

REPORT OF THE TREASURER

STATEMENT OF ACCOUNTS 2005/06

1 Purpose of Report

This report updates Members on the 2005/06 closure of accounts, and asks the Fire Authority formally to approve the Statement of Accounts 2005/06 attached as an appendix.

2 Recommendations

The Fire Authority is recommended to approve the Statement of Accounts 2005/06, attached as an appendix, subject to the incorporation of the Statement on Internal Control and Audit

3 Background

The Statement of Accounts has been completed in order to meet the advanced timetable for consideration by the end of June. The Statement on Internal Control (SIC) is incorporated into the Statement of Accounts, but is being considered separately on this agenda, to reflect the importance attached to both documents by the Fire Authority.

A working group of Members will discuss the accounts on 7 June and their comments will form part of the debate on this item.

The formal audit will start on 28 June and the attached accounts are subject to the satisfactory completion of the audit.

4 Key Changes

The latest position on closing the accounts was reported to the Fire Authority on 10 May, and therefore there has been little significant change since. A total of £180,000 of underspend has been identified, of which £89,000 represents expenditure slipping forward into 2006/07, notably on New Dimension grant and Regional Management Board budgets. This will be added to the general reserve to be released during 2006/07. The balance of £91,000 arising from a number of net underspendings is available for addition to reserves and balances.



In response to the previously reported House of Lords' ruling on retained firefighter pensions prior to 1 April 2006, the level of risk to the Fire Authority has been increased from "low" to "medium low" and a further £120,000 has been added to the general reserve to reflect this.

The net result of the various changes reported to Members, less the £120,000 transfer to the general reserve, means that the capital reserve will stand at £675,000, compared with £700,000 previously forecast. The capital programme this is intended to part-finance has already been outlined beyond the three years in the Medium Term Financial Plan. It is, therefore, intended to undertake further analysis on the likely calls on the capital reserve and to incorporate the outcome in the 2007/08 budget process and the Medium Term Financial Plan.

5 Legal Comment

Under the Accounts and Audit Regulations 2003, the Fire Authority is required formally to approve the Statement of Accounts 2005/06 by the end of June 2006.

6 Appendix

Statement of Accounts 2005/06

7 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.

| | | | |
|--------------------------------------|---|---|---|
| Balance Score Card | | Integrated Risk Management Planning | |
| Business Continuity Planning | | Legal | * |
| Capacity | | Member Involvement | |
| Civil Contingencies Act | | National Framework | |
| Comprehensive Performance Assessment | | Operational Assurance | |
| Equality and Diversity | | Retained | |
| Efficiency Savings | | Risk and Insurance | * |
| Environmental | | Staff | |
| Financial | * | Strategic Planning | |
| Fire Control/Fire Link | | West Midlands Regional Management Board | |

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





Shropshire and Wrekin Fire Authority

Statement of Accounts

2005/2006

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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 2006. 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 2005/06
- 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 2006/07.

The Financial Statements

The Fire Authority's financial statements are set out on pages 21 to 42, and are supported by a Statement of Accounting Policies, and by explanatory notes which follow each statement.

- The Revenue Account summarises expenditure and income during the year.
- The Balance Sheet sets out the financial position of the Fire Authority as at 31st March 2006.
- The Statement of Total Movements on Reserves represents all of the recognised gains and losses of the Fire Authority during 2005/06.
- The Cash Flow Statement summarises the inflows and outflows of cash during the year.

The Statement on Internal Control describes the Fire Authority's internal control environment, and how it facilitates management of risks to a reasonable level.

Financial Performance

The Fire Authority's final revenue expenditure for the year 2005/06 is £17,203,000 against an original approved budget of £17,948,000.

Some of this underspend represents expenditure that has slipped from 2005/06 into 2006/07, and so this will be added to the General Reserve at the end of the year, and transferred back to the revenue account for use in 2006/07.

In addition, an underspend on pensions budgets totalling £376,000 has occurred, due to changes to the financial administration on pension schemes from 2006/07.



| Slipped Expenditure | £'000 |
|---|------------|
| Telecoms and mobilising equipment | 53 |
| Fire Safety Equipment | 10 |
| Relocation costs for new officers | 12 |
| Consultancy costs – risk and cultural audit | 16 |
| Start up costs for Geographical Intelligence Unit | 27 |
| Training equipment | 11 |
| Rates appeal | 7 |
| Regional Management Board | 13 |
| New Dimensions Training | 66 |
| Total | 215 |

Other Underspends and Savings

| | |
|---|------------|
| Pension savings | 376 |
| Retained activity led costs | 23 |
| Savings made in utilities costs | 14 |
| Transport costs | -9 |
| Operational equipment and maintenance | 5 |
| Interest earned on higher than expected balances, and savings in debt charges | 28 |
| Income from insurance write offs and rent on increased property use | 26 |
| More efficient use of workshops, resulting in budget savings in future years | 38 |
| Capital expenditure from revenue | 9 |
| Other variations | 6 |
| Reclassification of leases | 14 |
| Total | 530 |

All unspent balances on the revenue account will be directed to the Fire Authority's reserves and provisions. (see page 4)

Capital Expenditure

The capital programme approved by the Fire Authority for 2005/06 totalled £1.179m. During the year, changes were made to the programme, which included the transfer of two schemes originally planned for 2006/07 into the current year.

Capital expenditure in 2005/06 totalled £828,000; this included gross expenditure of £250,000 on schemes which had begun in prior years (expenditure of £97,000 was funded by grants received from Office of the Deputy Prime Minister (ODPM)).



Expenditure on schemes from the current programme included £182,000 on improvements to retained stations, £163,000 for part payment on two replacement appliances, £44,000 on other vehicles, and a total of £164,000 on operational equipment and information technology. An additional £25,000 has been spent on community safety initiatives.

Capital schemes have been funded by loans raised from the Public Works Loan Board, a contribution from revenue, and also grants received from ODPM.

The capital programme for 2006/07 is dominated by four major schemes:

- Replacement of three fire appliances
- Replacement of rescue tender
- Improvements to Brigade Headquarters and Shrewsbury station
- Accommodation for pumping unit.

Work will also continue on schemes not yet completed from the 2005/06 programme.

Reserves and Provisions

A full review of the Fire Authority's reserves and provisions has been undertaken, and as a result, some reserves have been closed, and a number of new funds created. Each of the Fire Authority's reserves and provisions are explained in the Statement of Accounting Policies.

The table below shows the position on each reserve and provision at the beginning of the year, and those which are held at 31st March 2006.

Table of Reserve and Provisions

| | 31 March 2005 £'000 | 31 March 2006 £'000 |
|---------------------------------|------------------------------------|------------------------------------|
| General Reserve | 612 | 1,126 |
| Pensions Provision | 730 | 0 |
| Efficiency Reserve | 336 | 100 |
| Transitional Funding Provision | 101 | 0 |
| Transitional Funding Reserve | 0 | 201 |
| Retained Reserve | 163 | 0 |
| Pension Liabilities Reserve | 0 | 400 |
| Equipment Replacement Provision | 0 | 100 |
| Bad Weather Reserve | 0 | 273 |
| Capital Reserve | 0 | 675 |



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.

- **New Financial Arrangements for Firefighter Pensions**

On 1st April 2006, new financial arrangements are being introduced for both the 1992 and proposed 2006 Firefighter Pension Schemes. The new financial arrangements have no impact on the terms and conditions of either scheme.

The Fire Authority will continue to administer and pay firefighter pensions, as well as any future pensions for new entrants, but this is from a separate local firefighters' pension fund.

Employee contributions and a new employer's contribution are paid into the pension fund, from which pension payments are made. There are some exceptions; the revenue account will have to meet lump sum costs of sickness retirements; therefore a reserve has been established.

The fund is topped up by Government if the contributions are insufficient to meet the cost of pension payments. Any surplus in the fund is recouped by Government.

The new system will help smooth out expenditure from year to year and relate the cost of pensions directly to the cost of salaries.

- **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 will take place during 2006/07.

There will be potential costs to the Fire Authority relating to financial periods prior to 31st March 2006, as a large proportion of the Fire Authority's employees are retained firefighters. Following an updated risk assessment of the possible impact of this case on the Fire Authority's revenue budget, the proportion of the total expected cost currently held in the General Reserve has been increased from 10% to 20%.



- **Retained Service Implementation Plan**

The financial year 2006/07 will see the implementation of the Retained Service Plan, which will be investing £824,000 in the service, delivering benefits both to the service and to the public.

- **Amending Reports 2004/05 and 2005/06**

In January 2006, the Office of the Deputy Prime Minister (ODPM) notified the Fire Authority of its final grant settlement for the financial year 2006/07.

The settlement has been affected by Amending Reports issued for 2004/05 and 2005/06, which detail changes to the settlements made for each of these financial years. As a result, the Fire Authority's grant payments for 2006/07 will be reduced by £170,000, which represents the grant that ODPM must recoup for these preceding years.

Although this cost to the Fire Authority relates to prior years, agreed accounting practice states that the adjustment should be shown in the year in which it will actually be made, ie 2006/07.

- **West Midlands Regional Management Board**

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

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



SCOPE OF RESPONSIBILITY

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

The Fire Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Fire Authority is responsible for ensuring that there is a sound system of internal control, which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Fire Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact, should they be realised, and to manage them efficiently, effectively and economically.

A system of internal control has been in place at Shropshire and Wrekin Fire Authority for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts and, except for the details of the significant internal control issues at section 5, accords with proper practice.

THE INTERNAL CONTROL ENVIRONMENT

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

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



- ensure adequate performance management of the Fire Authority and the reporting of performance management.

REVIEW OF EFFECTIVENESS

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

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

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

Throughout 2005/06, the Fire Authority has maintained and reviewed its system of internal control in a number of ways. In particular:

- a) Additional work was conducted into further refinement of the Fire Authority's Strategic Planning Process during the latter part of 2005/06, which has further improved the way the Fire Authority is able to meet the requirements of both the national and local priorities that are placed upon it. These improvements, reinforced with an even greater emphasis on performance management, will help to ensure that the Fire Authority is able to demonstrate how everyone in the Service is working towards achieving the Authority's Corporate Aims and Objectives;
- b) Officers have made further progress in the implementation and embedding of the Authority's Strategic Risk Management Strategy. This included the development of an electronic Corporate Risk Register and further integration of risk management into the business planning process. This work will continue over the coming year as risk management is further introduced at the departmental business planning level;
- c) The Fire Authority has received and/or adopted:
 - Statement of Accounts 2004/05;
 - Performance Plan 2005/06;
 - Integrated Risk Management Plan and Action Plan;
 - Annual Audit Letter 2004/05;
 - Budget Monitoring reports;
 - External inspections;
 - Periodic performance reports;
 - Medium term financial strategy and budget; and
 - External Audit plans for the 2005/06 audit.



- d) The Fire Authority's Policy Group of officers carries out a continuous assessment of the implementation of policies and procedures throughout the organisation, including following up on progress made towards last year's SIC Improvement Plan.
- e) Internal Audit has undertaken a number of planned reviews of systems and internal control procedures across a range of functions in the Fire Authority. Each review contains an opinion on the internal controls in place and any unsatisfactory audit opinions result in recommendations for improvement, which are implemented by management. Copies of these reviews are sent to the Fire Authority's Treasurer and discussed with the External Auditors. The audit findings are reported to Policy Group and to the Performance Management Committee.

Audits completed by Internal Audit during 2005/06 related to:

- 2004/05 audit results update
- Debtors
- Fraud and Corruption
- Risk Management
- Payroll
- Stores
- Personnel
- Formula Spending Share Statistics and Statutory Returns and Self Precepting arrangements
- Creditors

Internal Audit will be conducting audits into the following areas during 2006/07:

- Payroll
- Formula Grant and Statistics
- Purchasing/Procurement
- Computer Services
- Vehicle Fleet and Workshop facilities
- Insurance, asset register, investments and other miscellaneous financial matters
- Estate Management
- Fraud and Corruption
- Risk Management
- Corporate Governance
- Statement on Internal Control Review

The Fire Authority underwent its first full Comprehensive Performance Assessment (CPA) by the Audit Commission during the first part of 2005. The Audit Commission published its findings in July 2005, confirming that Shropshire and Wrekin Fire Authority is a 'Good' authority.



The Fire Authority is in the process of preparing for this year's round of audits by the Audit Commission and Her Majesty's Inspectorate of Fire Services. Whilst CPA 2005 focused on how the Service was governed, the coming assessments are focused on assessing the service, which the Fire Authority actually delivers to the communities of Shropshire.

SIGNIFICANT INTERNAL CONTROL ISSUES

No issues were raised in the Annual Audit Letter 2004/05. The outcome of the 2005/06 internal audit produced no fundamental issues. The minor points arising from these reviews were used to enhance the existing system of controls. Although the 2005/06 audit is not yet complete, Internal Audit has been able to give an unqualified verbal assurance that no issues have emerged within the Authority's operating systems.

The Authority undertook a review of its systems of internal control during April and May 2006. To ensure this work was completed as efficiently as possible, it was undertaken in tandem with the Authority's initial self assessment against the Audit Commission's draft 'Key Lines of Enquiry' for the upcoming 'Use of Resources' assessment. A SIC Improvement Plan 2006/07 has been produced, based on the findings from this process. Progress made against the Plan will be monitored by the Risk Management Group, with quarterly progress reports to the Fire Authority's Audit and Performance Management Committee and the Service's Policy Group.

Details about the various areas for further development, contained in the SIC Improvement Plan 2006/07, are given below:

1. Corporate Governance

- 1.1. Awareness of the Fire Authority's Code of Corporate Governance will be increased amongst staff.
- 1.2. The Fire Authority's partnership procedures will be further embedded.

2. Performance Management

- 2.1. The Fire Authority's performance management policies will be reviewed to ensure they meet the needs of the Authority.
- 2.2. The Fire Authority's Information Technology Strategy is to be reviewed to ensure it meets the requirements of Fire Service National Framework document and other local and national requirements.

3. Risk Management

- 3.1. The Risk Management Protocol document will be reviewed to ensure it meets the requirements of the Fire Authority's maturing risk management procedures.
- 3.2. Departmental Risk Registers will be created in collaboration with Department Heads
- 3.3. All relevant staff will receive appropriate training in risk management.
- 3.4. Additional information on risk identification in Partnership working will be included in Partnership Procedures.



- 3.5. A Risk Management newsletter will be developed to raise awareness amongst all staff about risk management issues.
- 3.6. The ongoing work to integrate the Fire Authority's risk management processes with its budgetary reserves planning processes will be completed.
- 3.7. Use of the corporate risk registers to capture and manage 'opportunities' will be further explored.

4. Anti-Fraud and Corruption Policy

- 4.1. Awareness of the Fire Authority's Anti-Fraud and Corruption policies will be increased amongst staff.

5. Code of Conduct

- 5.1. A Code of Conduct will be developed for all staff.
- 5.2. A Staff Handbook will be developed.

6. Business Continuity

- 7.1 The Fire Authority's Business Continuity Plan will be approved by the Authority;
- 7.2 The resilience of the information and communication technology back-up arrangements will be improved, including meeting the level of departmental business continuity requirements that is commensurate with the level of resources and finances available.

7. Assurance Framework

- 7.1. The various methods used to provide assurance in the Fire Authority will be reviewed and an overarching assurance framework will be developed.

Dave Morgan
*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 2006).

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 21 to 42 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 14 June 2006.

Chair of the Authority

Dated:



We have audited the financial statements on pages 21 to 42, which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 15 to 20.

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 12 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 12 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 2006 and its income and expenditure for the year then ended.

Certificate

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

A Corcoran
District Auditor
Audit Commission
Dated:



General

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

Provisions

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

Pension Provision - The Fire Authority has previously provided for pension liabilities in respect of all those who have reached retirement age or eligibility in the year preceding that to which the financial statements relate. From 1st April 2006, the financial arrangements for firefighters' pension schemes will change, and pension liabilities for those who have reached retirement age will be met from contributions into a new pensions account. Therefore, this provision will not be required in 2006/07, and has been closed.

Transitional Funding Provision - A provision was created in 2004/05 to repay transitional funding grant which was awarded to the Fire Authority by the Office of the Deputy Prime Minister (ODPM) during that year. The repayment of this grant will be incorporated into the grant settlements in 2006/07 and 2007/08, with no direct repayment being requested. Therefore, this provision has been closed, and the repayment will be met from a newly created transitional funding reserve.

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

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 is to be repaid within Revenue Support Grant in 2006/07, with the remainder being recouped in 2007/08. Due to the nature of this grant's repayment, the provision is to be closed at 31st March 2006, and a reserve created which will be released into the revenue account over the next two years.

Efficiency Reserve - This reserve was set up specifically to invest in efficiencies, but a contribution was also made from one off net underspendings on pension related budgets in 2004/05. This reserve will remain in 2006/07, with a balance of £100,000.

Retained Firefighters Service Review Reserve - Funds held in this reserve at March 2005 were transferred to the revenue account during the year and used on retained and community safety initiatives. It will not continue in 2006/07.

Pension Liabilities Reserve - As a result of the introduction of the new firefighters pension scheme on 1st April 2006 (see page 19), a new reserve is required to pay for unexpected sickness retirements and other payments, which remain the responsibility of the Fire Authority's revenue account

Bad Weather Reserve - Costs for incidents attended by retained firefighters have now been budgeted for at average levels in the revenue account; this reserve will cover the costs of increased activity incurred as a result of adverse weather conditions.

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

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

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



Fixed Assets

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

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

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

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

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

Charges to Revenue in respect of Fixed Assets

The service revenue account is debited (charged) with a capital charge for all fixed assets used in the provision of services. The total charge covers any annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values.

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 Asset Management Revenue Account is credited with the capital 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 on the face of the service revenue account, below net operating expenditure.



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 Asset Management Revenue Account and not the service revenue 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.

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 Revenue Account).

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. Obsolete 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 two pension schemes for the firefighters and other employees respectively. The schemes are as follows:

Firefighters' Pension Scheme – This scheme for firefighters is regulated by the Office of the Deputy Prime Minister, under which the Fire Authority pays pensions on a 'pay-as-you-go' basis being an unfunded, defined benefit scheme. Contributions to the scheme are made by deductions from wholetime firefighters' pay only. Benefits and awards are payable to both wholetime and retained firefighters. The accounts comply with the current requirements of Financial Reporting Standard FRS17 – Retirement Benefits. (see note 2 to the Revenue Account).

In 2006/07, the 2006 Firefighters Pension Scheme will be established, and will be available to both wholetime and retained firefighters. Again an unfunded scheme, contributions will continue to be made from firefighters, but in addition, an employer's contribution will be made. Both contributions will be paid into a separate pensions account, from which most commutations and regular payments will be 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.

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

Investments

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



Revenue Account

Shropshire and Wrekin Fire Authority
Statement of Accounts 2005/2006

| Year ended 31 March 2005 | Best Value Accounting¹ | | Year ended 31 March 2006 | |
|--------------------------------|---|-------------------------------|--------------------------------|-----------------------------|
| Net Expenditure £'000 | | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 |
| | Expenditure: | | | |
| 1,359 | Community Fire Safety | 1,687 | 13 | 1,674 |
| 14,850 | Firefighting & Rescue Operations | 15,567 | 197 | 15,370 |
| 287 | Democratic Representation & Management | | | 258 |
| 192 | Corporate Management | | | 172 |
| 155 | Non Distributable Costs | | | -147 |
| 16,843 | Net Cost of Services | | | 17,327 |
| -385 | Asset Management Revenue Account | | | -344 |
| -156 | Investment Income | | | -175 |
| 3,649 | Pensions Interest Cost and Expected Return on Pensions Assets | | | 4,301 |
| 19,951 | Net Operating Expenditure | | | 21,109 |
| -300 | Contributions from Capital Financing Account | | | -231 |
| 938 | Contributions to Reserves | | | 1,250 |
| -263 | Movement on County Pension Reserve | | | -5 |
| -3,230 | Movement on Fire Pension Reserve | | | -4,175 |
| 17,096 | Amount to be met from govt grants and local taxation | | | 17,948 |
| Sources of Finance | | | | |
| -2,720 | Revenue Support Grant | | | -2,054 |
| -4318 | National Non Domestic Rates | | | -5,165 |
| | Collection Fund Surplus | | | -69 |
| -10,058 | Council Tax | | | -10,660 |
| 0 | Surplus/Deficit for the Year | | | 0 |

¹ For an explanation of this statement please refer to Note 1 to the Revenue Account.

Revenue Account

Shropshire and Wrekin Fire Authority
Statement of Accounts 2005/2006

| | Notes | Year ended 31 March 2006 £'000 | £'000 | Year ended 31 March 2005 £'000 |
|--|-------|--------------------------------------|---------------|--------------------------------------|
| Expenditure | | | | |
| Employees | | | | |
| Wholetime Firefighters | | 7,238 | | 7016 |
| Retained Firefighters | | 2,123 | | 1,888 |
| Control Room | | 552 | | 524 |
| Non-Uniformed Staff | | 1,295 | | 1,215 |
| Other Employee expenses | | 28 | | 66 |
| | | | 11,236 | 10,709 |
| Firefighters Pensions (net of contributions) | | -735 | | -66 |
| Current Service Pension Cost | 2 | 2,476 | | 1,985 |
| Curtaiment Cost | 2 | -147 | | 155 |
| Premises | | 826 | | 798 |
| Transport | | 460 | | 478 |
| Supplies and Services | | 1,874 | | 1,696 |
| Transitional Funding Provision | | 100 | | 101 |
| Operational Leasing | 3 | 528 | | 577 |
| Capital Charges | 7 | 919 | | 859 |
| | | | 6,301 | 6,583 |
| Expenditure | | | 17,537 | 17,292 |
| Income | | | | |
| Fire Certificates | | -1 | | -5 |
| Rents | | -13 | | -12 |
| Other Services | 5 | -196 | | -432 |
| | | | -210 | -449 |
| Net Cost of Service | | 17,448 | 17,327 | 16,843 |
| Financing | | | | |
| Asset Management Revenue A/c | 6 | | -344 | -385 |
| Interest and Investment Income | | | -175 | -156 |
| Pensions Interest Cost and Expected Return on Assets | 2 | | 4,301 | 3,649 |
| Net Operating Expenditure | | | 21,109 | 19,951 |
| Contribution from Capital Financing Account | 7 | | -231 | -300 |
| Contribution to Reserves | | | 1,250 | 938 |
| Movement on County Pension Reserve | 2 | | -5 | -263 |
| Movement on Fire Pension Reserve | 2 | | -4,175 | -3,230 |
| Amount to be met from govt grant and local taxation | | | 17,948 | 17,096 |



Revenue Account

Shropshire and Wrekin Fire Authority
Statement of Accounts 2005/2006

Sources of Finance

| | | | |
|-------------------------------------|----|----------|----------|
| Revenue Support Grant | 12 | -2,054 | -2,720 |
| National Non Domestic Rates | | -5,165 | -4,318 |
| Collection Fund Surplus | | -69 | 0 |
| Council Tax | | -10,660 | -10,058 |
| Surplus/Deficit for the Year | | 0 | 0 |



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 two pension schemes, the 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 Revenue Account after Net Operating Expenditure.

| | Shropshire County Pension Fund | | Fire Pension Scheme | |
|--|--------------------------------|---------|---------------------|---------|
| | 2005/06 | 2004/05 | 2005/06 | 2004/05 |
| | £'000 | £'000 | £'000 | £'000 |
| Net Cost of Services: | | | | |
| Current service cost | 270 | 233 | 2,206 | 1,752 |
| Curtailment costs | -147 | 155 | 0 | 0 |
| Net Operating Expenditure: | | | | |
| Interest cost | 307 | 253 | 4,231 | 3,631 |
| Expected return on assets | -237 | -235 | 0 | 0 |
| Amounts to be met from precept: | | | | |
| Movement on pensions reserve | -5 | -263 | -4,175 | -3,230 |



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

| | | | |
|---|-----|-----|--------------|
| Employers contributions payable to the Scheme | 188 | 143 | - |
| Retirement benefits payable to pensions | | - | 2,262 |
| | | | <u>2,153</u> |

NOTE 17 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. The Statement of Total Movements on Reserves details the movements on the Pension Reserves.

Movement on Pensions Reserve

| | Shropshire County Pension Fund £'000 | Fire Pension Scheme £'000 |
|------------------------------------|--|------------------------------|
| Current Service Cost | -270 | -2,206 |
| Curtailment Cost | 147 | 0 |
| Interest Cost and Return on Assets | -70 | -4,231 |
| Movement of Pension Payments | <u>188</u> | <u>2,262</u> |
| Total Movement on Reserves | -5 | -4,175 |

3. Operating Leases

During 2005/06, no assets were funded through operating leases. The outstanding undischarged obligations in respect of operating leases amounted to £1,851,749. Of this, some £358,872 is due in 2006/07 and £1,492,877 is due from 2007/08 onwards.

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

| | 2005/2006 £'000 | 2004/2005 £'000 |
|-----------|--------------------|--------------------|
| Operating | 528 | 577 |
| Finance | <u>2</u> | <u>2</u> |
| Total | 530 | 579 |

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.

| | 2005/2006 £'000 | 2004/2005 £'000 |
|-------------------------|--------------------|--------------------|
| Recruitment Advertising | 9 | 20 |
| Publicity | <u>16</u> | <u>7</u> |
| Total | 25 | 27 |



5. Income

Income on other services is made up as follows:

| | 2005/2006 £'000 | 2004/2005 £'000 |
|---|----------------------------------|----------------------------------|
| Grant Income | | |
| Arson Task Force | 4 | 1 |
| New Dimension | 48 | 104 |
| E Government Grant | 39 | 11 |
| Sale of equipment | 0 | 21 |
| Special Services | 13 | 17 |
| Insurance Claims | 14 | 0 |
| Miscellaneous Sales | 18 | 39 |
| Contribution to Regional Management Board | 60 | 38 |
| Transitional Funding | 0 | 201 |
| | <hr/> 196 | <hr/> 432 |

6. Asset Management Revenue Account

The net expenditure on this account is intended to represent the difference between the amount charged to the revenue account through capital charges and the depreciation and interest actually incurred by the Authority.

| | 2005/2006 £'000 | 2004/2005 £'000 |
|--|----------------------------------|----------------------------------|
| Expenditure | | |
| External interest payable | 158 | 106 |
| Depreciation | 536 | 490 |
| Finance Lease Interest Charges | 3 | 2 |
| | <hr/> 697 | <hr/> 598 |
| Income | | |
| Capital charges to revenue account (for use of fixed assets) | -919 | -859 |
| Write off of Government Grant | -122 | -124 |
| Total Net Income/Deficit | <hr/> -344 | <hr/> -385 |

7. 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 £112,000. The credit from the Capital Financing Account reduces the total depreciation by £302,000 to



ensure that the Revenue Account meets only this minimum requirement. (See also note 14 to the Balance Sheet)

8. Members' Allowances

The cost of the Authority's scheme of member allowances for the year ending 31 March 2006 was £ 30,478.

9. 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 | |
|-------------------|---------------------|-----------|
| | 2005/2006 | 2004/2005 |
| £50,000 - £59,999 | 4 | 3 |
| £60,000 - £69,999 | 1 | 0 |
| £70,000 - £79,999 | 2 | 3 |
| £80,000 - £89,999 | 0 | 0 |
| £90,000 - £99,999 | 1 | 1 |

10. 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 £555,043 to Shropshire County Council and £130,232 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.

11. Audit Commission

Gross payments made to the Audit Commission during the year were £44,445.



Balance Sheet at 31 March 2006

Shropshire and Wrekin Fire Authority
Statement of Accounts 2005/2006

| | Notes | 2005/2006 £'000 | 2004/2005 £'000 |
|--|-------|--------------------|--------------------|
| Fixed Assets | 1 | | |
| Land and buildings | | 8,666 | 8,862 |
| Vehicles, plant and equipment | | 2,042 | 1,800 |
| Total long-term assets | | 10,708 | 10,662 |
| Current assets | | | |
| Stocks and work in progress | 7 | 65 | 56 |
| Debtors and pre-payments | 8 | 905 | 760 |
| Investments | 9 | 4,115 | 2,960 |
| | | 5,085 | 3,776 |
| Total assets | | 15,793 | 14,438 |
| Current liabilities | | | |
| Creditors and receipts in advance | 10 | -1,384 | -1,036 |
| Cash overdrawn | | -141 | -588 |
| | | -1,525 | -1,624 |
| Total assets less current liabilities | | 14,268 | 12,814 |
| Long Term Liabilities | | | |
| Long-term borrowing | 19 | -4,000 | -2,935 |
| Provisions | 11 | -100 | -831 |
| Pensions Liability | 17 | -90,897 | -80,396 |
| Finance Leases | 20 | -40 | -57 |
| | | -95,037 | 84,219 |
| Total assets less liabilities | | -80,769 | -71,405 |
| This is balanced by: | | | |
| Fixed asset restatement account | 13 | 9,808 | 10,083 |
| Capital financing account | 14 | -2,455 | -2,226 |
| Usable capital receipts reserve | 15 | 0 | 3 |
| General Reserve | 16 | 1,126 | 612 |
| Efficiency Reserve | 16 | 100 | 336 |
| Retained Service Reserve | 16 | 0 | 163 |
| Pensions Liability Reserve | | 400 | |
| Bad Weather Reserve | | 273 | |
| Capital Reserve | | 675 | |
| Transitional Funding Reserve | | 201 | |
| Fire Pension Reserve | 17 | -88,872 | -78,375 |
| County Pension Reserve | 17 | -2,025 | -2,021 |
| Government Grants Unapplied | | 0 | 20 |
| Total equity | | -80,769 | -71,405 |



1. Movements in Fixed Assets during the Year Were:

| | Land and Buildings | Vehicles, Plant and Equipment | Total |
|---|-------------------------------|--|--------------|
| | £'000 | £'000 | £'000 |
| Gross book value at 1 April 2004 | 9,644 | 2,471 | 12,115 |
| Additions | 275 | 583 | 858 |
| Revaluations and restatements (see note 13) | -275 | 0 | -275 |
| Disposals | 0 | 0 | 0 |
| Gross book value at 31 March 2006 | 9,644 | 3,054 | 12,698 |
| Depreciation at 1 April 2005 | -782 | -672 | -1,454 |
| Charge for the year | -196 | -340 | -536 |
| Disposals | 0 | 0 | 0 |
| Total Depreciation | -978 | -1,012 | -1,990 |
| Net book value at 31 March 2006 | 8,666 | 2,042 | 10,708 |
| Net book value at 1 April 2005 | 8,862 | 1,799 | 10,661 |

The land and buildings comprise the Fire Authority's fire stations and Brigade Headquarters at 23 sites throughout the county. They have been valued at December 2001 and reviewed for impairment at July 2003 by R A Benson 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.

2. Prior Year Adjustment

No prior year adjustments have been identified during the year.

3. Deferred Charges

No deferred charges have been incurred during the year.

4. Capital Financing Requirement

| | 2005/2006 £'000 | 2004/2005 £'000 |
|---------------------------------------|----------------------------------|----------------------------------|
| Opening Capital Financing Requirement | 2,805 | 1,694 |
| Capital Investment | | |
| Operational Assets | 828 | 1,189 |
| Finance Leases | 30 | 112 |
| Sources of Finance | | |
| Govt Grants and Contributions | 122 | 124 |
| MRP | 112 | 66 |
| Closing Capital Financing Requirement | 3,429 | 2,805 |

Explanation of Movements in Year

| | | |
|--|-----|-------|
| Increase in underlying need to borrow (supported by Government financial assistance) | 526 | 529 |
| Increase in underlying need to borrow (unsupported by Government financial assistance) | 98 | 582 |
| Increase/decrease in Capital Financing Requirement | 624 | 1,111 |

5. Long-Term Investments

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

6. Long-Term Debtors

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

7. Stocks

Total stock held is made up of the following items:

| | 31 March 2006 | 31 March 2005 |
|--------------------------------------|----------------------|----------------------|
| | £'000 | £'000 |
| Personal Protective Clothing | 9 | 6 |
| Fleet and Workshops (parts and fuel) | 55 | 48 |
| Other consumables | 1 | 2 |
| | <hr/> 65 | <hr/> 56 |

8. 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 2006 | 31 March 2005 |
|-------------------------|----------------------|----------------------|
| | £'000 | £'000 |
| General | 24 | 46 |
| Government Debtors | 204 | 329 |
| Other Local Authorities | 364 | 54 |
| Payments in advance | 318 | 336 |
| Bad Debt Provision | -5 | -5 |
| | <hr/> 905 | <hr/> 760 |

9. 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 2006 | 31 March 2005 |
|------------------------|----------------------|----------------------|
| | £'000 | £'000 |
| Short term investments | 4,115 | 2,960 |

10. 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 2006 | 31 March 2005 |
|-------------------------|----------------------|----------------------|
| | £'000 | £'000 |
| General | 1,133 | 898 |
| Other Local Authorities | 119 | 89 |
| Receipts in advance | 132 | 49 |
| | 1,384 | 1,036 |

11. Provisions

The balance on provisions is made up as follows:

| | Balance at 31 March 2005 | Receipts in the year | Payments in the year | Balance at 31 March 2006 |
|--------------------------------|---|---------------------------------|---------------------------------|---|
| | £'000 | £'000 | £'000 | £'000 |
| Firefighters' Pension Scheme | 730 | 0 | -730 | 0 |
| Transitional Funding Repayment | 101 | 100 | -201 | 0 |
| Equipment Replacement | 0 | 100 | 0 | 100 |

12. 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.

13. Fixed Asset Restatement Account

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

| | 2005/2006 | 2004/2005 |
|---|------------------|------------------|
| | £'000 | £'000 |
| Balance brought forward 1 April | 10,083 | 10,266 |
| Revaluation and restatement of assets in year | -275 | -183 |
| | <hr/> | <hr/> |
| Balance carried forward at 31 March | 9,808 | 10,083 |

14. Capital Financing Account

| | 2005/2006 | 2004/2005 |
|--|------------------|------------------|
| | £'000 | £'000 |
| Balance brought forward 1 April | 2,226 | 1,926 |
| Appropriations from Revenue Account | | |
| Depreciation in excess of MRP | 302 | 300 |
| Financing of fixed assets from revenue | -71 | 0 |
| | <hr/> | <hr/> |
| | 2,457 | 2,226 |
| Provisions applied | 0 | 0 |
| Capital receipts applied | -3 | 0 |
| | <hr/> | <hr/> |
| Balance carried forward at 31 March | 2,454 | 2,226 |

15. 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.

| | 2005/2006 | 2004/2005 |
|--|------------------|------------------|
| | £'000 | £'000 |
| Balance brought forward 1 April | 3 | 3 |
| Capital Receipts during the year | 0 | 0 |
| Capital Receipts applied during the year | -3 | 0 |
| | <hr/> | <hr/> |
| Balance carried forward at 31 March | 0 | 3 |

16. Reserves

The balance on reserves is made up as follows:

| | Balance at 31 March 2005 £'000 | Receipts in the year £'000 | Payments in the year £'000 | Balance at 31 March 2006 £'000 |
|------------------------------|---|---|---|---|
| General Reserve | 612 | 645 | -131 | 1,126 |
| Efficiency Reserve | 336 | 100 | -336 | 100 |
| Retained Service Reserve | 163 | 0 | -163 | 0 |
| Transitional Funding Reserve | 0 | 201 | | 201 |
| Bad Weather Reserve | 0 | 273 | 0 | 273 |
| Pensions Reserve | 0 | 400 | 0 | 400 |
| Capital Reserve | 0 | 675 | 0 | 675 |

17. Pensions

The Authority participates in two 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 | |
|------------------------|---|--------------------------|--------------------------------|--------------------------|--------------------------|--------------------------|
| | 2005/06 £'000 | 2004/05 £'000 | 2005/06 £'000 | 2004/05 £'000 | 2005/06 £'000 | 2004/05 £'000 |
| Estimated liabilities | -6,584 | -5,564 | -88,872 | -78,375 | -95,456 | -83,939 |
| Estimated assets | 4,605 | 3,564 | 0 | 0 | 4,605 | 3,564 |
| Net assets/liabilities | -1,979 | -2,000 | -88,872 | -78,375 | -90,851 | -80,375 |

The liabilities show the underlying commitments that the Authority has in the long-run to pay retirement benefits. The total liability of £90,851,000 has a substantial impact on the net worth of the Authority, as recorded with the Balance Sheet, resulting in a negative overall balance of £80,769,000.

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 main assumptions used in their calculations have been:

| | County Pension Scheme | | Fire Pension Scheme | |
|---|------------------------------|----------------|----------------------------|----------------|
| | 2005/06 | 2004/05 | 2005/06 | 2004/05 |
| Rate of inflation | 2.9% | 2.8% | 2.9% | |
| Rate of increase in salaries | 4.7% | 4.3% | 4.4% | 4.4% |
| Rate of increase in pensions | 2.9% | 2.8% | 2.9% | 2.9% |
| Rate for discounting scheme liabilities | 4.9% | 6.3% | 4.9% | 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 | 2005/06 | 2004/05 |
|--------------------|-------------------------|----------------|----------------|
| | % | % | % |
| Equity Investments | 7.0 | 68.5 | 70.3 |
| Bonds | 4.6 | 24.0 | 24.0 |
| Property | 6.0 | 4.4 | 4.1 |
| Other Assets | 4.8 | 3.1 | 1.6 |
| | | 100.0 | 100.0 |

Pension Asset/Liability

| | Shropshire County Pension Fund | Fire Pension Scheme |
|------------------------------------|---------------------------------------|----------------------------|
| | £'000 | £'000 |
| Opening Balance | 2,021 | 78,375 |
| Added Years Cost | 25 | 0 |
| Current Service Cost | 270 | 2,206 |
| Curtailment Cost | -147 | 0 |
| Interest Cost and Return on Assets | 70 | 4,231 |
| Actuarial Gains | -26 | 6,322 |
| Movement of Pension payments | -188 | -2,262 |
| Total Pensions Liability | 2,025 | 88,872 |

Pension Reserves

| | Shropshire County Pension Fund | Fire Pension Scheme |
|------------------------------|---|----------------------------|
| | £'000 | £'000 |
| Opening Balance | 2,021 | 78,375 |
| Added Years Cost | 25 | 0 |
| Actuarial Gains | -26 | 6,322 |
| Appropriation from revenue | 193 | 6,437 |
| Movement of Pension payments | <u>-188</u> | <u>-2,262</u> |
| Total Movement on Reserves | 2,025 | 88,872 |

18. 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.

| | 2005/2006 | 2004/2005 |
|-------------------------------------|------------------|------------------|
| | £'000 | £'000 |
| Balance brought forward | 218 | 152 |
| Minimum Revenue Provision | 112 | 66 |
| Balance carried forward at 31 March | <u>330</u> | <u>218</u> |

19. Long Term Borrowing and Analysis of Borrowing

| | 31 March 2006 | 31 March 2005 |
|--------------------------------|----------------------|----------------------|
| | £'000 | £'000 |
| Analysis of loans by type: | | |
| Public Works Loan Board | 4,000 | 2,935 |
| Analysis of loans by maturity: | | |
| 1 - 2 years | | |
| 2 - 5 years | | |
| 5 - 10 years | 112 | |
| 10-15 years | 120 | 112 |
| 15 years + | 3,768 | 2,823 |

20. Long Term Liabilities

The outstanding undischarged obligations in respect of finance leases amounted to £40,149. Of this, some £32,167 is due in 2006/07 and £7,982 is due from 2007/08 onwards.

Statement of Total Movement on Reserves

Shropshire and Wrekin Fire Authority
Statement of Accounts 2005/2006

| | 2005/2006 £'000 | 2005/2006 £'000 | 2004/2005 £'000 |
|--|--------------------|--------------------|--------------------|
| Surplus/deficit on Pension Reserve | -4,205 | | -3,507 |
| Movements on earmarked Revenue Reserves | 1,664 | | 939 |
| Actuarial gains/losses relating to Pensions | -6,296 | | -17,323 |
| Total increase/decrease in realised capital resources | | -8,837 | -19,891 |
| Increase/decrease in usable capital receipts | -3 | | 0 |
| Increase/decrease in unapplied capital grants | -20 | | 20 |
| Total increase/decrease in realised capital resources | | -23 | 20 |
| Gains/losses on revaluation of fixed assets | -275 | | -183 |
| Total increase/decrease in unrealised value of fixed assets | | -275 | -183 |
| Capital from revenue resources | 71 | | |
| Revenue resources set aside | -302 | | -300 |
| Total increase/decrease in amounts set aside to finance capital investment | | -231 | -300 |
| Total recognised net gains/losses | | -9,366 | -20,354 |

Notes to the Statement of Total Movement on Reserves

1 Movements in revenue reserves

| | Earmarked Revenue Reserves £'000 | Pensions Reserves £'000 |
|--------------------------------|---|-------------------------------|
| Surplus/deficit from 2005/06 | | |
| Appropriations to/from revenue | 1,214 | -4,205 |
| Other Appropriations | 450 | 0 |
| Actuarial gains/losses | | -6,296 |
| | 1,664 | -10,501 |
| Balance b fwd 1 April 2005 | 1,111 | -80,396 |
| Balance c fwd 31 March 2006 | 2,775 | -90,897 |

Statement of Total Movement on Reserves

Shropshire and Wrekin Fire Authority
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Earmarked reserves are made up of the following:

General Reserve – as a precepting authority, a general reserve must be established, which is to be funded from budgeted contributions and net revenue savings.

Efficiency Reserve – established to meet one off investments in expenditure aimed at delivering long term efficiencies.

Transitional Funding Reserve – established to meet repayment of transitional funding during 2006/07 and 2007/08.

Bad Weather Reserve – established to cover the costs of increased activity as a result of adverse weather conditions.

Capital Reserve – established to fund small capital projects, reducing the need to borrow. It may also be used to fund significant future investment.

Pensions Reserves – in accordance with Financial Reporting Standard No 17, the Authority must disclose the value of all future retirement benefits, as they are earned.

2 Movements in realised capital resources

| | Unused Capital Receipts £'000 | Unapplied Capital Grants & Contributions £'000 |
|--|--|---|
| Amounts receivable in 2005/06 | 0 | 101 |
| Amounts applied to finance new capital investment in 2005/06 | -3 | -121 |
| Total increase/decrease in realised capital resources in 2005/06 | -3 | -20 |
| Balance b fwd 1 April 2005 | 3 | 20 |
| Balance c fwd 31 March 2006 | 0 | 0 |

The Fire Authority received two grants from the Office of the Deputy Prime Minister in 2004/05:

-£76,953 for alterations to vehicle accommodation at Shrewsbury station, in order to house an Incident Response Unit supplied by ODPM as part of the New Dimension initiative

-£24,488 for the supply and fitting of smoke alarms to high risk properties in Shropshire, as part of ODPM's Home Fire Risk Check initiative

The balance in the Fire Authority's Unused Capital Receipts Reserve has been applied to capital expenditure during the year.

Statement of Total Movement on Reserves

Shropshire and Wrekin Fire Authority
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3 Movements in unrealised value of fixed assets

| | Fixed Asset Restatement Reserve £'000 |
|--|--|
| Gains/losses on revaluation of fixed assets in 2005/06 | -275 |
| Total increase/decrease in unrealised capital resources in 2005/06 | -275 |
| Balance b fwd 1 April 2005 | 10,083 |
| Balance c fwd 31 March 2006 | 9,808 |

The Fixed Asset Restatement Account represents the balance of surpluses or deficits arising on the revaluation of fixed assets.

4 Movements in amounts set aside to finance capital investment

| | Capital Financing Account £'000 |
|--|--|
| Capital receipts set aside in 2005/06 | 0 |
| Capital investment from revenue during 2005/06 | 71 |
| Capital receipts applied in 2005/06 | 3 |
| Revenue resources set aside in 2005/06 | |
| Reconciling amount for provision of loan repayment | -302 |
| Total revenue resources set aside 2005/06 | -228 |
| Balance b fwd 1 April 2005 | -2,226 |
| Balance c fwd 31 March 2006 | -2,454 |

The Capital Financing Account represents the balance of amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets, or for the repayment of external loans and other financing transactions.

Statement of Total Movement on Reserves

Shropshire and Wrekin Fire Authority
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Pension Reserves

The actuarial gains identified as movements on the Pensions Reserves in 2005/06 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2005:

| | 2003/2004 | | 2004/2005 | | 2005/06 | |
|---|-----------|------|-----------|-------|---------|------|
| | £'000 | % | £'000 | % | £'000 | % |
| County Fund | | | | | | |
| Differences between expected and actual return on assets | 433 | 12.9 | 88 | 2.5 | 633 | 13.7 |
| Differences between actuarial assumptions about liabilities and actual experience | 0 | 0 | -257 | -4.6 | 0 | 0 |
| Changes in the demographic and financial assumptions used to estimate liabilities | 0 | 0 | -1,080 | -19.4 | -607 | 9.2 |
| 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 | 4,722 | 8 | -2,606 | -3.3 | 0 | 0 |
| Changes in the demographic and financial assumptions used to estimate liabilities | 733 | 1.2 | -13,468 | -17.2 | -6,322 | 7.1 |

Cash Flow Statement

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

| | Notes | 2005/2006 £'000 | 2004/2005 £'000 |
|---|-------|--------------------|--------------------|
| Revenue activities: | | | |
| Cash outflows | | | |
| Cash paid to and on behalf of employees | | 13,454 | 13,080 |
| Other operating cash payments | | 3,457 | 4,248 |
| | | <u>16,911</u> | <u>17,328</u> |
| Cash inflows | | | |
| Payments from govt grants and local taxation | | -17,948 | -17,096 |
| Cash received for goods and services | | -210 | -511 |
| | | <u>-18,158</u> | <u>-17,607</u> |
| Net cash inflow from revenue activities | | -1,247 | -279 |
| Servicing of Finance: | | | |
| Cash outflows | | | |
| Interest paid | | 158 | 106 |
| Cash inflows | | | |
| Interest received | | -175 | -156 |
| Net cash inflow from servicing of finance | | <u>-17</u> | <u>-50</u> |
| Revenue activities net cash flow | 1 | -1,264 | -329 |
| Capital activities: | | | |
| Cash outflows | | | |
| Purchase of fixed assets | | 828 | 1,188 |
| Purchase of fixed assets for leasing | | 0 | 0 |
| Cash inflows | | | |
| Sale of fixed assets | | | |
| Other capital cash receipts | | -101 | -124 |
| Capital receipts for leasing | | 0 | 0 |
| | | <u>727</u> | <u>1,064</u> |
| Net cash outflow/inflow (-) before financing | | -537 | 735 |
| Financing: | | | |
| Cash outflows | | | |
| Repayments of amounts borrowed | | | - |
| Cash inflows | | | |
| New loans raised | | -1,065 | -1,192 |
| Net increase in cash | 2 | -1,602 | -457 |

Notes to the Cash Flow Statement

Shropshire and Wrekin Fire Authority
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1. Reconciliation of Net Surplus/Deficit on the Revenue Account to the Movements in Cash

| | 2005/2006 £'000 | 2004/2005 £'000 |
|---------------------------------------|----------------------------------|----------------------------------|
| Deficit/ (Surplus) on revenue account | 0 | 0 |
| Non cash transactions | | |
| Minimum Revenue Provision | -112 | -66 |
| Contribution to other provisions | 317 | 41 |
| Contribution to Reserves | -1,250 | -939 |
| Equipment in revenue from capital | -71 | 0 |
| Reclassification of Finance Leases | 47 | 55 |
| Items on an accruals basis | | |
| Increase/decrease (-) in stocks | 8 | -1 |
| Increase/decrease (-) in debtors | 145 | 157 |
| Increase(-)/ decrease in creditors | -348 | 424 |
| | -1,264 | -329 |

2. Analysis of Balances of Cash and Cash Equivalents

| | 31 March 2006 £'000 | 31 March 2005 £'000 | Movement £'000 |
|-------------------------|--------------------------------------|--------------------------------------|---------------------------------|
| Bank balance/-overdraft | -141 | -588 | -447 |
| Temporary investments | 4,115 | 2,960 | -1,155 |
| | 3,974 | 2,372 | -1,602 |

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.

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.