



# **Shropshire and Wrekin**

## **Fire and Rescue Authority**

# **Statement of Accounts**

2010/11



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## Introduction

This statement of accounts sets out the financial position of Shropshire and Wrekin Fire Authority for the year ended 31 March 2011. Its publication is required under the Accounts and Audit Regulations 2011

The statement has been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code), which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position of a local authority. This year, for the first time, the Code is based on the following hierarchy of standards:

- International Financial Accounting Standards (IFRSs)
- International Public Sector Accounting Standards (IPSASs)
- UK Generally Accepted Accounting Practices (UK GAAP)

In 2007, the then chancellor announced that the UK would adopt IFRS as this was seen as best practice and would allow international comparisons to be made. In addition, the UK Accounting Standards Board had been reviewing the future of UK GAAP, and all but the smallest organisations would be making the transition to IFRS.

This foreword provides the reader with

- An understanding of the new accounting statements
- A review of the financial performance of the Authority during 2010/11
- A summary of the Authority's financial position at the end of the year, and
- Details of significant changes likely to affect the Authority during 2011/12.

## The Financial Statements

The core financial statements are set out on pages 28 to 32, and are supported by a Statement of Accounting Policies. Explanatory notes follow the accounting statements.

**Movement in Reserves Statement** – this statement shows the movement in the year on the different reserves held by the Authority, analysed into usable reserves, which are those that can be applied to fund expenditure or reduce local taxation, and other reserves.

- The **Surplus or (Deficit) on the Provision of Services** line shows the true economic cost of providing the Authority's services. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.
- The **Net Increase/Decrease before Transfers to Earmarked Reserves** line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

**Comprehensive Income and Expenditure Statement** – this statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation to cover



expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

**Balance Sheet** – this shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held. Reserves are held in two categories:

- **Usable reserves** – those that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use;
- **Unusable reserves** – those that the Authority is not able to use to provide services. These reserves hold unrealised gains and losses until assets are sold (ie Revaluation Reserve) or contain timing differences (shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations').

**Cash Flow Statement** – this statement shows the changes in cash and cash equivalents of the Authority during the accounting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

- The amount of net cash flows generating from **operating activities** is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.
- **Investing activities** represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery.
- Cash flows arising from **financing activities** are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Authority.

## Financial Performance 1 2 3

In February 2010, Shropshire and Wrekin Fire Authority approved a revenue budget of £21.618m for 2010/11. This budget quantified the Service's strategic and operational plans, and the further sub division into business areas also enabled individual business plans to be financed, and achievements monitored.

During 2010/11 the Fire Authority has approved net transfers to contingency of £1.011m. Actual out turn on the revenue budget was £19.406m, resulting in an additional surplus of £1.201m.

Some of this year's savings represent expenditure that has slipped from 2010/11 into 2011/12, and so this will be held in the General Fund balance at the end of the year, and transferred back to the revenue account for use in 2011/12.



<b>Slipped Expenditure</b>	<b>£'000</b>
Training and development	58
Hydrants	41
Furniture and stationery	24
IT Staff	10
Other items of minor slippage	32
<b>Total</b>	<b>165</b>
<b>Other slipped expenditure already approved</b>	<b>£'000</b>
Temporary working arrangements – Headquarters project	74
Command and control system	45
<b>Total</b>	<b>119</b>
<b>Funds requested for use during 2011/12</b>	<b>£'000</b>
Continuation of temporary contracts - Prevention	64
Continuation of temporary contracts – Human Resources	24
<b>Total</b>	<b>88</b>
<b>Efficiencies and other opportunity savings</b>	<b>£'000</b>
Staff savings – Service Delivery	272
Staff savings - other	15
Pensions	215
Mobilising systems	243
Financial services	97
Facilities and equipment	-100
Other variations	87
<b>Total</b>	<b>829</b>

## Capital Programme 4 5

In February 2010, the Fire Authority approved a capital programme totalling £845,000.

During the year, two schemes were cancelled or amended, and a new scheme was added. In addition, a number of schemes from years prior to 2010/11 were carried forward for completion.

### Schemes prior to 2010/11

A total of £257,000 has been spent on schemes which were approved prior to 2010/11. Four schemes are still to be completed, with estimated completion costs as follows:



	<b>£'000</b>
Training improvements	43
Document storage system	23
Retained availability system	50
Document management system	40

## 2010/11 Schemes

A total of £458,000 has been spent on schemes approved in 2010/11, including £235,000 on operational vehicles, £200,000 on a mobilising system, £31,000 on building improvements, and £5,000 on firekit. The capital project at Shrewsbury has incurred costs of £2.078m to the end of the year.

Four schemes are to be completed, with estimated completion costs as follows:

	<b>£'000</b>
Firekit replacement	495
Building improvements	34
Training improvements	50
Mobilising system	36

In addition, a balance of £1.653m remains on the second phase of the scheme to refurbish the Service's headquarters, workshops and fire station at its St Michaels Street site in Shrewsbury, with work to be completed during 2011/12.

During 2010/11, a capital grant was awarded to the Fire Authority by the Department of Communities and Local Government (CLG), which was used to part fund the works at the Shrewsbury site. The remainder of this cost, and the costs of other schemes, has been funded by the Earmarked Capital Reserve, revenue contributions and a proposed loan from the Public Works Loan Board.

## Reserves and Provisions 6

The Fire Authority's reserves and provisions have been reviewed, and a summary of the position on each reserve and provision is shown below.

	<b>31 March 2010 £'000</b>	<b>31 March 2011 £'000</b>
General Reserve	523	539
Efficiency Reserve	60	60
Pensions and other Staff Issues Reserve	1,480	1,256
Extreme Weather Reserve	303	312
Earmarked Capital Reserve	378	527
Unearmarked Capital Reserve	1,733	988
Equipment Replacement Provision	45	64
General Fund Balance	485	2,212



Each of the Fire Authority's reserves and provisions are explained in the Statement of Accounting Policies.

## The Year Ahead

- **Retained Firefighters & the Part-Time Workers Regulations**

Firefighters on the Retained Duty System are claiming access to the Firemen's Pension Scheme, equality on sick pay, and additional duty payments under the above regulations. In January 2006, the House of Lords granted a re hearing at the firefighters' employment tribunal, which declared that retained firefighters were engaged in broadly similar work as wholetime firefighters.

There will be potential pension costs to the Fire Authority relating to the financial periods between July 2000 and April 2006, as a large proportion of the Authority's employees are retained firefighters. It is likely that these payments will be made during the financial year 2011/12, although the number of retained firefighters involved is not yet certain. The balance in the Pensions and Other Staff Issues Reserve was increased in 2010/11 in readiness for these payments.

Payments for compensation to be made relating to the terms and conditions under which retained firefighters worked during this period have been estimated and accrued into the financial year 2010/11.

- **FiReControl Project**

The national FiReControl project was instigated in 2004, with a directive via the Fire and Rescue Service National Framework that all Fire and Rescue Services would transfer control room functions to nine regional control centres by 2007.

With the project running over budget and well beyond original timescales, the Coalition government announced on 20 December 2010 its intention to cancel the project with immediate effect, on the grounds that the appointed contractor was unable to deliver on time, to cost and quality.

- **New Dimension Assets Transfer**

The Department of Communities and Local Government (CLG) has procured and allocated to fire and rescue services a larger number and range of vehicles and equipment, as part of a national capability to respond to major disruptive events.

CLG has requested that each fire and rescue service which has assets allocated to it, agree to the legal title in those assets being transferred to it, under terms that will also require it to enter into a National Maintenance Agreement. This will result in the Authority paying the maintenance contractor rather than CLG, who are currently responsible for routine maintenance costs. Shropshire and Wrekin Fire Authority have sought confirmation from CLG that they will continue to fund maintenance of these assets, prior to signing the Transfer of Assets Agreement. At the end of financial year 2010/11, the assets remained the property of CLG, and could potentially be returned to CLG.



## 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, used economically, efficiently and effectively.

The Fire 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 Fire Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Fire Authority has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government'.

A copy of the Code is on our website at:

<https://www.shropshirefire.gov.uk/sites/alpha.shropshirefire.gov.uk/files/fra/membershandbook/4%20-%20code%20of%20corporate%20governance%202010-11.pdf>

A paper copy can be obtained from the Corporate, Performance and Operations Department within the Service.

This Statement explains how the Fire Authority has complied with the Code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement.

## The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the Fire Authority is directed and controlled, and the activities through which it accounts to, engages with, and leads the, community. It enables the Fire Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and 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 Shropshire and Wrekin Fire Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Shropshire and Wrekin Fire Authority for the period of the 2010/11 accounts.





## The Governance Framework

The Fire Authority's governance framework comprises many systems, policies, procedures and operations in place to:

- identify and communicate the Authority's vision of its purpose and intended outcomes for citizens and service users;
- review the Authority's vision and its implications for the Authority's governance arrangements;
- measure the quality of services for users, ensuring they are delivered in accordance with the Authority's objectives and that they represent the best use of resources;
- define and document the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication;
- develop, communicate and embed codes of conduct, which define the standards of behaviour for members and staff;
- review and update standing orders, standing financial instructions, the scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
- undertake the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities;
- ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- enable whistle-blowing and the receiving and investigating of complaints from the public;
- identify the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training;
- establish clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation; and
- ensure good governance arrangements in respect of partnerships and other group working.

## Review of Effectiveness

The Fire Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control.

The review of effectiveness is informed by the work of the executive managers within the authority, who have overall responsibility for the development and maintenance of the governance environment, as well as:

- the Fire Authority's Monitoring Officer;
- Legal advisors to the Fire Authority;
- Internal Auditors; and
- Managers within the Fire Authority, who have day to day responsibility for ensuring the governance framework is functioning correctly.



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

Throughout 2010/11, the Fire Authority has maintained, reviewed and improved its system of internal control in a number of ways. In particular:

- a) The Authority continues to monitor expenditure for all capital schemes;
- b) On-going review of our employment policies is undertaken and, where necessary, policies are modified or created to ensure compliance with all applicable legislation;
- c) Officers have improved financial management by carrying out a full review of Retained Duty System station activities resulting in more accurate budgets, including for pay, retaining fees and variable payments, and contributing to the public value process used to examine the scope for budget savings. This will allow officers to compare like stations budgetary controls over time.
- d) During the year the Authority has improved its strategic management arrangements by introducing the Public Value Model into planning processes. Through extensive consultation this has provided the basis on which the Authority will make considerable savings, whilst delivering an effective frontline service with minimal disruption.
- e) The Service has developed an assurance statement for information and communications technology functions.
- f) The Fire Authority has received and/or adopted:
  - o Statement of Accounts 2009/10;
  - o Performance Plan 2010/11;
  - o Public Value outcomes;
  - o Annual Audit Letter 2009/10;
  - o Budget Monitoring reports;
  - o External and peer inspections;
  - o Periodic performance reports;
  - o The Medium Term Financial Plan, strategy and budget.
- g) The Fire Authority's Chief Officers Group and Service Performance Group of officers carry out a continuous assessment of the implementation of policies and procedures throughout the organisation, including following up on progress made towards last year's Improvement Plan.
- h) Internal audits have been undertaken with a number of planned reviews of systems and internal control procedures across a range of functions in the Fire Authority. Each review contains an opinion on the internal controls in place and any weaknesses result in recommendations for improvement, which are implemented by management. Progress against these recommendations is monitored by the Risk Management Group, with regular reports to Service



Performance Group and to the Audit and Performance Management Committee.

Audits completed by Internal Audit during 2010/11 related to:

- Payroll
- Risk management
- Creditors
- Fleet and asset management
- Review of previous recommendations (made prior to April 2009)
- Review of previous recommendations (made in 2009/10)
- Corporate governance
- Partnerships
- Purchasing and procurement

Internal Audit will be conducting audits into the following areas during 2011/12:

- Payroll and personnel, travel and subsistence
- Corporate governance
- Budget preparation and control
- Capital accounting and budgeting
- Risk management
- Computer systems
- Fraud and corruption

## Significant Internal Control Issues

No significant issues were raised in the Annual Audit Letter 2009/10. The relatively minor points arising from these reviews are being used to enhance the existing system of controls, particularly with regard to information and information and communications technology security.

The Fire Authority undertook a review of its systems of internal control, which underpin its governance framework, during April / May 2011. An Annual Governance Statement (AGS) Improvement Plan 2011/12 has been produced, based on the findings from this process. Progress made against the Plan will be monitored by the Risk Management Group, with quarterly progress reports to the Fire Authority's Audit and Performance Management Committee and the Service's Chief Officers Group.

A summary of the areas for further development, contained in the AGS Improvement Plan 2011/12, is given below:

### 1. Finance Management

As a result of anticipated retirement the Service needs to review tasks and structures associated with financial matters and to ensure that the duties of the Treasurer are continued effectively.

### 2. Resource Management



The Service needs to complete the implementation of the Asset Management System.

### **3. Risk Management and Business Continuity Planning**

Internal audit has identified that members of the Risk Management Group require some measure of training and/or qualification to ensure that all risk related issues are dealt with in line with best practice.

### **4. Operations**

Fire Control will be relocated to the new Shrewsbury Headquarters. The successful completion of this project is vital to our continued high standard of service delivery.

### **5. Health and Safety Management**

Review to identify any improvements, and if necessary develop an action plan, to assess and implement the findings of the Health and Safety Executive consolidation report, based on the eight inspections completed in 2009/10

### **6. Area Command**

Following a Departmental review considerable structural change is required to provide appropriate support to front line staff, particularly Retained Duty Service firefighters. This change has commenced and will be fully implemented during 2011/12.

Signed:

Stuart West  
Chair of Shropshire and  
Wrekin Fire Authority

Paul Raymond  
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 2011).

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 and current regulations.

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 this Statement of Accounts 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 effective use of resources and safeguard its assets.

## **Approved by the Authority**

The Statement of Accounts was approved at a meeting of the Authority on xxxx.

**Stuart West**

**Chair of the Authority**

**Dated:**



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHROPSHIRE AND WREKIN FIRE AUTHORITY**

### **Opinion on the Authority and Pension Fund accounting statements**

I have audited the accounting statements and the firefighters' pension fund accounting statements of Shropshire and Wrekin Fire Authority for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The firefighters' pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of 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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

### **Respective responsibilities of the Treasurer and auditor**

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Authority's Statement of Accounts, including the firefighters' pension fund accounting statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and the Pension Fund; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword and the annual report to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on accounting statements**

In my opinion the accounting statements:



- give a true and fair view of the state of Shropshire and Wrekin Fire Authority's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the financial transactions of the firefighters' pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

## **Opinion on other matters**

In my opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

## **Matters on which I report by exception**

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

## **Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority's responsibilities**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities**

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



## **Basis of conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## **Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Shropshire and Wrekin Fire Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

## **Certificate**

I certify that I have completed the audit of the accounts, including the firefighters' pension fund accounting statements, of Shropshire and Wrekin Fire Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

*[Signature]*

Grant Patterson  
Officer of the Audit Commission  
Opus House, Priestley Court  
Stafford Technology Park,  
Beaconside,  
Stafford ST18 0LQ

*[Date]*





## 1 General Principles

The Statement of Accounts summarises the Fire Authority's transactions for the 2010/11 financial year and its position at the year end of 31 March 2011. The Fire Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which require the statement to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Accounting Standards (IFRS).

## 2 Accruals of Expenditure and Income

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Supplies are recorded as expenditure when they are consumed – when there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## 3 Changes in Accounting Policies

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions of the Fire Authority's financial position or financial performance. When a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

The following accounting policies have been changed:

Government Grants  
Employee Benefits

## 4 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of



acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Fire Authority's cash management.

## 5 Provisions

Provisions are made when an event has taken place that gives the Fire Authority an obligation that probably requires payment, but where the timing of the payment is uncertain. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Fire Authority becomes aware of the obligation, based on the best estimate of the likely payment. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of the financial year, and where it is likely that payment does not need to be made, the provision is reversed and credited back to the relevant service.

The Fire Authority holds an **Equipment Replacement Provision**, which is designed to smooth expenditure on operational equipment currently charged to the Comprehensive Income and Expenditure Statement. A detailed equipment replacement programme establishes contributions into the provision, and this will lead to successful replacement planning in the medium term.

## 6 Reserves

The Fire Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in that year, to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so there is no net charge against council tax for the expenditure.

The Authority holds the following reserves:

- **General Reserve** – A risk assessment of the pressures likely to face the Authority is undertaken, and the current balance on this reserve represents those identified risks, in proportion to the probability of their occurrence.
- **Efficiency Reserve** – this reserve was set up specifically to invest in



efficiencies. The balance currently on the reserve will be used to fund initiatives arising as part of the Authority's refurbishment of the headquarters, workshop and fire station at Shrewsbury.

- **Pensions and Other Issues Reserve** – set up as a result of the introduction of the new Firefighters Pension Scheme on 1 April 2006, the original reserve was required to pay for unexpected sickness retirements and other payments, which remain the responsibility of the Authority's revenue account. In 2008/09, the reserve was expanded to cover other staff matters, including the potential costs following the Retained Firefighters & Part Time Regulations Tribunal.
- **Extreme Weather Reserve** – costs for incidents attended by retained firefighters have now been budgeted for at average levels in the revenue account; this reserve will cover the costs of increased activity incurred as a result of adverse weather conditions.
- **Capital Reserve – Unearmarked** – this reserve is made up of budgeted contributions and unspent balances from previous years. It will be used to part fund the Authority's refurbishment of the headquarters, workshop and fire station at Shrewsbury, with any balance remaining being used against future major building projects.
- **Capital Reserve – Earmarked** – this reserve is used to fund small capital projects, reducing the need to borrow, and a contribution towards its replacement is made to the reserve from the revenue account, in lieu of capital financing costs.

Certain reserves are kept to manage the accounting processes for Property Plant and Equipment and do not represent usable resources for the Authority:

- **Revaluation Reserve** – this replaced the Fixed Asset Replacement Account (FARA), and represents net gains on assets that have been revalued after 1 April 2007.
- **Capital Adjustment Account** – the opening balance on this account was created from the balances on the FARA and the Capital Financing Account. It reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

## 7 Employee Benefits

### Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, and are recognised as an expense for services in the year in which employees tender service to the Fire Authority.



An accrual is made for the cost of the holiday entitlements earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movements in Reserves Statement so that holiday benefits are charged to revenue in the year in which the holiday absence occurs.

## **Retirement Benefits**

Employees of the Fire Authority are members of three separate pension schemes:

Employees of the Authority are members of three separate pension schemes:

- **Firefighters Pension Schemes** – on 1 April 2006, new financial arrangements were introduced for both the 1992 and the newly established 2006 Pension Firefighter Pension Schemes.

Both schemes are unfunded, defined benefit schemes, and are regulated by the Department for Communities and Local Government (CLG). Contributions to the schemes are made by firefighters and employers, which are paid into a separate Pension Fund Account, from which most commutations and pension payments are made. Any deficit on this account will be met by Central Government, and any surplus at the end of the year must be paid back to Central Government.

The introduction of the 2006 scheme enables firefighters on the Retained Duty System to contribute to a pension scheme, although those who choose not to join will still be eligible to receive a payment following an injury whilst on duty.

- **Local Government Pension Scheme** – support staff are eligible for membership of the Shropshire County Pension Fund, which is administered by Shropshire Council. The pension costs that are charged to the Authority's accounts in respect of support staff are equal to the contributions paid to the funded scheme for those employees. The amount of these contributions is determined by regular actuarial valuations. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

## **Accounting for Pensions**

The change in the net pensions liability is analysed into seven components:

- **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the



employees worked.

- **Past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributable Costs.
- **Interest Cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **Expected Return on Assets** – the annual investment return on the fund assets attributable to the Authority, based on the average of the expected long term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **Gains/losses on settlements and curtailments** – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributable Costs.
- **Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
- **Contributions paid to the pension funds** – cash paid as employer's contributions to the pension schemes.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension schemes in the year, not the amount calculated according to the relevant accounting standard. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension schemes and any amounts payable to schemes but unpaid at the year end.

## 8 VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid recoverable from it.

## 9 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and



support services are shared between users in proportion to the benefits received, with the exception of :

- Corporate and Democratic Core – costs relating to the Authority's status as a single function democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

## 10 Intangible Assets

Expenditure on non –monetary assets that do not have physical substance but are controlled by the Fire Authority as a result of past events (ie software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Fire Authority.

Intangible assets are measured initially at cost. Amounts are only revalued when the fair value of the asset held by the Fire Authority can be determined by reference to an active market.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement.

## 11 Property Plant and Equipment

Assets that have physical substance are held for use in the production or supply of goods or services, for rental to others, or administration purposes and that are expected to be used during more than one financial year are classified as Property Plant and Equipment.

### Recognition

Expenditure on the acquisition, creation or enhancement of Property Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Fire Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs



and maintenance) is charged as an expense when it is incurred.

The de minimis level for Property Plant and Equipment is £10,000.

## **Measurement**

Property Plant and Equipment is valued on the bases 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).

Assets are carried in the Balance Sheet using the following measurement bases:

- Operational properties and other operational assets are included in the Balance Sheet at Depreciated Replacement Cost (DRC) for specialised properties, and Open Market Value (OMV) for non specialised properties. There are no holdings of non operational assets or community assets, with all fire stations and Service Headquarters and workshops being classified as operational assets.

Assets which are held in the Balance Sheet at current value are revalued where there have been material changes in current value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the revaluation gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

## **Impairment**

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:





- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve, or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

## **Depreciation**

Depreciation is provided for on all assets with a determined finite life, by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

An exception is made for assets without a determinable finite useful life (ie freehold land) and assets that are not yet available for use (ie assets under construction).

Depreciation is provided on the following bases:

- Fire stations and other buildings – straight line allocation over the life of the property as estimated by the valuer. Two of the Authority's sites, Shrewsbury and Telford Central, are valued at Open Market Value, and are not depreciated.
- Vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.

Where an item of Property Plant and Equipment has major components whose value makes up more than 25% of the total asset value, the components are depreciated separately.

Currently there are no components of any asset that are depreciated separately.

## **Disposal**

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the





## Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts must be credited to the Capital Receipts Reserve and can only be used for new capital investment. Receipts are appropriated to the Reserve from the General Funds Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **Charges to Revenue for Non Current Assets**

Services are debited with the following amounts to record the cost of holding non current assets during the year:

- Depreciation attributable to the assets used by each service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the loss can be written off
- Amortisation of intangible fixed assets attributable to the service.

The Fire Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Fire Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution of MRP (Minimum Revenue Provision) in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Local Authorities (Capital Finance and Accounting) (England)(Amendment) Regulations 2008 came into effect on 31 March 2008. These regulations updated the requirement to make provision for the repayment of debt (MRP).

From 2008/09, the following policy has been adopted:

- For all borrowing incurred during or before 2006/07, the MRP applied is calculated on the basis of 4% of the Capital Financing Requirement (CFR). A further voluntary provision of 4% is made for all assets other than land and buildings.



- For all borrowing incurred during and after 2007/08, the MRP applied from 2008/09 is calculated on the basis of the Asset Life Method. This method has been selected because it charges the financing costs of assets over the lives of those assets in equal instalments each year, and follows the same principles made by the Authority from 2006/07.

## 12 Leases

### Finance Leases

Non current assets recognised under finance leases are accounted for using the policies applied generally to Property Plant and Equipment, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at the present value of the minimum lease payments. The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the Plant and Equipment, applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

### Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service line in the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

## 13 Financial Assets

The authority has financial assets which are classified in the SORP as loans and receivables, which are assets that have fixed or determinable payments but are not quoted in an active market. They are initially measured at fair value and carried at their amortised cost in the Balance Sheet. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the Authority's loans, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan



agreement.

## 14 Financial Liabilities

Financial liabilities are recognised on the Balance sheet when the Fire Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

For all of the borrowings that the Fire Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable, and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

## 15 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value, on a first in first out basis. Obsolescent inventory is written off during the year.

## 16 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.

Investments that mature in no more than three months from the date of acquisition, and that are readily convertible to known amounts with insignificant risk of a change in value, are categorised as cash equivalents in the financial statements.

## 17 Government Grants

Whether paid on account, by instalments or in arrears, government grants are recognised as due to the Fire Authority when there is reasonable assurance that:

- The Fire Authority will comply with the conditions attached to the payments, and
- The grant will be received.

Amounts recognised as due to the Fire Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached



to the grant have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant is credited to the relevant service line (attributable revenue grants), or Taxation and Non Specific Grants Income (non ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustments Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **18 Prior Period Adjustments**

Prior period adjustments may arise as a result in a change in accounting policy or to correct a material error. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the policy had always been applied.

## **19 Contingent Liabilities**

Contingent liabilities are not recognised in the Comprehensive Income and Expenditure Statement or the Balance Sheet where there is not absolute certainty that they will materialise. Where appropriate, they may feature in a note to the financial statements if there is a reasonable likelihood of the event occurring.

## **20 Exceptional Items**

Where items of income or expenditure are material, their nature and amount is disclosed separately either on the face of the Comprehensive Income and Expenditure Statement, or in the notes to the financial statements.

## **21 Events after the Reporting Period**

Events may occur between the financial year end and the date that the Statement of Accounts is authorised for issue. Any such events occurring after the Balance Sheet date are properly reflected in the Statement of Accounts up to the date that they are authorised.



# Movement in Reserves Statement

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2010/2011

	General Fund Balance	Earmarked Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2009</b>	1,128	3,194	4,322	-77,194	-72,872
<b>Movement in reserves during 2009/10</b>					
Surplus or (deficit) on the provision of services	-7,563	0	-7,563	0	-7,563
Other Comprehensive Income and Expenditure	0	0	0	-33,985	-33,985
<b>Total Comprehensive Income and Expenditure</b>	<b>-7,563</b>	<b>0</b>	<b>-7,563</b>	<b>-33,985</b>	<b>-41,548</b>
Adjustments between accounting basis & funding basis under regulations	8,203	0	8,203	-8,203	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>640</b>	<b>0</b>	<b>640</b>	<b>-42,188</b>	<b>-41,548</b>
Transfers to/from Earmarked Reserves	-1,283	1,283	0	0	0
<b>Increase/Decrease in 2009/10</b>	<b>-643</b>	<b>1,283</b>	<b>640</b>	<b>-42,188</b>	<b>-41,548</b>
<b>Balance as at 31 March 2010 cfwd</b>	<b>485</b>	<b>4,477</b>	<b>4,962</b>	<b>-119,382</b>	<b>-114,420</b>

# Movement in Reserves Statement

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2010/2011

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	<b>General Fund Balance</b>	<b>Earmarked Reserves</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 31 March 2010</b>	<b>485</b>	<b>4,477</b>	<b>4,962</b>	<b>-119,382</b>	<b>-114,420</b>
<b>Movement in reserves during 2009/10</b>					
Surplus or (deficit) on the provision of services	5,105	0	5,105	0	5,105
Other Comprehensive Income and Expenditure	0	0	0	9,011	9,011
<b>Total Comprehensive Income and Expenditure</b>	<b>5,105</b>	<b>0</b>	<b>5,105</b>	<b>9,011</b>	<b>14,116</b>
Adjustments between accounting basis & funding basis under regulations	-4,173	0	-4,173	4,173	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>932</b>	<b>0</b>	<b>932</b>	<b>13,184</b>	<b>14,116</b>
Transfers to/from Earmarked Reserves	795	-795	0	0	0
<b>Increase/Decrease in 2010/11</b>	<b>1,727</b>	<b>-795</b>	<b>932</b>	<b>13,184</b>	<b>14,116</b>
<b>Balance as at 31 March 2011 cfwd</b>	<b>2,212</b>	<b>3,682</b>	<b>5,894</b>	<b>-106,198</b>	<b>-100,304</b>

# Comprehensive Income and Expenditure Statement

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2010/2011

2009/10			2010/11					
Gross Expenditure	Gross Income	Net Expenditure	<u>7</u>	<u>8</u>	<u>26</u>	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000				£'000	£'000	£'000
			<b>Expenditure</b>					
2,690	64	2,626				1,967	37	1,930
19,661	417	19,244				17,647	351	17,296
110	2	108				169	23	146
			<b>Corporate and Democratic Core</b>					
		323						346
		218						231
		0			Note 3			-10,001
			<b>Cost of Services – continuing operations</b>					
		<b>22,519</b>						<b>9,948</b>
		0						0
		<b>0</b>	<b>Other Operating Expenditure</b>					<b>0</b>
		267						265
		-30						-40
		6,433						7,329
		<b>6,670</b>	<b>Financing and Investment Income and Expenditure</b>					<b>7,554</b>
		-12,882						-13,465
		-8,744						-9,142
		<b>-21,626</b>	<b>Taxation and Non Specific Grant Income</b>					<b>-22,607</b>
		<b>7,563</b>	<b>Surplus(-)/ Deficit on Provision of Services</b>					<b>-5,105</b>
		0				<u>9</u>		-1,358
		33,985						-7,653
		<b>33,985</b>	<b>Other Comprehensive Income and Expenditure</b>					<b>-9,011</b>
		<b>41,548</b>	<b>Total Comprehensive Income and Expenditure</b>					<b>-14,116</b>



# Balance Sheet

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2010/2011

1 April 2009 £'000	31 March 2010 £'000		<u>28</u> <u>29</u>	Notes	31 March 2011 £'000
<b>Property Plant and Equipment</b>					
16,841	12,335	Land and Buildings	<u>10</u> <u>11</u> <u>11</u>	4	15,425
3,619	3,598	Vehicles Plant Furniture and Equipment			3,445
<b>20,460</b>	<b>15,933</b>	<b>Total Long Term Assets</b>			<b>18,870</b>
0	0	Short Term Investments			0
71	100	Inventories	<u>12</u>	18	111
1,391	2,233	Short Term Debtors	<u>13</u>	19	2,036
4,419	4,631	Cash and Cash Equivalent		20	6,092
<b>5,881</b>	<b>6,964</b>	<b>Total Current Assets</b>			<b>8,239</b>
0	0	Bank Overdraft			0
-1,896	-2,126	Short Term Creditors	<u>14</u>	21	-2,768
<b>-1,896</b>	<b>-2,126</b>	<b>Current Liabilities</b>			<b>-2,768</b>
-71	-45	Provisions	<u>15</u>	22	-64
-5,810	-5,810	Long Term Borrowing			-5,810
-91,303	-129,260	Pension Liability		3	-118,735
-133	-76	Other Long Term Liabilities	<u>16</u>	16	-36
<b>-97,317</b>	<b>-135,191</b>	<b>Long Term Liabilities</b>			<b>-124,645</b>
<b>-72,872</b>	<b>-114,420</b>	<b>Net Liabilities</b>			<b>-100,304</b>
<b>Usable Reserves</b>					
1,128	485	General Fund	<u>17</u>	6	2,212
510	523	General Reserve		6	539
1,065	1,733	Unearmarked Capital Reserve		6	988
404	378	Earmarked Capital Reserve		6	527
295	303	Extreme Weather Reserve		6	312
60	60	Efficiency Reserve		6	60
761	1,480	Pensions and Other Staff Issues Reserve		6	1,256
99	0	Retained Service Reserve		6	0
<b>Unusable Reserves</b>					
207	97	Revaluation Reserve		24	1,454
13,951	9,806	Capital Adjustment Account		24	11,012
-88,683	-125,201	Fire Pensions Reserve	<u>18</u> <u>19</u> <u>20</u>	3	-116,152
-2,620	-4,059	LGPS Pensions Reserve	<u>21</u>	3	-2,583
78	89	Collection Fund Adjustment Account	<u>22</u>	24	204
-127	-114	Accumulated Absences Account	<u>23</u> <u>24</u> <u>25</u>	24	-133
0	0	Usable Capital Receipts Reserve			0
<b>-72,872</b>	<b>-114,420</b>	<b>Total Reserves</b>			<b>-100,304</b>





# Cash Flow Statement

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2010/2011

2009/10 £'000	<u>29</u> <u>30</u>	2010/11 £'000
7,563	Net (surplus) or deficit on the provision of services	-5,105
-8,628	Adjustments to net surplus or deficit on the provision of services for non cash movements	839
-231	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-221
<u>-1,296</u>	Net cash flows from operating activities	<u>-4,487</u>
854	Investing Activities	2,806
231	Financing Activities	221
<u>-211</u>	Net increase or decrease in cash and cash equivalents	<u>-1,460</u>
-4,420	Cash and cash equivalents at the beginning of the period	-4,631
<u>-4,631</u>	<b>Cash and cash equivalents at the end of the reporting period</b>	<u>-6,091</u>



## 1. ACCOUNTING POLICIES

The following accounting policies are relevant to an understanding of the financial statements, and have been applied during their preparation:

- Accruals of expenditure and income
- Cash and cash equivalents
- Provisions
- Reserves
- Employee benefits
- Overheads and support services
- Property Plant and Equipment
- Leases
- Financial Liabilities
- Inventories
- Investments
- Government Grants

There were no material changes following the transition to International Financial Reporting Standards.

## 2. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors.

### **Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

### **Reserves**

Firefighters on the Retained Duty System are claiming access to the Firemen's Pension Scheme, equality on sick pay, and additional duty payments under the above regulations. In January 2006, the House of Lords granted a re hearing at the firefighters' Employment Tribunal, which declared that retained firefighters were engaged in broadly similar work as wholetime firefighters.

There will be potential pension costs to the Fire Authority relating to the financial periods between July 2000 and April 2006, as a large proportion of the Fire Authority's employees are retained firefighters.

There are also payments of compensation to be made relating to the terms and conditions under which retained firefighters worked during this period. The likely cost

of these payments has been accrued during the financial year 2010/11, although the number of retained firefighters involved is not yet certain.

### **3. PARTICIPATION IN PENSION SCHEMES**    31 32 33 34 35 36 37

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

The Fire Authority participates in three pension schemes:

**Local Government Pension Scheme:** non operational staff are eligible for membership of the Shropshire County Pension Fund administered by Shropshire County Council. This is a funded defined benefit final salary scheme, meaning that the Fire Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

**Firefighters Pension Schemes:** on 1<sup>st</sup> April 2006 new financial arrangements were introduced for both the 1992 and the newly established 2006 Firefighter Pension Schemes.

Both schemes are unfunded, defined benefit schemes, and are regulated by the Department for Communities and Local Government (CLG). Contributions to the schemes are made by the Fire Authority and employees, and are paid into a separate Pensions Fund Account, from which most commutations and regular payments will be made. Any deficit on this account will be met by CLG, and any surplus at the end of the year will be paid back to CLG.

#### **Transactions relating to retirement benefits**

The costs of retirement benefits are recognised in the reported cost of services when they are earned by employees, rather than when the benefits are actually paid as pensions. However the required charge against council tax is based on the cash payable in the year, so the real cost of post employment and retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Shropshire County Pension Fund		Fire Pension Schemes		Total 2009/10 £'000
	2010/11 £'000	2009/10 £'000	Old 2010/11 £'000	New 2010/11 £'000	
<b>Comprehensive I&amp;E Statement</b>					
<b>Cost of Services:</b>					
Current service cost	370	223	2,421	624	2,055
Past service cost	-565	0	-9,069	-367	0
<b>Financing and Investment Income and Expenditure:</b>					
Interest cost	571	483	6,915	214	6,211
Expected return on assets	-371	-261	0	0	0
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>5</b>	<b>445</b>	<b>267</b>	<b>471</b>	<b>8,266</b>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:					
Actuarial gains and losses	-1,182	1,292	-6,338	-133	32,693
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>					
<b>Movement in Reserves Statement</b>					
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code <b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	5	445	267	471	8,266
Employers contributions payable to the scheme	-316	-316			
Retirement benefits payable to pensioners			-3,458	142	-4,441

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is -£7.65m.

**Assets and Liabilities in Relation to Post-employment Benefits**

Reconciliation of present value of the scheme liabilities:

	<b>Funded Liabilities: Shropshire County Pension Fund</b>		<b>Unfunded Liabilities: Fire Pension Schemes</b>	
	<b>2010/11 £'000</b>	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>	<b>2009/10 £'000</b>
Opening balance 1 April	9,921	6,702	125,201	88,683
Current service cost	370	223	3,045	2,055
Interest cost	571	483	0	0
Contributions by scheme participants	134	137	7,129	6,211
Benefits paid	44	-158	-3,316	-4,441
Actuarial gains and losses	-1,167	2,534	-6,471	32,693
Past service costs	-565	0	-9,436	0
Closing balance 31 March	<b>9,308</b>	<b>9,921</b>	<b>116,152</b>	<b>125,201</b>

Reconciliation of fair value of the scheme assets:

	<b>Shropshire County Pension Fund</b>		<b>Fire Pension Schemes</b>	
	<b>2010/11 £'000</b>	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>	<b>2009/10 £'000</b>
Opening balance 1 April	5,977	4,179	0	0
Expected rate of return	371	261	0	0
Actuarial gains and losses	15	1,242	0	0
Employer contributions	316	316	0	0
Contributions by scheme participants	134	137	0	0
Benefits paid	44	-158	0	0
Closing balance 31 March	<b>6,857</b>	<b>5,977</b>	<b>0</b>	<b>0</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £371,000 (2009/10 - £261,000).

**Scheme History**

	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
<b>Present value of liabilities:</b>					
Shropshire County Pension Fund	6,886	7,838	6,702	9,921	9,308
Fire Pension Schemes	89,245	105,648	88,683	125,201	116,152
<b>Fair value of assets in the Shropshire County Pension Fund</b>	5,119	5,088	4,179	5,977	6,857
<b>Surplus/(deficit) in the scheme:</b>					
Shropshire County Pension Fund	-1,767	-2,750	-2,523	-3,944	-2,451
Fire Pension Schemes	-89,245	-105,648	-88,683	-125,201	-116,152
<b>Total</b>	<b>-91,012</b>	<b>-108,398</b>	<b>-91,206</b>	<b>-129,145</b>	<b>-118,603</b>

The liabilities show the underlying commitments that the Fire Authority has in the long run to pay post employment and retirement benefits. The total liability of £118.603m has a substantial impact on the net worth of the Fire Authority as recorded in the balance sheet, resulting in a negative overall balance of £100.304m.

However, statutory arrangements for funding the deficit mean that the financial position of the Fire Authority remains healthy:

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

The total contributions expected to be made to the Shropshire County Pension Fund by the Fire Authority in the year to 31 March 2012 is £305,000.

**Basis for Estimating Assets and Liabilities**

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 Fire Schemes and the Shropshire County Pension Fund liabilities have been assessed by Mercers, an independent firm of actuaries, estimates for the Shropshire County Pension Fund being based on the latest full valuation of the Scheme as at 31 March 2007.

The principal assumptions used by the actuary have been:

	Shropshire County Pension Fund		Fire Pension Schemes	
	2010/11	2009/10	2010/11	2009/10
<b>Long term expected rate of return on assets in the scheme:</b>				
Equity Investments	7.5%	7.5%	-	-
Bonds	4.8%	4.3%	-	-
Property	6.5%	6.5%	-	-
Other	*	*	-	-
(*dependent on type of asset)				
<b>Mortality Assumptions:</b>				
Longevity at 60 (65 County) for current pensioners:				
men	21.9yrs	21.2yrs	26.8yrs	25.9yrs
women	24.6yrs	24.0yrs	29.1yrs	28.8yrs
Longevity at 60 (65 County) for future pensioners:				
men	23.3yrs	22.2yrs	28.4yrs	27.0yrs
Women	26.1yrs	25.0yrs	30.7yrs	29.8yrs
Rate of inflation CPI	2.9%	2.8%	3.0%	3.0%
Rate of inflation RPI	3.4%	3.3%	3.5%	3.5%
Rate of increase in salaries	4.4%	5.1%	4.5%	5.0%
Rate of increase in pensions	2.9%	3.3%	3.0%	3.5%
Rate for discounting scheme liabilities	5.5%	5.6%	5.5%	7.1%
Take up option to convert annual pension into retirement lump sum	50%	50%	50%	-

In his UK budget statement on 22 June 2010, the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI).

This has the effect of reducing the Authority's liabilities in its pension schemes by a total of £10m, and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. This is shown as a non distributable cost in the Comprehensive Income and Expenditure Statement.

The Fire Pension Schemes have no assets to cover their liabilities. The Shropshire County Pension Fund's assets consist of the following categories, by proportion of the total assets held.

	<b>31 March 2011 %</b>	<b>31 March 2010 %</b>
Equity Investments	65.2	63.1
Bonds	21.4	23.8
Property	3.8	4.3
Other Assets	9.6	8.8
	<b>100.0</b>	<b>100.0</b>

**Injury Awards** – the level of injury awards payable to eligible members is dependent on the salary, service and also degree of disablement of the member at the time the injury is incurred. Therefore, in line with IFRS Code of Practice, the assumption that such awards are “not usually subject to the same degree of uncertainty as the measurement of post-employment benefits” can be rebutted and injury awards are therefore accounted for, under IAS19, in the same manner as for the main pension scheme benefits.

#### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets and liabilities at 31 March 2009:

	<b>2004/ 2005</b>	<b>2005/ 2006</b>	<b>2006/ 2007</b>	<b>2007/ 2008</b>	<b>2008/ 2009</b>	<b>2009/ 2010</b>	<b>2010/ 2011</b>
<b>Shropshire County Pension Fund:</b>							
Differences between the expected and actual return on assets	2.5%	13.7%	0.6%	8%	35.5%	20.8%	0.2%
Experience gains and losses on liabilities	4.6%	0	0	1.3%	0	0	3.6%
<b>Old Fire Pension Scheme:</b>							
Experience gains and losses on liabilities	8%	-3.3%	0	4.2%	0	0	3.0%
<b>New Fire Pension Scheme:</b>							
Experience gains and losses on liabilities	-	-	-	17%	0	0	10%



**4. PROPERTY PLANT AND EQUIPMENT 38 39 40****Movements in 2010/11**

	<b>Land &amp; Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Property Plant &amp; Equipment £'000</b>
<b>Cost or Valuation</b>			
<b>At 1 April 2010</b>	13,046	6,994	20,040
Additions	2,304	502	2,806
Revaluation increases/(decreases) recognised in the Revaluation Reserve	518		518
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-377		-377
Derecognition - disposals			
<b>At 31 March 2011</b>	<b>15,491</b>	<b>7,496</b>	<b>22,987</b>
<b>Accumulated Depreciation and Impairment</b>			
	712	3,395	4,107
<b>As at 1 April 2010</b>			
Depreciation charge	222	656	878
Depreciation written out to the Revaluation Reserve	-839		-839
Depreciation written out to the Surplus/Deficit on the Provision of Services	-29		-29
Derecognition - disposals			
<b>At 31 March 2011</b>	<b>66</b>	<b>4,051</b>	<b>4,117</b>
<b>Net Book Value</b>			
At 31 March 2011	<b>15,425</b>	<b>3,445</b>	<b>18,870</b>
At 31 March 2010	<b>12,335</b>	<b>3,598</b>	<b>15,933</b>

**Comparative Movements in 2009/10**

	<b>Land &amp; Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Property Plant &amp; Equipment £'000</b>
<b>Cost or Valuation</b>			
<b>At 1 April 2009</b>	17,628	6,315	23,943
Additions	195	678	873
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-4,776	0	-4,776
Derecognition - disposals	0	0	0
<b>At 31 March 2010</b>	<b>13,047</b>	<b>6,993</b>	<b>20,040</b>
<b>Accumulated Depreciation and Impairment</b>			
	787	2,697	3,484
<b>As at 1 April 2009</b>			
Depreciation charge	312	699	1,011
Depreciation written out to the Revaluation Reserve			
Depreciation written out to the Surplus/Deficit on the Provision of Services	-388	0	-388
Derecognition - disposals	0	0	0
<b>At 31 March 2010</b>	<b>711</b>	<b>3,396</b>	<b>4,107</b>
<b>Net Book Value</b>			
At 31 March 2010	<b>12,336</b>	<b>3,597</b>	<b>15,933</b>
At 31 March 2009	<b>16,841</b>	<b>3,618</b>	<b>20,459</b>

**Depreciation**

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Land and buildings – 25 to 40 years

- Vehicles, plant, furniture and equipment – 5% to 20%

## Capital Commitments

At 31 March 2011, the Authority had entered into a contract for its headquarters, workshops and fire station at St Michaels Street in Shrewsbury, with budgeted future costs of £1.653m. Similar commitments at 31 March 2010 were £3.73m.

**De Minimis level:** the de minimis level of Personal Protective Equipment has been set at £2,500 for 2010/11, as it is the first minor payment on a larger scheme which will be paid in 2011/12.

## Revaluations

The Authority carries out a rolling programme that ensures that all Property Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings have been carried out at 31 March 2011, by R Edwards MRICS from Shropshire Council, under instruction from the Authority. The valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The valuations have been undertaken on the following assumptions:-

- The properties are free from any undisclosed onerous burdens, outgoings or restrictions and good title can be shown.
- The land and properties are not contaminated (including Radon Gas)
- The properties and their values are unaffected by any matters which could be revealed by Local Search or inspection of any register and the use and occupation of the asset is lawful.
- In valuing the property, plant and machinery has been excluded unless forming part of the structure and normally valued with the buildings.
- The report does not take account of any liability for taxation which may arise on disposal whether actual or notional.
- Details of title have been taken from previous records supplied by Shropshire Fire and Rescue Service.
- Where there are user rights these have not been considered as having a value because of the inability to transfer such rights.
- Where the property in the ownership of Shropshire Fire and Rescue Service is subject to user rights, the value of the affected parts of the property have been excluded, except where the occupation has approximately twelve months or less to run to the expiry date.

**Service Headquarters:** the current headquarters building, which forms part of the St Michaels Street site in Shrewsbury, was last valued in March 2010 and is held in the balance sheet at £700,000. It was still in operational use as at March 2011. However, following completion of the Authority's new headquarters, workshop and fire station in autumn 2011, this building will be demolished, and an impairment on the value of the asset is therefore anticipated. The entire site will be revalued, following completion of the new headquarters building contract and demolition of the existing headquarters building.

**5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS  
UNDER REGULATIONS**

2010/11	General Fund Balance £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
<b>Reversal of items debited or credited to the Comp I&amp;E Statement:</b>		
Charges for depreciation of non current assets <u>41</u>	-879	879
Revaluation losses on Property Plant and Equipment <u>42</u>	-348	348
Capital grants and contributions applied <u>43</u>	691	-691
<b>Insertion of items not debited or credited to the Comp I&amp;E Statement:</b>		
Statutory provision for the financing of capital investment <u>44</u>	367	-367
Capital expenditure charged against the General Fund Balance <u>45 46</u>	1,375	-1,375
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>		
Capital grants and contributions unapplied credited to the Comp I&E Statement		
Application of grants to capital financing transferred to the Capital Adjustment Account		
<b>Adjustments primarily involving the Pensions Reserves:</b>		
Reversal of items relating to retirement benefits debited or credited to the Comp I&E Statement <u>47</u>	-743	743
Employer's pensions contributions and direct payments to pensioners payable in the year	3,614	-3,614
<b>Adjustment primarily involving the Collection Fund Adjustment Account:</b>		
Amount by which council tax income credited to the Comp I&E Statement is different from council tax calculated for the year in accordance with statutory requirements <u>48</u>	115	-115
<b>Adjustment primarily involving the Accumulated Absences Account:</b>		
Amount by which officer remuneration charged to the Comp I&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements <u>49</u>	-19	19
<b>Total Adjustments</b>	<b>4,173</b>	<b>-4,173</b>

<b>Comparative figures for 2009/10</b>	<b>General Fund Balance £'000</b>	<b>Movement in Unusable Reserves £'000</b>
<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
<b>Reversal of items debited or credited to the Comp I&amp;E Statement:</b>		
Charges for depreciation of non current assets	-1,011	1,011
Revaluation losses on Property Plant and Equipment	-4,389	4,389
Capital grants and contributions applied	602	-602
<b>Insertion of items not debited or credited to the Comp I&amp;E Statement:</b>		
Statutory provision for the financing of capital investment	333	-333
Capital expenditure charged against the General Fund Balance	210	-210
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>		
Capital grants and contributions unapplied credited to the Comp I&E Statement		
Application of grants to capital financing transferred to the Capital Adjustment Account		
<b>Adjustments primarily involving the Pensions Reserves:</b>		
Reversal of items relating to retirement benefits debited or credited to the Comp I&E Statement	-8,711	8,711
Employer's pensions contributions and direct payments to pensioners payable in the year	4,739	-4,739
<b>Adjustment primarily involving the Collection Fund Adjustment Account:</b>		
Amount by which council tax income credited to the Comp I&E Statement is different from council tax calculated for the year in accordance with statutory requirements	11	-11
<b>Adjustment primarily involving the Accumulated Absences Account:</b>		
Amount by which officer remuneration charged to the Comp I&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	13	-13
<b>Total Adjustments</b>	<b>-8,203</b>	<b>8,203</b>

**6. EVENTS AFTER THE BALANCE SHEET DATE**

The Statement of Accounts was signed off by the Treasurer on 30th June 2011. Events taking place after this date are not reflected in the financial statements or notes.

The demolition of the Authority's existing headquarters building will take place in the autumn of 2011, and this is disclosed in note 4.

**7. TRANSFERS TO / FROM EARMARKED RESERVES 49**

	Balance 1 Apr 2009	Transfers Out 2009/10	Transfers In 2009/10	Balance 31 Mar 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance 31 Mar 2011
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund</b>							
General Reserve	510	0	13	523	0	16	539
Unearmarked Capital Reserve	1,065	-21	689	1,733	-1,176	431	988
Earmarked Capital Reserve	404	-176	150	378	-130	279	527
Extreme Weather Reserve	295	0	8	303	0	9	312
Pensions and Other Staff Issues Reserve	761	0	719	1,480	-265	41	1,256
Retained Reserve	99	-99	0	0	0	0	0
Efficiency Reserve	60	0	0	60	0	0	60
<b>Total</b>	<b>3,194</b>	<b>-296</b>	<b>1,579</b>	<b>4,477</b>	<b>-1,571</b>	<b>776</b>	<b>3,682</b>

**8. FINANCING AND INVESTMENT INCOME AND EXPENDITURE 66**

2009/10 £'000		2010/11 £'000
267	Interest payable and similar charges	265
6,433	Pensions interest cost and expected return on pensions assets	7,329
-30	Interest receivable and similar income	-40
<b>6,670</b>	<b>Total</b>	<b>7,554</b>

## 9. TAXATION AND NON SPECIFIC GRANT INCOMES 67

2009/10 £'000		2010/11 £'000
-12,882	Council tax income	-13,465
-6,479	Non domestic rates	-7,219
-1,663	Non ringfenced government grants	-1,233
-602	Capital grants and contributions	-690
<b>-21,626</b>	<b>Total</b>	<b>-22,607</b>

## 10. MEMBERS' ALLOWANCES 68

The Authority paid the following amounts to members of the Authority during the year.

	2010/11 £'000	2009/10 £'000
Allowances	70	68
Expenses	5	7
Other	0	0
<b>Total</b>	<b>75</b>	<b>75</b>

**Basic                      Special**

# Notes to the Accounts

Shropshire and Wrekin Fire Authority  
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2010/11	Allowance £	Allowance £	Expenses £	Total £
C Mellings	2,658	0	162	2,820
K Blundell	1,994	0	73	2,067
N Hartin	2,658	2,886	976	6,520
M Tebbutt	273	0	116	389
J Dixon	2,294	2,175	0	4,469
J Jones	2,658	2,598	646	5,902
A Eade	2,008	0	0	2,008
R Picken	2,658	0	27	2,685
D Minnery	2,658	5,000	703	8,361
J Hurst-Knight	2,215	0	196	2,411
S West	2,658	10,000	1,431	14,089
C Mason	2,658	0	46	2,704
J Greenaway	290	500	0	790
R Groom	665	0	35	700
M Bennett	579	0	17	596
P Brereton	273	0	0	273
A Williams	472	0	0	472
R Kiernan	2,658	0	110	2,768
P Adams	2,658	0	88	2,746
A Davies	2,079	0	44	2,123
K Roberts	2,658	0	0	2,658
J Barrow	2,658	1,000	566	4,224
M Winchester	443	0	0	443
M Price	1,994	750	64	2,808
<b>Total</b>	<b>44,817</b>	<b>24,909</b>	<b>5,300</b>	<b>75,026</b>

## 11. OFFICERS REMUNERATION 50

The number of employees whose remuneration, excluding pension contributions was £50,000 or more in bands of £5,000 were:

Remuneration band	Number of Employees	
	2010/2011	2009/2010
£50,000 - £54,999	5	2
£55,000 - £59,999	7	3
£60,000 - £64,999	0	2
£65,000 - £69,999	5	2
£70,000 - £74,999	0	1
£75,000 - £79,999	0	0
£80,000 - £84,999	0	1
£85,000 - £89,999	0	1
£90,000 - £94,999	0	0
£95,000 - £99,999	1	0



# Notes to the Accounts

Shropshire and Wrekin Fire Authority  
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£100,000 - £104,999	1	0
£105,000 - £109,999	0	0
£110,000 - £114,999	0	1
£115,000 - £119,999	0	0
£120,000 - £124,999	1	0

## 2009/10

Senior officers emoluments – salary is between £50,000 and £150,000 per year:

Post	Salary & allowances £	Benefits in kind £	Total £	Pension Conts. £	Total £
Chief Fire Officer	114,061	2,889	116,950	24,265	141,215
Deputy Chief Fire Officer	94,168	3,149	97,317	18,468	115,785
Assistant Chief Fire Officer	84,917	2,787	87,704	18,058	105,762
Assistant Chief Officer	70,649	2,982	73,631	10,315	83,946
Head of Fire Prevention	61,357	1,188	62,545	13,055	75,600
Head of Operational Response	61,205	2,945	64,150	13,006	77,156
Head of Performance & Risk	61,357	4,005	65,362	13,040	78,402
Head of Control Convergence	33,624	875	34,499	7,133	41,632
Head of District Performance	17,941	1,074	19,015	3,792	22,807
Treasurer (pro rata)	36,289	0	36,289	5,298	41,587
Resources Manager	53,458	4,457	57,915	7,805	65,720

## 2010/11

Senior officers' emoluments – salary is between £50,000 and £150,000 per year:

Post	Salary & allowances £	Benefits in kind £	Total £	Pension Conts. £	Total £
Chief Fire Officer	115,549	6,717	122,266	25,483	147,749
Deputy Chief Fire Officer	94,565	4,641	99,206	21,674	120,880
Assistant Chief Fire Officer	88,211	5,975	94,186	18,760	112,946
Assistant Chief Officer	95,526	2,982	98,508	15,801	114,309
Head of Fire Prevention	70,186	5,326	75,512	11,743	87,255
Head of Operational Response and Risk	61,531	4,972	66,503	13,080	79,583
Head of District Performance	61,531	5,488	67,019	13,080	80,099
Treasurer (pro rata)	35,485	0	35,485	5,181	40,666
Resources Manager	53,460	4,457	57,917	7,805	65,722

**12. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS 51**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's senior management on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirements is based on cash flows (payment of employer's pension contributions) rather than the current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and is not charged to directorates.

The income and expenditure of the Authority's directorates as recorded in the budget reports is as follows:

<b>2010/11</b>	<b>Executive £'000</b>	<b>Service Delivery £'000</b>	<b>Corporate Performance and Operations £'000</b>	<b>HR and Develop ment £'000</b>	<b>Total £'000</b>
Employee expenses	1,353	10,301	1,962	1,664	<b>15,280</b>
Premises	972	0	120	0	<b>1,092</b>
Transport	497	3	78	5	<b>583</b>
Supplies and services	817	86	730	388	<b>2,021</b>
Debt charges	2,182	0	0	0	<b>2,182</b>
Fees and charges	-238	0	19	-8	<b>-227</b>
Recharges	-21	0	0	0	<b>-21</b>
Government grants	-184	0	0	0	<b>-184</b>
Contributions from reserves	-1,280	0	0	0	<b>-1,280</b>
Interest on investments	-40	0	0	0	<b>-40</b>
<b>Total outturn</b>	<b>4,058</b>	<b>10,390</b>	<b>2,909</b>	<b>2,049</b>	<b>19,406</b>

**Comparative figures for 2009/10**

**2009/10**

	<b>Executive £'000</b>	<b>Service Delivery £'000</b>	<b>HR and Develop ment £'000</b>	<b>Strategy and Perform ance £'000</b>	<b>Resources £'000</b>	<b>Total £'000</b>
Employee expenses	987	12,154	1,627	881	436	<b>16,085</b>
Premises	48	0	0	12	807	<b>867</b>
Transport	151	6	4	0	620	<b>781</b>
Supplies and services	475	144	149	743	736	<b>2,247</b>
Debt charges	988	0	0	0	0	<b>988</b>
Fees and charges	-219	0	0	-14	-39	<b>-272</b>
Recharges					-249	<b>-249</b>
Government grants	-184	0	-27	0	0	<b>-211</b>
Contributions from reserves	155	0	0	0	0	<b>155</b>
Interest on investments	-30	0	0	0	0	<b>-30</b>
<b>Total outturn</b>	<b>2,371</b>	<b>12,304</b>	<b>1,753</b>	<b>1,622</b>	<b>2,311</b>	<b>20,361</b>

**Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>
Net expenditure in the Directorate Analysis	20,361	19,406
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	-2,939	-8,974
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	17,422	10,432
	5,097	-484
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>22,519</b>	<b>9,948</b>

**Reconciliation to Subjective Analysis**

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

<b>2010/11</b>	<b>Directorate Analysis £'000</b>	<b>Amounts not reported to management for decision making £'000</b>	<b>Amounts not included in I&amp;E £'000</b>	<b>Total £'000</b>
Fees, charges and other service income	-248	0	0	-248
Interest and investment income	-40	0	0	-40
Income from council tax	0	-13,465	0	-13,465
Government grants and contributions	-184	-8,958	0	-9,142
<b>Total Income</b>	<b>-472</b>	<b>-22,423</b>	<b>0</b>	<b>-22,895</b>
Employee expenses	15,280	-2,853	0	12,427
Other service expenses	4,333	0	-462	3,871
Depreciation, amortisation and impairment	0	1,227	0	1,227
Interest payments	265	0	0	265
<b>Total Expenditure</b>	<b>19,878</b>	<b>-1,626</b>	<b>-462</b>	<b>17,790</b>
<b>Surplus or deficit on the provision of services</b>	<b>19,406</b>	<b>-24,049</b>	<b>-462</b>	<b>-5,105</b>

Amounts not

<b>2009/10 Comparable Figures</b>	<b>Directorate Analysis £'000</b>	<b>reported to management for decision making £'000</b>	<b>Amounts not included in I&amp;E £'000</b>	<b>Total £'000</b>
Fees, charges and other service income	-565	0	0	-565
Interest and investment income	-30	0	0	-30
Income from council tax Government grants and contributions	0	-12,882	0	-12,882
	-167	-8,577	0	-8,744
<b>Total Income</b>	<b>-762</b>	<b>-21,459</b>	<b>0</b>	<b>-22,221</b>
Employee expenses	16,085	3,959	0	20,044
Other service expenses	4,771	0	-698	4,073
Depreciation, amortisation and impairment	0	5,400	0	5,400
Interest payments	267	0	0	267
<b>Total Expenditure</b>	<b>21,123</b>	<b>9,359</b>	<b>-698</b>	<b>29,784</b>
<b>Surplus or deficit on the provision of services</b>	<b>20,361</b>	<b>-12,100</b>	<b>-698</b>	<b>7,563</b>

**13. EXTERNAL AUDIT COSTS 69**

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts and statutory inspections to non audit services provided by the Authority's external auditors:

	<b>2010/11 £'000</b>	<b>2009/10 £'000</b>
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	64	65
Total	64	65

**14. GRANT INCOME 52**

The Authority credited the following grants to the Comprehensive Income and Expenditure Statement in 2010/11:

	<b>2010/11</b>	<b>2009/10</b>
	<b>£'000</b>	<b>£'000</b>
<b>Credited to Taxation and Non Specific Grant Income</b>		
Communities and Local Govt – Revenue Support Grant	1,049	1,496
Communities and Local Govt - Capital Grant	690	602
Communities and Local Govt – New Dimension Grant	42	27
Communities and Local Govt – FiReControl Implementation Grant	142	174
Other Grants	0	-34
<b>Total</b>	<b>1,923</b>	<b>2,265</b>

**15. RELATED PARTIES**

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

**Central Government**

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides a proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (ie council tax bills). Grants received from government departments are set out in the subjective analysis in Note 12 on reporting for resources allocation decisions.

**Members**

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in note 10.

There are no instances of transactions involving these related parties which require disclosing.

**Officers**

There are no instances of transactions involving these related parties which require disclosing.

**Other Public Bodies 53**

The Head of Legal and Administrative Services of the Borough of Telford & Wrekin was also the Clerk of Shropshire and Wrekin Fire Authority. Shropshire 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 £400,000 to Shropshire Council and £118,000 to the Borough of Telford & Wrekin.

**16. LEASES 54 55 56****Authority as a lessee**

The Authority has a number of outstanding finance leases which are carried as Property Plant and Equipment in the Balance sheet at the following net amounts:

	<b>31 March 2011 £'000</b>	<b>31 March 2010 £'000</b>
Vehicles, Plant, Furniture and Equipment	36	76

The Authority is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the assets acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	<b>31 March 2011 £'000</b>	<b>31 March 2010 £'000</b>
Finance lease liabilities (net present value of minimum lease payments):		
Current	20	40
Non Current	16	36
Finance costs payable in future years	4	6
<b>Minimum lease payments</b>	<b>40</b>	<b>82</b>

The minimum leases payments will be repayable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
Not later than one year	22	44	20	40
Later than one year and not later than five years	18	41	16	36
Later than five years	0	0	0	0
	<b>40</b>	<b>85</b>	<b>36</b>	<b>76</b>

## Operating Leases

The future minimum lease payments due under non cancellable leases in future years are:

	31 March 2012 £'000	31 March 2011 £'000
Not later than one year	172	172
Later than one year and not later than five years	455	534
Later than five years	23	116
	<b>650</b>	<b>822</b>

	2010/2011 £'000	2009/2010 £'000
Operating lease rentals paid during the year	172	173



**17. FINANCIAL INSTRUMENTS****Categories of Financial Instrument**

The following categories of financial instrument are carried in the Balance Sheet:

	<b>Long Term</b>		<b>Current</b>	
	<b>31 March 2011 £'000</b>	<b>31 March 2010 £'000</b>	<b>31 March 2011 £'000</b>	<b>31 March 2010 £'000</b>
<b>Debtors</b>				
Financial assets carried at contract amounts	0	0	43	20
<b>Total debtors</b>	<b>0</b>	<b>0</b>	<b>43</b>	<b>20</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	-5,810	-5,810	0	
<b>Total borrowings</b>	<b>5,810</b>	<b>5,810</b>	<b>0</b>	<b>0</b>
<b>Other Long Term Liabilities</b>				
Finance leases	36	76	0	0
<b>Total other long term liabilities</b>	<b>36</b>	<b>76</b>	<b>0</b>	<b>0</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	0	0	174	164
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>174</b>	<b>164</b>

**Financial Instrument Gains And Losses**

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	<b>2010/11</b>		<b>2009/10</b>	
	<b>Liabilities at amortised cost</b>	<b>Assets – loans and receivables</b>	<b>Liabilities at amortised cost</b>	<b>Assets – loans and receivables</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Interest expense	265		267	

**Total expense in Surplus**

**or Deficit on the  
Provision of Services**

Interest income		40		30
<b>Total income in Surplus or Deficit on the Provision of Services</b>				
<b>Net gain/(loss) for the year</b>	<b>265</b>	<b>40</b>	<b>267</b>	<b>30</b>

**Nature and extent of risk arising from financial instruments:** The Authority's activities expose it to a variety of financial risks:

**Credit Risk** – the possibility that other parties may fail to pay amounts due to the Authority. This arises from the lending of surplus funds to banks, building societies and other local authorities, as well as credit exposures to the Authority's customers.

The Authority, with support and guidance from Treasury Services at Shropshire Council, work to minimise the exposure to the unpredictability of financial markets and to protect the financial resources available to fund services.

The Authority has adopted CIPFA's Code of Treasury Management Practices, and an Annual Treasury Management Strategy has also been approved by the Authority.

**Liquidity Risk** – the possibility that the Authority may not have funds available to meet its commitments to make payments. As the Authority has ready access to borrowings, there is no significant risk that it will be unable to raise finance to meet its commitments.

**Market Risk** – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates. Changes in interest receivable on variable rate investments will be posted to the Comprehensive Income and Expenditure Statement and will therefore directly affect the General Fund Balance.

**Fair Values of Assets and Liabilities**

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2011 of 4.05% to 5.125% for loans from the PWLB
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value

- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as followed:

	31 March 2011		31 March 2010	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial liabilities	5,810	6,166	5,810	5,967
Long term creditors	36	36	76	76

## 18. INVENTORIES 56

	Vehicle Parts £'000	Oil £'000	Diesel £'000	Uniforms £'000	Fire Ground Feeding £'000	Total £'000
<b>2009/10</b>						
Balance outstanding at start of year	56	3	6	6	0	71
Purchases	73	9	139	149	18	388
Recognised as an expense during the year	-72	-10	-136	-123	-18	-359
<b>Balance outstanding at year end</b>	<b>57</b>	<b>2</b>	<b>9</b>	<b>32</b>	<b>0</b>	<b>100</b>
<b>2010/11</b>						
Balance outstanding at start of year	57	2	9	32	0	100
Purchases	92	6	133	124	18	373
Recognised as an expense during the year	-90	-5	-132	-117	-18	-362
<b>Balance outstanding at year end</b>	<b>59</b>	<b>3</b>	<b>10</b>	<b>39</b>	<b>0</b>	<b>111</b>

## 19. DEBTORS 57

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.

	<b>31 March 2011 £'000</b>	<b>31 March 2010 £'000</b>	<b>31 March 2009 £'000</b>
Central government bodies	949	1,093	739
Other local authorities	762	764	326
Other entities and individuals	325	376	326
<b>Total</b>	<b>2,036</b>	<b>2,233</b>	<b>1,391</b>

**20. CASH AND CASH EQUIVALENTS**

The balance of cash and cash equivalents is made up of the following elements:

<b>31 March 2010 £'000</b>		<b>31 March 2011 £'000</b>
2	Cash held by the Authority	2
-121	Bank current accounts <u>70</u>	-625
4,750	Short term deposits with building societies <u>66</u>	6,715
<b>4,631</b>	<b>Total</b>	<b>6,092</b>

**21. CREDITORS 58**

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 2011 £'000</b>	<b>31 March 2010 £'000</b>	<b>31 March 2009 £'000</b>
Central government bodies	310	333	452
Other local authorities	627	563	447
Other entities and individuals	1,831	1,230	997
<b>Total</b>	<b>2,768</b>	<b>2,126</b>	<b>1,896</b>

**22. PROVISIONS 59****£'000****Equipment Replacement Provision**

<b>Balance at 1 April 2010</b>	45
Additional provisions made in 2010/11	81
Amounts used in 2010/11	-62
<b>Balance at 31 March 2011</b>	<b>64</b>

**23. USABLE RESERVES**

The Fire Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

Movements in the Authority's usable reserves are detailed in the Movement in Reserve Statement.

**24. UNUSABLE RESERVES 60 61 62**

<b>31 March 2010 £'000</b>		<b>31 March 2011 £'000</b>
97	Revaluation Reserve	1,454
9,806	Capital Adjustment Account	11,012
-4,059	LGPS Pensions Reserve	-2,583
-125,201	Fire Pensions Reserve	-116,152
89	Collection Fund Adjustment Account	204
-114	Accumulated Absences Account	-133
<b>-119,382</b>	<b>Total Unusable Reserves</b>	<b>-106,198</b>

**Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property Plant and Equipment. The balance is reduced when the assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

<b>2009/10 £'000</b>		<b>2010/11 £'000</b>
207	Balance at 1 April	97
0	Upward revaluation of assets	1,531

-110	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-174
<hr/>		<hr/>
97	Surplus or deficit on revaluation of non current assets not posted to the Surplus/Deficit on the Provision of Services	1,454
0	Difference between fair value depreciation and historical costs depreciation	0
<hr/>		<hr/>
<b>97</b>	<b>Balance as at 31 March</b>	<b>1,454</b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairments losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains revaluation gains accumulated on Property Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
-13,951	<b>Balance at 1 April</b>	-9,806
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
1,011	Charges for depreciation and impairment of non current assets	878
4,279	Revaluation losses on Property Plant and Equipment	349
<hr/>		<hr/>
-8,661		-8,579
0	Adjusting amounts written out of the Revaluation Reserve	0
<hr/>		<hr/>

-8,661	Net written out amount of the cost of non current assets consumed in the year	-8,579
	Capital financing applied in the year:	
-602	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-691
0	Application of grants to capital financing from the Capital Grants Unapplied Account	0
-333	Statutory provision for the financing of capital investment charged against the General Fund balance	-367
-210	Capital expenditure charged against the General Fund balance	-1,375
<b>-9,806</b>	<b>Balance as at 31 March</b>	<b>-11,012</b>

### Pensions Reserves

The Pensions Reserves absorb the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserves therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has to set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10 £'000			2010/11 £'000	
Fire	LGPS		Fire	LGPS
88,683	2,619	<b>Balance at 1 April</b>	125,201	4,058
32,693	1,292	Actuarial gains or losses on pensions assets and liabilities	-6,471	-1,182
8,266	445	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	738	5

-4,441	-298	Employer's pension contributions and direct payments to pensioners payable in the year	-3,316	-298
<b>125,201</b>	<b>4,058</b>	<b>Balance at 31 March</b>	<b>116,152</b>	<b>2,583</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10 £'000		2010/11 £'000
78	<b>Balance at 1 April</b>	89
11	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	115
<b>89</b>	<b>Balance at 31 March</b>	<b>204</b>

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, ie annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

2009/10 £'000		2010/11 £'000
-127	Balance at 1 April	-114
127	Settlement or cancellation of accrual made at the end of the preceding year	114
-114	Amount accrued at the end of the current year	-133
0	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0
<b>-114</b>	<b>Balance at 31 March</b>	<b>-133</b>



**25. CAPITAL EXPENDITURE AND CAPITAL FINANCING 64**

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

	2010/11 £'000	2009/10 £'000
<b>Opening Capital Financing Requirement</b>	<b>6,030</b>	<b>6,302</b>
<i>Capital investment</i>		
Property Plant and Equipment	2,806	873
<i>Sources of Finance</i>		
Government grants and other contributions	-691	-602
Sums set aside from revenue:		
Direct revenue contributions	-1,375	-210
MRP	-367	-333
<b>Closing Capital Financing Requirement</b>	<b>6,403</b>	<b>6,030</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (supported by government financial assistance)	373	-272
Increase in underlying need to borrowing (unsupported by government financial assistance)		
<b>Increase / (decrease) in Capital Financing Requirement</b>	<b>373</b>	<b>-272</b>

**26. CASH FLOW STATEMENT – OPERATING ACTIVITIES 65**

The cash flows for operating activities include the following items:

2009/10 £'000		2010/11 £'000
-30	Interest received	-40
261	Interest paid	261
<b>231</b>		<b>221</b>

**27. CASH FLOW STATEMENT – INVESTING ACTIVITIES 65**

<b>2009/10</b> <b>£'000</b>		<b>2010/11</b> <b>£'000</b>
854	Purchase of property plant and equipment	2,806
0	Purchase of short term and long term investments	0
0	Other payments for investing activities	0
0	Proceeds from the sale of property plant and equipment	0
0	Proceeds from short term and long term investments	0
0	Other receipts from investing activities	0
<b>854</b>	<b>Net cash flows from investing activities</b>	<b>2,806</b>

**27. CASH FLOW STATEMENT – FINANCING ACTIVITIES 65**

<b>2009/10</b> <b>£'000</b>		<b>2010/11</b> <b>£'000</b>
0	Cash receipts of short and long term borrowing	0
-30	Other receipts from financing activities	-40
	Cash payments for the reduction of the outstanding liabilities relating to finance leases	
261	Other payments for financing activities	261
<b>231</b>	<b>Net cash flows from financing activities</b>	<b>221</b>

# Pension Fund Accounts

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2010/2011

Year ended 31 March 2010 £'000		Year ended 31 March 2011 £'000
	<b>Income to the fund</b>	
	<b>Contributions receivable:</b>	
	<b>From employer:</b>	
-1,282	Normal: Old scheme	-1,177
-243	Normal: New scheme	-250
-42	Early Retirements	0
	<b>From members:</b>	
-662	Normal: Old scheme	-608
-188	Normal: Old scheme	-194
	<b>Transfers in:</b>	
-6	Individual transfers from other schemes	-121
<hr/> -2,423	<b>Income to the Fund</b>	<hr/> -2,350
	<b>Spending from the Fund</b>	
	<b>Benefits payable:</b>	
2,865	Pensions	3,169
2,237	Commutations on pensions and lump sum retirement benefits	562
	<b>Payments to and on account of leavers:</b>	
0	Individual transfers out of the scheme	303
<hr/> 2,679	<b>Net withdrawal from dealings with members</b>	<hr/> 1,684
-1,440	Top Up grant received	-1,091
<hr/> <b>1,239</b>	<b>Net amount receivable for the year <u>57</u></b>	<hr/> <b>593</b>

See note 1 to the account



## Net Assets Statement as at 31 March 2011

<b>Net Current Assets and Liabilities:</b>	<b>£'000</b>
Contributions due from employer	0
Unpaid pension benefits	0
Top Up grant receivable	593
Other current assets and liabilities	0
	<hr/> <b>593</b> <hr/>

## Note to the Pension Fund Accounts

- 1. Firefighters Pension Schemes** – on 1<sup>st</sup> April 2006 new financial arrangements were introduced for both the 1992 and the newly established 2006 Firefighter Pension Schemes.

Both schemes are unfunded, defined benefit schemes, and are regulated by the Department for Communities and Local Government. Contributions to the schemes are made by firefighters and employers, and are paid into a separate Pensions Fund Account, from which most commutations and regular payments are made. Any deficit on this account will be met by Government, and any surplus at the end of the year will be paid back to Government.

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.



**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.

**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

**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, e.g. physical stockholdings.

**Current Liability** – the amount which will become payable or could be called in within the next accounting period e.g. 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.

**Formula Spending Share (FSS)** – 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.

**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, i.e. 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.

**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, e.g. authorisation of payments, income collection and accounting and audit.

**Stocks** – comprise consumable goods held at a specific date.

**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.

**Voluntary Revenue Provision** – is an additional amount which is charged to the authority's revenue account each year for repayment of debt charges, to more accurately reflect the cost of using the asset. This is currently an additional 4% over Minimum Revenue Provision, on vehicles and equipment which have been funded by loan.

**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.





