

**SHROPSHIRE AND WREKIN  
FIRE AUTHORITY**

**STATEMENT OF ACCOUNTS**

————— **2002/2003** —————

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This Statement of Accounts covers the period from 1 April 2002 to 31 March 2003 (2002/03), the fifth 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 12 to 26. 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 Statements on the System of Internal Financial Control of Responsibilities and of Accounting Policies that follow this foreword and by notes to the statements mentioned above. This document is complementary to the 2002/03 Best Value Performance Plan, which is available from Brigade Headquarters and is circulated to information centres throughout the County.

## REVENUE REVIEW

The Authority agreed an original budget of £14,287,000 for 2002/03 but agreed during the year to ask the Constituent Authorities for an additional £257,000 to bring forward from 2003/04 the Radio Communications Project, (£127,000), to pay for commitments budgeted in 2001/02, but which slipped forward into 2002/03 (£80,000), and to employ an additional eight firefighters to improve the standards of fire cover (£50,000). Offsetting this was a payment to the Constituent Authorities of £747,000 representing the reduced spending by the Fire Authority in 2001/02 which was accounted for and reported last year.

The final outturn is £14,554,000 i.e. £10,000 above the revised budget. The main reasons for this are:

	£'000
1 Net savings approved by the Authority in December 2002. Notably grant income for government initiatives on arson and terrorism, savings in capital financing costs, additional income, delayed implementation of single status, and other net underspendings.	-203
2 Net savings approved by the Authority 4 <sup>th</sup> February 2003. This was made up of savings due to slippage on the Radio Communications Project, price inflation and from a rates revaluation on the Authority's properties, offset by the one-off costs of running the service during the periods of industrial action by firefighters.	-157
3 Net savings reported to the Authority in May 2003. Savings largely in staff costs due to vacancies and lower costs of retained firefighters. Additions, including retained firefighters' holiday pay, payments for personal protective clothing.	-38

4	Additional expenditure on building maintenance and firefighting equipment approved by the Authority and reported to the May 2003 meeting.	160
5	Contribution to the Firefighters' Pension Provision for staff who on past trends will retire in 2003/04 with pension entitlement accrued at 31 March 2003.	229
6	Other variations (net) It should be noted that staff cost reductions as a result of the industrial action, totalling £145,000, are payable to the government to offset their costs.	19

The outcome reflects the strong attention paid by the Authority to financial administration during a period of major uncertainties which are likely to impact on the revenue budget in future. These uncertainties include:

- i) The impact of developing Integrated Risk Management Plans;
- ii) The final outcome of the firefighters' pay dispute;
- iii) Self-precepting, scheduled from the 1 April 2004;
- iv) Employment tribunal appeal by Retained Firefighters;
- v) Implementing Electronic Government;
- vi) The potential move from the present Brigade Headquarters;
- vii) Implementing Integrated Personal Development System;
- viii) Developing the retained fire service; and
- ix) Community Fire Safety.

## CAPITAL REVIEW

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 £1,367,000 are currently outstanding and are managed again in accordance with the Authority's approved Treasury Strategy.

In 2002/03 the Authority spent £282,000 on capital compared to a revised budget of £395,000. 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 a replacement prime mover and an all terrain pumping unit totalling £149,000. In addition building work of £80,000, IT equipment of £39,000 and operational equipment of £14,000 was incurred. Slippage of payments totalling £59,000 into 2003/04 has taken place.

The programme for future years is dominated by replacement major appliances, 5 in each of the next two years, as well as a replacement Aerial Ladder Platform. The integrated call handling system is also being replaced in 2003/04. Finally the project to move the Brigade Headquarters in St Michael's Street is still programmed but depends on capital funding availability before it can proceed.

# Statement on the System of Internal Financial Control

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2002/2003

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This statement is given by Shropshire and Wrekin Fire Authority in respect to its accounts for 2002/03. The Authority acknowledges its responsibility for internal financial control, that the system is effective and that it is properly maintained and operated.

The Authority acknowledges that internal financial control cannot provide an absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are prevented or quickly detected. However, the intention is to obtain the highest reasonable level of assurance.

To achieve this, the Authority maintains a comprehensive set of delegations of powers through its Standing Orders and Brigade Orders. Material breaches should they occur will be reported to the Authority. The framework of financial powers is maintained by:

- Comprehensive budgeting systems;
- Regular budget monitoring reports both to Senior Officers and to Members;
- Segregation of duties and other administrative procedures;
- Management supervision.

Development and maintenance of these controls and procedures is undertaken by senior managers, and where appropriate change is authorised by the Authority. There is also an agreed programme of review of the controls and procedures by Internal Audit who report to the Treasurer (or appropriate senior manager for non-financial matters) and if necessary to the external auditors or Authority. External audit also have an annual overview, reporting directly to the Authority if necessary.

## THE TREASURER'S RESPONSIBILITIES

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom('the Code of Practice') is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year (ended 31<sup>st</sup> March 2003).

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

I hereby certify that the Statement of Accounts on pages 12 to 26 complies with the requirements of the Accounts and Audit Regulations 2003.

**Keith Dixon CPFA, TREASURER**

**Dated: 17<sup>th</sup> December 2003**

## 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 efficient use of resources and safeguard its assets.

## APPROVED BY THE AUTHORITY

The Statement of Accounts was approved at a meeting of the Authority on 16<sup>th</sup> July 2003.

**Chair of the Authority**

**Dated: 17<sup>th</sup> December 2003**

We have audited the financial statements on pages 12 to 26, which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 8 to 11.

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

## **RESPECTIVE RESPONSIBILITIES OF THE TREASURER AND AUDITORS**

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

We report to you our opinion as to whether the financial statements present fairly the financial position of the Authority and its income and expenditure for the year.

We review whether the statement on page 5 reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. We report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal financial control. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

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

## **BASIS OF OPINION**

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

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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.

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

# Audit Certificate

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2002/2003

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## **OPINION**

In our opinion the financial statements present fairly the financial position of Shropshire and Wrekin Fire Authority at 31<sup>st</sup> March 2003 and its income and expenditure for the year then ended.

## **CERTIFICATE**

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

**D M Rigg**  
**District Auditor**  
**Audit Commission**  
**Dated:**

## GENERAL

The accounts have been prepared in keeping with the Code of Practice on Local Authority Accounting ('The Code') issued in 2002 by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code is supported by a number of detailed accounting recommendations including Financial Reporting Standards (FRSs) and 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 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.

## **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.

## **GOVERNMENT GRANTS**

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

## **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. Obsolete 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 Office of the Deputy Prime Minister, 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 wholetime firefighters' pay only. Benefits and awards are payable to both wholetime and retained firefighters. The statutes and regulations governing payments made under the "Firemen's" 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 and the liabilities in the balance sheet are understated. The accounts, however comply with the current requirements of Financial Reporting Standard FRS17 – Retirement Benefits. (*see note 2 to the Revenue Account*).

**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  
Statement of Accounts 2002/2003

<b>Best Value Accounting<sup>1</sup></b>	<b>Year ended 31 March 2003</b>			<b>Year ended 31 March 2002</b>
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	£'000
<b>Expenditure:</b>				
Community Fire Safety	1,046	83	963	992
Firefighting & Rescue Operations	12,185	82	12,103	12,355
Firefighters Pension	2,616	635	1,981	1,217
<b>Gross Totals: Expenditure &amp; Income</b>	<b>15,847</b>	<b>800</b>	<b>15,047</b>	<b>14,564</b>
<b>Net Total Cost</b>			<b>15,047</b>	<b>14,564</b>
<b>Central Services:</b>				
Democratic Representation & Management			225	219
Corporate Management			165	149
<b>Unapportionable Central Overheads</b>			8	7
Other Operating Income & Expenditure				
Asset Management Revenue Account			-566	-602
Investment Income			-90	-75
<b>Net Operating Expenditure</b>			<b>14,789</b>	<b>14,262</b>
Contributions from Capital Financing Reserve			-235	-1,471
<b>Net Expenditure for the Year</b>			<b>14,554</b>	<b>12,791</b>
<b>Financed by:</b>				
Shropshire County Council			9,871	8,692
Borough of Telford & Wrekin			4,683	4,099
			<b>14,554</b>	<b>12,791</b>

<sup>1</sup> 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 2002/2003

	Notes	Year ended 31 March 2003 £'000	£'000	Year ended 31 March 2002 £'000
<b>Expenditure</b>				
Employees				
Wholetime Firefighters		6,045		5,722
Retained Firefighters		1,517		1,525
Control Room		425		448
Non-uniformed Staff		1,122		1,033
Other Employee expenses		29		32
			9,138	8,760
Firefighters Pensions (net of contributions)	2	1,981		1,217
Premises		816		766
Transport		510		453
Supplies and Services		1,652		920
Operational Leasing	3	612		809
Capital Charges	7	901		2,142
			6,472	6,307
Expenditure			<b>15,610</b>	<b>15,067</b>
<b>Income</b>				
Fire Certificates		-13		-12
Rents		-8		-11
Other Services		-144		-105
			-165	-128
Net cost of Service			<b>15,445</b>	<b>14,939</b>
<b>Financing</b>				
Asset Management Revenue Account	6		-566	-602
Interest and Investment Income			-90	-75
Net Operating Expenditure			<b>14,789</b>	<b>14,262</b>
Contributions to/(from) Capital Financing Reserve	7		-235	-1,471
<b>Net Expenditure for the Year</b>			<b>14,554</b>	<b>12,791</b>
<b>Financed by:</b>				
Shropshire County Council	11		9,871	8,692
Borough of Telford & Wrekin			4,683	4,099
			<b>14,554</b>	<b>12,791</b>

## 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

### Financial Reporting Standard No. 17

In accordance with the requirements of Financial Reporting Standard No17 – Retirement Benefits (FRS 17), the Combined Fire Authority has to disclose its share of assets and liabilities related to pension schemes for its employees. As explained in the statement of accounting policies, the Authority participates in two schemes, the Firefighters’ Pension Scheme for firefighters and the Local Government Pension Scheme for other employees, which is administered by Shropshire County Council.

The Authority’s assets and liabilities are:

	Shropshire County Pension Fund £’000s		Firefighters’ Pension Scheme £’000s		Total £’000s	
	31 March 2003	31 March 2002	31 March 2003	31 March 2002	31 March 2003	31 March 2002
Estimated liabilities in scheme	(3,501)	(3,000)	(60,713)	(57,130)	(64,214)	(60,130)
Estimated assets in scheme	2,629	3,100	0	0	2,629	3,100
Net surplus/(liability)	(872)	100	(60,713)	(57,110)	(66,843)	(57,030)

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. Both the Firefighters’ Scheme and the County Council Fund liabilities have been assessed by Mercers, an independent firm of actuaries. The main assumptions used in their calculation have been:

	Firefighters’ Scheme		County Fund	
	2002/2003	2001/2002	2002/2003	2001/2002
Rate of inflation	2.5%	2.5%	2.5 %	2.5%
Rate of increase in salaries	4.0%	4.0%	4.0 %	4.0%
Rate of increase in pensions	2.5%	2.5%	2.5 %	2.5%
Rate for discounting scheme liabilities	6.0%	6.0%	6.0 %	6.0%

# Notes to the Revenue Account

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2002/2003

The Firefighters' Scheme has no assets to cover its liabilities. Assets in the Shropshire County Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories:

	Expected Rate of Return %	31 March 2003		31 March 2002	
		£'000	%	£'000	%
Equity Investments	7.5	1,888	71.8	2,477	79.9
Bonds	4.5	544	20.7	595	19.2
Property	6.5	187	7.1	-	-
Other Assets	3.75	10	0.4	28	0.9
		<u>2,629</u>	<u>100</u>	<u>3,100</u>	<u>100</u>

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

	Shropshire County Pension Fund £'000s	Firefighters' Pension Scheme £'000s
Net pensions surplus/(liability) at 1 April 2002	100	(57,130)
Movements in the year;		
• Current service cost	(167)	(1,453)
• Employers' contributions payable to scheme	126	1,303
• Retirement benefits payable to pensioners	-	-
• Past service costs	(72)	-
• Interest cost	(187)	(3,433)
• Expected return on assets in the scheme	243	-
• Actuarial gains/(losses)	(915)	-
• Net pensions surplus/(liability) at 31 March 2003	<u>(872)</u>	<u>(60,713)</u>

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

	Shropshire County Pension Fund		Firefighters' Pension Scheme	
	£'000s	%	£'000s	%
Differences between the expected and actual return on assets	(915)	(34.8)	-	-
Differences between actuarial assumptions about liabilities and actual experience	-	-	-	-
Changes in the demographic and financial assumptions used to estimate liabilities	-	-	-	-
	<u>(915)</u>		<u>-</u>	

### 3. OPERATING AND FINANCE LEASES

During 2002/2003 the Authority purchased assets to the value of £65,000 to be funded through operational leasing. The outstanding undischarged obligations in respect of operating leases amounted to £2,126,279. Of this, some £593,279 is due in 2003/2004 and £1,533,000 is due from 2004/2005 onwards. The amount of operating lease rentals paid during the year was:

	2002/2003	2001/2002
	£'000	£'000
Operating	612	809
Finance	<u>0</u>	<u>0</u>
Total	612	809

### 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.

	2002/2003	2001/2002
	£'000	£'000
Recruitment Advertising	18	5
Publicity	<u>21</u>	<u>0</u>
Total	39	5

The expenditure on publicity in 2002/2003 relates to fire safety and fire prevention advertising, during periods of industrial action.

### 5. INCOME

Income on other services is made up as follows:

	2002/2003	2001/2002
	£'000	£'000
Grant Income		
• Arson Task Force	70	0
• New Dimensions	35	0
• Bellwin Scheme	0	49
Special Services	9	12
Insurance Claims	22	9
Miscellaneous Sales	<u>8</u>	<u>7</u>
	144	77

## 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.

	2002/2003 £'000	2001/2002 £'000
Expenditure		
External interest payable	55	40
Depreciation	279	273
Impairment	<u>0</u>	<u>1,227</u>
	334	1,540
Income		
Capital charges to revenue account (for use of fixed assets)	<u>-901</u>	<u>-2,142</u>
	-901	-2,142
Total Net Income/Deficit	<u>-567</u>	<u>-602</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 £44,000. The credit from the Capital Financing Reserve reduces the total depreciation by £235,000, to ensure that the Revenue Account meets only this minimum requirement. (See also note 13 to the Balance Sheet) Both Capital Charges and Contributions from Capital Financing Reserve include £1,227,000 impairment charge in 2001/2002

## 8. MEMBERS' ALLOWANCES

The Fire Authority did not pay allowances to its Members during 2002/2003. Allowances for attendance are incorporated in the scheme for Members' allowances at their respective constituent authority. All Combined Fire Authorities are required to put in place members allowance schemes during 2003/2004.

## 9. OFFICERS' EMOLUMENTS

The number of employees whose remuneration, excluding pension contributions was £50,000 or more in bands of £10,000 were:

Remuneration band	Number of Employees	
	2002/2003	2001/2002
£50,000 - £59,999	3	2
£60,000 - £69,999	0	1
£70,000 - £79,999	1	0

## 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 the Borough of Telford & Wrekin was also the Clerk of Shropshire and Wrekin Fire Authority. Shropshire County Council and the Borough of Telford & Wrekin, provide a number of support services for Shropshire and Wrekin Fire Authority. The payments made to these authorities were £566,000 to Shropshire County Council and £139,000 to the Borough of Telford & Wrekin.

### 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 the Borough of Telford & Wrekin 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 2002/03, the appropriate proportions are as follows:

	Tax base	Percentage
Shropshire County Council	102,069	68.0
Borough of Telford & Wrekin	<u>48,429</u>	<u>32.0</u>
	150,498	100.0

The total precept payable by our constituent authorities in 2002/2003 was as follows:

Shropshire County Council	£ 9,870,587
Borough of Telford & Wrekin	4,683,413
	<u>14,554,000</u>

The Fire Authority overspent its budget for the year by approximately £10,000. This will be requested from the constituent authorities in the proportions shown above.

# Balance Sheet at 31 March 2003

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2002/2003

	Notes	2002/2003 £'000	2001/2002 £'000
<b>Fixed Assets</b>	1		
Land and buildings		9,668	9,868
Vehicles, plant and equipment		540	417
<b>Total long-term assets</b>		<u>10,208</u>	10,285
<b>Current assets</b>			
Stocks and work in progress	6	53	64
Debtors and pre-payments	7	700	465
Investments	8	1,930	1,760
Cash in hand			
		<u>2,683</u>	<u>2,289</u>
<b>Total assets</b>		12,891	12,574
<b>Current liabilities</b>			
Creditors and receipts in advance	9	1,654	1,565
Cash overdrawn		125	492
		<u>1,779</u>	<u>2,057</u>
<b>Total assets less current liabilities</b>		<u>11,112</u>	<u>10,517</u>
Long-term borrowing	16	1,367	978
Provisions	10	620	99
		<u>1,987</u>	<u>1,077</u>
<b>Total assets less liabilities</b>		<u>9,125</u>	<u>9,440</u>
<b>This is balanced by:</b>			
Fixed asset restatement reserve	12	10,774	10,854
Capital financing reserve	13	-1,652	- 1,417
Usable capital receipts reserve	14	3	3
<b>Total equity</b>		<b>9,125</b>	<b>9,440</b>

**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 2002	10,068	576	10,644
Additions	80	202	282
Revaluations and restatements	-80	-	-80
Disposals	-	-	-
Gross book value at 31 March 2003	<u>10,068</u>	<u>778</u>	<u>10,846</u>
Depreciation at 1 April 2002	200	159	359
Charge for the year	200	79	279
Disposals	-	-	-
Total Depreciation	<u>400</u>	<u>238</u>	<u>638</u>
Net book value at 31 March 2003	<u>9,668</u>	<u>540</u>	<u>10,208</u>
Net book value at 1 April 2002	<u>9,868</u>	<u>417</u>	<u>10,285</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 and reviewed for impairment at July 2003 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.

**2. DEFERRED CHARGES**

No deferred charges have been incurred during the year.

### 3. Capital Expenditure during 2002/2003

Total capital expenditure (under Part IV of the Local Government Housing Act 1989) for the year amounted to £282,200. This was financed as follows:

Source of Finance:-	£'000
Loans	216
Capital Receipts	0
Contributions and Revenue	0
Temporarily funded from Revenue	<u>.66</u>
	282

### 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 2003 £'000	31 March 2002 £'000
Personal Protective Clothing	8	16
Fleet and Workshops (parts and fuel)	43	44
Other consumables	<u>2</u>	<u>4</u>
	53	64

### 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 2003 £'000	31 March 2002 £'000
General	50	11
Government Debtors	204	115
Other Local Authorities	10	0
Payments in advance	440	340
Bad Debt Provision	<u>-4</u>	<u>-1</u>
	700	465

## 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 2003	31 March 2002
	£'000	£'000
Short term investments	1,930	1,760

## 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 2003	31 March 2002
	£'000	£'000
General	1,270	651
Other Local Authorities	236	911
Office of the Deputy Prime Minister	145	0
Receipts in advance	3	3
	1,654	1,565

## 10. PROVISIONS

The balance on Provisions is made up as follows:

	Balance at 31 March 2002	Receipts in the year	Payments in the year	Balance at 31 March 2003
	£'000	£'000	£'000	£'000
Firefighters' Pension Scheme	99	521	0	620

The Firefighters' Pension Scheme provision is in respect of those wholetime firefighters who will have completed their maximum service and are entitled to retire immediately, and for staff who on past trends will retire in 2003/2004 with pension entitlement accrued to 31 March 2003.

## 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.

	2002/2003 £'000	2001/2002 £'000
Balance brought forward 1 April	10,854	10,137
Revaluation and restatement of assets in year	-80	+ 278
Cost of assets reimbursed through operational leasing		+ 439
Balance carried forward at 31 March	<u>10,774</u>	<u>10,854</u>

**13. CAPITAL FINANCING RESERVE**

	2002/2003 £'000	2001/2002 £'000
Balance brought forward 1 April	1,417	- 35
Appropriations from Revenue Account		
Depreciation in excess of MRP	235	244
Financing of fixed assets from revenue	0	0
Impairment	0	1,227
	<u>1,652</u>	<u>1,436</u>
Provisions applied	0	- 19
Capital receipts applied	0	0
Balance carried forward at 31 March	<u>1,652</u>	<u>1,417</u>

**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.

	2002/2003 £'000	2001/2002 £'000
Balance brought forward 1 April	3	0
Capital Receipts during the year	0	3
Capital Receipts applied during the year	0	0
Balance carried forward at 31 March	<u>3</u>	<u>3</u>

## 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.

	2002/2003 £'000	2001/2002 £'000
Balance brought forward	57	28
Minimum Revenue Provision	44	29
Balance carried forward at 31 March	101	57

## 16. LONG TERM BORROWING AND ANALYSIS OF BORROWING

	31 March 2003 £'000	31 March 2002 £'000
Analysis of loans by type:		
Public Works Loan Board	1,367	978
Analysis of loans by maturity:		
1 - 2 years		0
2 - 5 years		0
5 - 10 years		0
10-15 years	112	112
15 years +	1,255	866

# Cash Flow Statement

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2002/2003

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

	Notes	2002/2003 £'000	2001/2002 £'000
<b>Revenue activities:</b>			
Cash outflows			
Cash paid to and on behalf of employees		10,329	10,034
Other operating cash payments		3,200	2,772
		<u>13,529</u>	<u>12,806</u>
Cash inflows			
Payments from constituent authorities		-13,797	- 13,538
Cash received for goods and services		-137	- 150
		<u>-13,934</u>	<u>- 13,688</u>
Net cash inflow from revenue activities		<u>- 405</u>	<u>- 882</u>
<b>Servicing of Finance:</b>			
Cash outflows			
Interest paid		55	40
Cash inflows			
Interest received		-82	- 75
Net cash inflow from servicing of finance		<u>-27</u>	<u>- 35</u>
<b>Revenue activities net cash flow</b>	1	<b>-432</b>	<b>- 917</b>
<b>Capital activities:</b>			
Cash outflows			
Purchase of fixed assets		219	383
Purchase of fixed assets for leasing		65	106
Cash inflows			
Sale of fixed assets			- 3
Other capital cash receipts			- 439
Capital receipts for leasing			
		<u>284</u>	<u>47</u>
<b>Net cash outflow/inflow (-) before financing</b>		<b>-148</b>	<b>- 870</b>
<b>Financing:</b>			
Cash outflows			
Repayments of amounts borrowed		-	-
Cash inflows			
New loans raised		-389	- 323
<b>Net increase/decrease in cash</b>	2	<b>-537</b>	<b>- 1,193</b>

# Notes to the Cash Flow Statement

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2002/2003

## 1. RECONCILIATION OF NET SURPLUS/DEFICIT ON THE REVENUE ACCOUNT TO THE MOVEMENTS IN CASH

	2002/2003 £'000	2001/2002 £'000
Deficit/ (Surplus) on revenue account	10	-747
Non cash transactions		
Minimum Revenue Provision	- 44	-29
Contribution to capital activities	0	0
Contribution to other provisions	- 523	+68
Items on an accruals basis		
(Decrease)/increase in stocks	- 11	-17
Increase/(decrease) in debtors	+ 225	-213
(Increase)/ decrease in creditors	-89	21
	<u>- 432</u>	<u>-917</u>

## 2. ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

	31 March 2003 £'000	31 March 2002 £'000	Movement £'000
Bank overdraft	-125	- 492	+367
Temporary investments	1,930	1,760	+170
	<u>1,805</u>	<u>1,268</u>	<u>+537</u>

**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 Audit Commission and these tend to be one of the larger 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.