

**SHROPSHIRE AND WREKIN  
FIRE AUTHORITY**

**STATEMENT OF ACCOUNTS**

—————**2003/2004**—————

	<b>Pages</b>
Introduction	2
Statement on the System of Financial Control	5
Statement of Responsibilities	8
Audit Certificate	9
Statement of Accounting Policies	11
Revenue Account	15
Notes to the Revenue Account	17
Balance Sheet	22
Notes to the Balance Sheet	23
Statement of Total Movements on Reserves	30
Cash Flow Statement	31
Notes to the Cash Flow Statement	32
Glossary of Terms	33

This Statement of Accounts covers the period from 1 April 2003 to 31 March 2004 (2003/04), the sixth year of the Fire Authority.

Publication of accounts is required under the Accounts and Audit Regulations 2003 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 15 to 32. 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 2003/04 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 £15,286,000 for 2003/04.

The provisional outturn is £15,114,000 i.e. £172,000 below the revised budget. The main reasons for this are:

	£'000
1 Savings in the firefighters and officers budgets due to vacancies	-51
2 Expenditure incurred in Training that was not included in the budget; costs of NVQ for district officers, LGV retests, rank to role exercise and additional expenses for water safety and ALP training	+27
3 Costs for electricity being higher than anticipated.	+12
4 Some hydrant maintenance work has been delivered at no charge following negotiations with contractor.	-30
5 Expected printing and stationery costs have not reached budgeted levels.	-22
6 Expected legal fees and consultancy work in connection with the proposed move from St Michaels Street have not been required.	-29

7	Consultation fees for Regional Collaboration and Integrated Risk Management Plan	+14
8	Operational leasing of major fire appliances took place in March, and not earlier in the year as expected.	-20
9	Costs incurred in the development of the Integrated Risk Management Plan have been met from existing staff and other budgets.	-50
10	New Dimensions grant has been made available by national government to meet work done during the year.	-50
11	Increased levels of income have been received for special services, sales of brigade diversity booklets and for the Telford schools safety scheme	-30
12	Contribution to the pension provision has resulted in an overspend in pensions.	+50
13	Other net under/overspends	+7
	Total underspend	-172

Following the introduction of new legislation, the Authority becomes a precepting authority from 1<sup>st</sup> April 2004. Central government will pay grant directly to the Authority rather than its constituent authorities, and the difference between these grants and the approved budget will be funded from council tax.

The financial year 2004/05 also sees the introduction of the Prudential Code for Capital Finance in Local Authorities, which replaces existing capital regulations. Under the Prudential Code, local authorities will be free to invest so long as their capital plans are affordable, prudent and sustainable.

Following these fundamental changes, financial monitoring will become even more important in the coming year.

## **CAPITAL REVIEW**

Following the introduction of the Prudential Code which is detailed above, this is the final year that the Authority has been issued basic credit approval by the government. This approval permits 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 £1,743,000 are currently outstanding and are managed again in accordance with the Authority's approved Treasury Strategy.

In 2003/04 the Authority spent £460,000 on capital compared to a revised budget of £508,000. In addition, an operating lease has been entered into to fund the procurement of five fire appliances and a prime mover. The Authority originally planned to lease six small vehicles and a mobile workshop van, but in accordance with agreed policy, capital has been funded through borrowing approval rather than leasing. This affords flexibility and secures the benefit of ownership, and also offers revenue savings in future years.

Expenditure this year has included the purchase of several brigade vehicles (five utility vehicles, six small vans, replacement mobile workshop van) and the completion of a chassis for the mini hydrosup, which total £175,000. In addition, expenditure has been incurred on building works and disabled access at £85,000, IT equipment at £54,000 and an integrated call handling system at £146,000.

A sum of £265,000 has been spent this year on the purchase of a replacement aerial ladder platform. This vehicle will be completed in 2004/05, when it is budgeted to be placed on an operating lease, but is likely to be funded from loan.

The capital programme for future years is dominated by replacement major appliances, as well as a phased improvement scheme for the Authority's existing headquarters in St Michaels Street.

## SCOPE OF RESPONSIBILITY

Shropshire and Wrekin Fire Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

## THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

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

A system of internal control has been in place at Shropshire and Wrekin Fire Authority for the year ended 31<sup>st</sup> March 2004 and up to the date of approval of the annual report and accounts and, except for the details of the significant internal control issues at section 5, accords with proper practice.

## THE INTERNAL CONTROL ENVIRONMENT

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

- establish and monitor the achievement of the Authority's objectives
- facilitate policy and decision making
- ensure compliance with established policies, procedures, laws and regulations
- identify, assess and manage the risks to the Authority's objectives including risk management
- ensure the economical, effective and efficient use of resources, and secure continuous improvement in the way in which the Authority's functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty
- provide appropriate financial management of the Authority and the reporting of financial management and
- ensure adequate performance management of the Authority and the reporting of performance management.

## REVIEW OF EFFECTIVENESS

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system is informed by the work of the following:

- the Authority's Monitoring Officer,
- Legal advisors to the Authority
- Internal Auditors
- Managers within the Authority, who have responsibility for the development and maintenance of the internal control environment

Comments made by the External Auditors and other review agencies and inspectorates in their Annual Audit Letters and other reports will also contribute to this review.

Throughout 2003/04, the Authority has maintained and reviewed its system of internal control in a number of ways. In particular:

- a. Officers are developing the Authority's Risk Management Strategy to ensure that all risks to the Authority's strategic objectives and corporate plans are appropriately managed.
- b. The Authority has received and/or adopted:
  - Strategic Plan targets
  - Procurement Strategy and contract standing orders
  - Statement of Accounts 2002/03
  - Risk Management Policy Statement
  - Treasury Management Policy
  - External Auditor's letter
  - Budget Monitoring reports
  - External inspections
  - Periodic performance reports
  - Medium term financial strategy and budget
  - External Audit plans for the 2003/04 audit
  - Voluntary Comprehensive Performance Assessment
- c. The Authority's Policy Group of officers carries out a continuous assessment of the implementation of policies and procedures throughout the organisation, including following up on progress against the action plans derived from the Risk Management Policy.
- d. Internal Audit have undertaken a number of planned reviews of systems and internal control procedures across a range of functions in the Authority. Each review contains an opinion on the internal controls in place and any unsatisfactory audit opinions result in recommendations for improvement, which are implemented by management. Copies of these reviews are sent to the Authority's Treasurer and discussed with the External Auditors.

## **SIGNIFICANT INTERNAL CONTROL ISSUES**

The Authority faces another challenging year in 2004/05 and the following issues are key in relation to internal control:

- a. The final accounts must be completed in accordance with the revised timescale. A plan is in place which will require careful monitoring to ensure that the accounts for 2003/04 can be approved by the Authority by July 2004.
- b. The Authority's Policy Group of officers will receive copies of the Internal Audit reports and follow up recommendations.
- c. Copies of the Internal Audit reports are planned to be received by the Finance and Performance Management Committee of the Authority, to provide a measure of scrutiny over both Internal Audit findings and subsequent management actions.
- d. The Risk Management Strategy must be completed and developed, and should specifically include areas of financial risk.
- e. The Authority must properly consider the possibility of capping for local authorities in 2005/06, and formulate appropriate financial strategies.

**Ian Kerr**  
**Chief Fire Officer**

**Keith Dixon**  
**Treasurer**

## 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 2004).

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 15 to 32 complies with the requirements of the Accounts and Audit Regulations 2003.

**Keith Dixon CPFA, TREASURER**

**Dated:**

## THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Treasurer;
- to manage its affairs 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 20 July 2004.

**Chair of the Authority**

**Dated:**

We have audited the financial statements on pages 15 to 32, which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 11 to 14.

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 8 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 8 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.

## **OPINION**

In our opinion the financial statements present fairly the financial position of Shropshire and Wrekin Fire Authority at 31<sup>st</sup> March 2004 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 2003 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 age or eligibility 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.

With the introduction of precepting on 1<sup>st</sup> April 2004, it will become necessary for the Authority to create and accumulate a reserve balance. It has been agreed that the underspend reported in 2003/04 can be retained by the Authority as a contribution to these reserve balances.

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. 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 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 accounts 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 2003/2004

Year ended 31 March 2003	<b>Best Value Accounting<sup>1</sup></b>			Year ended 31 March 2004
Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
	<b>Expenditure:</b>			
1,035	Community Fire Safety	1,291	7	1,284
13,982	Firefighting & Rescue Operations	14,643	229	14,414
225	Democratic Representation & Management	265	0	265
165	Corporate Management	219	0	219
8	Non Distributable Costs	0	0	0
<hr/>		<hr/>		
<b>15,415</b>	<b>Net Cost of Services</b>			<b>16,182</b>
-541	Asset Management Revenue Account			-536
-90	Investment Income			-66
	Pensions Interest Cost and Expected Return on Pensions Assets			<hr/> 3,679
<hr/> <b>14,784</b>	<b>Net Operating Expenditure</b>			<hr/> <b>19,259</b>
-230	Contributions from Capital Financing Reserve			-284
0	Contribution to General Reserve			172
0	Movement on County Pension Reserve			-49
0	Movement on Fire Pension Reserve			-3,812
<hr/> <b>14,554</b>	<b>Amount to be met from precept</b>			<hr/> <b>15,286</b>
	<b>Financed by:</b>			
9,871	Shropshire County Council			10,384
4,683	Borough of Telford & Wrekin			4,902
<hr/> <b>14,554</b>				<hr/> <b>15,286</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 2003/2004

	Notes	Year ended 31 March 2004 £'000	£'000	Year ended 31 March 2003 £'000
<b>Expenditure</b>				
Employees				
Wholetime Firefighters		6,593		6,045
Retained Firefighters		1,725		1,517
Control Room		442		425
Non-Uniformed Staff		1,156		1,122
Other Employee expenses		41		29
		<u>9,957</u>		<u>9,138</u>
Firefighters Pensions (net of contributions)		449		1,981
Current Service Pension Cost	2	1,501		
Premises		800		816
Transport		474		510
Supplies and Services		1,688		1,652
Operational Leasing	3	607		612
Capital Charges	7	942		871
		<u>6,461</u>		<u>6,442</u>
			<b>16,418</b>	<b>15,580</b>
<b>Income</b>				
Fire Certificates		-7		-13
Rents		-11		-8
Other Services		-218		-144
		<u>-218</u>		<u>-144</u>
			-236	-165
Net cost of Service			<b>16,182</b>	<b>15,415</b>
<b>Financing</b>				
Asset Management Revenue Account	6		-536	-541
Interest and Investment Income			-66	-90
Pensions Interest Cost and Expected Return on Assets	2		<u>3,679</u>	<u>0</u>
Net Operating Expenditure			<b>19,259</b>	<b>14,784</b>
Contributions to/(from) Capital Financing Reserve	7		-284	-230
Contribution to General Reserve			172	0
Movement on County Pension Reserve	2		-49	0
Movement on Fire Pension Reserve	2		-3,812	0
			<u>-3,812</u>	<u>0</u>
<b>Net Expenditure for the Year</b>			<b>15,286</b>	<b>14,554</b>
<b>Financed by:</b>				
Shropshire County Council	12		10,384	9,871
Borough of Telford & Wrekin			<u>4,902</u>	<u>4,683</u>
			<b>15,286</b>	<b>14,554</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 Non Distributable Costs. The application of BVACOP is to enable data consistency and comparability at all levels.

**2. PENSIONS****Financial Reporting Standard No. 17**

As explained in the statement of accounting policies, the Authority participates in two pension schemes, the Fire-fighters Pension Scheme for operational staff and the Local Government Pension Scheme (administered by Shropshire County Council) for other employees.

Although these retirement benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that the employees earn their future entitlement.

The cost of retirement benefits has been recognised in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the required charge against precept is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Revenue Account after Net Operating Expenditure.

	Shropshire County Pension Fund		Fire Pension Scheme	
	2003/04 £'000	2002/03 £'000	2003/04 £'000	2002/03 £'000
<b>Net Cost of Services:</b>				
Current service cost	178	167	1,323	1,453
Past service costs	0	72	0	0
<b>Net Operating Expenditure :</b>				
Interest cost	214	187	3,648	3,433
Expected return on assets	-183	-243	0	0
<b>Amounts to be met from precept:</b>				
Movement on pensions reserve	-49		-3,812	
<b>Actual amounts charged against precept for pensions in the year:</b>				
Employers contributions payable to the Scheme	<b>160</b>	<b>0</b>	-	-
Retirement benefits payable to pensions	-	-	<b>1,159</b>	<b>0</b>

**NOTE** 17 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. The Statement of Total Movements on Reserves details the movements on the Pension Reserves.

# Notes to the Revenue Account

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2003/2004

## Movement on Pensions Reserve

	<b>Shropshire County Pension Fund £'000</b>	<b>Fire Pension Scheme £'000</b>
Current Service Cost	-178	-1,323
Interest Cost and Return on Assets	-31	-3,648
Movement of Pension Payments	<u>160</u>	<u>1,159</u>
Total Movement on Reserves	-49	-3,812

## 3. OPERATING AND FINANCE LEASES

During 2003/2004 the Authority purchased assets to the value of £1,069,638 to be funded through operational leasing. The outstanding undischarged obligations in respect of operating leases amounted to £2,580,644. Of this, some £534,849 is due in 2004/2005 and £2,045,795 is due from 2005/2006 onwards. The amount of operating lease rentals paid during the year was:

	<b>2003/2004 £'000</b>	<b>2002/2003 £'000</b>
Operating	607	612
Finance	<u>0</u>	<u>0</u>
Total	607	612

## 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.

	<b>2003/2004 £'000</b>	<b>2002/2003 £'000</b>
Recruitment Advertising	9	18
Publicity	<u>31</u>	<u>21</u>
Total	40	39

The expenditure on publicity in 2003/2004 relates to PR services, fire safety literature and publicity materials.

# Notes to the Revenue Account

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2003/2004

## 5. INCOME

Income on other services is made up as follows:

	2003/2004 £'000	2002/2003 £'000
Grant Income		
• Arson Task Force	48	70
• New Dimensions	99	35
Borough of T&W – Schools Officer cont	25	
Sale of equipment	9	
Special Services	23	9
Insurance Claims	0	22
Miscellaneous Sales	<u>14</u>	<u>8</u>
	218	144

## 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.

	2003/2004 £'000	2002/2003 £'000
Expenditure		
External interest payable	71	55
Depreciation	335	274
Impairment	<u>0</u>	<u>0</u>
	406	329
Income		
Capital charges to revenue account (for use of fixed assets)	<u>-942</u>	<u>-871</u>
	-942	-871
Total Net Income/Deficit	<u>-536</u>	<u>-542</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 £51,000. The credit from the Capital Financing Reserve reduces the total depreciation by £284,000 to ensure that the Revenue Account meets only this minimum requirement. (See also note 14 to the Balance Sheet)

## 8. MEMBERS' ALLOWANCES

The Fire Authority introduced a scheme of member allowances on 30<sup>th</sup> September, 2003. The cost in the year was £9,303.

## 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	
	2003/2004	2002/2003
£50,000 - £59,999	2	3
£60,000 - £69,999	1	0
£70,000 - £79,999	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 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 gross payments made to these authorities were £488,000 to Shropshire County Council and £167,000 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. AUDIT COMMISSION

Gross payments made to the Audit Commission during the year were £65,128.

# Notes to the Revenue Account

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2003/2004

---

## 12. 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 2003/04, the appropriate proportions are as follows:

	<b>Tax base</b>	<b>Percentage</b>
Shropshire County Council	102,859	68.0
Borough of Telford & Wrekin	<u>48,553</u>	<u>32.0</u>
	151,412	100.0

The total precept payable by our constituent authorities in 2003/2004 was as follows:

	<b>£</b>
Shropshire County Council	10,384,267
Borough of Telford & Wrekin	<u>4,901,733</u>
	15,286,000

The Fire Authority underspent its budget for the year by approximately £172,000. It has been agreed that this amount can be retained by the Authority to contribute to reserve balances necessary from 2004/05.

# Balance Sheet at 31 March 2004

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2003/2004

	Notes	2003/2004 £'000	2002/2003 £'000
<b>Fixed Assets</b>	1		
Land and buildings		9,058	9,254
Vehicles, plant and equipment		976	540
<b>Total long-term assets</b>		10,034	9,794
<b>Current assets</b>			
Stocks and work in progress	7	57	53
Debtors and pre-payments	8	603	700
Investments	9	1,250	1,930
Cash in hand		665	0
		2,575	2,683
<b>Total assets</b>		12,609	12,477
<b>Current liabilities</b>			
Creditors and receipts in advance	10	-1,480	-1,654
Cash overdrawn		0	-125
		-1,480	-1,779
<b>Total assets less current liabilities</b>		11,129	10,698
Long-term borrowing	19	-1,743	-1,367
Provisions	11	-872	-620
Pensions Liability	17	-59,566	0
		-62,181	-1,987
<b>Total assets less liabilities</b>		<b>-51,052</b>	<b>8,711</b>
<b>This is balanced by:</b>			
Fixed asset restatement reserve	13	10,265	10,350
Capital financing reserve	14	-1,926	-1,642
Usable capital receipts reserve	15	3	3
General Reserve	16	172	0
Fire Pension Reserve	17	-59,071	0
County Pension Reserve	17	-495	0
<b>Total equity</b>		<b>-51,052</b>	<b>8,711</b>

**1. MOVEMENTS IN FIXED ASSETS DURING THE YEAR WERE:**

	<b>Land and Buildings £'000</b>	<b>Vehicles, Plant and Equipment £'000</b>	<b>Total £'000</b>
Gross book value at 1 April 2003	9,644	778	10,422
Additions	85	640	725
Revaluations and restatements (see note 13)	-85	-65	-150
Disposals	-	-	-
Gross book value at 31 March 2004	9,644	1,353	10,997
Depreciation at 1 April 2003	-390	-238	-628
Charge for the year	-196	-139	-335
Disposals	-	-	-
Total Depreciation	-586	-377	-963
Net book value at 31 March 2004	<u>9,058</u>	<u>976</u>	<u>10,034</u>
Net book value at 1 April 2003	<u>9,254</u>	<u>540</u>	<u>9,794</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. PRIOR YEAR ADJUSTMENT**

Following an administrative error by the valuers when compiling the schedule of valuations in 2001, it has been necessary to restate the movements in fixed assets and the 2002/03 comparative figures for the revenue account and the balance sheet, as well as all relevant notes to these accounts. The value of the administrative error was £414,000.

### 3. DEFERRED CHARGES

No deferred charges have been incurred during the year.

### 4. CAPITAL EXPENDITURE DURING 2003/2004

Total capital expenditure (under Part IV of the Local Government Housing Act 1989) for the year amounted to £725,000. This was financed as follows:

Source of Finance:-	<b>£'000</b>
Loans	460
Capital Receipts	0
Contributions and Revenue	0
Temporarily funded from Revenue	<u>265</u>
	725

### 5. LONG-TERM INVESTMENTS

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

### 6. LONG-TERM DEBTORS

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

### 7. STOCKS

Total stock held is made up of the following items:

	<b>31 March 2004</b>	<b>31 March 2003</b>
	<b>£'000</b>	<b>£'000</b>
Personal Protective Clothing	6	8
Fleet and Workshops (parts and fuel)	49	43
Other consumables	2	2
	<u>57</u>	<u>53</u>

### 8. 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.

	<b>31 March 2004</b>	<b>31 March 2003</b>
	<b>£'000</b>	<b>£'000</b>
General	43	50
Government Debtors	56	204
Other Local Authorities	40	10
Payments in advance	470	440
Bad Debt Provision	-6	-4
	<u>603</u>	<u>700</u>

**9. SHORT-TERM INVESTMENTS**

This represents money invested 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.

	<b>31 March 2004</b>	<b>31 March 2003</b>
	<b>£'000</b>	<b>£'000</b>
Short term investments	1,250	1,930

**10. 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.

	<b>31 March 2004</b>	<b>31 March 2003</b>
	<b>£'000</b>	<b>£'000</b>
General	1,351	1,270
Other Local Authorities	63	236
Office of the Deputy Prime Minister	0	145
Receipts in advance	66	3
	<hr/> 1,480	<hr/> 1,654

**11. PROVISIONS**

The balance on provisions is made up as follows:

	<b>Balance at 31 March 2003</b>	<b>Receipts in the year</b>	<b>Payments in the year</b>	<b>Balance at 31 March 2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Firefighters' Pension Scheme	620	314	-62	872

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, and for staff who on past trends will retire in 2004/2005 with pension entitlement accrued to 31 March 2004.

**12. 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.

**13. 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

# Notes to the Balance Sheet

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2003/2004

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.

	<b>2003/2004</b>	<b>2002/2003</b>
	<b>£'000</b>	<b>£'000</b>
Balance brought forward 1 April	10,350	10,430
Revaluation and restatement of assets in year	-85	-80
Balance carried forward at 31 March	<u>10,265</u>	<u>10,350</u>

## 14. CAPITAL FINANCING RESERVE

	<b>2003/2004</b>	<b>2002/2003</b>
	<b>£'000</b>	<b>£'000</b>
Balance brought forward 1 April	1,642	1,412
Appropriations from Revenue Account		
Depreciation in excess of MRP	284	230
Financing of fixed assets from revenue	0	0
Impairment	0	0
	<u>1,926</u>	<u>1,642</u>
Provisions applied	0	0
Capital receipts applied	0	0
Balance carried forward at 31 March	<u>1,926</u>	<u>1,642</u>

## 15. 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.

	<b>2003/2004</b>	<b>2002/2003</b>
	<b>£'000</b>	<b>£'000</b>
Balance brought forward 1 April	3	3
Capital Receipts during the year	0	0
Capital Receipts applied during the year	0	0
Balance carried forward at 31 March	<u>3</u>	<u>3</u>

## 16. GENERAL RESERVE

The Fire Authority underspent its budget for the year by approximately £172,000. It has been agreed that this amount can be retained by the Authority to contribute to reserve balances.

**17. PENSIONS**

The Authority participates in two pension schemes, details of which are shown in the statement of accounting policies.

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31 March are as follows:

	<b>Shropshire County</b>		<b>Fire Pension Scheme</b>		<b>Total</b>	
	<b>Pension Fund</b>					
	<b>2003/04</b>	<b>2002/03</b>	<b>2003/04</b>	<b>2002/03</b>	<b>2003/04</b>	<b>2002/03</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Estimated liabilities	-3,849	-3,501	-59,070	-60,713	-62,919	-64,214
Estimated assets	3,361	2629	0	0	3,361	2,629
Net assets/liabilities	-488	872	-59,070	-60,713	-59,558	-61,585

The liabilities show the underlying commitments that the Authority has in the long-run to pay retirement benefits. The total liability of £59,558,000 has a substantial impact on the net worth of the Authority, as recorded with the Balance Sheet, resulting in a negative overall balance of £51,052,000. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the Shropshire County Pension Fund will be made good by increased contributions over the remaining working life of the employees, as assessed by the scheme actuary.
- Finance is only required to be raised to cover fire pensions when the pensions are actually paid.

Both the Fire-fighters Pension Scheme and the Shropshire County Council Pension Fund have been assessed by Mercers, an independent firm of actuaries. The main assumptions used in their calculations have been:

	<b>County Pension</b>		<b>Fire Pension Scheme</b>	
	<b>2003/04</b>	<b>2002/03</b>	<b>2003/04</b>	<b>2002/03</b>
Rate of inflation	2.7%	2.5%	2.7%	2.5%
Rate of increase in salaries	4.2%	4.0%	4.2%	4.0%
Rate of increase in pensions	2.7%	2.5%	2.7%	2.5%
Rate for discounting scheme liabilities	6.2%	6.0%	6.2%	6.0%

The Fire-fighters Pension Scheme has no assets to cover its liabilities. Assets in Shropshire County Pension Fund are valued at fair value. This is principally market value for investments and consists of the following categories, shown in proportion to the total assets held by the Fund:

# Notes to the Balance Sheet

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2003/2004

	<b>Long-term Return</b>	<b>2003/04</b>	<b>2002/03</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Equity Investments	7.5	69.0	71.8
Bonds	4.8	24.0	20.7
Property	6.5	6.0	7.1
Other Assets	3.75	1.0	0.4
		<u>100.0</u>	<u>100.0</u>

## Pension Asset/Liability

	<b>Shropshire County Pension Fund</b>	<b>Fire Pension Scheme</b>
	<b>£'000</b>	<b>£'000</b>
Opening Balance	872	60,713
Added Years Cost	7	1
Current Service Cost	178	1,323
Interest Cost and Return on Assets	31	3,648
Actuarial Gains	-433	-5,455
Movement of Pension payments	<u>-160</u>	<u>-1,159</u>
Total Pensions Liability	495	59,071

## Pension Reserves

	<b>Shropshire County Pension Fund</b>	<b>Fire Pension Scheme</b>
	<b>£'000</b>	<b>£'000</b>
Opening Balance	872	60,713
Added Years Cost	7	1
Actuarial Gains	-433	-5,455
Appropriation from revenue	209	4,971
Movement of Pension payments	<u>-160</u>	<u>-1,159</u>
Total Movement on Reserves	495	59,071

## 18. 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, a summary of which is set out below.

	<b>2003/2004</b>	<b>2002/2003</b>
	<b>£'000</b>	<b>£'000</b>
Balance brought forward	101	57
Minimum Revenue Provision	51	44
Balance carried forward at 31 March	<u>152</u>	<u>101</u>

## 19. LONG TERM BORROWING AND ANALYSIS OF BORROWING

	<b>31 March 2004</b>	<b>31 March 2003</b>
	<b>£'000</b>	<b>£'000</b>
Analysis of loans by type:		
Public Works Loan Board	1,743	1,367
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 +	1,631	1,255

# Statement of Total Movement on Reserves

Shropshire and Wrekin Fire Authority

Statement of Accounts 2003/2004

## Capital Reserves

	<b>Fixed Asset Restatement Reserve £'000</b>	<b>Capital Financing Reserve £'000</b>	<b>Usable Capital Receipts Reserve £'000</b>	<b>Total £'000</b>
Balance as at 01 April 2003	10,350	-1,642	3	8,711
Net surplus/deficit for the year	0	284	0	284
Unrealised gains/losses on revaluation	-85	0	0	-85
Effects of disposals of fixed assets/value of assets disposed	0	0	0	0
Balance as at 31 March 2004	10,265	-1,926	3	8,339

## Other Reserves

	<b>Fire Pensions Reserve £'000</b>	<b>County Pensions Reserve £'000</b>	<b>General Reserve £'000</b>	<b>Total £'000</b>
Balance as at 01 April 2003	-60,713	-872	0	-61,585
Net surplus/deficit for the year	-3,813	-56	172	-3,697
Appropriation from pensions reserve		0	0	0
Actuarial gains/losses relating to pensions	5,455	433	0	5,888
Balance as at 31 March 2004	-59,071	-495	172	-59,394

# Cash Flow Statement

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2003/2004

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

	Notes	2003/2004 £'000	2002/2003 £'000
<b>Revenue activities:</b>			
Cash outflows			
Cash paid to and on behalf of employees		11,458	10,329
Other operating cash payments		3,710	3,200
		<u>15,168</u>	<u>13,529</u>
Cash inflows			
Payments from constituent authorities		-15,296	-13,797
Cash received for goods and services		-274	-137
		<u>-15,570</u>	<u>-13,934</u>
Net cash inflow from revenue activities		<u><b>-402</b></u>	<u><b>-405</b></u>
<b>Servicing of Finance:</b>			
Cash outflows			
Interest paid		71	55
Cash inflows			
Interest received		-66	-82
Net cash inflow from servicing of finance		<u>5</u>	<u>-27</u>
<b>Revenue activities net cash flow</b>	1	<b>-397</b>	<b>-432</b>
<b>Capital activities:</b>			
Cash outflows			
Purchase of fixed assets		460	219
Purchase of fixed assets for leasing		1,070	65
Cash inflows			
Sale of fixed assets			
Other capital cash receipts			
Capital receipts for leasing		-867	
		<u>663</u>	<u>284</u>
<b>Net cash outflow/inflow (-) before financing</b>		<b>266</b>	<b>-148</b>
<b>Financing:</b>			
Cash outflows			
Repayments of amounts borrowed		-	-
Cash inflows			
New loans raised		-376	-389
		<u>-376</u>	<u>-389</u>
<b>Net increase/decrease in cash</b>	2	<b>-110</b>	<b>-537</b>

# Notes to the Cash Flow Statement

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2003/2004

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

	2003/2004 £'000	2002/2003 £'000
Deficit/ (Surplus) on revenue account	0	10
Non cash transactions		
Minimum Revenue Provision	-51	-44
Contribution to other provisions	-252	-523
Contribution to General Reserve	-172	0
Equipment in revenue from capital	-2	
Items on an accruals basis		
(Decrease)/increase in stocks	4	-11
Increase/(decrease) in debtors	-97	+225
(Increase)/ decrease in creditors	173	-89
	<b>-397</b>	<b>-432</b>

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

	31 March 2004 £'000	31 March 2003 £'000	Movement £'000
Bank balance/-overdraft	665	-125	790
Temporary investments	1,250	1,930	-680
	<b>1,915</b>	<b>1,805</b>	<b>110</b>

**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 Authority’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.