

Income and Expenditure Account

Shropshire and Wrekin Fire Authority
Statement of Accounts 2006/07

Year ended 31 March 2006				Year ended 31 March 2007
Net Expenditure £'000	Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
	1			
	Expenditure:			
1,637	Community fire safety	2,031	25	2,006
14,931	Firefighting & rescue operations	16,825	212	16,613
258	Democratic representation & management			342
172	Corporate management			230
-147	Non distributable costs			
16,851	Net Cost of Services			19,191
158	Interest payable and similar charges			181
-175	Interest and investment income			-269
4,301	Pensions interest cost and expected return on pensions assets	2		4,429
21,135	Net Operating Expenditure			23,532
-10,729	Precepts			-11,360
-7,219	General government grants			-6,766
3,187	Deficit for the year			5,406

Statement of Movement on the General Fund Balance

Shropshire and Wrekin Fire Authority
Statement of Accounts 2006/07

Year ended 31 March 2006 £'000		Year ended 31 March 2007 £'000
3,187	Deficit for the Year on I&E Account	5,406
-3,187	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance	-5,758
0	Increase in General Fund Balance for the Year	-352
0	General Fund balance brought forward	0
0	General Fund Balance carried forward	-352

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:

-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 I&E 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
2,424	• Employers contributions payable to the Pensions Fund Account and retirement benefits payable direct to pensioners	1,946

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

-3,187	Net additional amount required to be credited to the General Fund balance for the year	-5,758
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Statement of Total Recognised Gains and Losses

Shropshire and Wrekin fire Authority
Statement of Accounts 2006/07

Year ended 31 March 2006		Year ended 31 March 2007
£'000		£'000
3,187	Deficit for the year on the Income and Expenditure Account	5,406
275	Surplus arising on the revaluation of fixed assets	-12,329
6,296	Actuarial gains/losses on pension fund assets and liabilities	-5,207
9,758	Total recognised gains for the year	-12,130

Balance Sheet as at 31 MarchShropshire and Wrekin Fire Authority
Statement of Accounts 2006/07

	Notes	2006/2007 £'000	2005/2006 £'000
Fixed Assets	11		
Land and buildings		21,120	8,666
Vehicles, plant and equipment		2,537	2,042
Total long-term assets		23,657	10,708
Current assets			
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
Total assets		29,505	15,793
Current liabilities			
Creditors and receipts in advance	20	-1,619	-1,384
Cash overdrawn		-119	-141
Government Grants deferred		-46	
		-1,784	-1,525
Total assets less current liabilities		27,721	14,268
Long Term Liabilities			
Long-term borrowing	29	-5,110	-4,000
Provisions	21	-106	-100
Pensions Liability	27	-91,080	-90,897
Finance Leases	30	-64	-40
		-96,360	-95,037
Total assets less liabilities		-68,639	-80,769
This is balanced by:			
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	-1,835	-2,025
General Fund Balance	26	352	0
		-68,639	-80,769
Total equity			

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

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

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

The cost of retirement benefits has been recognised in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the required charge against precept is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the 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
I&E Account				
Net Cost of Services:				
Employers Contributions	-225	-188	-1,743	-2,262
Current service cost	329	270	2,578	2,206
Curtailment costs	0	-147	0	0
Added Years	22	26	0	0
Net Operating Expenditure:				
Interest cost	332	307	4,375	4,231
Expected return on assets	-278	-237	0	0
SoMoGFB				
Net movement	-180	-31	-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	Fire Pension Scheme
	£'000	£'000
Current Service Cost	-329	-2,578
Added Years	-22	0
Curtailment Cost	0	0
Interest Cost and Return on Assets	-54	-4,375
Movement of Pension Payments	<u>225</u>	<u>1,743</u>
Total Movement on Reserves	-180	-5,210

28. Pensions

The 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 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 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 Authority, as recorded with the Balance Sheet, resulting in a negative overall balance of £68,639,000.

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

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

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

	County Pension Scheme		Fire Pension Scheme	
	2006/07	2005/06	2006/07	2005/06
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 Fire-fighters Pension Scheme has no assets to cover its liabilities. Assets in Shropshire County Pension Fund are valued at fair value. This is principally market value for investments and consists of the following categories, shown in proportion to the total assets held by the Fund:

	Long-term Return	2006/07	2005/06
	%	%	%
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
		100.0	100.0

**Pension
Asset/Liability**

	Shropshire County Pension Fund	Fire Pension Scheme
	£'000	£'000
Opening Balance	2,025	88,872
Added Years Cost	22	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	1,835	89,245

Pension Reserves

	Shropshire County Pension Fund	Fire Pension Scheme
	£'000	£'000
Opening Balance	2,025	88,872
Added Years Cost	22	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	1,835	89,245

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

- Pension payments made by the 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.