

## Statement of Accounts 2006/07

### Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260202 or Joanne Coadey, Principal Accountant on 01743 260215.

#### 1 Purpose of Report

This report informs Members of the 2006/07 closure of accounts, and asks the Fire Authority to approve formally the Statement of Accounts 2006/07, attached as an appendix.

#### 2 Recommendations

The Fire Authority is recommended to approve the Statement of Accounts 2006/07, attached as an appendix, subject to the incorporation of the Statement on Internal Control, and audit.

#### 3 Background

The Statement of Accounts has been completed in order to meet the statutory approval deadline of 30 June 2007. The Statement on Internal Control (SIC) is incorporated into the Statement of Accounts, but is being considered separately on this agenda (see report 12), to reflect the importance attached to both documents by the Fire Authority.

The main areas of the accounts were discussed with Members at a seminar on 30 May 2007 and their comments will form part of the debate on this item.

The formal audit will start on 26 June 2007, and the attached accounts are subject to satisfactory completion of the audit.

#### 4 Main Areas for Discussion

The main movements of the budget over the year have been approved by the Fire Authority, with reserves and balances being updated following these approvals. In previous years, all of the Fire Authority's balances have been



allocated to reserves at closedown, and the balance on the General Fund is nil. Following closedown this year, however, a balance of £353,000 remains in the General Fund balance. This is made up of £284,000 of expenditure, which was due to happen in 2006/07 but was not completed, and £69,000 of general underspends. These are set out in the Explanatory Foreword. Officers will be seeking approval to add the 'slipped' expenditure to the 2007/08 budget, and will also present options for the use of the remaining balance on the General Fund to the Fire Authority.

## **5 General Reserve**

A review has been undertaken of all reserves and provisions, and particularly of the Risk Register, for the items, which make up the Fire Authority's General Reserve, to ensure that balances held still represent the financial risks facing the Authority.

## **6 Balance Sheet Movements**

Movements on balance sheet items are explained in the notes to the financial statements, within the Accounts. The main movement to bring to the attention of Members is the increase in the value of the Fire Authority's land and buildings. This follows a formal five-yearly valuation of this group of assets, which was carried out by Shropshire County Council in April 2006.

## **7 Legal Comment**

Under the Accounts and Audit Regulations 2003, the Fire Authority is required formally to approve the Statement of Accounts 2006/07 by the end of June 2007.

## **8 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.

## **9 Appendix**

Statement of Accounts 2006/07

## **10 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.

Balanced Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	*
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance 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	*





# **Shropshire and Wrekin Fire Authority**

## **Statement of Accounts**

**2006/2007**

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## Introduction

This statement of accounts sets out the financial position of Shropshire and Wrekin Fire Authority for the year ended 31 March 2007. 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 2006/07
- 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 2007/08.

## The Financial Statements

The core financial statements are set out on pages 22 to 26, and are supported by a Statement of Accounting Policies. Explanatory notes follow the accounting statements.

- The Income and Expenditure Account 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.
- The Statement of Movement on the General Fund Balance shows credits and charges, which must be taken into account when determining the Fire Authority's budget requirement and council tax demand. This statement reflects the difference between the financial statements of a local authority and a large company.
- The Statement of Total Recognised Gains and Losses 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.
- The Balance Sheet sets out the financial position of the Fire Authority as at 31 March 2007.
- The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.



## Financial Performance

The Fire Authority's final revenue expenditure for the year 2006/07 is £17,944,000 against an original approved budget of £18,296,000.

Some of this underspend represents expenditure that has slipped from 2006/07 into 2007/08, 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 2007/08.

<b>Slipped Expenditure</b>	<b>£'000</b>
New Dimensions secondment	20
Prevention data input work	20
Road Safety Strategy	12
Fire Safety system maintenance and equipment	13
Start up costs for Geographical Intelligence Unit	27
Arson initiatives	1
Health and Safety systems	6
Communications and mobilising schemes	52
Training and development	31
Legal costs for Retained part-time tribunal	9
Programme Office consultancy	1
New Dimensions grant	22
Operational equipment	10
Firefighter salaries for recruitment in 2007/08	60
<b>Total</b>	<b>284</b>

<b>Other Underspends and Savings</b>	<b>£'000</b>
Debt charges	70
Contribution to reserves	(28)
Reclassification of leases	55
Pay and prices	(77)
Smoke alarms	(11)
Information technology	17
Regional Management Board	(12)
Training and development	58
Hydrant maintenance	(21)
Retained duty system	23
Firefighters' pay	19
Geographical Intelligence Unit pay	8
Resources pay and equipment	(21)
Other	(12)
<b>Total</b>	<b>68</b>

Unspent balances on the revenue account will be held in the Fire Authority's General Fund balance.



## Capital Expenditure

The capital programme approved by the Fire Authority for 2006/07 totalled £1.615m. Capital expenditure in 2006/07 totalled £1.340m. This included gross expenditure of £632,000 on schemes, which had begun in prior years (expenditure of £79,000 was funded by grants received from Communities and Local Government (CLG)).

Expenditure on schemes from the current programme included £92,000 on improvements to property and training facilities, £412,000 on operational vehicles, £32,000 on other vehicles, and a total of £86,000 on operational equipment and information technology. An additional £86,000 has been spent on a Community Safety Outreach vehicle and safety equipment.

Capital schemes have been funded by loans raised from the Public Works Loan Board, a contribution from revenue, and also grants received from CLG. A number of schemes started in 2006/07 have been funded using a Capital Reserve, set up by the Fire Authority in 2005/06. Annual contributions are made into the reserve for all schemes funded in this manner.

The capital programme for 2007/08 is dominated by four major schemes:

- Replacement of three fire appliances
- Building and facilities improvements, including Telford and Tweedale
- Fire alarm installations
- Provision of road traffic collision equipment

Work will also continue on schemes not yet completed from the 2006/07 programme.

## Reserves and Provisions

The Fire Authority's reserves and provisions have been reviewed, and a number of changes made. Each of the Fire Authority's reserves and provisions are explained in the Statement of Accounting Policies.

The table below shows the position on each reserve and provision at the beginning of the year, and those which are held at 31 March 2007.

### Table of Reserve and Provisions

	31 March 2006 £'000	31 March 2007 £'000
General Reserve	1,126	955
Efficiency Reserve	100	105
Transitional Funding Reserve	201	101
Retained Reserve	0	190
Pension Liabilities Reserve	400	445
Equipment Replacement Provision	100	87
Extreme Weather Reserve	273	285
Capital Reserve	675	822
Continuing Professional Development Provision	0	19
General Fund	0	352





## The Year Ahead

A number of national, regional and local developments within the Fire Service are likely 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 was due to take place during 2006/07, but this has now been scheduled for November 2007.

There will be potential costs to the Fire Authority relating to financial periods prior to 31 March 2006, as a large proportion of the Fire Authority's employees are retained firefighters. 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 General Reserve.

- **Retained Service Implementation Plan**

The financial year 2006/07 saw the implementation of the Retained Service Plan, with £824,000 invested in the Service, delivering benefits both to the Service and to the public.

As a result of the investment in 2006/07:

- Over 12,000 smoke alarms have been fitted in homes in rural areas of Shropshire
- Eight Retained Support Officers have been appointed, and are situated around Shropshire to offer support to the Retained Service
- Additional funds have been committed for training and development of firefighters on the Retained duty system
- Increased numbers of people are joining the Retained Service

Although recruitment is showing positive signs of improvement in 2007/08, the Fire Authority's target increase in firefighters has not been achieved. This resulted in underspends in the Retained budget that have been used to increase the amount of community fire safety work undertaken by Retained firefighters.

To avoid underspends in 2007/08, future investment in the Retained Service has been reprofiled to match recruitment targets (see Statement of Accounting Policies, page 17).



- **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.



## Scope of Responsibility

Shropshire and Wrekin Fire Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The 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 ensuring that there is a sound system of internal control, which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

## The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the 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.

A system of internal control has been in place at Shropshire and Wrekin Fire Authority for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts and, except for the details of the significant internal control issues at section 5, accords with proper practice.

## The Internal Control Environment

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

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



## Review of Effectiveness

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

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

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

Throughout 2006/07, the Fire Authority has maintained, reviewed and improved its system of internal control in a number of ways. In particular:

- a) Awareness of the Authority's Code of Corporate Governance has been increased amongst all staff;
- b) The Fire Authority's partnership procedures have been further improved with additional advice and information on partnership risk identification being included;
- c) The Fire Authority's first Service-wide Business Continuity Plan has been published;
- d) Advances with the Authority's Risk Management procedures have included:
  - Its risk management protocol document was reviewed to ensure it meets the requirements of the Fire Authority's maturing risk management procedures;
  - The development of Departmental Risk Registers, created in collaboration with all Heads of Departments;
  - A general increase in awareness amongst all staff about the Fire Authority's risk management processes through the publication of a Risk Management Newsletter and the creation of a Risk Management Summary Leaflet, developed in partnership with Telford & Wrekin Council;
  - Risk management has been further integrated into the Fire Authority's budgetary reserves planning process;
- e) A Code of Conduct for all staff has been developed. This has been further supported by the publication of a Staff Handbook, relevant to all staff in the Service;
- f) The Fire Authority has received and/or adopted:
  - Statement of Accounts 2005/06;
  - Performance Plan 2006/07;



- Integrated Risk Management Plan and Action Plan;
  - Annual Audit Letter 2005/06;
  - Budget monitoring reports;
  - External inspections;
  - Periodic performance reports;
  - Medium-term financial plan, strategy and budget.
- g) The Fire Authority's Policy Group of officers carries out a continuous assessment of the implementation of policies and procedures throughout the organisation, including following up on progress made towards last year's SIC Improvement Plan.
- h) Internal Audit has undertaken 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 unsatisfactory audit opinions result in recommendations for improvement, which are implemented by management. Copies of these reviews are sent to the Fire Authority's Treasurer and discussed with the External Auditors. The audit findings are reported to Policy Group and to the Audit and Performance Management Committee.

Audits completed by Internal Audit during 2006/07 related to:

- Payroll
- Formula grant and statistics
- Purchasing/procurement
- Computer services
- Vehicle fleet and workshop facilities
- Insurance, asset register, investments and other miscellaneous financial matters
- Estate management
- Fraud and corruption
- Risk management
- Corporate governance
- Statement on Internal Control review
- Data protection/freedom of information

Internal Audit will be conducting audits into the following areas during 2007/08:

- Payroll
- Formula grant and statistics
- Creditors
- Banking arrangements
- Income collection
- Human resources
- Fraud and corruption
- Risk management
- Corporate governance



- Statement on Internal Control review
- Data protection/freedom of information

The Fire Authority underwent various audits in relation to the 2006/07 Comprehensive Performance Assessment (CPA), by the Audit Commission, which, in combination with the 'Good' rating obtained from the CPA 2005 process, has resulted in the Authority's being rated as 'Performing Strongly – Well above minimum standards'. The assessments covered the following themes:

- What progress the Authority has made since the CPA 2005 assessment;
- How the Authority manages its finances and provides value for money
- How the Service delivers its frontline services with particular focus on service delivery outcomes.

The Fire Authority is looking to maintain these excellent results in this year CPA process.

## Significant Internal Control Issues

**No issues were raised in the Annual Audit Letter 2005/06. The outcome of the 2006/07 internal audit produced no fundamental issues.** The minor points arising from these reviews were used to enhance the existing system of controls. Although the 2006/07 audit is not yet complete, Internal Audit has been able to give an unqualified, verbal assurance that no issues have emerged within the Fire Authority's operating systems.

The Fire Authority undertook a review of its systems of internal control during April and May 2007. This has benefited from the review of the actual process used to undertake this review. The new process has ensured that officers take even greater ownership of those elements of the Fire Authority's system of internal control for which they are responsible.

A SIC Improvement Plan 2007/08 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 Policy Group.

Details about the various areas for further development, contained in the SIC Improvement Plan 2007/08, are given below:

### 1. Strategic Planning Process

- 1.1. A Stakeholder Management Policy will be developed, which will clearly define the process the Fire Authority uses to identify the stakeholders with whom it should consult.
- 1.2. A Communication Strategy will be developed, which will ensure that the Fire Authority is providing information to, and receiving feedback from, everyone that has a vested interest in the Service.



## **2. Performance Management**

- 2.1. Following a review of the Fire Authority's Performance Management systems and processes, improvements to the Performance Management Framework have been identified and included in an Action Plan. The Plan will be implemented.
- 2.2. The recently purchased Performance Management System will be implemented.

## **3. Resource Management**

- 3.1. A review of all capital investment projects will be conducted, which will identify any learning outcomes. The review will also quantify the actual benefit to the public from the Fire Authority's Capital Investment Programme.
- 3.2. The new Asset Management System (AMS) will be implemented, which will ensure that the Fire Authority is able to demonstrate fully how its assets comply with all relevant legislation and standards.
- 3.3. The organisation will seek accreditation to ISO 14001, thereby enabling the Fire Authority to demonstrate that it complies with all relevant environmental legislation.

## **4. Human Resource Management**

- 4.1. The Rank to Role process will be completed.
- 4.2. A review of support staff induction training will be undertaken to ensure that it is able to meet the needs of all staff.
- 4.3. Officer training records will be integrated into the system operated by the Training and Development Department.
- 4.4. Managers will be given additional training on sickness absence procedures to ensure that they are always effectively implemented.

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

- 5.1. A Corporate Risk Register Procedural Manual will be developed to ensure that people can effectively undertake the recording and reporting procedures, should the Risk Manager be absent.
- 5.2. The recently published Business Continuity Manual will be tested to ensure that it is fit for purpose.
- 5.3. A programme will be developed to ensure that the Business Continuity Manual is regularly tested.
- 5.4. An annual audit of all Departments' Business Continuity Plans will be conducted to ensure that the information contained therein is current.
- 5.5. The ongoing work to develop an information technology (IT) 'shadow site' at Telford Central will be completed, thereby ensuring that there would not be any significant disruption to the IT facilities available to the Service, should the current server room suffer serious damage.

## **6. Health and Safety Management**

- 6.1. The possibility of either having a dedicated Member Champion for Health and Safety, or having this as an element of one of the existing Member Champion positions will be explored.



- 6.2. Brigade Order Health and Safety No.1 Part 2 will be reviewed to take account of new Brigade structures.
- 6.3. The health and safety training programme will be reviewed to ensure that it takes account of the new Role Maps.
- 6.4. Consideration will be given to the inclusion of an audit of the Brigade's health and safety function, within the next Internal Audit contract.

## **7. Achieving the Authority's Strategic Aims and Objectives**

- 7.1. Procedural manuals will be developed for the each of the key office functions undertaken by the Level 2 Incident Commanders.
- 7.2. The Improvement Plan, developed to meet the requirements of the recently developed Operational Resilience Contingency Plan (ORCP), will be implemented to ensure the Authority is able to continue to deliver its frontline services during incidents that may in themselves cause severe disruption to our Service.

Nigel Hartin  
*Chair of Shropshire and  
Wrekin Fire Authority*

Alan Taylor  
*Chief Fire Officer*

Keith Dixon  
*Treasurer*

Dated

Dated

Dated





## **The Treasurer's Responsibilities**

The Treasurer is responsible for the preparation of the Fire 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 March 2007).

In preparing this Statement of Accounts, the Treasurer has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code of Practice.

The Treasurer has also:

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

## **Certificate of the Treasurer**

I hereby certify that the Statement of Accounts on pages 22 to 42 complies with the requirements of the Accounts and Audit Regulations 2003.

**Keith Dixon CPFA, Treasurer**

**Dated**

## **The Fire Authority's Responsibilities**

The Fire 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 Fire Authority**

The Statement of Accounts was approved at a meeting of the Authority on 13 June 2007.

**Chair of the Fire Authority**

**Dated**



We have audited the financial statements on pages 22 to 42, which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 16 to 21.

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

## **Respective Responsibilities of the Treasurer and Auditors**

As described on page 13 the Treasurer is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom. Our responsibilities as independent auditors are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

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

We review whether the statement on page 13 reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005. We report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the Fire Authority's system of internal financial control. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

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

## **Basis of Opinion**

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

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations, which we considered necessary in order to provide us with sufficient



evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In our opinion the financial statements present fairly the financial position of Shropshire and Wrekin Fire Authority at 31 March 2007 and its income and expenditure for the year then ended.

## **Certificate**

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

**A Corcoran**  
**District Auditor**  
**Audit Commission**  
**Dated**



## General

The accounts have been prepared in keeping with the Code of Practice on Local Authority Accounting ('The Code') issued in 2003 by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code is supported by a number of detailed accounting recommendations, including Financial Reporting Standards (FRSs) and the application of Statements of Accounting Practice (SSAPs) to Local Authorities in Great Britain approved by the Accounting Standards Board.

## Provisions

A provision represents a liability or a loss, which is certain to arise but for which there is uncertainty as to its size and, possibly, timing. The purpose of a provision is specific and counts as expenditure in the year in which the sum is earmarked.

**Equipment Replacement Provision** – A provision has been established in order to smooth expenditure on operational equipment currently charged to the revenue account. A detailed equipment replacement programme will establish contributions into the provision, and will eventually lead to successful replacement planning in the medium term.

**Continuing Professional Development Provision** – A provision has been established to meet expenditure in 2007/08 for Continuing Professional Development (CPD) payments to operational staff. The existing Long Service Increment (LSI) for operational staff is being phased out, with payments reduced by 50% from October 2006. The Fire Authority has earmarked savings made from this reduction to LSI payments to cover CPD payments as they commence in 2007/08. At the end of 2006/07, the National Joint Council had agreed to pay for CPD, but no payments had been made.

## Reserves

Reserves are sums set aside as balances to meet general rather than specific expenditure. Following the introduction of precepting on 1 April 2004, the Fire Authority now has powers to create and accumulate reserves and balances.

**General Reserve** – A risk assessment of the pressures likely to face the Fire Authority has been undertaken, and the current balance of the General Reserve represents these identified risks, in proportion to the probability of their occurrence. This reserve will be funded by budgeted contributions plus net revenue savings as appropriate.

**Transitional Funding Reserve** – The Fire Authority provided for the repayment of transitional funding grant, which was awarded by the Office of the Deputy Prime Minister (ODPM) in 2004/05. Half of this grant has been repaid within Revenue Support Grant in 2006/07, with the remainder being recouped in 2007/08.

**Efficiency Reserve** – This reserve was set up specifically to invest in efficiencies, but a contribution was also made from one-off net underspendings on pension



related budgets in 2004/05. This reserve will remain in 2006/07, with a balance of £105,000.

**Retained Firefighters Service Review Reserve** – This reserve was fully spent at the end of 2005/06, and no payments or contributions have been made during 2006/07. However, the timing of expenditure on the Retained Implementation Plan has been reviewed, and funds available at the end of 2006/07 are being transferred to this reserve, to be released in 2008/09 and 2009/10. This will make funds available to match anticipated expenditure on the Retained Duty System, with minimal disruption to the precept in future years.

**Pension Liabilities Reserve** - As a result of the introduction of the new firefighters' pension scheme on 1 April 2006 (see page 20), a new reserve is required to pay for unexpected sickness retirements and other payments, which remain the responsibility of the Fire Authority's revenue account. A contribution has been made in 2006/07 to provide for ill-health retirements for firefighters on the Retained Duty System.

**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** – A capital reserve has been established, using remaining unspent balances from the revenue account in 2005/06. This reserve will be used to fund small capital projects, reducing the need to borrow, and a contribution will be made to the reserve from the revenue account in lieu of capital financing costs. This provision could also be used to fund significant future investment.

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

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



## Fixed Assets

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

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

Operational properties and other operational assets are included in the balance sheet at depreciated replacement cost for specialised properties and open-market value for non specialised properties. There are no holdings of non-operational assets or of community assets with all fire stations and Brigade Headquarters being classified as operational assets.

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

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

## Charges to Revenue in respect of Fixed Assets

The service revenue account is debited (charged) with an annual provision for depreciation for all fixed assets used in the provision of services (with the exception of land).

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

The Statement of Movement on the 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 the constituent authorities and local taxation.

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



## Deferred Charges

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

## Capital Receipts

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

## Interest Charges

External interest payable is charged to the Income and Expenditure Account.

## Redemption of Debt

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

The Fire Authority makes a further voluntary revenue provision of 4% on all assets other than land and buildings, from schemes starting in 2005/06.

## Leases

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

The introduction of the Prudential Code in April 2004 has meant that new leases, or existing leases that are renegotiated, must be compliant with SSAP21 – Accounting for Leases and Hire Purchase Contracts. As a result of this change, a number of the Fire Authority's existing leases have now been classified as finance leases (see note 3 to the Financial Statements).

Under finance leases, the Fire Authority will recognise an asset of the interest acquired in the property and a liability for the element of lease payments that are attributable to meeting the capital cost of the interest. Revenue charges will also be made to represent interest charges and asset use.



## **Government Grants**

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

## **Debtors and Creditors**

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

## **Stocks**

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

## **Overheads and Support Services**

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

## **Pensions**

The Fire Authority participates in three pension schemes, two for firefighters and other employees respectively.

**Firefighters' Pension Schemes** – on 1 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 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 the Government, and any surplus at the end of the year will be paid back to the 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 pension following an injury whilst on duty.





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

## **Investments**

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



# Income and Expenditure Account

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2006/2007

Year ended 31 March 2006				Year ended 31 March 2007
Net Expenditure £'000	Notes	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
	1			
	<b>Expenditure:</b>			
1,634	Community fire safety	2,029	25	2,004
14,908	Firefighting and rescue operations	16,806	212	16,594
258	Democratic representation and management			341
172	Corporate management			230
-147	Non distributable costs			
<b>16,825</b>	<b>Net Cost of Services</b>			<b>19,169</b>
158	Interest payable and similar charges			181
-175	Interest and investment income			-269
4,301	Pensions interest cost and expected return on pensions assets			4,429
<b>21,109</b>	<b>Net Operating Expenditure</b>			<b>23,510</b>
-10,729	Precepts			-11,360
-7,219	General government grants			-6,766
<b>3,161</b>	<b>Deficit for the year</b>			<b>5,384</b>

# Statement of Movement on the General Fund Balance

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2006/2007

Year ended 31 March 2006 £'000		Year ended 31 March 2007 £'000
3,161	<b>Deficit for the Year on Income and Expenditure Account</b>	5,384
-3,161	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance	-5,736
0	<b>Increase in General Fund Balance for the Year</b>	-352
0	General Fund balance brought forward	0
<b>0</b>	<b>General Fund Balance carried forward</b>	<b>-352</b>

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

Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund balance for the year:

-536	• Depreciation and impairment of assets	-795
122	• Government grants deferred amortisation	32
-6,630	• Net charges made for retirement benefits in accordance with FRS17	-7,336

Amounts not included in the Income and Expenditure Account but required by statute to be included when the movement on the General Fund balance for the year:

112	• Minimum revenue provision for capital finance	137
71	• Capital expenditure charged in year to the General fund balance	115
2,450	• Employer's contributions payable to the Pensions Fund Account and retirement benefits payable direct to pensioners	1,968

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	15
1,250	• Net transfer to or from earmarked reserves	128

<b>-3,161</b>	<b>Net additional amount required to be credited to the General Fund balance for the year</b>	<b>-5,736</b>
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# Statement of Total Recognised Gains and Losses

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2006/2007

Year ended 31 March 2006		Year ended 31 March 2007
£'000		£'000
3,161	Deficit for the year on the Income and Expenditure Account	5,384
275	Surplus arising on the revaluation of fixed assets	-12,329
6,296	Actuarial gains/losses on pension fund assets and liabilities	-5,207
<b>9,732</b>	<b>Total recognised gains for the year</b>	<b>-12,152</b>



# Balance Sheet as at 31 March 2007

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2006/2007

	Notes	2006/2007 £'000	2005/2006 £'000
<b>Fixed assets</b>	11		
Land and buildings		21,120	8,666
Vehicles, plant and equipment		2,537	2,042
<b>Total long-term assets</b>		23,657	10,708
<b>Current assets</b>			
Stocks and work in progress	17	63	65
Debtors and pre-payments	18	880	905
Investments	19	4,905	4,115
		5,848	5,085
<b>Total assets</b>		29,505	15,793
<b>Current liabilities</b>			
Creditors and receipts in advance	20	-1,619	-1,384
Cash overdrawn		-119	-141
Government grants deferred		-46	
		-1,784	-1,525
<b>Total assets less current liabilities</b>		27,721	14,268
<b>Long term liabilities</b>			
Long-term borrowing	29	-5,110	-4,000
Provisions	21	-106	-100
Pensions liability	27	-91,058	-90,897
Finance leases	30	-64	-40
		-96,338	-95,037
<b>Total assets less liabilities</b>		-68,617	-80,769
<b>This is balanced by:</b>			
Fixed asset restatement account	23	22,137	9,808
Capital financing account	24	-2,951	-2,455
Usable capital receipts reserve	25	0	0
General Reserve	26	955	1,126
Efficiency Reserve	26	105	100
Retained Service Reserve	26	190	0
Pensions Liability Reserve	26	445	400
Extreme Weather Reserve	26	285	273
Capital Reserve	26	822	675
Transitional Funding Reserve	26	101	201
Fire Pension Reserve	27	-89,245	-88,872
County Pension Reserve	27	-1,813	-2,025
General Fund Balance	26	352	0
<b>Total equity</b>		-68,617	-80,769



# Cash Flow Statement

Shropshire and Wrekin Fire Authority  
Statement of Accounts 2006/2007

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

	Notes	2006/2007 £'000	2005/2006 £'000
<b>Revenue activities:</b>			
Cash outflows			
Cash paid to and on behalf of employees		13,781	13,454
Other operating cash payments		3,688	3,457
		<u>17,469</u>	<u>16,911</u>
Cash inflows			
Payments from government grants and local taxation		-18,127	-17,948
Cash received for goods and services		-260	-210
		<u>-18,387</u>	<u>-18,158</u>
Net cash inflow from revenue activities		<b>-918</b>	<b>-1,247</b>
<b>Servicing of finance:</b>			
Cash outflows			
Interest paid		177	158
Cash inflows			
Interest received		-269	-175
Net cash inflow from servicing of finance		<b>-92</b>	<b>-17</b>
<b>Revenue activities net cash flow</b>	31	<b>-1,010</b>	<b>-1,264</b>
<b>Capital activities:</b>			
Cash outflows			
Purchase of fixed assets		1,340	828
Purchase of fixed assets for leasing			0
Cash inflows			
Sale of fixed assets			
Other capital cash receipts		-32	-101
Capital receipts for leasing		0	0
		<u>1,308</u>	<u>727</u>
<b>Net cash outflow / inflow (-) before financing</b>		<b>298</b>	<b>-537</b>
<b>Financing:</b>			
Cash outflows			
Repayments of amounts borrowed			
Cash inflows			
New loans raised		-1,110	-1,065
<b>Net increase in cash</b>	32	<b>-812</b>	<b>-1,602</b>

## 1 Best Value Accounting

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

## 2 Pensions

### Financial Reporting Standard No. 17

As explained in the statement of accounting policies, the Fire Authority participates in three pension schemes, the 1992 and 2006 Firefighters’ Pension Scheme for operational staff and the Local Government Pension Scheme (administered by Shropshire County Council) for other employees.

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

The cost of retirement benefits has been recognised in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the required charge against precept is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account, via the Statement of Movement on the General Fund Balance.

	Shropshire County Pension Fund		Fire Pension Schemes	
	2006/07 £’000	2005/06 £’000	2006/07 £’000	2005/06 £’000
<b>I&amp;E Account</b>				
<b>Net Cost of Services:</b>				
Employers Contributions	-225	-188	-1,743	2,262
Current service cost	329	270	2,578	2,206
Curtailment costs	0	-147	0	0
<b>Net Operating Expenditure:</b>				
Interest cost	332	307	4,375	4,231
Expected return on assets	-278	-237	0	0
<b>SoMoGFB</b>				
Net movement	-158	-381	-5,210	-4,175



**Actual amounts charged  
against precept for  
pensions in the year:**

Employers contributions payable to the Scheme	225	188	-
Retirement benefits payable to pensions		-	1,743
			2,262

**NOTE** 17 to the Balance Sheet contains details of the assumptions made in estimating the figures included in this note.

**Movement on Pensions Reserve**

	Shropshire County Pension Fund £'000	Fire Pension Scheme £'000
Current service cost	-329	-2,578
Curtailment cost	0	0
Interest cost and return on assets	-54	-4,375
Movement of pension payments	225	1,743
Total movement on reserves	-158	-5,210

## 3 Operating Leases

During 2006/07, no assets were funded through operating leases. The outstanding undischarged obligations in respect of operating leases amounted to £1,490,213. Of this, some £301,967 is due in 2007/08 and £1,188,246 is due from 2008/09 onwards.

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

	2006/2007 £'000	2005/2006 £'000
Operating	354	528
Finance	4	2
Total	358	530

## 4 Expenditure on Publicity

Set out below, under the requirement of s 5(1) of the Local Government Act 1986, is the Fire Authority's spending on publicity.

	2006/2007 £'000	2005/2006 £'000
Recruitment Advertising	18	9
Publicity	18	16
Total	36	25





**5 Income**

Income is made up as follows:

	<b>2006/2007</b>	<b>2005/2006</b>
	<b>£'000</b>	<b>£'000</b>
Fire certificates	1	1
Rents	21	13
Grant income:		
Arson Task Force	9	4
New Dimensions	50	48
E Government grant	0	39
New Burdens grant	75	0
Sale of equipment	0	0
Special services	9	13
Insurance claims	0	14
Miscellaneous sales	47	18
Contribution to Regional Management Board	25	60
	<b>237</b>	<b>210</b>

**6 Minimum Revenue Provision**

The net amount charged to revenue in compliance with the statutory requirement to set aside a provision for the repayment of external loans was £137,000. In addition, the Fire Authority now makes a further voluntary provision of 4% on all assets other than land and buildings, on all schemes starting in 2005/06. The voluntary provision made in 2006/07 was £14,848. 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 (see also note 14 to the statements).

**7 Members' Allowances**

The cost of the Fire Authority's Scheme for the Payment of Members' Allowances for the year ending 31 March 2007 was £ 61,043.



**8 Officers' Emoluments**

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

Remuneration band	Number of Employees	
	2006/2007	2005/2006
£50,000 - £59,999	5	4
£60,000 - £69,999	1	1
£70,000 - £79,999	2	2
£80,000 - £89,999	0	0
£90,000 - £99,999	1	1

**9 Related Party Transactions**

Local Authorities are required to disclose details of material transactions with related parties, including central government, other local authorities, and members and senior officers and their close families.

**Other Local Authorities**

The Head of Legal and Democratic Services of the Borough of Telford & Wrekin was also the Clerk of Shropshire and Wrekin Fire Authority. Shropshire County Council and the Borough of Telford & Wrekin, provide a number of support services for Shropshire and Wrekin Fire Authority. The gross payments made to these authorities were £771,718 to Shropshire County Council and £128,998 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.

**10 Audit Commission**

Gross payments made to the Audit Commission during the year were £58,134.



**11 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 2006	9,644	3,054	12,698
Additions	410	1,005	1,415
Revaluations and restatements (see note 13)	11,351	0	11,351
Disposals	0	0	0
Gross book value at 31 March 2007	21,405	4,059	25,464
Depreciation at 1 April 2006	978	1,012	1,990
Charge for the year	285	510	795
Revaluations and restatements (see note 13)	-978	0	-978
Disposals	0	0	0
Total Depreciation	285	1,522	1,807
Net book value at 31 March 2007	21,120	2,537	23,657
Net book value at 1 April 2006	8,666	2,042	10,708

The land and buildings comprise the Fire Authority's fire stations and Brigade Headquarters at 23 sites throughout the County. They have been valued and reviewed for impairment at April 2006 by R Edwards from Shropshire County Council in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual published by RICS. VAT has not been included in any valuations. All properties are operational and have been valued by reference to one of the following methods:

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

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



**12 Prior Year Adjustment**

No prior year adjustments have been identified during the year.

**13 Deferred Charges**

No deferred charges have been incurred during the year.

**14 Capital Financing Requirement**

	<b>2006/2007 £'000</b>	<b>2005/2006 £'000</b>
Opening Capital Financing Requirement	3,355	2,805
Capital Investment		
Operational Assets	1,340	828
Finance Leases	76	30
Sources of Finance		
Government Grants and Contributions	32	122
MRP	137	112
Voluntary Revenue Provision	15	0
Capital funded from revenue	115	71
Capital receipts applied	0	3
Closing Capital Financing Requirement	4,472	3,355

**Explanation of Movements in Year**

Increase in underlying need to borrow (supported by Government financial assistance)	437	526
Increase in underlying need to borrow (unsupported by Government financial assistance)	680	24
Increase/decrease in Capital Financing Requirement	1,117	550

**15 Long-Term Investments**

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



**16 Long-Term Debtors**

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

**17 Stocks**

Total stock held is made up of the following items:

	<b>31 March 2007</b>	<b>31 March 2006</b>
	<b>£'000</b>	<b>£'000</b>
Personal protective clothing	10	9
Fleet and workshops (parts and fuel)	52	55
Other consumables	1	1
	<hr/> 63	<hr/> 65

**18 Debtors and Payments in Advance**

Debtors represent sums owed to the Fire 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 2007</b>	<b>31 March 2006</b>
	<b>£'000</b>	<b>£'000</b>
General	99	24
Government debtors	404	204
Other local authorities	44	364
Payments in advance	337	318
Bad debt provision	-4	-5
	<hr/> 880	<hr/> 905

**19 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 Fire Authority Treasury Policy Statement.

	<b>31 March 2007</b>	<b>31 March 2006</b>
	<b>£'000</b>	<b>£'000</b>
Short term investments	4,905	4,115



**20 Creditors**

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

	<b>31 March 2007</b>	<b>31 March 2006</b>
	<b>£'000</b>	<b>£'000</b>
General	1,155	1,133
Other local authorities	173	119
Receipts in advance	291	132
	<b>1,619</b>	<b>1,384</b>

**21 Government Grants Deferred**

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

**22 Provisions**

The balance on provisions is made up as follows:

	<b>Balance at 31 March 2006</b>	<b>Receipts in the year</b>	<b>Payments in the year</b>	<b>Balance at 31 March 2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Equipment Replacement	100	24	37	87
CPD Payment	0	19	0	19

**23 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.

**24 Fixed Asset Restatement Account**

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



	<b>2006/2007</b>	<b>2005/2006</b>
	<b>£'000</b>	<b>£'000</b>
Balance brought forward 1 April	9,808	10,083
Revaluation and restatement of assets in year	12,329	-275
Balance carried forward at 31 March	<u>22,137</u>	<u>9,808</u>

**25 Capital Financing Account**

	<b>2006/2007</b>	<b>2005/2006</b>
	<b>£'000</b>	<b>£'000</b>
Balance brought forward 1 April	2,454	2,226
Appropriations from I&E Account		
Depreciation in excess of MRP/VRP	644	302
Application of grant	-78	
Financing of fixed assets from revenue	-115	-71
	<u>2,905</u>	<u>2,457</u>
Government grants deferred	46	
Provisions applied	0	0
Capital receipts applied	0	-3
Balance carried forward at 31 March	<u>2,951</u>	<u>2,454</u>

**26 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>2006/2007</b>	<b>2005/2006</b>
	<b>£'000</b>	<b>£'000</b>
Balance brought forward 1 April	0	3
Capital Receipts during the year	0	0
Capital Receipts applied during the year	0	-3
Balance carried forward at 31 March	<u>0</u>	<u>0</u>



## 27 Reserves

The balance on reserves is made up as follows:

	Balance at 31 March 2006 £'000	Receipts in the year £'000	Payments in the year £'000	Balance at 31 March 2007 £'000
General Reserve	1,126	44	215	955
Efficiency Reserve	100	5	0	105
Retained Service Reserve	0	190	0	190
Transitional Funding Reserve	201	0	100	101
Extreme Weather Reserve	273	12	0	285
Pensions Reserve	400	45	0	445
Capital Reserve	675	256	109	822
General Fund	0	352	0	352

## 28 Pensions

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

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

	Shropshire County Pension Fund		Fire Pension Scheme		Total	
	2006/07 £'000	2005/06 £'000	2006/07 £'000	2005/06 £'000	2006/07 £'000	2005/06 £'000
Estimated liabilities	-6,886	-6,584	-89,245	-88,872	-96,131	-95,456
Estimated assets	5,119	4,605	0	0	5,119	4,605
Net assets/ liabilities	-1,767	-1,979	-89,245	-88,872	-91,012	-90,851





The liabilities show the underlying commitments that the Fire Authority has in the long-run to pay retirement benefits. The total liability of £91,012,000 has a substantial impact on the net worth of the Fire Authority, as recorded with the Balance Sheet, resulting in a negative overall balance of £68,617,000.

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

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

Both the Firefighters' Pension Scheme and the Shropshire County Council Pension Fund have been assessed by Mercers, an independent firm of actuaries. The last full valuation was carried out in March 2005. The main assumptions used in their calculations have been:

	<b>County Pension Scheme</b>		<b>Firefighters' Pension Scheme</b>	
	<b>2006/07</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2005/06</b>
Rate of inflation	2.9%	2.9%		2.9%
Rate of increase in salaries	4.9%	4.7%		4.4%
Rate of increase in pensions	3.1%	2.9%		2.9%
Rate for discounting scheme liabilities	5.4%	4.9%		4.9%

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

	<b>Long-term Return</b>	<b>2006/07</b>	<b>2005/06</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Equity Investments	7.5	67.9	68.5
Bonds	5.1	23.9	24.0
Property	6.5	4.9	4.4
Other Assets	5.8	3.3	3.1
		<hr/>	<hr/>
		100.0	100.0



**Pension  
Asset/Liability**

	<b>Shropshire County Pension Fund £'000</b>	<b>Firefighters' Pension Scheme £'000</b>
Opening Balance	2,025	88,872
Added Years Cost	0	0
Current Service Cost	329	2,578
Curtailment Cost	0	0
Interest Cost and Return on Assets	54	4,375
Actuarial Gains	-370	-4,837
Movement of Pension Payments	<u>-225</u>	<u>-1,743</u>
Total Pensions Liability	1,813	89,245

**Pension Reserves**

	<b>Shropshire County Pension Fund £'000</b>	<b>Firefighters' Pension Scheme £'000</b>
Opening Balance	2,025	88,872
Added Years Cost	0	0
Actuarial Gains	-370	-4,837
Appropriation from Revenue	383	6,953
Movement of Pension Payments	<u>-225</u>	<u>-1,743</u>
Total Movement on Reserves	1,813	89,245

Movements on the pension reserves between 2005/06 and 2006/07 are made up of the following:

- Pension payments made by the Fire Authority - this was higher than last year due to pay award.
- Actuarial gains and losses – this is due to changes in financial assumptions made by the actuary. All schemes showed gains in 2006/07.
- Appropriations from revenue – this is made up of interest applied to assets and liabilities, and an appropriation of the current service cost of the scheme.

**29 Provision for Credit Liabilities (PCL)**

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



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

	<b>2006/2007</b>	<b>2005/2006</b>
	<b>£'000</b>	<b>£'000</b>
Balance brought forward	330	218
Minimum Revenue Provision	137	112
Voluntary Revenue Provision	15	0
Balance carried forward at 31 March	482	330

### 30 Long Term Borrowing and Analysis of Borrowing

	<b>31 March 2007</b>	<b>31 March 2006</b>
	<b>£'000</b>	<b>£'000</b>
Analysis of loans by type:		
Public Works Loan Board	5,110	4,000
Analysis of loans by maturity:		
1 - 2 years		
2 - 5 years		
5 - 10 years	112	112
10 -15 years	280	120
15 years +	4,718	3,768

### 31 Long Term Liabilities

The outstanding undischarged obligations in respect of finance leases amounted to £64,008. Of this, some £29,674 is due in 2007/08 and £34,414 is due from 2008/09 onwards.

### 32 Reconciliation of Net Surplus/Deficit on the Revenue Account to the Movements in Cash

	<b>2006/2007</b>	<b>2005/2006</b>
	<b>£'000</b>	<b>£'000</b>
Deficit/ (Surplus) on revenue account	-352	0
Non cash transactions		
Minimum Revenue Provision	-152	-112
Contribution to other provisions	-6	317
Contribution to Reserves	-128	-1,250
Equipment in revenue from capital	-115	-71
Reclassification of Finance Leases	51	47



Items on an accruals basis		
Increase / decrease (-) in stocks	-2	8
Increase / decrease (-) in debtors	-25	145
Increase(-) / decrease in creditors	-281	-348
	<b>-1,010</b>	<b>-1,264</b>

### 33 Analysis of Balances of Cash and Cash Equivalents

	<b>31 March 2007 £'000</b>	<b>31 March 2006 £'000</b>	<b>Movement £'000</b>
Bank balance/- overdraft	-119	-141	-22
Temporary investments	4,905	4,115	-790
	<b>4,786</b>	<b>3,974</b>	<b>-812</b>



**Year ended 31  
March 2007  
£'000**

## Income to the fund

### Contributions receivable:

#### From employer:

Normal -1,373

Early Retirements -91

#### From members:

Normal -731

### Transfers in:

Individual transfers from other schemes -22

## Income to the Fund

-2,217

## Spending from the Fund

### Benefits payable:

Pensions 2,233

Commutations on pensions and lump sum retirement benefits 634

### Payments to and on account of leavers:

Individual transfers out of the scheme 1

Net withdrawal from dealings with members 651

Top Up grant received -637

## Net amount receivable for the year

14

See note 1 to the account



## Net Assets Statement as at 31 March 2007

<b>Net Current Assets and Liabilities:</b>	<b>£'000</b>
Contributions due from employer	0
Unpaid pension benefits	0
Top Up grant receivable	14
Other current assets and liabilities	0
	<hr/>
	<b>14</b>

## Note to the Pension Fund Accounts

- 1 Firefighters' Pension Schemes** – On 1 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 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 the Government, and any surplus at the end of the year will be paid back to the 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, e.g. 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, i.e. 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, i.e. a switch of resources between budget heads. Virement must be properly authorised by the appropriate committee or by officers under delegated powers.

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



