

Statement of Accounts 2007/08

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 2007/08 closure of accounts, and asks the Fire Authority to approve formally the Statement of Accounts 2007/08, attached as an appendix.

2 Recommendations

The Fire Authority is recommended to:

- i Approve the Statement of Accounts 2007/08, attached as an appendix, subject to the incorporation of the Annual Governance Statement and audit;
- ii Approve virements of £262,000 for expenditure slipped to 2008/09;
- iii Approve virements of £51,000 for the items in paragraph. 4ii;
- iv Approve an additional £45,000 contribution to the capital reserve;
- v Leave the General Reserve unchanged pending further information;
- vi Note the current position on delivering the capital programme; and
- vii Note the movements in Balances.

3 Background

The Statement of Accounts has been completed in order to meet the statutory approval deadline of 30 June 2008. The Annual Governance Statement is incorporated into the Statement of Accounts, but is being considered separately on this agenda (see report 8), to reflect the importance attached to both documents by the Fire Authority.

The main areas of the accounts were discussed with Members at a working group prior to this meeting and issues covered will form part of the debate on this item.

The formal audit will start on 16 June 2008, 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. This year the following issues have arisen during the preparation of the accounts.

- i Following closedown this year, it has become apparent that £262,000 of expenditure has slipped. The money sits in the General Fund at 31 March. The details of this are set out in the Explanatory Foreword on page 3 and the Authority is requested to consider approving virements in 2008/09 from the General Reserve to the appropriate budgets so that the expenditure can take place in the current financial year.
- ii Closedown has revealed that other net underspendings totalling £96,000 have also increased the General Reserve. These too are set out on page 3 of the attached accounts. Currently there is a request to vire £15,000 from the Occupational Health and Training underspend for access to legal advice on Human Resource (HR) matters and a request to vire £36,000 of the underspend in Prevention Salaries to continue the employment of temporary posts to provide this service in the current year. If these virements are approved then the net underspend and, therefore uncommitted element of the General Fund, would reduce from £96,000 to £45,000.
- iii The Authority's policy is to increase the Capital Reserve during the next three years in order to reduce the need for prudential borrowing for the St. Michael's Street refurbishment project. Members would, if the requests in 4 i and ii above were approved, be able to add the balance of £45,000 to the Capital Reserve.
- iv Finally on revenue budgets, a major implication is the likely rethink that is implied for the current budget set last February. Finance staff have reviewed the detail behind each variation, and consider that net underspendings are generally one-off events or have already been taken into account when the budget was set. Equally they would not recommend that any additional budget is currently required for overspends, although there is some concern about the provision for pay and prices. A net overspend of £56,000 has been identified in 2007/08 as a result of additional utility, diesel and other price pressures. These increases have been added to the budgets in 2008/09 from the pay and prices contingency. With an overall provision of 2.5% for prices in 2008/09, this will clearly put pressure on the contingency and this will be monitored carefully. Should there be a danger that it becomes over-committed a report and request for

virement will be brought to the Authority in accordance with Standing Orders.

- v Capital budgets have slipped as is set out on page 4 of the Explanatory Foreword. The Authority has addressed the matter at its last meeting and it is expected that slippage will be reduced as a result. The impact on the revenue account in 2007/08 has been an underspend on debt charges of £28,000 which should be a one-off. Officers will however monitor progress and if necessary bring back a request to reduce the budget in the current year.

5 Reserves and Provisions

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. All reserves and provisions have been increased to reflect increases in pay and prices.

The major area where change is known is the element of the General Reserve that has been set aside against the possibility that retained firefighters would have access to the Firefighter Pension fund from July 2000. This is the date when the Part-Time Workers Regulations came into effect. It is clear from the results of the Employment Tribunal that access is now certain. However there is very considerable uncertainty about how this issue will be resolved. It is difficult to advise on any more precise a provision, and it could well be that any subsequent cost could justifiably be found from reserves as a whole. For instance the General Reserve in total is 5% of expenditure (the Audit Commission norm) and monies also exist in the Capital and other reserves as a last resort if circumstances became really difficult. The only alternative is to adopt a very cautious approach to approving any additional expenditure or virements until the outcome has been fully quantified. This approach would mean affecting current service provision against an uncertain future problem.

6 Balance Sheet Movements

Movements on balance sheet items are explained in the notes to the financial statements, within the Accounts. The main movements on the balances, (page 25 of the Statement) to bring to the attention of Members are as follows:-

- i Investments and Cash have together increased by £481,000. This is a combined result of slipped capital expenditure despite increased capital borrowings, reduced debtors, the increased General Fund, and net increases in other reserves;
- ii Within creditors and receipts in advance, government grants received but not spent has increased by £243,000 to £534,000. This will be monitored and cash released to pay for increased revenue expenditure as it is approved during the year.
- iii Debtors and Payments in advance have fallen overall, with a very slight increase in general debtors from £99,000 to £101,000. There is no indication that any unusual problem will be encountered in recovering amounts due.

7 Legal Comment

Under the Accounts and Audit Regulations 2003, the Fire Authority is required formally to approve the Statement of Accounts 2007/08 by the end of June 2008.

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 2007/08

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 and Rescue Authority

Statement of Accounts

2007/08



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Introduction

This statement of accounts sets out the financial position of Shropshire and Wrekin Fire Authority for the year ended 31st March 2008. 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 2007/08
- 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 2008/09.

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** (I & E 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.
- 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.

The **Statement of Movement on the General Fund Balance** 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.

- 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 2008.
- The **Cash Flow Statement** summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Financial Performance

In February 2007, Shropshire and Wrekin Fire Authority approved a revenue budget of £19.059m for 2007/08. 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. The budget was subsequently revised to £18.799m after setting aside £180,000 for retirement planning in 2008/09 and £80,000 for leadership development.

Actual out turn on the revenue budget was £18.441m, and resulted in a surplus of £358,000. Some of this underspend represents expenditure that has slipped from 2007/08 into 2008/09, and so this will be held in the General Fund balance at the end of the year, together with the £260,000 previously approved, and transferred back to the revenue account for use in 2008/09.

Slipped Expenditure	£'000
Training and development projects	65
Equality and diversity	13
Consultation review and exchange programme	12
Geographical intelligence unit corporate system	35
Road safety strategy	22
Operational, and HR and New Dimension secondments	15
Pathfinder and CFS advocate training and equipment	51
Rank to role and pay award confirmation	45
Total	258

Other Variations	£'000
Excess income	25
Debt charges	28
Contribution to reserves	-95
Occupational health and training	21
Regional Management Board	19
Facilities and equipment	19
Strategy and Performance salary	16
HR and Development salary	21
Firefighters pay	93
Prevention salary	43
Control salary	-38
Prices	-56
Other	4
Total	100

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

Capital Programme

The Fire Authority approved a capital programme totalling £1.095m in 2007/08. In addition, a number of schemes from years prior to 2007/08 were rolled forward for completion.

Schemes prior to 2007/08

A total of £756,000 has been spent on schemes which were approved prior to 2007/08.

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

	£'000
Accommodation for pumping unit at Craven Arms	75
Boat and towing vehicle	21
Fireground alerters	19
Performance management system	7
Asset tracking system	39

2007/08 Schemes

A total of £442,000 has been spent on schemes approved in 2007/08, including £194,000 on operational vehicles and equipment, £93,000 on building and training improvements, £61,000 on IT equipment, £49,000 on smoke alarms, and £45,000 on digitisation on fire safety files.

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

	£'000
Building improvements	18
Accommodation for light vehicles	20
Replacement appliances	401
Improvements at Telford site	100
RTC equipment	27
Fire alarm installations	30
Training improvements	92
Digitisation of Files	1

Capital schemes have been funded by loans raised from the Public Works Loan Board, a contribution from revenue, and also grants received from Department of Communities and Local Government (CLG). A number of schemes 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 for all schemes funded in this manner.

The two major schemes in the capital programme for 2008/09 are for operational vehicles; the rolling programme for appliance replacement continues with the introduction of four new appliances, and a vehicle designed to attend and tackle small fires will be introduced to the fleet.

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 31st March 2008.

Table of Reserve and Provisions

	31 March 2007 £'000	31 March 2008 £'000
General Reserve	955	988
Efficiency Reserve	105	109
Transitional Funding Reserve	101	0
Retained Reserve	190	197
Pension Liabilities Reserve	445	461
Equipment Replacement Provision	87	92
Extreme Weather Reserve	285	295
Capital Reserve	822	1,162
Continuing Professional Development Provision	19	0
General Fund	352	618

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 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 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 may also be other salary related costs. 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.

- **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.

- **Shrewsbury Headquarters Project**

The major single project in the next three year period is the refurbishment of the Authority's facilities currently housed at St Michaels Street, Shrewsbury. The Authority has put in place policies to maximise internally generated funds and thereby minimise external borrowings and the associated financial burdens.

The Authority is also aware of the complexity of the project and the need to ensure continuity of service, and is using the coming year to ensure planning for the project is as comprehensive as possible.

- **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 2010.

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 2007/08.

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 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>

or can be obtained in paper form from the Corporate Services 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 a statement on internal control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the Fire Authority is directed and controlled and its 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 2008 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 2007/08, the Fire Authority has maintained, reviewed and improved its system of internal control in a number of ways. In particular:

- a) The Authority's Standing Orders, including the Terms of Reference for its Committees and its Fraud and Corruption Policy have been reviewed;
- b) The Fire Authority has introduced a review process for all capital investment projects which identifies any learning outcomes from each project. The process also enables the Fire Authority to quantify the actual benefit to the public from its Capital Investment Programme;
- c) Advances with the Authority's Risk Management procedures have included:
 - A procedural manual for the Corporate Risk Register has been developed to ensure that people, other than the Risk Manager, can undertake the recording and reporting procedures;
 - The Service's Business Continuity procedures have been tested to ensure they are fit for purpose;
- d) The Fire Authority has designated a specific member to act as its Member Champion for Health and Safety;
- e) The Fire Authority has received and/or adopted:
 - Statement of Accounts 2006/07;
 - Performance Plan 2007/08;
 - Integrated Risk Management Plan and Action Plan;
 - Annual Audit Letter 2006/07;
 - Budget Monitoring reports;
 - External inspections;
 - Periodic performance reports;
 - Medium term financial plan, strategy and budget.
- f) 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 Improvement Plan.
- g) 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 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 2007/08 related to:

- Corporate Governance
- Creditors
- Banking
- Income
- Partnerships
- Payroll
- Use of Mobile Phones
- Risk Management

Internal Audit will be conducting audits into the following areas during 2008/09:

- Data Quality
- Payroll
- Health and Safety
- Computer Services
- Capital Budgeting and Accounting
- Firefighters pension account
- Risk Management and Business Continuity
- Corporate Governance
- Review of Annual Governance Statement
- Fraud and Corruption

The Fire Authority underwent various audits in relation to the 2007/08 Comprehensive Performance Assessment (CPA), by the Audit Commission. The assessments covered the following themes:

- What progress the Authority is making in achieving its improvement priorities;
- How the Authority manages its finances and provides value for money; and
- How well the Authority is actually delivering the service to the communities of Shropshire.

Combined with the 'Good' rating obtained from the CPA 2005 process, the results from this process have resulted in the Authority being rated as 'Performing Strongly – Well above minimum standards'. The Authority is looking to maintain these excellent results in this year's CPA process and is already preparing for the new Comprehensive Area Assessment (CAA) process that will replace CPA in 2009.

SIGNIFICANT INTERNAL CONTROL ISSUES

No significant issues were raised in the Annual Audit Letter 2007/08. 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, that underpin its governance framework, during April and May 2008. An Annual Governance Statement

(AGS) Improvement Plan 2008/09 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 AGS Improvement Plan 2008/09, are given below:

1. Strategic Planning Process

- 1.1. A Communications and Consultation Strategy will be developed to ensure the Authority has an integrated approach to providing information to, and getting feedback from, everyone that has a vested interest in the Service;

2. Finance Management

- 2.1. Financial monitoring and reporting of all capital schemes is to be improved, and systems put in place to regularly review and report progress on these schemes.

3. Resource Management

- 3.1. The new Asset Management System (AMS) will be implemented which will ensure the Authority is able to fully demonstrate how its assets comply with all relevant legislation and standards.

4. Human Resource Management

- 4.1. The short falls identified in current employment policies will be addressed;

5. Achieving the Authority's Strategic Aims and Objectives

- 5.1. An Improvement Plan to meet the requirements of the recently developed Operational Resilience Contingency Plan (ORCP) will be implemented;
- 5.2. A Water Supply Strategy will be introduced and the recommendations made will be implemented to ensure a sustained water supply is available for fighting all fires anywhere in the County within 60 minutes;
- 5.3. Appropriate measures will be taken to ensure a sufficient number of staff, with appropriate levels of skills, knowledge and experience, is maintained in Fire Control up to the cut-over to the new Regional Fire Control;
- 5.4. A report will be brought to the Service's Senior Management Group detailing options for adequately resourcing all activities currently undertaken by the Authority's Fire Control staff, that will not be undertaken by the new Regional Fire Control.

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

Stuart West
*Chair of Shropshire and Wrekin
Fire Authority*

Alan Taylor
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 31st March 2008).

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 44 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 11 June 2008.

Chair of the Authority

Dated:

We have audited the financial statements on pages 22 to 26, 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 Statement of Recommended Practice on Local Authority Accounting in the United Kingdom. Our responsibilities as independent auditors are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

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

We review whether the statement on page 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 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 31st March 2008 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 2006 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 - This provision is designed 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 was established to meet expenditure for Continuing Professional Development (CPD) payments to operational staff, which was agreed by the National Joint Council in 2006/07, but not paid. All payments have now been made, resulting in a nil balance on the provision.

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 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 was repaid within Revenue Support Grant in 2006/07, and the remainder has been recouped in 2007/08; this has resulted in a nil balance on the reserve.

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 has remained in 2007/08, with a balance of £110,000, and some of this balance may be used to fund consultancy on the headquarters project.

Retained Firefighters Service 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, 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 1st April 2006 (see page 20), this reserve is required to pay for unexpected sickness retirements and other payments, which remain the responsibility of the Fire Authority's revenue account.

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 was 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.

Capital Reserves – two new reserves have been created in 2007/08:

- **Revaluation Reserve** – this replaces 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 will be 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.

Fixed Assets

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

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

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

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

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the I&E account as part of the gain or loss on disposal (netted off against the asset's carrying value). In addition, the written-off value of the asset is not charged against council tax, but appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

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 adjustment account) and has not already been used to finance capital expenditure is included in the balance sheet as usable capital receipts.

The Fire Authority has no intangible assets.

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

The 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 Authority's existing leases have now been classified as finance leases (see note 3 to the Financial Statements).

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

Stocks

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

Overheads and Support Services

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

Pensions

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

Firefighters Pension Schemes – on 1st 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 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.

Financial Reporting Standard 17 – in compliance with this reporting standard, the cost of retirement benefits has been recognised in the net cost of services, on the I&E account, when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, 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 fund and any amounts payable to the fund but unpaid at the year end.

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.

Accruals

Activities undertaken by the Fire Authority are accounted for in the year that it takes place, and not when cash payments are made and received.

- Fees, charges and rents due from customers are accounted for as income at the date the Authority provided the goods or services
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks in the balance sheet
- Interest payable on borrowings and receivable on investments is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs.

Income and Expenditure Account

Shropshire and Wrekin Fire Authority
Statement of Accounts 2007/2008

Year ended 31 March 2007		Year ended 31 March 2008		
Net Expenditure £'000	Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
	1			
		Expenditure:		
2,006	Community fire safety	2,229	50	2,179
16,613	Firefighting & rescue operations	17,410	317	17,093
342	Democratic representation & management			355
230	Corporate management			249
0	Non distributable costs			81
19,191	Net Cost of Services			19,957
181	Interest payable and similar charges			237
-269	Interest and investment income			-362
4,429	Pensions interest cost and expected return on pensions assets			4,891
23,532	Net Operating Expenditure			24,723
-11,360	Precepts			-11,864
-6,766	General government grants			-7,195
5,406	Deficit for the year			5,664

Statement of Movement on the General Fund Balance

Shropshire and Wrekin Fire Authority
Statement of Accounts 2007/2008

Year ended 31 March 2007 £'000		Year ended 31 March 2008 £'000
5,406	Deficit for the Year on I&E Account	5,664
-5,758	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance	-6,282
-352	Increase in General Fund Balance for the Year	-618
0	General Fund balance brought forward	0
-352	General Fund Balance carried forward	-618

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:

-795	• Depreciation and impairment of assets	-982
32	• Government grants deferred amortisation	57
-7,336	• Net charges made for retirement benefits in accordance with FRS17	-8,128

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:

137	• Minimum revenue provision for capital finance	179
115	• Capital expenditure charged in year to the General fund balance	295
1,946	• Employers contributions payable to the Pensions Fund Account and retirement benefits payable direct to pensioners	2,309

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:

15	• Voluntary revenue provision for capital finance	31
128	• Net transfer to or from earmarked reserves	-43

-5,758	Net additional amount required to be credited to the General Fund balance for the year	-6,282
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Statement of Total Recognised Gains and Losses

Shropshire and Wrekin Fire Authority
Statement of Accounts 2007/2008

Year ended 31 March 2007		Year ended 31 March 2008
£'000		£'000
5,406	Deficit for the year on the Income and Expenditure Account	5,664
-12,329	Surplus arising on the revaluation of fixed assets	0
-5,207	Actuarial gains/losses on pension fund assets and liabilities	11,578
0	Any other gains and losses	
<hr/>		<hr/>
-12,130	Total recognised gains for the year	17,242

Balance Sheet as at 31 March 2008

Shropshire and Wrekin Fire Authority
Statement of Accounts 2007/2008

	Notes	2007/2008 £'000	£'000	2006/2007 £'000
Fixed Assets	11			
Land and buildings		21,108		21,120
Vehicles, plant and equipment		2,814		2,537
Total long-term assets			23,922	23,657
Current assets				
Stocks and work in progress	17		63	63
Debtors and pre-payments	18		729	880
Investments	19		5,350	4,905
			6,142	5,848
Total assets			30,064	29,505
Current liabilities				
Creditors and receipts in advance	20		-1,583	-1,619
Cash overdrawn			-84	-119
Government Grants deferred	21		-39	-46
			-1,706	-1,784
Total assets less current liabilities			28,358	27,721
Long Term Liabilities				
Long-term borrowing	30		-5,610	-5,110
Provisions	22		-92	-106
Pensions Liability	28		-108,477	-91,080
Finance Leases	31		-60	-64
			-114,239	-96,360
Total assets less liabilities			-85,881	-68,639
This is balanced by:				
Revaluation Reserve	24		0	0
Capital adjustment account	25		18,766	19,186
Usable capital receipts reserve	26		0	0
General Reserve	27		988	955
Efficiency Reserve	27		109	105
Retained Service Reserve	27		197	190
Pensions Liability Reserve	27		461	445
Extreme Weather Reserve	27		295	285
Capital Reserve	27		1,162	822
Transitional Funding Reserve	27		0	101
Fire Pension Reserve	28		-105,648	-89,245
County Pension Reserve	28		-2,829	-1,835
General Fund Balance	27		618	352
Total equity			-85,881	-68,639

Cash Flow Statement

Shropshire and Wrekin Fire Authority
Statement of Accounts 2007/2008

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

	Notes	2007/2008 £'000	2006/2007 £'000
Revenue activities:			
Cash outflows			
Cash paid to and on behalf of employees		14,741	13,781
Other operating cash payments		3,684	3,688
		<u>18,425</u>	<u>17,469</u>
Cash inflows			
Payments from govt grants and local taxation		-19,059	-18,127
Cash received for goods and services		-367	-260
		<u>-19,426</u>	<u>-18,387</u>
Net cash inflow from revenue activities		-1,001	-918
Servicing of Finance:			
Cash outflows			
Interest paid		233	177
Cash inflows			
Interest received		-362	-269
Net cash inflow from servicing of finance		-129	-92
Revenue activities net cash flow	32	-1,130	-1,010
Capital activities:			
Cash outflows			
Purchase of fixed assets		1,198	1,340
Purchase of fixed assets for leasing		0	0
Cash inflows			
Sale of fixed assets			
Other capital cash receipts		-49	-32
Capital receipts for leasing		0	0
		<u>1,149</u>	<u>1,308</u>
Net cash outflow / inflow (-) before financing		19	298
Financing:			
Cash outflows			
Repayments of amounts borrowed			
Cash inflows			
New loans raised		-500	-1,110
Net increase in cash	33	-481	-812

1. Best Value Accounting

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

2. Pensions

Financial Reporting Standard No. 17

As explained in the statement of accounting policies, the Authority participates in 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		Total 2006/07 £'000
	2007/08 £'000	2006/07 £'000	Old 2007/08 £'000	New 2007/08 £'000	
I&E Account					
Net Cost of Services:					
Employers Contributions	-283	-225	-2,621	498	-1,743
Current service cost	318	329	2,487	432	2,578
Past service costs	81	0	0	0	0
Added Years	16	22	0	0	0
Net Operating Expenditure:					
Interest cost	374	332	4,806	34	4,375
Expected return on assets	-323	-278	0	0	0
	2007/08 £'000	2006/07 £'000	2007/08 £'000	2007/08 £'000	2006/07 £'000

Net charge to the I&E account	183	180	4,672	964	5,210
SoMoGFB					
Reversal of net charges made for retirement benefits in accordance with FRS17	-183	-180	-4,672	-964	-5,210
Actual amounts charged against precept for pensions in the year:					
Employers contributions payable to the Scheme	283	225			-
Retirement benefits payable to pensions		-	2,621	-498	1,743

NOTE 28 to the Financial Statements contains details of the assumptions made in estimating the figures included in this note.

Movement on Pensions Reserve

	Shropshire County Pension Fund £'000	Old Fire Pension Scheme £'000	New Fire Pension Scheme £'000
Current Service Cost	-318	-2,487	-432
Added Years	-16	0	0
Past service cost	-81	0	0
Interest Cost and Return on Assets	-51	-4,806	-34
Movement of Pension Payments	<u>283</u>	<u>2,621</u>	<u>-498</u>
Total Movement on Reserves	-183	-4,672	-964

3. Operating Leases

During 2007/08, no assets were funded through operating leases. The outstanding undischarged obligations in respect of operating leases amounted to £1,176,385. Of this, some £180,902 is due in 2008/09 and £995,483 is due from 2009/10 onwards.

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

	2007/2008 £'000	2006/2007 £'000
Operating	311	355

Finance	4	4
Total	315	359

4. Expenditure on Publicity

Set out below, under the requirement of s5(1) of the Local Government Act 1986, is the Authority's spending on publicity.

	2007/2008 £'000	2006/2007 £'000
Recruitment Advertising	15	16
Publicity	15	17
Total	30	33

5. Income

Income is made up as follows:

	2007/2008 £'000	2006/2007 £'000
Fire Certificates	0	1
Rents	27	21
Grant Income:		
Arson Task Force	8	9
New Dimension	61	50
E Government Grant	0	0
New Burdens Grant	105	75
Sale of equipment	0	0
Special Services	42	9
Insurance Claims	25	0
Miscellaneous Sales	57	47
Contribution to Regional Management Board	42	25
	367	237

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 £179,000. 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 2007/08 was £31,316. 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 Authority's scheme of member allowances for the year ending 31 March 2008 was £ 62,774.

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	
	2007/2008	2006/2007
£50,000 - £59,999	7	5
£60,000 - £69,999	1	1
£70,000 - £79,999	1	2
£80,000 - £89,999	1	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 Administrative Services of the Borough of Telford & Wrekin was also the Clerk of Shropshire and Wrekin Fire Authority. Shropshire County Council and the Borough of Telford & Wrekin, provide a number of support services for Shropshire and Wrekin Fire Authority. The gross payments made to these authorities were £674,000 to Shropshire County Council and £149,000 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.

10. Audit Commission

Gross payments made to the Audit Commission during the year were £65,148.

11. Movements in Fixed Assets during the Year

	Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Total £'000
Gross book value at 1 April 2007	21,405	4,059	25,464
Additions	357	890	1,247
Revaluations and restatements (see below)	-71	0	-71
Disposals	0	0	0
Gross book value at 31 March 2008	21,691	4,949	26,640
Depreciation at 1 April 2007	285	1,522	1,807
Charge for the year	298	613	911
Revaluations and restatements (see note 24)	0	0	0
Disposals	0	0	0
Total Depreciation	583	2,135	2,718
Net book value at 31 March 2008	21,108	2,814	23,922
Net book value at 1 April 2007	21,120	2,537	23,657

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.

Impairment - some enhancement work has been carried out at the headquarters site in Shrewsbury, and the value of the site has not increased as a result of this work. Therefore, an impairment has been recorded against the asset, and an impairment review will be carried out subsequently, to determine the asset's value.

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

	2007/2008 £'000	2006/2007 £'000
Opening Capital Financing Requirement	4,472	3,355
Capital Investment		
Operational Assets	1,198	1,340
Finance Leases	47	76
Sources of Finance		
Govt Grants and Contributions	57	32
MRP	179	137
Voluntary Revenue Provision	31	15
Capital funded from revenue	295	115
Capital receipts applied	0	0
Closing Capital Financing Requirement	5,155	4,472

Explanation of Movements in Year

Increase in underlying need to borrow (supported by Government financial assistance)	460	437
Increase in underlying need to borrow (unsupported by Government financial assistance)	223	680
Increase/(decrease) in Capital Financing Requirement	683	1,117

15. Long-Term Investments

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

16. Long-Term Debtors

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

17. Stocks

Total stock held is made up of the following items:

	31 March 2008	31 March 2007
	£'000	£'000
Personal Protective Clothing	7	10
Fleet and Workshops (parts and fuel)	56	52
Other consumables	0	1
	63	63

18. 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

	31 March 2008	31 March 2007
	£'000	£'000
General	101	99
Government Debtors	300	404
Other Local Authorities	31	44
Payments in advance	301	337
Bad Debt Provision	-4	-4
	729	880

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 Authority Treasury Policy Statement.

	31 March 2008	31 March 2007
	£'000	£'000
Short term investments	5,350	4,905

20. 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.

	31 March 2008	31 March 2007
	£'000	£'000
General	970	1,155
Other Local Authorities	79	173
Receipts in advance	534	291
	<u>1,583</u>	<u>1,619</u>

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:

	Balance at	Receipts	Payments	Balance at
	31 March	in the year	in the year	31 March
	2007			2008
	£'000	£'000	£'000	£'000
Equipment Replacement	87	33	-28	92
CPD Payment	19	0	-19	0

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. Revaluation Reserve

The balance sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (see page 17). The Revaluation Reserve replaces the Fixed Asset Replacement Account (FARA). The credit balance of £22.137m on the FARA at 31 March 2007 has been written off to the Capital Financing Account to form the new Capital Adjustment Account. The Revaluation Reserve has then been included in the balance sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore would only show revaluation gains accumulated since 1 April 2007.

	2007/2008	2006/2007
	£'000	£'000
Balance brought forward 1 April	0	9,808
Surplus from revaluation and restatement of assets in year	0	12,329
Transfer to Capital Adjustment Account	0	-22,137
Balance carried forward at 31 March	0	0

25. Capital Adjustment Account

The credit balance of £22.137m on the FARA at 31 March 2007 has been written off to the Capital Financing Account to form the new Capital Adjustment Account.

	2007/2008	2006/2007
	£'000	£'000
Balance brought forward 1 April	-19,186	2,454
Grant deferred	-46	
Appropriations from I&E Account		
Depreciation in excess of MRP/VRP	701	644
Application of grant	-49	-78
Financing of fixed assets from revenue	-295	-115
	18,875	2,905
Government Grants Deferred	38	46
Provisions applied	0	0
Capital receipts applied	0	0
Transfer from FARA	0	-22,137
Impairment	71	0
Balance carried forward at 31 March	-18,766	-19,186

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.

	2007/2008	2006/2007
	£'000	£'000
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

27. Reserves

The balance on reserves is made up as follows:

	Balance at 31 March 2007 £'000	Receipts in the year £'000	Payments in the year £'000	Balance at 31 March 2008 £'000
General Reserve	955	33	0	988
Efficiency Reserve	105	4	0	109
Retained Service Reserve	190	7	0	197
Transitional Funding Reserve	101	0	-101	0
Extreme Weather Reserve	285	10	0	295
Pensions Reserve	445	16	0	461
Capital Reserve	822	590	-250	1,162
General Fund	352	618	-352	618

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	
	2007/08	2006/07	Old 2007/08	New 2007/08	Total 2006/07	2007/08	2006/07
	£'000	£'000		£'000	£'000	£'000	£'000
Estimated liabilities	-7,838	-6,886	-104,218	-1,430	-89,245	-113,486	-96,131
Estimated assets	5,093	5,119	0	0	0	5,093	5,119
Net assets/ liabilities	-2,745	-1,767	-104,218	-1,430	-89,245	-108,393	-91,012

The liabilities show the underlying commitments that the Authority has in the long-run to pay retirement benefits. The total liability of £108,393,000 has a substantial impact on the net worth of the Authority, as recorded with the Balance Sheet, resulting in a negative overall balance of £85,881,000.

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. An individual by individual approach has been taken this year when valuing the Firefighters' schemes.

The main assumptions used in their calculations have been:

	County Pension Scheme		Fire Pension Scheme	
	2007/08	2006/07	2007/08	2006/07
Rate of inflation	3.6%	3.1%	x%	3.1%
Rate of increase in salaries	5.4%	4.9%	x%	4.6%
Rate of increase in pensions	3.6%	3.1%	x%	3.1%
Rate for discounting scheme liabilities	6.1%	5.4%	x%	5.4%

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	2007/08	2006/07
	%	%	%
Equity Investments	7.5	65.2	67.9
Bonds	5.4	25.6	23.9
Property	6.5	4.8	4.9
Other Assets	6.4	4.4	3.3
		100.0	100.0

Pension Asset/Liability

	Shropshire County Pension Fund	Fire Pension Scheme
	£'000	£'000
Opening Balance	1,835	89,245
Added Years Cost	16	2,487
		432
Current Service Cost	318	0
Past Service Cost	81	4,806
Interest Cost and Return on Assets	51	34
Actuarial Gains	811	0
		10,470
		297
Movement of Pension payments	<u>-283</u>	<u>-2,621</u>
		498
Total Pensions Liability	2,829	105,648

Pension Reserves	Shropshire County Pension Fund £'000	Fire Pension Scheme £'000
Opening Balance	1,835	89,245
Added Years Cost	16	0
Actuarial Gains	811	10,470
Appropriation from revenue	450	7,293
Movement of Pension payments	<u>-283</u>	466
		-2,621
		<u>498</u>
Total Movement on Reserves	2,829	105,648

Movements on the pension reserves between 2006/07 and 2007/08 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 losses in 2007/08.
- 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.

Pension Reserves

The actuarial gains identified as movements on the Pensions Reserves in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008:

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
	£'000	£'000	£'000	£'000	£'000	£'000
County Fund						
Differences between expected and actual return on assets	-915 -34.8%	433 12.9%	88 2.5%	633 13.7%	32 0.6%	445 8.7%
Differences between actuarial assumptions about liabilities and actual experience	0	0	-257 -4.6%	0	0	64 0.8%
Changes in the demographic and financial assumptions used to estimate liabilities	0	0	-1,080 -19.4%	-607 -9.2%	402 5.8%	302 3.9%
Fire Scheme						
Differences between expected and actual return on assets	N/a	N/a	N/a	N/a	N/a	N/a
Differences between actuarial assumptions about liabilities and actual experience	0	4,722 8%	-2,606 -3.3%	0	0	4,179 4.2% old 243 17% new
Changes in the demographic and financial assumptions used to estimate liabilities	0	733 1.2%	-13,468 -17.2%	-6,322 -7.1%	4,837 5.4%	6,291 6% old 54 3.8% new

29. 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.

	2007/2008	2006/2007
	£'000	£'000
Balance brought forward	482	330
Minimum Revenue Provision	179	137
Voluntary Revenue Provision	31	15
	<hr/>	<hr/>
Balance carried forward at 31 March	692	482

30. Long Term Borrowing and Analysis of Borrowing

	31 March 2008	31 March 2007
	£'000	£'000
Analysis of loans by type:		
Public Works Loan Board	5,610	5,110
Analysis of loans by maturity:		
1 - 2 years		
2 - 5 years		
5 - 10 years	112	112
10-15 years	443	280
15 years +	5,055	4,718

31. Long Term Liabilities

The outstanding undischarged obligations in respect of finance leases amounted to £60,216. Of this, some £49,065 is due in 2008/09 and £11,151 is due from 2009/10 onwards.

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

	2007/2008	2006/2007
	£'000	£'000
Deficit/ Surplus(-) on revenue account	-618	-352
Non cash transactions		
Minimum Revenue Provision	-210	-152
Contribution to other provisions	14	-6
Contribution to Reserves	39	-128
Equipment in revenue from capital	-295	-115
Reclassification of Finance Leases	48	51

Items on an accruals basis		
Increase/decrease (-) in stocks	0	-2
Increase/decrease (-) in debtors	43	-25
Increase(-)/ decrease in creditors	-151	-281
	-1,130	-1,010

33. Analysis of Balances of Cash and Cash Equivalents

	31 March 2008 £'000	31 March 2007 £'000	Movement £'000
Bank balance/ overdraft	-83	-119	36
Temporary investments	5,350	4,905	445
	5,267	4,786	481

Pension Fund Accounts

Shropshire and Wrekin Fire Authority
Statement of Accounts 2007/2008

Year ended 31 March 2007 £'000		Year ended 31 March 2008 £'000
	Income to the fund	
	Contributions receivable:	
	From employer:	
-1,373	Normal	-1,422
-91	Early Retirements	-108
	From members:	
-731	Normal	-771
	Transfers in:	
-22	Individual transfers from other schemes	-355
-2,217	Income to the Fund	-2,656
	Spending from the Fund	
	Benefits payable:	
2,233	Pensions	2,415
634	Commutations on pensions and lump sum retirement benefits	709
	Payments to and on account of leavers:	
1	Individual transfers out of the scheme	0
651	Net withdrawal from dealings with members	468
-637	Top Up grant received	-442
14	Net amount receivable for the year	26

See note 1 to the account

Net Assets Statement as at 31 March 2008

Net Current Assets and Liabilities:	£'000
Contributions due from employer	0
Unpaid pension benefits	0
Top Up grant receivable	26
Other current assets and liabilities	0
	<hr/>
	26

Note to the Pension Fund Accounts

- 1. Firefighters Pension Schemes** – on 1st 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.