

# Statement of Accounts 2009/10

## Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260202.

### 1 Purpose of Report

This report presents the Statement of Accounts 2009/10 for approval by the Fire Authority, and seeks specific approval to a number of virements from the General Fund in 2010/11.

### 2 Recommendations

The Fire Authority is recommended to:

- a) Approve the Statement of Accounts 2009/10, attached a Appendix A, including the transfer of £700,000 to the Pensions Reserve, as set out in paragraph 4, subject to incorporating the Annual Governance Statement and to audit;
- b) Authorise the Treasurer to make any final adjustments, including for the result of outstanding property valuations and collection fund balances, subject to reporting these to the next meeting of the Authority;
- c) Approve the virements set out in the table in paragraph 4, totalling £378,000; and
- d) Approve the Backward and Forward Looking Efficiency Statements, set out in paragraph 5, totalling £252,000 and £427,000 respectively.

### **3 Background**

Your officers have closed the accounts for 2009/10 by 30 June 2010, as required by the Accounts and Audit Regulations. These should be approved by the Fire Authority and signed by the Chair by that date and they have, therefore, been presented to this meeting.

The formal audit will conclude in late June, after which the formal Statement of Accounts will be published, and a final report brought to the Fire Authority. The deadline for publication of the audited Statement of Accounts is 30 September 2010. The Authority has delegated responsibility to the Audit and Performance Management Committee to receive the Annual Governance Report and opinion of the Auditor, and for the Chair to sign the Letter of Representation by that date.

Key outcomes are dealt with below and pick up the main issues revealed by the Balance Sheet in the attached Statement of Accounts (Appendix A).

Information is still awaited on a valuation on the Shrewsbury and Telford sites as well as some adjustments to collection fund balances. There may, therefore, be a need to update some balance sheet items but the changes will not impact on the revenue accounts.

### **4 The General Fund**

The net total of efficiencies, slippage and other savings is held in the General Fund Balance. The Fire Authority's policy is to reduce this total to zero during the year by:

- Considering whether to add slippage to 2009/10 budgets in order to catch up the service delivery
- Considering approval of requests to use unspent resources for additional services in 2010/11
- Transferring any balance to the Unearmarked Capital Reserve in order to minimise capital financing charges on major schemes

The total slippage, efficiencies and net underspendings during the year has been confirmed during the close-down as £1,211,000, of which £845,000 of likely underspends had previously been reported to Members and a further £366,000 has been identified during the work on closing the accounts.

Members had also been advised of the need to earmark further reserves for the outcome of the Part-Time Workers, (Prevention of Less Favourable Treatment) Regulations Employment Tribunal cases. An estimate of the amount that could be required is £700,000 and this has been set aside in the Pensions and Other Employee Costs Reserve. This means that a net total of £511,000 will be retained in the Fire Authority's General Fund at 31 March 2010. Appendix B sets out the main reasons for the balance of £511,000.

This report recommends that this balance is used to the best advantage of the Service in the current year and proposals are, therefore, set out below.

At this stage, it is **recommended** that the General Fund be used as follows:

	<b>£000</b>
1. Schemes already approved: £120,000 for the command and control system, and £13,000 for the St. Michael's Street project. These costs are met from slippage, savings and efficiencies	<u>133</u>
2. Vire the following budget arising from requests by officers: Invest in Breathing Apparatus (BA) Communications to achieve savings on later provision and increase safety.	----- 40
3. Vire the following budgets as a result of slippage:	
a) Risk Reduction Officers	60
b) Training and development programmes	47
c) Water safety training and protective equipment	37
d) Fleet and travel expenses	10
e) Transfer of communications data to new system	10
f) Other: graphic design £5,000 and risk management £4,000	9
	----- 173
4. Transfer the balance to the Unearmarked Capital Reserve to fund major capital projects	<u>165</u>
5. Total to be vired (2,3 and 4 above)	<u>378</u>
<b>Total available in the General Fund</b>	<u><b>511</b></u>

## 5 Efficiencies

The Fire Authority must also submit its "backward looking" efficiencies for 2009/10 and its "forward looking" efficiencies for 2010/11 by the 20 July. The current forward looking efficiencies for 2009/10, submitted a year ago, totalled £149,000, made up of £40,000 for further vacancy management, £40,000 for further savings in retained call outs etc; and £69,000 for savings in radio communications running costs. The latest examination of the net underspendings in the final accounts indicates the following efficiencies have been achieved.

	<b>£000</b>
1. Savings in retained call outs and numbers of incidents	80
2. Fire prevention - conversion to non-uniformed post	17
3. Procurement savings for radio communications	64
4. Ill-health retirement costs	70
5. Insurance rebate achieved through insurance claims performance	21
	----- 252

This total falls short of the annual total currently derived from the average of the Fire Service national total, which would be £307,000. It is, however, also recommended that the forward looking efficiency statement for 2010/11 should total the £427,000 efficiencies included in this year's budget and derived from the Integrated Risk Management Planning programme. There should also be future procurement efficiencies for insurance, which can be reported later. The total is potentially well in excess of the annual "target" and, if achieved, would more than offset the shortfall in 2009/10.

## 6 Other Balance Sheet Items

Officers analytically review the Balance Sheet, checking, in particular, the major variations from the previous year. This should help identify material errors or misstatements. Particular attention is drawn to:

- i) **Debtors and prepayments**  
The main reason for the year's increase is that Government debtors, notably Pension Account Top Up Grant, have increased, i.e. there is no concern that payment will not be received.
- ii) **Long Term Borrowing**  
Some borrowing for the 2008/09 capital programme has not been made yet, and, in addition, no borrowing has been made for the 2009/10 programme. This is due to the difference between loan interest and poor returns on investments, should funds not be spent as soon as they are borrowed.
- iii) **Cash overdrawn**  
Actual cash balances are invested, and are, therefore, minimal. However, unpresented cheques on 31 March are then added, creating the appearance of being overdrawn.
- iv) **Government Grants Deferred**  
In 2009/10, the Fire Authority received a capital grant of £601,000, which has been allocated to assets purchased during the year. As the grant will be spread over the life of these assets, a large proportion of the total grant is held in the balance sheet, to be released in future years.
- v) **Reserves**  
Pension and other staff issues reserve – a total of £700,000 has been transferred to this reserve to cover potential costs, resulting from the Retained Firefighters Part-Time Workers Regulations Tribunal.

The changes in the Fire Pension and County Pension Reserves reflect the changes in the Long Term Pensions Liability. Both are "book", rather than actual, transaction changes, and arise from independent actuarial assessment.

## **7 Conclusions**

The form of the Statement of Accounts is dictated by legislation and recommended accounting practice. This report and the Introductory Foreword provide some explanation, which, together with Member training sessions, should assist Members to comment on the Accounts and inform future financial decisions.

In addition, a shortened and simplified statement will be posted on the Fire Authority's website following the meeting.

## **8 Financial Implications**

The financial implications are outlined in the main body of the report.

## **9 Legal Comment**

Under the Accounts and Audit Regulations 2003, the Fire Authority is required formally to approve the Statement of Accounts 2009/10 by the end of June 2010.

## **10 Equality Impact Assessment**

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment has not, therefore, been completed.

## **11 Appendix**

### **Appendix A**

Statement of Accounts 2009/10

### **Appendix B**

Main revenue variations from Budget to Actual throughout the year

## **12 Background Papers**

There are no background papers associated with this report.

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Business Continuity Planning		Legal	*
Capacity		Member Involvement	*
Civil Contingencies Act		National Framework	
Comprehensive Area Assessment		Operational Assurance	
Efficiency Savings	*	Retained	
Environmental		Risk and Insurance	
Financial	*	Staff	
Fire Control/Fire Link		Strategic Planning	
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*
Integrated Risk Management Planning			



# **Shropshire and Wrekin**

## **Fire and Rescue Authority**

# **Statement of Accounts**

2009/10



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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<sup>st</sup> March 2010. The statement has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting, and also the Best Value Accounting Code of Practice, and its publication is required under the Accounts and Audit Regulations 2003.

This foreword provides the reader with

- An understanding of the accounting statements
- A review of the financial performance of the Fire Authority during 2009/10
- A summary of the Fire Authority's financial position at the end of the year
- Details of significant changes likely to affect the Fire Authority during 2010/11.

## The Financial Statements

The core financial statements are set out on pages 26 to 30, and are supported by a Statement of Accounting Policies. Explanatory notes follow the accounting statements.

**Income and Expenditure Account** - this reports the net cost for the year of the core functions of the Fire Authority, and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

Although the I&E account shows the Fire Authority's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months, the Fire Authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

**Statement of Movement on the General Fund Balance** – this compares the Authority's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

**Statement of Total Recognised Gains and Losses** - this brings together the gains and losses shown in the Balance Sheet and the outturn on the Income and Expenditure Account, to show the total movement in the Fire Authority's net worth for the year.

**Balance Sheet** - this sets out the financial position of the Fire Authority as at 31 March 2010.

**Cash Flow Statement** – this summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.



## Financial Performance

In February 2009, Shropshire and Wrekin Fire Authority approved a revenue budget of £20.846m for 2009/10. This budget quantified the Fire and Rescue Service's strategic and corporate plans, and the further subdivision into key business areas also enabled individual business plans to be financed, and achievements monitored.

During 2009/10 the Fire Authority has approved transfers to contingency of £727,000. Actual out turn on the revenue budget was £19.635m, and resulted in an additional surplus of £484,000.

Some of this year's savings represent expenditure that has slipped from 2009/10 into 2010/11, 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 2010/11.

<b>Slipped Expenditure</b>	<b>£'000</b>
Risk reduction officers	60
Training and development	47
Water safety training and protective equipment	37
Mobilising system data transfer	10
Fleet and travel expenses	10
Graphic design	5
Risk management	4
<b>Total</b>	<b>173</b>
<b>Schemes already approved by the Fire Authority for 2010/11</b>	<b>£'000</b>
Mobilising equipment – command and control system	120
St Michaels Street scheme project costs	13
<b>Total</b>	<b>133</b>
<b>Other Variations</b>	<b>£'000</b>
Pay & Prices savings	296
Retained Duty System	219
Financing Costs	112
Facilities Management	75
Efficiencies – pensions and staff costs	32
Other net savings	171
<b>Total</b>	<b>905</b>

A total of £700,000 has been transferred to the Pensions and Other Staff Issues Reserve, to cover potential costs resulting from the Retained Firefighters and Part Time Workers Regulations Tribunal. The remaining balance will be held in the Fire Authority's General Fund.



## Capital Programme

In February 2009, the Fire Authority approved a capital programme totalling £2.26m, which included £900,000 for the first phase of the scheme to refurbish the Service's headquarters, workshops and fire station at its St Michaels Street site in Shrewsbury.

During the year, two schemes were cancelled, and some new schemes were approved. In addition, a number of schemes from years prior to 2009/10 were rolled forward for completion.

### Schemes prior to 2009/10

A total of £403,000 has been spent on schemes which were approved prior to 2009/10. Three schemes are still to be completed, with estimated completion costs as follows:

	<b>£'000</b>
Training improvements	56
Retained availability system phase 1	25
Asset tracking system	8

### 2009/10 Schemes

A total of £450,000 has been spent on schemes approved in 2009/10, including £257,000 on operational vehicles and equipment, £42 on building improvements, £16,000 on document storage and £11,000 on small vehicles. The capital scheme at Shrewsbury has also begun, with a total spend to the end of the year of £124,000.

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

	<b>£'000</b>
Light pumping unit	300
Building improvements	123
Training improvements	50
Document storage	43
Document management	40
Hill top sites purchase	30
Retained availability system phase 2	25
Workshops racking system	2

In addition, of the £900,000 allocated to the Shrewsbury scheme in 2009/10, a balance of £776,000 remains.

A number of capital schemes have been funded by a capital grant awarded to the Fire Authority by the Department of Communities and Local Government (CLG), and also a contribution from revenue. Others have been funded using the Capital Reserve, which was set up by the Fire Authority in 2005/06. Annual contributions are made into the reserve to ensure the assets' replacement in future years.



A separate reserve was set up in 2008/09 to fund the refurbishment scheme at Shrewsbury - this has been set aside in order to minimise financing costs associated with the scheme.

There are four major schemes in the capital programme for 2010/11, as well as the continuation of the refurbishment scheme at Shrewsbury. The fire appliance replacement programme will also continue, and the scheme to replace the Service's personal protective equipment (PPE) which was postponed during this year, will commence in 2010/11.

## Reserves and Provisions

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

The table below shows the position on each reserve and provision at the beginning of the year, and those which are held at 31<sup>st</sup> March 2010.

### Table of Reserves and Provisions

	<b>31 March 2009 £'000</b>	<b>31 March 2010 £'000</b>
General Reserve	510	523
Efficiency Reserve	60	60
Retained Reserve	99	0
Pension Liabilities and Other Staff Issues Reserve	761	1480
Equipment Replacement Provision	71	45
Extreme Weather Reserve	295	303
Capital Reserve – Capital Projects	404	378
Capital Reserve - Headquarters	1,065	1,733
General Fund	1,128	511

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

## The Year Ahead

A number of national, regional and local developments within the Fire Service will continue to have a significant impact on the Fire Authority during the coming year.

- **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 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.

It is likely that these payments will be made during the financial year 2010/11, although the number of retained firefighters involved is not yet certain. Following an updated risk assessment of the possible impact of this case on the Fire Authority's revenue budget, a proportion of the total expected cost is currently held in the Pensions and Other Staff Issues Reserve. A proportion of the savings resulting from this financial year have been used to increase the current balance held in this reserve.

- **West Midlands Regional Management Board**

The Fire Authority will continue to work with partners, both on a local and regional level, most notably as part of the West Midlands Regional Management Board (WMRMB).

WMRMB was formed in April 2004, with the aim of delivering the Government's agenda of reform and modernisation of the fire and rescue service of the West Midlands. The Board continues to work towards the delivery of improved efficiencies and enhanced operational resilience across the West Midlands region, through a portfolio of regional projects and activities.

- **FiReControl Local Authority Controlled Company**

The national FiReControl project is working towards the migration of fire and rescue control functions into nine regional control centres. In the West Midlands region, it is proposed that the regional control centre will become operational for Shropshire in February 2011.

The West Midlands Fire and Rescue Services Regional Control Centre Company was incorporated in February 2007, and will be responsible for managing the regional control centre when it becomes operational.

No transactions have taken place between the Authority and the Company in 2009/10.



## 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:

<http://www.shropshirefire.gov.uk/engine/managing-the-service/cfa/members-handbook/section-1.htm>

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(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 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 the Shropshire and Wrekin Fire Authority for the year ended 31 March 2010 and up to the date of approval of the annual report and statement of 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 in 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 2009/10, 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) The service has implemented a new Communication and Consultation Strategy to provide information to, and receive feedback from everyone that has a vested interest in the service;
- d) Improvements have been made to the way the service reports, monitors and delivers Health and Safety in the workplace;
- e) Fire Safety staff have received training in specific operational roles, thus improving the operational resilience of the service;
- f) A contingency plan has been developed to deal with failure of the National FiReControl project. An Interim Fire Control System is currently being procured to meet the needs of the organisation;
- g) The Fire Authority has received and/or adopted:
  - Statement of Accounts 2008/09;
  - Performance Plan 2009/10;
  - Integrated Risk Management Plan and Action Plan;
  - Annual Audit Letter 2008/09;
  - Budget Monitoring reports;
  - External and peer inspections;
  - Periodic performance reports;
  - The Medium term financial plan, strategy and budget.





- h) The Fire Authority's Chief Officers Group and Service Performance Group of officers carries 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.
- i) 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 Policy Group and to the Audit and Performance Management Committee.

Audits completed by Internal Audit during 2009/10 related to:

- Income & debtors
- Corporate Governance
- Payroll
- Risk Management
- Insurance
- Banking and Treasury Management arrangements
- Firefighter overtime claims
- Budget Preparation and Control
- Review of Annual Governance Statement

Internal Audit will be conducting audits into the following areas during 2010/11:

- Payroll
- Risk Management and Business Continuity
- Corporate Governance
- Review of Annual Governance Statement
- Fraud and Corruption
- Estates Management
- Partnerships
- Creditors system
- Purchasing and Procurement
- Asset Management
- Vehicle Fleet

The Fire Authority underwent various audits in relation to the 2009/10 Comprehensive Area Assessment (CAA), by the Audit Commission. CAA measures how well public services are working together to meet the needs of the local community. The final report stated that:

*“Overall, Shropshire and Wrekin Fire Authority performs well. The fire and rescue authority is delivering its priority services well and has the capability to continue to improve. Leadership is good, managers and members work together, and with local people to agree priorities.*”



*They make sure that there are enough resources (like people, money and equipment) to deliver what they promise. It is a learning organisation and understands the diverse needs of its communities and is targeting effort at the most vulnerable.”*

## **Significant Internal Control Issues**

No significant issues were raised in the Annual Audit Letter 2009/10. The minor points arising from these reviews were used to enhance the existing system of controls.

The Fire Authority undertook a review of its systems of internal control, which underpin its governance framework, during April 2010. An Annual Governance Statement (AGS) Improvement Plan 2010/11 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 2010/11, is given below:

### **1. Finance Management**

We plan to carry out a full review of RDS station activities resulting in payment to allow us to create more accurate budgets, including for pay, retaining fees and variable payments. This will allow us to compare like stations budgetary controls. This replaces last years scheduled improvement which will be incorporated into the review.

### **2. Strategic Planning Process**

As a consequence of the current economic instability we have reviewed our processes including IRMP and have commenced the introduction of the Public Value Model in preference to previous planning methodologies.

We have started a Public Value review, and will implement Public Value during 2010/11.

### **3. Fire Control Convergence**

The Interim Fire Control System is based on developing technology. Consequently, it may not deliver the required standard of C&C for the service.

Substantial “live testing” of the new system is being incorporated into the contractual arrangements for ICRS. Live testing will be closely monitored by officers.

### **4. Resource Management**

The new Asset Management System has not yet been fully implemented. The service is not able to demonstrate compliance with standards. Consequently in 2010/11 we will complete implementation in accordance with reviewed project timescales.



## 5. Risk Management and Business Continuity Planning

With dependence on ICT systems increasing, the service needs to develop an AGS assurance statement for this key area. The RM and ICT Manager will work together to provide an appropriate statement

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the services Chief Officers Group, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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 2010).

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 the Statement of Accounts on pages 26 to 30 complies with the requirements of the Accounts and Audit Regulations 2003.

**Keith Dixon CPFA,  
Treasurer**

**Dated:**

## The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Treasurer;
- to manage its affairs to secure economic, efficient and efficient use of resources and safeguard its assets.

## Approved by the Authority

The Statement of Accounts was approved at a meeting of the Authority on 16 June 2010.

**Stuart West  
Chair of the Authority**

**Dated:**



## **Independent Auditor's Report to the Members of Shropshire and Wrekin Fire and Rescue Authority**

### **Opinion on the financial statements**

I have audited the accounting statements, the firefighters' pension fund accounting statements and related notes of Shropshire and Wrekin Fire and Rescue Authority for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Balance Sheet, Statement of Total Recognised Gains and Losses, 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. The financial statements and firefighters' pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Shropshire and Wrekin Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

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

- 1 The Treasurer's responsibilities for preparing the financial statements, including the firefighters' pension fund accounting statements, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities.
- 2 My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).
- 3 I report to you my opinion as to whether the accounting statements, the firefighters' pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008:
  - the financial position of the Authority and its income and expenditure for the year; and
  - the financial transactions of its firefighters' pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.
- 4 I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.



I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

- 5 I read other information published with the accounting statements, the firefighters' pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the firefighters' pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword and the Annual Report<sup>1</sup>. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the firefighters' pension fund accounting statements and related notes. My responsibilities do not extend to any other information.]

## **Basis of audit opinion**

- 6 I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the firefighters' pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the firefighters' pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.
- 7 I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements, the firefighters' pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, the firefighters' pension fund accounting statements and related notes.

## **Opinion**

- 8 In my opinion:
- The accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2010, the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and

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<sup>1</sup> The other information that is 'read' is the content of the Explanatory Foreword and the printed Annual Report (where this is produced) other than the financial statements. The description of the information in the Annual Report that has been read needs to be tailored to reflect local circumstances.



- The firefighters' pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2010, the financial transactions of the firefighters' pension fund during the year ended 31 March 2010 and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

### **Authority's Responsibilities**

- 9 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 regularly to review the adequacy and effectiveness of these arrangements.

### **Auditor's Responsibilities**

- 10 I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority 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 in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for fire and rescue authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. 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.

### **Conclusion**

- 11 I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for fire and rescue authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Shropshire and Wrekin Fire and Rescue Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.

### **Certificate**

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

Grant Patterson, District Auditor  
Audit Commission, Opus House, Priestly Court, Staffordshire Technology Park,  
Beaconside, Stafford, ST18 0LQ  
30 September 2010



## General Principles

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

## Accruals of Income and Expenditure

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 stocks 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.

## Provisions

Provisions are made where an event has taken place that gives the Authority an obligation that probably requires payment, but where the timing of the payment is uncertain. Provisions are charged to the appropriate service account in the year that the 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 revenue account.

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

## Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account.





The reserve is then appropriated back into the General Fund Balance 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.
- **Retained Duty System Review Reserve** – the timing of expenditure on the Retained Implementation Plan was reviewed in 2006/07, and funds available at the end of 2006/07 were transferred to this reserve. Half of the reserve was released in 2008/09, with the remainder of the reserve being released in 2009/10.
- **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 – Headquarters** – 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 – Capital Schemes** – 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 tangible fixed assets 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.

## Retirement Benefits

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 Income and Expenditure Account 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 Income and Expenditure Account as part of Non Distributed 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 Net Operating Expenditure in the Income and Expenditure Account.



- **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 Net Operating Expenditure in the Income and Expenditure Account.
- **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 to the Net Cost of Services in the Income and Expenditure Account 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 Statement of Total Recognised Gains and Losses.
- **Contributions paid to the pension funds** – cash paid as employer's contributions to the pensions 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 Financial Reporting Standard 17. In the Statement of Movement on the General Fund Balance, 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.

## 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.

## 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 2009 (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 Income and Expenditure Account, as part of Net Cost of Services.



## Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administration purposes on a continuing basis.

**Recognition:** expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Authority and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standard of performance of an asset (eg repairs and maintenance) is charged to revenue as it is incurred.

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

- Operational properties and other operational assets are included in the Balance Sheet at Depreciated Replacement Cost (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 the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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:** the values of each category of asset are reviewed at the end of each financial year for evidence of reductions in value. Where an impairment is recognised as part of this review or as a result of a valuation exercise, this is accounted for as follows:

- Where attributable to the clear consumption of economic benefits, the loss is charged to the relevant service revenue account.
- Otherwise, the loss is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess being charged to the relevant service revenue account.

**Disposal:** When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal (netted against the asset's carrying value).



In addition, the written off value is not charged against council tax, but appropriated to the Capital Adjustment Account from the Statement of Movement on General Fund Balance.

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

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
- 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.

Newly acquired assets are depreciated from the start of the year, with no depreciation being charged in the year of disposal.

**Charges to Revenue for Fixed Assets:** the service revenue account is charged with an annual provision for depreciation for all fixed assets used in the provision of services (with the exception of land). The Statement of Movement on General Fund Balance is credited with the depreciation charge to the service account, ensuring that these notional charges have no monetary impact on the contributions required from local taxation.

Any amounts set aside from revenue for the repayment of external loans and to finance capital expenditure are disclosed separately in the Statement of Movement on General Fund Balance.

**Redemption of Debt:** 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 (Minimum Revenue Provision (MRP) requirements).

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 as the provisions made by the Authority from 2006/07.



## Leases

The authority accounts for leases as **finance leases** when substantially all the risks and rewards relating to the leased property transfer to the Authority. Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and
- A finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

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

## Financial Liabilities

Financial liabilities are initially measured at fair value and carried on the Balance Sheet at their amortised cost. Annual charges to the Income and Expenditure Account 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 Authority's borrowings, this means that the amount on the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount repayable for the year in the loan agreement.

## 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 Income and Expenditure Account 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 Income and Expenditure Account is the amount receivable for the year in the loan agreement.

## Stocks

Stocks are included in the Balance Sheet at the lower of cost and net realisable value. Obsolescent stock is written off during the year.



## **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.

## **Government Grants**

Government grants and third party contributions are recognised as income at the date that the Authority satisfies the conditions of entitlement to the grant, there is reasonable assurance that the monies will be received, and the expenditure for which the grant has been given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.



# Income and Expenditure Account

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2009/2010

Year ended 31 March 2009		Year ended 31 March 2010		
Net Expenditure £'000	Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
	1			
	<b>Expenditure:</b>			
3,334	Community fire safety	1,820	64	1,756
20,745	Firefighting & rescue operations	15,956	416	15,540
120	Emergency planning and civil defence	102	2	87
	<b>Corporate and Democratic Core:</b>			
374	Democratic representation & management	323		
257	Corporate management	218		541
0	Non distributable costs			0
<b>24,830</b>	<b>Net Cost of Services</b>			<b>17,924</b>
259	Interest payable and similar charges			267
-243	Interest and investment income			-30
6,613	Pensions interest cost and expected return on pensions assets			6,433
<b>31,459</b>	<b>Net Operating Expenditure</b>			<b>24,594</b>
-12,364	Precepts			-12,871
-7,670	General government grants			-7,975
<b>11,425</b>	<b>Deficit for the year</b>			<b>3,748</b>





# Statement of Movement on the General Fund Balance

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2009/2010

Year ended 31 March 2009 £'000		Year ended 31 March 2010 £'000
11,425	<b>Deficit for the Year on I&amp;E Account</b>	3,748
-11,935	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance	-3,131
-510	<b>Increase in General Fund Balance for the Year</b>	617
-618	General Fund balance brought forward	-1,128
-1,128	<b>General Fund Balance carried forward</b>	-511

## Reconciling Items for the Statement of Movement on the General Fund Balance

Amounts included in the I&E account but required by statute to be excluded when determining the movement on the General Fund balance for the year:

-5,348	• Depreciation and impairment of assets	-1,011
8	• Government grants deferred amortisation	52
-10,072	• Net charges made for retirement benefits in accordance with FRS17	-8,711

Amounts not included in the I&E account but required by statute to be included when determining the movement on the General Fund balance for the year:

245	• Minimum revenue provision for capital finance	307
159	• Capital expenditure charged in year to the General fund balance	210
3,092	• Employers contributions payable to the Pensions Fund Account and retirement benefits payable direct to pensioners	4,739

Transfers to or from the General Fund balance that are required to be taken into account when determining the movement on the General Fund balance for the year:

0	• Voluntary revenue provision for capital finance	
-19	• Net transfer to or from earmarked reserves	1,283

-11,935	<b>Net additional amount required to be credited to the General Fund balance for the year</b>	-3,131
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# Statement of Total Recognised Gains and Losses

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2009/2010

<b>Year ended 31 March 2009</b>		<b>Year ended 31 March 2010</b>
<b>£'000</b>		<b>£'000</b>
11,425	Deficit for the year on the Income and Expenditure Account	3,748
-207	Surplus arising on the revaluation of fixed assets	
-24,155	Actuarial gains/losses on pension fund assets and liabilities	33,985
	Any other gains and losses	
<b>-12,937</b>	<b>Total recognised gains for the year</b>	<b>37,733</b>



# Balance Sheet as at 31 March 2010

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2009/2010

	Notes	2009/2010 £'000	2008/2009 £'000
<b>Fixed Assets</b>	10		
Land and buildings		16,724	16,841
Vehicles, plant and equipment		3,598	3,619
<b>Total long-term assets</b>		20,322	20,460
<b>Current assets</b>			
Stocks and work in progress	15	100	71
Debtors and pre-payments	16	1,775	1,119
Investments	17	4,750	4,805
		6,625	5,995
<b>Total assets</b>		26,947	26,455
<b>Current liabilities</b>			
Creditors and receipts in advance	18	-1,643	-1,575
Cash overdrawn		-119	-386
Government Grants deferred	19	-581	-31
		-2,343	-1,992
<b>Total assets less current liabilities</b>		24,604	24,463
<b>Long Term Liabilities</b>			
Long-term borrowing	29	-5,810	-5,810
Provisions	20	-45	-71
Pensions Liability	2	-129,260	-91,303
Finance Leases	30	-76	-133
		-135,191	-97,317
<b>Total assets less liabilities</b>		<b>-110,587</b>	<b>-72,854</b>
<b>This is balanced by:</b>			
Revaluation Reserve	22	207	207
Capital adjustment account	23	13,478	13,920
Usable capital receipts reserve	24	0	0
General Reserve	25	523	510
Efficiency Reserve	25	60	60
Retained Service Reserve	25	0	99
Pensions Liability Reserve	25	1,480	761
Extreme Weather Reserve	25	303	295
Capital Reserve – Capital Projects	25	378	404
Capital Reserve – Headquarters	25	1,733	1,065
Fire Pension Reserve	2	-125,201	-88,683
County Pension Reserve	2	-4,059	-2,620
General Fund Balance	25	511	1,128
<b>Total equity</b>		<b>-110,587</b>	<b>-72,854</b>



# Cash Flow Statement

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2009/2010

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

	Notes	2009/2010 £'000	2008/2009 £'000
<b>Revenue activities:</b>			
Cash outflows			
Cash paid to and on behalf of employees		16,085	15,609
Other operating cash payments		3,999	4,495
		<u>20,084</u>	<u>20,104</u>
Cash inflows			
Payments from govt grants and local taxation		-20,846	-20,034
Cash received for goods and services		-534	-452
		<u>-21,380</u>	<u>-20,486</u>
Net cash inflow from revenue activities		<b>-1,296</b>	<b>-382</b>
<b>Servicing of Finance:</b>			
Cash outflows			
Interest paid		261	251
Cash inflows			
Interest received		-30	-243
Net cash inflow from servicing of finance		<u>231</u>	<u>-8</u>
<b>Revenue activities net cash flow</b>	31	<b>-1,065</b>	<b>-374</b>
<b>Capital activities:</b>			
Cash outflows			
Purchase of fixed assets		853	1,421
Purchase of fixed assets for leasing		0	0
Cash inflows			
Sale of fixed assets		0	0
Other capital cash receipts		0	0
Capital receipts for leasing		0	0
		<u>853</u>	<u>1,421</u>
<b>Net cash outflow / inflow (-) before financing</b>		<b>-212</b>	<b>1,047</b>
<b>Financing:</b>			
Cash outflows			
Repayments of amounts borrowed			
Cash inflows			
New loans raised		0	-200
<b>Net increase in cash</b>	32	<b>-212</b>	<b>-847</b>



## 1. Best Value Accounting

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

## 2. Participation in pension schemes

As part of the terms and conditions of employment of its officers and other employees, the Fire Authority offers 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 Net 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 retirement benefits is reversed out in the Statement of Movement in General Fund Balance during the year:



	Shropshire County Pension Fund		Fire Pension Schemes		Total 2008/09 £'000
	2009/10 £'000	2008/09 £'000	Old 2009/10 £'000	New 2009/10 £'000	
<b>I&amp;E Account</b>					
<b>Net Cost of Services:</b>					
Current service cost	223	339	1,751	304	3,120
Past service cost	0	0	0	0	0
<b>Net operating expenditure:</b>					
Interest cost	483	487	6,091	120	6,454
Expected return on assets	-261	-328	0	0	0
Net charge to I&E account	445	498	7,842	424	9,574
<b>SoMoGFB</b>					
Reversal of net charges made for retirement benefits in accordance with FRS17	445	498	7,842	424	9,574
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>					
Employers contributions payable to the scheme	-316	-298			
Retirement benefits payable to pensioners			-4,630	189	-2,811

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £33.985m were included in the Statement of Recognised Gains and Losses.

## Assets and Liabilities in Relation to Retirement Benefits

### Reconciliation of present value of the scheme liabilities:

	Funded Liabilities: Shropshire County Pension Fund		Unfunded Liabilities: Fire Pension Schemes	
	2009/10 £'000	2008/09 £'000	2009/10 £'000	2008/09 £'000
1 April	2,619	2,829	88,683	105,648
Current service cost	223	339	2,055	3,120
Added years	18	17	0	0
Interest cost	222	159	6,211	6,454
Contributions	-316	-298	-4,441	-2,811
Actuarial gains and losses	1,292	-427	32,693	-23,728
Past service costs	0	0	0	0
31 March	<b>4,058</b>	<b>2,619</b>	<b>125,201</b>	<b>88,683</b>



**Reconciliation of fair value of the scheme assets**

	<b>Shropshire County Pension Fund</b>	
	<b>2009/10 £'000</b>	<b>2008/09 £'000</b>
1 April	4,179	5,088
Expected rate of return	261	328
Actuarial gains and losses	1,242	-1,482
Employer contributions	316	298
Contributions by scheme participants	137	129
Benefits paid	-158	-182
31 March	<b>5,977</b>	<b>4,179</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 £261,000 (2008/09 - £328,000).

**Scheme History**

	<b>2004/05 £'000</b>	<b>2005/06 £'000</b>	<b>2006/07 £'000</b>	<b>2007/08 £'000</b>	<b>2008/09 £'000</b>	<b>2009/10 £'000</b>
<b>Present value of liabilities:</b>						
Shropshire County Pension Fund	5,564	6,584	6,886	7,838	6,702	9,921
Fire Pension Schemes	78,375	88,872	89,245	105,648	88,683	125,201
<b>Fair value of assets in the Shropshire County Pension Fund</b>	<b>3,564</b>	<b>4,605</b>	<b>5,119</b>	<b>5,088</b>	<b>4,179</b>	<b>5,977</b>
<b>Surplus/(deficit) in the scheme:</b>						
Shropshire County Pension Fund	-2,000	-1,979	-1,767	-2,750	-2,523	-3,944
Fire Pension Schemes	-78,375	-88,872	-89,245	-105,648	-88,683	-125,201
<b>Total</b>	<b>-80,375</b>	<b>-90,851</b>	<b>-91,012</b>	<b>-108,398</b>	<b>-91,206</b>	<b>-129,145</b>

The liabilities show the underlying commitments that the Fire Authority has in the long run to pay retirement benefits. The total liability of £129,145m 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 £110.6m.







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 2010 %</b>	<b>31 March 2009 %</b>
Equity Investments	63.1	60.7
Bonds	23.8	26.2
Property	4.3	5.9
Other Assets	8.8	7.2
	<b>100.0</b>	<b>100.0</b>

## 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>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%
Experience gains and losses on liabilities	4.6%	0	0	1.3%	0	0
<b>Old Fire Pension Scheme:</b>						
Experience gains and losses on liabilities	8%	-3.3%	0	4.2%	0	0
<b>New Fire Pension Scheme:</b>						
Experience gains and losses on liabilities	-	-	-	17%	0	0



### 3. Commitments under Operating Leases

The Authority was committed at 31 March 2010 to making payments of £822,000 under operating leases in 2010/11, comprising the following elements:

	<b>Vehicles, plant and equipment £'000</b>
Leases expiring in 2010/11	172
Leases expiring between 2011/12 and 2015/16	534
Leases expiring after 2015/16	116

The amount of operating lease rentals paid during the year was:

	<b>2009/10 £'000</b>	<b>2008/2009 £'000</b>
Operating	178	214
Finance	6	7
Total	184	221

### 4. Income

Income is made up as follows:

	<b>2009/2010 £'000</b>	<b>2008/2009 £'000</b>
Rents	39	41
Grant Income:		
Fire Prevention	10	0
Arson Task Force	0	8
New Dimension	26	51
New Burdens Grant	174	228
Sale of equipment	0	0
Special Services	7	3
Insurance Claims	4	0
Miscellaneous Sales	222	109
Contribution to Regional Management Board	0	4
	482	444



## 5. Minimum Revenue Provision

The requirement of the Authority to make provision for the repayment of debt, the Minimum Revenue Provision (MRP), has been updated:

- 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), plus a voluntary provision of 4% on all assets other than land and buildings (£222,000)
- For all borrowing incurred from 2007/08, the MRP applied is calculated on the basis of the Asset Life Method (£85,000)

The Statement of Movement on the General Fund Balance credits the depreciation charge in the Income and Expenditure Account, and charges these revenue provisions, to ensure that the accounts meet only this minimum requirement.

## 6. Members' Allowances

The cost of the Authority's scheme of member allowances for the year ending 31 March 2010 was £68,136.

## 7. Officers' Emoluments

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	
	2009/2010	2008/2009
£50,000 - £54,999	2	3
£55,000 - £59,999	3	1
£60,000 - £64,999	2	4
£65,000 - £69,999	2	0
£70,000 - £74,999	1	1
£75,000 - £79,999	0	0
£80,000 - £84,999	1	0
£85,000 - £89,999	1	1
£90,000 - £94,999	0	1
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	1	0
£115,000 - £119,999	0	1



**2008/09**

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

<b>Post</b>	<b>Salary &amp; allowances £</b>	<b>Benefits in kind £</b>	<b>Total £</b>	<b>Pension Conts. £</b>	<b>Total £</b>
Chief Fire Officer	113,473	2,350	115,823	24,140	139,963
Deputy Chief Fire Officer	90,805	2,326	93,131	19,312	112,443
Assistant Chief Fire Officer	84,506	2,808	87,314	17,965	105,279
Assistant Chief Officer	70,285	2,982	73,267	10,253	83,520
Head of Fire Prevention	60,426	1,803	62,229	12,841	75,070
Head of Operational Response	59,800	1,872	61,672	12,708	74,380
Head of Performance & Risk	60,426	2,761	63,187	12,841	76,028
Head of Control Convergence	60,426	1,874	62,300	12,841	75,141
Head of District Performance	60,426	2,269	62,695	12,841	75,536
Treasurer (pro rata)	33,589	0	33,583	4,902	38,491
Resources Manager	53,177	2,271	55,448	7,790	63,238

**2009/10**

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

<b>Post</b>	<b>Salary &amp; allowances £</b>	<b>Benefits in kind £</b>	<b>Total £</b>	<b>Pension Conts. £</b>	<b>Total £</b>
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



## 8. Related Party Transactions

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 be controlled or influenced by the Authority.

Related parties include central government, other local authorities, and members and senior officers and their close families.

### Other Local Authorities

The Head of Legal and Administrative Services of the Borough of Telford & Wrekin was also the Clerk of Shropshire and Wrekin Fire Authority. Shropshire 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 £254,000 to Shropshire Council and £215,000 to the Borough of Telford & Wrekin.

### Elected Members, Senior Officers and their close families

All members and senior officers have been informed of the requirements, and need for disclosure. No instances of transactions involving these related parties have been declared.

## 9. Audit Commission

In 2009/10, the Authority incurred the following fees relating to external audit and inspection:

	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	65,304	66,397



**10. Movements in Fixed Assets during the Year**

	<b>Land and Buildings</b>	<b>Vehicles, Plant and Equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Gross book value at 1 April 2009	17,628	6,315	23,943
Additions	195	678	873
Revaluations and restatements (see below)	0	0	0
Disposals	0	0	0
Gross book value at 31 March 2010	17,823	6,993	24,816
Depreciation at 1 April 2009	787	2,696	3,483
Charge for the year	312	699	1,011
Revaluations and restatements (see note 24)	0	0	0
Disposals	0	0	0
Total Depreciation	1,099	3,395	4,494
Net book value at 31 March 2010	16,724	3,598	20,322
Net book value at 1 April 2009	16,841	3,619	20,460

The land and buildings comprise the Fire Authority's fire stations and Brigade Headquarters at 23 sites throughout the county.

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

Fixed assets are grouped in accordance with the Code. 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. 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.



The last full valuation of land and buildings was carried out in April 2006 by R Benson from Shropshire Council. They have been annually reviewed for impairment.

Revisions to these valuations are included at cost where expenditure is material. The equipment is valued at cost, less depreciation.

## Impairment of fixed assets

A full impairment review has been undertaken on all land and buildings held by the Fire Authority, with the exception of the Shrewsbury and Telford sites; no impairments have been reported as a result of this review.

## 11. Prior Year Adjustment

No prior year adjustments have been identified during the year.

## 12. Capital Financing Requirement

	<b>2009/2010</b>	<b>2008/2009</b>
	<b>£'000</b>	<b>£'000</b>
Opening Capital Financing Requirement	6,331	5,155
Capital Investment		
Operational Assets	854	1,421
Finance Leases	14	167
Sources of Finance		
Govt Grants and Contributions	52	8
MRP	307	245
Voluntary Revenue Provision	0	0
Capital funded from revenue	210	159
Capital receipts applied	0	0
Closing Capital Financing Requirement	6,630	6,331



**Explanation of Movements in Year**

Increase in underlying need to borrow (supported by Government financial assistance)	483	433
Increase in underlying need to borrow (unsupported by Government financial assistance)	-184	743
Increase/(decrease) in Capital Financing Requirement	299	1,176

**13. Long-Term Investments**

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

**14. Long-Term Debtors**

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

**15. Stocks**

Total stock held is made up of the following items:

	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>£'000</b>	<b>£'000</b>
Personal Protective Clothing	32	6
Fleet and Workshops (parts and fuel)	68	65
Other consumables	0	0
	<hr/> 100	<hr/> 71

**16. Debtors and Payments in Advance**

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

	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>£'000</b>	<b>£'000</b>
General	37	6
Government Debtors	1,309	739
Other Local Authorities	90	54
Payments in advance	340	321
Bad Debt Provision	-2	-1
	<hr/> 1,774	<hr/> 1,119





**17. Short-Term Investments**

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

	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>£'000</b>	<b>£'000</b>
Short term investments	4,750	4,805



## 18. Creditors

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

	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>£'000</b>	<b>£'000</b>
General	1,115	997
Other Local Authorities	101	126
Receipts in advance	427	452
	1,643	1,575

## 19. Government Grants Deferred

These represent grants that have been used to finance fixed assets before 31 March, but will be credited against depreciation during the life of the assets.

## 20. Provisions

The balance on provisions is made up as follows:

	<b>Balance at 31 March 2009</b>	<b>Receipts in the year</b>	<b>Payments in the year</b>	<b>Balance at 31 March 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Equipment Replacement	71	34	60	45

## 21. Deferred Liabilities

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



**22. Revaluation Reserve**

The Revaluation Reserve replaced the Fixed Asset Replacement Account (FARA) in 2007/08, and shows revaluation gains accumulated since 1 April 2007.

	<b>2009/2010</b>	<b>2008/2009</b>
	<b>£'000</b>	<b>£'000</b>
Balance brought forward 1 April	0	0
Surplus from revaluation and restatement of assets in year	207	207
Balance carried forward at 31 March	207	207

**23. Capital Adjustment Account**

In 2007/08, two new capital reserves were implemented; balances on the old Fixed Asset Replacement Account were written off to the Capital Financing Account to create the new Capital Adjustment Account. Also, a Revaluation Reserve was created (see note 22), to record revaluation gains on fixed assets.

	<b>2009/2010</b>	<b>2008/2009</b>
	<b>£'000</b>	<b>£'000</b>
Balance brought forward 1 April	-13,920	-18,856
Grant deferred	-31	-38
Appropriations from I&E Account		
Depreciation in excess of MRP/VRP	704	714
Application of grant	-602	0
Financing of fixed assets from revenue	-210	-159
	-14,059	-18,339
Government Grants Deferred	581	31
Provisions applied	0	0
Capital receipts applied	0	0
Transfer from FARA	0	0
Impairment	0	4,388
Balance carried forward at 31 March	-13,478	-13,920



**24. Usable Capital Receipts Reserve**

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

	<b>2009/2010</b>	<b>2008/2009</b>
	<b>£'000</b>	<b>£'000</b>
Balance brought forward 1 April	0	0
Capital Receipts during the year	0	0
Capital Receipts applied during the year	0	0
Balance carried forward at 31 March	0	0

**25. Reserves**

The balance on reserves is made up as follows:

	<b>Balance at 31 March 2009 £'000</b>	<b>Receipts in the year £'000</b>	<b>Payments in the year £'000</b>	<b>Balance at 31 March 2010 £'000</b>
General Reserve	510	13	0	523
Efficiency Reserve	60	0	0	60
Retained Service Reserve	99	0	99	0
Extreme Weather Reserve	295	8	0	303
Pensions and Other Staff Issues Reserve	761	719	0	1,480
Capital Reserve – Capital Projects	404	150	176	378
Capital Reserve - Headquarters	1,065	689	21	1,733
General Fund	1,128	511	1,128	511

**26. Provision for Credit Liabilities (PCL)**

In accordance with statutory requirements the Authority is required to set aside sums as a provision to repay external loans and finance leases and other limited purposes.



The Authority does not keep an account within the accounting records for the PCL as there is no need to do so but maintain a memorandum account, a summary of which is set out below.

	<b>2009/2010</b>	<b>2008/2009</b>
	<b>£'000</b>	<b>£'000</b>
Balance brought forward	937	692
Minimum Revenue Provision	307	193
Voluntary Revenue Provision	0	52
Balance carried forward at 31 March	1,244	937

## 27. Financial Instrument Balances

The borrowing and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	<b>31 March 2010</b>		<b>31 March 2009</b>	
	<b>Long Term</b>	<b>Current</b>	<b>Long Term</b>	<b>Current</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	-5,810		-5,810	
<b>Investments</b>				
Loans and Receivables		4,750		4,805



**28. Financial Instrument Gains and Losses**

The gains and losses recognised in the Income and Expenditure Account and the Statement of Movement on General Fund Balance in relation to financial instruments are made up as follows:

	2009/10		2008/09	
	Liabilities at amortised cost £'000	Assets – loans and receivables £'000	Liabilities at amortised cost £'000	Assets – loans and receivables £'000
<b>Borrowings</b>				
Interest expense	-267		-259	
<b>Investments</b>				
Interest income		20		243
Net gain/(loss) for the year	-267	20	-259	243

**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 County 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 Income and Expenditure Account and will therefore directly affect the General Fund Balance.



**29. Long Term Borrowing and Analysis of Borrowing**

	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>£'000</b>	<b>£'000</b>
Analysis of loans by type:		
Public Works Loan Board	5,810	5,810
Analysis of loans by maturity:		
1 - 2 years		
2 - 5 years		
5 - 10 years	112	112
10-15 years	443	443
15 years +	5,255	5,255

**30. Long Term Liabilities**

The outstanding undischarged obligations in respect of finance leases amounted to £75,687. Of this, some £40,073 is due in 2010/11 and £35,614 is due in 2-5 years.

The depreciation accumulated on these finance leases is £98,755.

**31. Reconciliation of Net Surplus/Deficit on the Revenue Account to the Movements in Cash**

	<b>2009/2010</b>	<b>2008/2009</b>
	<b>£'000</b>	<b>£'000</b>
Deficit/ Surplus(-) on revenue account	-511	-1,128
Non cash transactions		
Minimum Revenue Provision	-307	-245
Contribution to other provisions	26	21
Release of Government Grants	-52	-8
Contribution to Reserves	-155	637
Equipment in revenue from capital	-210	-159
Reclassification of Finance Leases	77	94
Items on an accruals basis		
Increase/decrease (-) in stocks	29	8
Increase/decrease (-) in debtors	-618	390
Increase(-)/ decrease in creditors	656	16
	<b>-1,065</b>	<b>-374</b>



**32. Analysis of Balances of Cash and Cash Equivalents**

	<b>31 March 2010</b>	<b>31 March 2009</b>	<b>Movement</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank balance/ overdraft	-118	-385	-267
Temporary investments	4,750	4,805	55
	<b>4,632</b>	<b>4,420</b>	<b>-212</b>





# Pension Fund Accounts

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2009/2010

Year ended 31 March 2009 £'000		Year ended 31 March 2009 £'000
	<b>Income to the fund</b>	
	<b>Contributions receivable:</b>	
	<b>From employer:</b>	
-1,504	Normal	-1,525
-108	Early Retirements	-42
	<b>From members:</b>	
-827	Normal	-850
	<b>Transfers in:</b>	
-47	Individual transfers from other schemes	-6
-2,486	<b>Income to the Fund</b>	-2,423
	<b>Spending from the Fund</b>	
	<b>Benefits payable:</b>	
2,586	Pensions	2,865
773	Commutations on pensions and lump sum retirement benefits	2,237
	<b>Payments to and on account of leavers:</b>	
0	Individual transfers out of the scheme	0
873	<b>Net withdrawal from dealings with members</b>	2,679
-535	Top Up grant received	-1,440
<b>338</b>	<b>Net amount receivable for the year</b>	<b>1,239</b>

See note 1 to the account



## Net Assets Statement as at 31 March 2010

Net Current Assets and Liabilities:	£'000
Contributions due from employer	0
Unpaid pension benefits	0
Top Up grant receivable	1,239
Other current assets and liabilities	0
	<hr/>
	<b>1,239</b>

## 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.



## Analysis of Net Savings, Efficiencies and Other Changes throughout the Year

Set out below are the main reasons for the net underspending of £512,000 that is being held in the General Fund at 31 March 2010.

		<b>£000</b>	
1	Slippage	A number of planned expenditure programmes have slipped. Details are set out in the report	306
2	Inflation	The main reason for the saving has been the lower than budgeted pay awards during the year for firefighters and support staff.	296
3	Retained Service	A number of savings have arisen as a result of reducing call outs and other efficiency measures that have been achieved by Community Fire Safety initiatives and new ways of working within the Service.	219
4	Financing Costs	Savings in debt charges as a result of slippage in the capital programme, together with the effect of the policy of funding temporarily from revenue, rather than borrowing	112
5	Facilities Management	Repair and Maintenance, rental income and other net savings	75
6	Efficiencies	Additional efficiencies identified during the year	38
7	Reserve for Retained Duty System employment costs	£700,000 potentially required to meet employer pension contributions and compensation payments	-700
8	Net balance	Other net savings, including overtime; staff savings; vulnerable advocates and road safety	166
<b>Total</b>			<b>512</b>