST VALUE ACCOUNTING

Under the *Best Value Accounting – Code of Practice* (BVACOP), published by the Chartered Institute of Public Finance and Accountancy, the framework for reporting to ‘stakeholders’ has modernised local authority accounting. The BVACOP applies to the production of accounts from 2000/01. The ‘Best Value’ statement included in this Statement of Accounts complies with the code of practice in identifying Gross and Net Total Costs, Corporate and Democratic costs and Unapportionable Central Overheads. The application of BVACOP is to enable data consistency and comparability at all levels.

2. PENSIONS

Operational Employees

The statutes and regulations governing payments made under the “Firemen’s” Pension Scheme does not permit authorities to set up funds to meet future liabilities and/or to make a proper charge to the revenue account in accordance with SSAP 24. In 2001/02 the net costs of pension payments and other benefits amounted to £1.607m., representing 33.7% of pensionable pay. Using research information available, it is estimated that if the cost of pensions under the scheme had been determined in accordance with SSAP 24 “Accounting for Pensions Costs” the regular cost of the scheme would have been £1.310m., representing 27.5% of pensionable pay. This does not reflect the cost of funding the accrued liability in relation to existing pensioners, past service of current employees and deferred pensions. The costs of spreading the unfunded accrued liability over 40 years would have been an additional £1.758m., representing 36.9% of pensionable pay.

Other Employees

The Authority pays contributions to the Shropshire County Pension Fund, which provides its members with defined benefits relating to pay and service. The contributions are based on rates determined by the Fund’s professionally qualified actuaries based on triennial valuations of the Fund; the most recent of which was at 31 March 2001.

In 2001/02 the Authority paid an employer’s contribution of £81,608 based on 6.8% of pensionable employees’ reckonable pay. The latest actuarial valuation has set a revised employer’s contribution rate of 9.5% for the three years commencing 2002/03.

3. OPERATING AND FINANCE LEASES

During 2000/2001 the Authority purchased assets to the value of £106,000 to be funded through operational leasing. The outstanding undischarged obligations in respect of operating leases amounted to £2,861,686. Of this, some £606,865 is due in 2002/2003 and £2,254,821 is due from 2003/2004 onwards. The amount of operating lease rentals paid during the year was:

	2001/2002	2000/2001
	£’000	£’000
Operating	809	859
Finance	<u>0</u>	<u>0</u>
Total	809	859

Notes to the Revenue Account

Shropshire and Wrekin Fire Authority
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4. EXPENDITURE ON PUBLICITY

Set out below, under the requirement of s5 (1) of the Local Government Act 1986, is the Authority's spending on publicity.

	2001/2002	2000/2001
	£'000	£'000
Recruitment Advertising	5	11
Other Advertising	<u>0</u>	<u>0</u>
Total	5	11

5. INCOME

Income on other services is made up as follows:.

	2001/2002	2000/2001
	£'000	£'000
Grant Income – Bellwin Scheme	49	0
Special Services	12	2
Insurance Claims	9	11
Miscellaneous Sales	<u>7</u>	<u>10</u>
	77	23

6. ASSET MANAGEMENT REVENUE ACCOUNT

The net expenditure on this account is intended to represent the difference between the amount charged to the revenue account through capital charges and the depreciation and interest actually incurred by the Authority.

	2001/2002	2000/2001
	£'000	£'000
Expenditure		
External interest payable	40	25
Depreciation	273	<u>45</u>
Impairment	<u>1,227</u>	
	1,540	70
Income		
Capital charges to revenue account (for use of fixed assets)	<u>-2,142</u>	<u>- 693</u>
	-2,142	- 693
Total Net Income/Deficit	<u>- 602</u>	<u>- 623</u>

7. MINIMUM REVENUE PROVISION

The net amount charged to revenue in compliance with the statutory requirement to set aside a provision for the repayment of external loans was £29,000. The credit from the Capital Financing Reserve reduces the total depreciation by £244,000, to ensure that the Revenue Account meets only this minimum requirement. (See also note 13 to the Balance Sheet)

Notes to the Revenue Account

Shropshire and Wrekin Fire Authority
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8. MEMBERS' ALLOWANCES

The Fire Authority does not pay allowances to its Members. Allowances for attendance are incorporated in the scheme for Members' allowances at their respective constituent authority.

9. OFFICERS' EMOLUMENTS

The number of employees whose remuneration, excluding pension contributions was £40,000 or more in bands of £10,000 were:

Remuneration band	Number of Employees	
	2001/2002	2000/2001
£40,000 - £49,999	5	2
£50,000 - £59,999	2	0
£60,000 - £69,999	1	1

10. RELATED PARTY TRANSACTIONS

Local Authorities are required to disclose details of material transactions with related parties, including Central Government, other Local Authorities, and Members and Senior Officers and their close families.

Other Local Authorities

The Head of Legal and Administrative Services of Telford & Wrekin Council was also the Clerk of Shropshire and Wrekin Fire Authority. Shropshire County and Telford & Wrekin Councils, provide a number of support services for Shropshire and Wrekin Fire Authority.

Elected Members, Senior Officers and their close families

All Members and Senior Officers have been informed of the requirements, and need for disclosure. No instances of transactions involving these related parties have been declared.

11. CONSTITUENT AUTHORITIES

Shropshire County Council and Telford and Wrekin Council fund the net expenditure of the Fire Authority in proportion to the Council Tax base for the year. The respective amount is stated on the face of the revenue account. For 2001/02, the appropriate proportions are as follows:

	Tax base	Percentage
Shropshire County Council	101,345	68.0
Telford and Wrekin Council	<u>47,786</u>	<u>32.0</u>
	149,131	100.0

The total precept received from our constituent authorities in 20001/02 was as follows:

	£
Shropshire County Council	9,200,023
Telford & Wrekin Council	<u>4,337,977</u>
	<u>13,538,000</u>

The Fire Authority has underspent its budget for the year by approximately £747,000. This will be returned to the constituent authorities in the proportions shown above.

Balance Sheet at 31 March 2002

Shropshire and Wrekin Fire Authority
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	Notes	2001/2002 £'000	2000/2001 £'000
Fixed Assets	1		
Land and buildings		9,868	10,774
Vehicles, plant and equipment		<u>417</u>	244
Total long-term assets			<u>11,018</u>
Current assets			
Stocks and work in progress	6	64	81
Debtors and pre-payments	7	465	678
Investments	8	1,760	400
Cash in hand		-	<u>2</u>
		<u>2,289</u>	<u>1,161</u>
Total assets		12,574	12,179
Current liabilities			
Creditors and receipts in advance	9	1,565	839
Cash overdrawn		<u>492</u>	<u>327</u>
		<u>2,057</u>	<u>1,166</u>
Total assets less current liabilities		<u>10,517</u>	<u>11,013</u>
Long-term borrowing	16	978	655
Provisions	10	<u>99</u>	<u>186</u>
		<u>1,077</u>	<u>841</u>
Total assets less liabilities		9,440	10,172
This is balanced by:			
Fixed asset restatement reserve	12	10,854	10,137
Capital financing reserve	13	- 1,417	35
Usable capital receipts reserve	14	3	0
Total equity		<u>9,440</u>	<u>10,172</u>

Notes to the Balance Sheet

Shropshire and Wrekin Fire Authority
Statement of Accounts 2001/2002

1. MOVEMENTS IN FIXED ASSETS DURING THE YEAR WERE:

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Total £'000
Gross book value at 1 April 2001	10,774	331	11,105
Additions	137	351	488
Revaluations and restatements	+ 384	- 106	+ 278
Impairment	- 1,227		- 1,227
Disposals	0	0	0
Gross book value at 31 March 2002	<u>10,068</u>	<u>576</u>	<u>10,644</u>
Depreciation at 1 April 2001	0	87	87
Charge for the year	200	72	272
Disposals	0	0	0
Total Depreciation	<u>200</u>	<u>159</u>	<u>359</u>
Net book value at 31 March 2002	<u>9,868</u>	<u>417</u>	<u>10,285</u>
Net book value at 1 April 2001	<u>10,774</u>	<u>244</u>	<u>11,018</u>

The land and buildings comprise the Fire Authority's Fire stations and Brigade headquarters at 23 sites throughout the County. They have been valued at December 2001 by R A Benson from Shropshire County Council in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual published by RICS. VAT has not been included in any valuations. All properties are operational and have been valued by reference to one of the following methods:

- Non-specialised properties (office and workshops accommodation). At open market value (OMV) based on the evidence of transactions in similar property in the locality.
- Specialised properties (fire stations). At depreciated replacement cost (DRC) where the property is of a special nature in the public sector and is expected to continue as an operational building.

Revisions to these valuations are included at cost where expenditure is material. The equipment is valued at cost, less depreciation. Revaluation relates to work in progress on fire appliances that, on completion in 2001/02, will be financed through operational leasing.

At revaluation of land and buildings in December, it was found that an impairment had occurred at the Stafford Park site in Telford. This represents a permanent diminution in value, and has been accounted for in accordance with FRS11.

2. DEFERRED CHARGES

No deferred charges have been incurred during the year.

Notes to the Balance Sheet

Shropshire and Wrekin Fire Authority
Statement of Accounts 2001/2002

3. CAPITAL EXPENDITURE DURING 2001/2002

Total capital expenditure (under Part IV of the Local Government Housing Act 1989) for the year amounted to £382,800. This was financed as follows:

Source of Finance	£'000
Loans	323
Capital Receipts	0
Contributions and Revenue	19
Temporarily funded from Revenue	<u>41</u>
	383

4. LONG-TERM INVESTMENTS

There are no long-term investments held by the Authority.

5. LONG-TERM DEBTORS

There are no long-term debts owed to the Authority.

6. STOCKS

Total stock held is made up of the following items:

	31 March 2002 £'000	31 March 2001 £'000
Personal Protective Clothing	16	26
Fleet and Workshops (parts and fuel)	44	51
Other consumables	4	4
	<u>64</u>	<u>81</u>

7. DEBTORS AND PAYMENTS IN ADVANCE

Debtors represent sums owed to the Authority for supplies and services provided before 31 March in the relevant year but still outstanding at that date. Payments in advance relate to annual operational leasing payments.

	31 March 2002 £'000	31 March 2001 £'000
General	11	6
Government Debtors	115	136
Payments in advance	340	538
Bad Debt Provision	- 1	- 2
	<u>465</u>	<u>678</u>

8. SHORT-TERM INVESTMENTS

This represents money invested through on a temporary (less than one year) basis. All investments are made in accordance with the Local Authority (Capital Finance) (Approved Investments) Regulations 1990, as amended, and with those institutions authorised in the Authority Treasury Policy Statement.

	31 March 2002 £'000	31 March 2001 £'000
Short term investments	1,760	400

Notes to the Balance Sheet

Shropshire and Wrekin Fire Authority
Statement of Accounts 2001/2002

9. CREDITORS

These represent sums owed by the Authority for supplies and services provided before 31 March in the relevant year but still outstanding at that date.

	31 March 2002	31 March 2001
	£'000	£'000
General	815	839
Other local authorities	747	0
Receipts in advance	3	0
	<hr/>	<hr/>
	1,565	839

10. PROVISIONS AND CONTRIBUTIONS

The balance on Provisions is made up as follows:

	Balance at 31 March 2001 £'000	Receipts in the year £'000	Payments in the year £'000	Balance at 31 March 2002 £'000
Firefighters' Pension Scheme	167	14	- 82	99
Contribution to capital scheme	19	0	- 19	0
	<hr/>	<hr/>	<hr/>	<hr/>
	186	14	- 101	99

The Firefighters' Pension Scheme provision is in respect of those wholtime firefighters who will have completed their maximum service and are entitled to retire immediately.

11. DEFERRED LIABILITIES

Deferred liabilities are liabilities which, by arrangement, are payable beyond the next year at a single point or by an annual sum over a period of time. There are no deferred liabilities.

12. FIXED ASSET RESTATEMENT RESERVE

This reserve has been created as a requirement of the capital accounting system and is not representative of resources available to the Authority. The balance represents the valuation on the transfer of current and fixed assets from Shropshire County Council with all subsequent adjustments from later valuations and restatements. The reserve is written down by the net book value of assets as they are disposed of and with expenditure that qualifies as capital but does not increase the value of fixed assets.

	2001/2002 £'000	2000/2001 £'000
Balance brought forward 1 April	10,137	10,290
Revaluation and restatement of assets in year	+ 278	- 437
Cost of assets reimbursed through operational leasing	+ 439	284
	<hr/>	<hr/>
Balance carried forward at 31 March	10,854	10,137

Notes to the Balance Sheet

Shropshire and Wrekin Fire Authority
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13. CAPITAL FINANCING RESERVE

	2001/2002 £'000	2000/2001 £'000
Balance brought forward 1 April	- 35	- 36
Appropriations from Revenue Account		
Depreciation in excess of MRP	244	26
Financing of fixed assets from revenue	0	- 2
Impairment	1,227	
	<hr/>	<hr/>
	1,436	- 12
Provisions applied	- 19	- 6
Capital receipts applied	0	-17
	<hr/>	<hr/>
Balance carried forward at 31 March	1,417	-35

14. USABLE CAPITAL RECEIPTS RESERVE

The balance on the usable capital receipts reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amount for the repayment of external loans.

	2001/2002 £'000	2000/2001 £'000
Balance brought forward 1 April	0	10
Capital Receipts during the year	3	7
Capital Receipts applied during the year	0	-17
	<hr/>	<hr/>
Balance carried forward at 31 March	3	0

15. PROVISION FOR CREDIT LIABILITIES (PCL)

In accordance with statutory requirements the Authority is required to set aside sums as a provision to repay external loans and finance leases and other limited purposes. The Authority does not keep an account within the accounting records for the PCL as there is no need to do so but maintain a memorandum account that is set out below. A summary is set out below.

	2001/2002 £'000
Balance brought forward	28
Minimum Revenue Provision	29
	<hr/>
Balance carried forward at 31 March	57

16. LONG TERM BORROWING AND ANALYSIS OF BORROWING

	31 March 2002 £'000	31 March 2001 £'000
Analysis of loans by type:		
Public Works Loan Board	978	655
Analysis of loans by maturity:		
1 - 2 years	0	0
2 - 5 years	0	0
5 - 10 years	0	0
10-15 years	112	112
15 years +	866	543

Cash Flow Statement

Shropshire and Wrekin Fire Authority
Statement of Accounts 2001/2002

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

	Notes	2001/2002 £'000	2000/2001 £'000
Revenue activities:			
Cash outflows			
Cash paid to and on behalf of employees		10,034	9,916
Other operating cash payments		2,772	2,909
		<u>12,806</u>	<u>12,825</u>
Cash inflows			
Payments from constituent authorities		- 13,538	- 12,663
Cash received for goods and services		- 150	- 36
		<u>- 13,688</u>	<u>- 12,699</u>
Net cash inflow from revenue activities		<u>- 882</u>	<u>126</u>
Servicing of Finance:			
Cash outflows			
Interest paid		40	25
Cash inflows			
Interest received		- 75	- 69
Net cash outflow from servicing of finance		<u>- 35</u>	<u>- 44</u>
Revenue activities net cash flow	1	- 917	82
Capital activities:			
Cash outflows			
Purchase of fixed assets		383	265
Purchase of fixed assets for leasing		106	433
Cash inflows			
Sale of fixed assets			
Other capital cash receipts		- 3	- 8
Capital receipts for leasing		- 439	- 284
		<u>47</u>	<u>406</u>
Net cash outflow/inflow (-) before financing		- 870	488
Financing:			
Cash outflows			
Repayments of amounts borrowed		-	-
Cash inflows			
New loans raised		- 323	- 232
Net increase/decrease in cash	2	- 1,193	256

Notes to the Cash Flow Statement

Shropshire and Wrekin Fire Authority
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1. RECONCILIATION OF NET SURPLUS/DEFICIT ON THE REVENUE ACCOUNT TO THE MOVEMENTS IN CASH

	2001/2002 £'000
Surplus/Deficit on revenue account	- 747
Non cash transactions	
Minimum Revenue Provision	- 29
Contribution to capital activities	0
Contribution to other provisions	+ 68
Items on an accruals basis	
(Decrease)/increase in stocks	- 17
(Decrease)/increase in debtors	- 213
Decrease/(increase) in creditors	21
	<hr/>
	- 917

2. ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

	31 March 2002 £'000	31 March 2001 £'000	Movement £'000
Cash at bank	0	2	+ 2
Bank overdraft	- 492	- 327	+ 165
Temporary investments	1,760	400	- 1,360
	<hr/>	<hr/>	<hr/>
	1,268	75	- 1,193

ACCOUNTING STANDARDS – Statements of standard accounting practice (SSAPs) promulgated by the Consultative Committee of Accountancy Bodies (CCAB) of which the Chartered Institute of Public Finance and Accountancy (CIPFA) is a member. Guidance has been issued by the CCAB as to the application of these standards to local authority accounts. Auditors expect the guidance to be complied with and any departure must be disclosed in the published accounts.

ACCRUAL – a sum included in the final accounts to cover income or expenditure attributable to an accounting period for goods received or work done but for which payment has not been received/made by the end date of the period for which the accounts are prepared.

AUDIT COMMISSION – an independent body, established under the Local Government Finance Act 1982. The Audit Commission is responsible for the appointment of external auditors to local authorities, has a duty to ensure that local authorities make proper arrangements to secure economy, efficiency and effectiveness in their use of resources and has the power to undertake special “value for money” studies. Since the Local Government Finance Act 1982 the Audit Commission has assumed responsibility for the external audit of the National Health Service and for Best Value Performance Plans and Best Value compliance under the Local Government Act 1999.

BALANCES – the surplus or deficit on any account at the end of the year. Often used to refer to the surplus available in aid of the council tax or precept, which has accumulated in past years. Sometimes referred to as reserves.

BASIC CREDIT APPROVAL (BCA) – the amount fixed by the Government which an authority may borrow each year to finance capital. The BCA is the authority’s total Annual Capital Guidelines less Receipts Taken Into Account. Supplementary Credit Approvals (SCAs) usually for specific services are additional to the BCA. Credit approvals are used to authorise other forms of credit, such as finance (as opposed to operating) leasing, as well as borrowing.

BEST VALUE – is part of a package of reforms to modernise local government. A Best Value Authority must aim to provide the services that users want in the most efficient and cost effective way. The *Best Value Accounting – Code of Practice* modernises the system of local authority accounting and reporting to ensure that it meets the changing needs in ‘modernising local government’.

CAPITAL EXPENDITURE – spending on the acquisition of assets. Section 40 of the Local Government and Housing Act 1989 defines “expenditure for capital purposes” as expenditure on tangible assets. The nature of the expenditure may be acquisition of land and buildings, construction of buildings, improvements and “enhancements” of assets. Assets include land, buildings, roads, plant and machinery. Expenditure which does not fall within the definition must be charged to a revenue account.

CAPITAL RECEIPTS – the proceeds from the disposal of land or other assets. Capital receipts can be used to finance new capital expenditure, within rules set down by the Government, but they cannot be used to finance day-to-day spending.

CONSISTENCY – the concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CREDIT APPROVAL – a general term covering both Basic Credit Approvals and Supplementary Credit Approvals.

CREDITOR – an amount owed by an organisation for work done, goods received, or services rendered to the organisation within the accounting period but for which payment has not been made.

CURRENT ASSET – an asset where the value may change because the volume held can vary through day to day activity eg physical stockholdings.

CURRENT LIABILITY – the amount which will become payable or could be called in within the next accounting period eg creditor, cash overdrawn.

DEBT OUTSTANDING – amounts borrowed which are still to be repaid.

DEBTOR – an amount due to the authority within the accounting period but not received at the balance sheet date.

DEFERRED CHARGES – expenditure which may properly be deferred but which does not result in, or remain matched with, tangible assets.

DEPRECIATION – the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.

DISTRICT AUDITORS – auditors employed directly by the Audit Commission to audit the accounts of local authorities. In some authorities external auditors are used rather than the District Audit service and these tend to be one of the “big 6” chartered accountancy companies.

FEES AND CHARGES – income raised by charging users of services for the facilities or services. For example Fire and Rescue Services can charge for the provision of fire certificates and for “non-emergency” services.

FINANCE LEASE – a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

FINANCIAL REGULATIONS – a written code of procedures approved by the authority, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting and audit administrative procedures and budgeting systems.

GROSS EXPENDITURE – the total cost of providing the council’s services before taking into account any income from government grants and fees and charges for services.

LOANS OUTSTANDING – the total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the balance sheet date.

LONG TERM CONTRACTS - a contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or combination of asset or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long term contracts if they are sufficiently material to the activity of the period.

MINIMUM REVENUE PROVISION (MRP) – is the minimum amount which must be charged to an authority’s revenue account each year for repayment of debt charges. This is currently 4% of debt outstanding and is a requirement of the Local Government and Housing Act 1989.

NET BOOK VALUE – the amount at which fixed assets are included in the balance sheet ie their historical cost of current value less cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST – the cost of replacing or recreating the particular asset in its existing condition and in its existing use ie the cost of its replacement or the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET REVENUE EXPENDITURE – gross revenue expenditure less service income such as fees and charges and specific grants.

OPERATIONAL ASSETS – fixed assets held and occupied, used or consumed by the authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

OUTTURN – actual income and expenditure in a financial year.

PENSION FUND – an employees' pension fund maintained by an authority, or group of authorities, in order to make pension payments on retirement of participants; it is financed from contributions from the employing authority, the employee and investment income.

POST BALANCE SHEET EVENTS – those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officers.

PRUDENCE – the concept that the revenue is not anticipated but is recognised only when realised in the form of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

RESERVES – see “Balances”.

REVENUE EXPENDITURE – this is expenditure on day-to-day running costs and consists principally of salaries and wages, debt charges and general running expenses. This is the term used by most authorities but “current expenditure” is an alternative often used by central government. Sometimes abbreviated simply to “revenue”.

REVENUE SUPPORT GRANT (RSG) – a grant paid by Government in aid of local authority services in general. It is calculated on the amount needed to make up the difference between SSA and the proceeds of the national non-domestic rate received plus the proceeds of a standard council tax levy.

STANDARD SPENDING ASSESSMENT (SSA) – the Government's assessment, based on a formula, of the amount of revenue expenditure it would be appropriate for an authority to incur given its demographic social and economic circumstances. It is the key mechanism for the distribution of RSG.

STANDING ORDERS – the set of rules adopted by the authority which establish the procedures by which it should conduct its business. In particular, there must be standing orders relating to tendering and contract procedures and there will be standing orders and financial regulations made thereunder to govern financial administration eg authorisation of payments, income collection and accounting and audit.

STOCKS – comprise consumable goods held at a specific date.

SUPPLEMENTARY CREDIT APPROVAL – an amount additional to the Basic Credit Approval, which the government authorises an authority to borrow to finance capital spending. SCAs are almost always issued on condition they are used for a specific purpose. They may only be used in the year for which they are issued.

USEFUL LIFE – the period over which the authority will derive benefits from the use of a fixed asset.

VIREMENT – the permission to spend more than currently approved on one budget head when this is matched by a corresponding reduction on some other budget head ie a switch of resources between budget heads. Virement must be properly authorised by the appropriate committee or by officers under delegated powers.

VOTES – revenue and capital votes approved by the authority allow expenditure to be incurred up to the sum approved without reference back for further approval. If variations are required then this must be done by virement, for revenue expenditure and supplementary votes for capital.