



Shropshire and Wrekin

Fire and Rescue Authority

Statement of Accounts

2013/14

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Explanatory Foreword

Introduction

This statement of accounts sets out the financial position of Shropshire and Wrekin Fire Authority for the year ended 31 March 2014. Its publication is required under the Accounts and Audit Regulations 2011.

The Statement has been prepared in accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code), which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position of a local authority.

This foreword provides the reader with:

1. An understanding of the accounting statements
2. A review of the financial performance of the Authority during 2013/14
3. A summary of the Authority's financial position at the end of the year, and
4. Details of significant changes likely to affect the Authority during 2014/15.

The Financial Statements

The core financial statements are set out on pages 38 to 42, and are supported by a Statement of Accounting Policies. Explanatory notes follow the accounting statements. The purpose of these core financial statements is given below

Movement in Reserves Statement - This statement shows the movement in the year on the different reserves held by the Authority, analysed into usable reserves, which are those that can be applied to fund expenditure or reduce local taxation, and other reserves.

- The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.
- The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

Comprehensive Income and Expenditure Statement - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet - This shows the value, as at the balance sheet date, of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held.

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Reserves are held in two categories:

- Usable reserves – those that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use;
- Unusable reserves – those that the Authority is not able to use to provide services. These reserves hold unrealised gains and losses until assets are sold (i.e. Revaluation Reserve) or contain timing differences (shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’).

Cash Flow Statement - This statement shows the changes in cash and cash equivalents of the Authority during the accounting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

- The amount of net cash flows generating from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority.
- Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to the Authority’s future service delivery.
- Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

Revenue Budget and Expenditure

In February 2013, Shropshire and Wrekin Fire Authority approved a revenue budget of £21.260m for 2013/14. This budget quantified the Service’s strategic and operational plans, and the further sub-division into business areas also enabled individual business plans to be quantified, and achievements monitored.

The revenue budget for 2013/14 was funded as follows:

Council tax income	£12.7m
Non domestic rates from authorities	£1.4m
Business rates top up grant	£2.1m
Revenue Support Grant	£5.1m
	£21.3m

A further one-off grant was offered to those authorities that froze council tax in 2013/14. After considering the effects on long-term financial planning, the Fire Authority agreed to increase council tax by 1.99%, or 3p per week for a Band D household.

During 2013/14 the Fire Authority has approved net transfers to the General Fund balance of £311,000. Actual out turn on the revenue budget was £20.237m, resulting in an additional surplus of £712,000.

Some of this year’s savings represent expenditure that has slipped from 2013/14 into 2014/15, and so this will be held in the General Fund balance at the end of the year, and transferred back to the revenue account for use in 2014/15.

Explanatory Foreword

Slipped Expenditure	£'000
Training and development	63
Service Transformation Programme - projects	60
Communications strategy	30
Total	153

Efficiencies and other variances	£'000
Pay and prices	133
Staff – support services	-24
Technical equipment and uniform	30
Communications and information management	64
Capital charges	58
Human resources and development	68
Occupational health	25
Corporate services	28
Service Transformation Programme	16
Performance information	31
Operations and prevention	24
Income	35
Recharges to Shropshire Fire Risk Management Services Ltd	25
Rates income	46
Total	559

As the Fire Authority is operating a firefighter recruitment freeze due to its current financial position, savings have been realised in training and development elements of the budget. Unspent balances in information and technology and communications have also been identified, due to the receipt of government grant for the collaboration with Hereford and Worcester Fire Authority on control room functions.

Revenue expenditure continues to be reviewed, and reductions identified as part of the future budget setting process, in order to reduce the potential shortfall faced by the Authority in the coming years.

The final reductions of the Fire Authority's Public Value programme took place in 2013/14; the programme has realised £3.2m of reductions to the revenue budget since its introduction in 2011/12. With these grant reductions expected to continue into the medium term, the Authority is currently consulting with staff, members of the public and other stakeholders about possible future changes to the service.

Explanatory Foreword

Capital Expenditure

In 2013/14 the Fire Authority spent £1.18m on capital projects. These can be summarised as follows:

Scheme	£'000
Vehicles	661
Information technology and communications	312
Operational equipment and building enhancement	207
Total	1,180

Information technology included improvements to the Fire Authority's IT infrastructure and mobilising system, and also replacement of station-end equipment at fire stations. The building of two fire appliances commenced this year, and the Authority's capability in dealing with road traffic collisions and other incidents was enhanced. This year also saw the completion of building works at Wellington fire station and the final issue of improved fire kit.

Expenditure on capital projects has been funded from two sources; £605,000 from government grant, and £575,000 from a revenue contribution to capital.

Reserves and Provisions - Overview of the Reserves Strategy

The Fire Authority has set out its financial strategy to 2019/20 in its Medium Term Financial Plan, and its reserves policy is an integral part of this Plan. The level of reserves that the Authority holds has been driven by the following principles:

To fund major projects, thereby avoiding debt charges into the long term - the Authority has used reserves successfully in recent years to fund its capital programme, most notably the fire station, workshop and headquarters in Shrewsbury. By using capital reserves to fund the refurbishment of the site, this has led to a reduction in the revenue budget of over £250,000 over a four-year period. The Capital reserves and the ICT reserve will continue to be used to fund the capital programme into the medium term, with any one-off savings identified used to replace funds.

To fund unexpected and undetermined expenditure that cannot be met by a reducing revenue budget - an example of this is the contributions that have been made to the Pensions Reserve to fund the consequences of the Part-Time Workers employment tribunal. In addition, the ICT reserve contains revenue grant paid to the Authority to fund Control Room collaboration work with Hereford and Worcester Fire Authority. Expenditure is likely to be completed in the next financial year.

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To support revenue expenditure and smooth out fluctuations in the revenue budget - the Fire Authority is focussed on the deficits that it will face by 2019/20, and officers are reviewing all aspects of the revenue budget in order to meet these deficits. A number of reserves have been created to address and support some areas of the revenue budget, and reviews are currently being carried out to identify smarter use of the Authority's resources. These reserves will act as enablers to reduce the revenue budget, close the expected budget deficit modelled to 2019/20, and safeguard the service delivered to the people of Shropshire.

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

	31 March 2013 £'000	31 March 2014 £'000
General Reserve	566	577
Efficiency Reserve	0	0
Pensions and other Staff Issues Reserve	1,424	1,755
Extreme Weather Reserve	328	334
Earmarked Capital Reserve	1,562	3,160
Unearmarked Capital Reserve	1,002	1,022
Equipment Replacement Provision	41	105
ICT Reserve	998	1,026
Capital Grants Unapplied Reserve	803	1,128
Income Volatility Reserve	1,015	1,137
Service Transformation Programme Staff Reserve	258	275
Service Delivery Reserve	232	236
Training Reserve	0	255
Operational Equipment Reserve	0	278
Buildings Maintenance Reserve	0	408
General Fund Balance	1,506	1,023

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

Prior Year Adjustment

There have been significant changes to IAS 19 Employee Benefits, which are applicable to any accounting period commencing on or after 1 January 2013. The key change affecting the Local Government Pension Scheme is in relation to the expected return on assets credited to the Comprehensive Income and Expenditure Statement (CI&ES). This has previously been based on the anticipated performance of return seeking assets, however, under the new accounting arrangements, this will effectively be replaced with a net interest on assets calculated using the discount rate.

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In order that this change in accounting policy is reflected in the correct accounting year, the Fire Authority has restated the prior year information for 2012/13 (see note 3 to the financial statements).

Local Authority Controlled Company - Shropshire Fire Risk Management Services Limited

Shropshire Fire Risk Management Services Limited is wholly owned by Shropshire and Wrekin Fire Authority. The company began trading on 16 July 2013, and delivers a range of function related services, including fire risk management, health and safety management and training in first aid. Its accounting year is 31 March 2014, corresponding with the Fire Authority.

Shropshire Fire Risk Management Services Limited made a net profit of £5,000 for the period to 31 March 2014.

The company employs no staff directly, using staff seconded from the Authority. Recharges at full cost for the trading period to 31 March 2014 totalled £24,712. In addition, contractors are employed to carry out work on behalf of the company.

Group accounts have not been prepared because the net income, expenditure, assets and liabilities of the company do not have a material impact on the results reported.

The Year Ahead

Retained Firefighters and the Part-Time Workers Regulations

Firefighters on the Retained Duty System have successfully claimed access to the Firefighters 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, although the number of retained firefighters involved is not yet certain.

Control Room Project

The national FiReControl project was instigated in 2004, with a directive via the Fire and Rescue Service National Framework that all Fire and Rescue Services would transfer control room functions to nine regional control centres by 2007. With the project running over budget and well beyond original timescales, the Coalition Government announced on 20 December 2010 its intention to cancel the project with immediate effect, on the grounds that the appointed contractor was unable to deliver on time, to cost and quality.

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Following the closure of the project, and the announcement of Government funding to support the upgrade of fire control room arrangements, a formal Memorandum of Understanding (MoU) has been entered into with Hereford and Worcester Fire and Rescue Authority. The MoU signifies the ratification by both Fire Authorities to work towards the creation of a single resilient command and control function, operated from two remote locations, Shrewsbury and Worcester.

A separate tri-partite Memorandum of Understanding has been entered into with Cleveland Fire Authority. The three authorities are now well advanced with plans to align their command and control systems. This will create a resilient network of systems capable of being operated from control rooms in Worcester, Shrewsbury and Hartlepool.

Common operating procedures and ways of working continue to be further refined to enable each Fire Authority to take calls and mobilise the other's resources seamlessly at any time. The Authorities will have immediate and fully operational fallback arrangements. The programme benefits are currently on track to be delivered by December 2014.

Service Transformation Programme

As part of the Fire Authority's strategic planning process, Service managers undertook a review to determine the areas of activity the Service needed to address into the medium term. This resulted in the development of the Service Transformation Programme, a high-level programme of activities, reviews and projects that will ensure that the Service is best placed to meet the financial challenges it is likely to be presented with over the coming years.

The structure of the Programme is based upon the model used successfully to deliver the refurbishment of Shrewsbury Headquarters, Workshops and Fire Station.

The Programme is overseen by a Programme Manager, thus ensuring that a strategic overview is maintained of all projects, reviews and activities. It will be supported and delivered by a mixture of Service staff and external resources. The Programme will dovetail into the existing service / financial planning processes and will ensure that the appropriate controls are maintained throughout its lifecycle.

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Scope of Responsibility

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

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

In discharging this overall responsibility, the Fire Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Fire Authority has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government'.

A copy of the Code is on our website at:

<http://www.shropshirefire.gov.uk/sites/default/files/fra/09-code-of-corporate-governance-2013-14.pdf>

A paper copy can be obtained 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(3) of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the Fire Authority is directed and controlled, and the activities through which it accounts to, engages with, and leads the community. It enables the Fire Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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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 and Rescue 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 Shropshire and Wrekin Fire and Rescue Authority for the period of the 2013/14 accounts 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;
- 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 in respect of the Authority and partnership arrangements;
- 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;
- ensure the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact;
- ensure that the core functions of an audit committee are undertaken, 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;
- ensure the Authority's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not explain why and how they deliver the same impact;
- enable whistle-blowing and the receiving and investigating of complaints from the public;

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- 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 joint working and reflecting these in the Authority's overall governance arrangements.

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 Treasurer;
- 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 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 2013/14, the Fire Authority has maintained, reviewed and improved its system of internal control in a number of ways. In particular:

- a) The Authority continues to monitor expenditure for all capital schemes;
- b) Ongoing review of the Authority's employment policies is undertaken and, where necessary, policies are modified or created to ensure compliance with all applicable legislation;
- c) The Service Transformation Programme continues to bring together the requirements of Public Value, Integrated Risk Management Planning (IRMP) and activities that Service Managers believe will deliver a sustainable service to the community into the future. Central to the Programme will be the continued investment in technology and systems to improve back-office efficiency and provide operations with technology to improve service delivery. The Programme, which dovetails into the Service's Financial and Service planning processes, will ensure that the appropriate level of control and visibility of all projects, reviews and activities are maintained throughout the lifecycle of the Programme.

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- d) During the year the Authority has continued with its Public Value approach towards planning, budget and cost saving measures. The Year 3 (2013/14) Public Value initiatives have resulted in a £538,000 reduction in the Authority's budget, with minimal disruption to service delivery.
- e) The Service has continued to invest significantly in its Information and Communications Technology and command and control infrastructure.
- f) The Fire Authority has received and/or adopted:
- Statement of Accounts 2012/13;
 - Corporate Plan 2013/14;
 - Public Value Year 3 2013/14 outcomes;
 - Annual Audit Letter 2012/13;
 - Budget Monitoring reports;
 - Public Value Measure Performance reports;
 - Periodic performance reports; and
 - The Medium Term Corporate Plan, strategy and budget.
- g) The Fire Authority's Service Management Team 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.
- h) Internal audits have been undertaken with a number of planned reviews of systems and internal control procedures across a range of functions in the Fire Authority. Each review contains an opinion on the internal controls in place and any weaknesses result in recommendations for improvement, which are implemented by management. Progress against these recommendations is monitored by the Risk Management Group, with regular reports to the Service Management Team and to the Audit and Performance Management Committee.
- i) Audits completed by Internal Audit during 2013/14 related to:
- Corporate Governance
 - Budget Preparation and Control
 - Technical Services Assets – Fire Hydrants
 - Risk Management
 - Members Allowances
 - Payroll
 - Creditors System
 - Anti-Fraud, Bribery and Corruption Strategy
 - IT Audit Follow Up Review
 - Payroll Overpayments
 - Computer Services - Command and Control
 - Previous recommendation follow up

Annual Governance Statement

On the basis of the work undertaken and management responses received, the Authority's financial systems, internal control environment and risk management procedures are sound and working effectively and the Audit Service Manager is able to deliver a positive year-end opinion on the Authority's internal control environment for 2013/14.

Internal Audit will be conducting audits into the following areas during 2014/15:

- Corporate Governance
- Payroll System
- Capital budgeting and accounting
- Computer Services
- Risk Management
- Purchasing and Procurement
- Banking Arrangements
- Technical Services – Assets
- Travel and subsistence
- Fraud and Corruption
- Insurance
- Previous recommendation follow up

The Role of the Chief Financial Officer

The Authority is compliant with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

A Service Level Agreement has been put in place between Shropshire Council and Shropshire and Wrekin Fire and Rescue Authority, for the provision of financial advice and representation.

Shropshire Council's Head of Finance, Governance and Assurance acts as Treasurer to Shropshire and Wrekin Fire and Rescue Authority to ensure the sound administration of the financial affairs of the Authority, as required by the statutory duties associated with section 151 of the Local Government Act 1972, the Local Government Finance Act 1988 and the Accounts and Audit Regulations 2011.

The Chief Financial Officer's role is discharged through:

- Provision of advice and support on application of accounting policies and procedures and adherence to International Financial Reporting Standards.
- Attendance by the Treasurer or nominated representative at the following statutory meetings held with Fire Authority Members:
 - Meetings of the Fire and Rescue Authority;
 - Meetings of the Strategy and Resources Committee; and
 - Meetings of the Audit and Performance Management Committee.

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- Regular Chair's briefings and internal meetings, as well as regular liaison with the internal Head of Finance (Deputy Section 151 Officer), and the internal Fire Authority Finance Team.

In addition to the provision of section 151 duties, Shropshire Council provides access to a number of services; for example the Fire Authority's Finance Team will have direct access to the Council's Financial Forward Planning Team, and can provide resilience and development through staff rotation and secondments.

The Council endeavours to consult with the Fire Authority on any key or principal decisions, outside the formal services agreed within the service level agreement.

Significant Internal Control Issues

No significant issues were raised in the External Auditor's Annual Audit Letter 2012/13. The relatively minor points arising from these reviews are being used to enhance the existing system of controls.

The Fire Authority undertook a review of its systems of internal control, which underpin its governance framework, during May and June 2014. An Annual Governance Statement (AGS) Improvement Plan 2014/15 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 Service Management Team.

A summary of the areas for further development, contained in the AGS Improvement Plan 2014/15, is given below:

Hereford and Worcester Memorandum of Understanding (MoU)

Continue the work with HWFRS on the MOU through the following workstreams:

1. Virtual Private Network (VPN)/Fixed Link
2. Communication Control Interface (CCI)
3. Standardisation of icons on the Integrated Communication Control System (ICCS)
4. Fall back arrangements with Cleveland Fire Brigade
5. Standardisation of mobilising procedures
6. Standardisation of operational procedures

Service Transformation Programme

Year three of the Programme Plan was agreed by STPB at its meeting on 7th May. All the Work Packages and Projects Plans have been identified and resources allocated against them. The main overarching areas of delivery are associated with the development of Resourcelink, SharePoint Implementation, Mobile Working Activities, Improvements to the Command and Control System and Building

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Improvements. Reports on Programme Benefits will be reported to APMC as reviews are undertaken.

Integrated Risk Management Plan (IRMP 2020 Review)

To ensure the Service is able to deliver the 20:20 process which involves a series of reviews, consultations and decisions, it is being managed as a project which will include:

1. Undertaking a thorough review of the Authority's Strategic IRMP;
2. Planning to meet the demands of a much reduced budget, by ensuring the Service's Public Value process looks further into the future
3. Meeting the requirements of the new Fire and Rescue Service National Framework Document.

Information and Communications Technology (ICT) Corporate Network Infrastructure

Following previous ICT internal audit reports the Service will continue to invest in its corporate infrastructure.

1. To ensure the infrastructure is optimised for high availability
2. To improve and embed processes and procedures for preventative measures that prevent, mitigate and prepare for ICT emergencies.
3. Enhance the infrastructure with scalable technologies that provide employees with better mobility and accessibility to systems while carrying out their duties.

Health and Safety Management

Implement the action plans following the review of the Health and Safety Executive consolidation report based on the eight inspections completed in 2009/10.

Operational Assurance Peer Review Outcomes.

Close down report, including proposal for the next OPA process, will go to A&PMC in March 2015. Carry out OPA exercise in 2015 and implement any recommendations.

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Payroll Systems Review

Review current internal payroll processes, identify improvements and implement. Continue to develop Resourcelink to improve efficiency. Review current processes/communications links between the Service and payroll provider to generate further improvements.

Signed:

Cllr Dr Jean Jones
Chair of Audit and
Performance Management
Committee

John Redmond
Chief Fire Officer

James Walton
Treasurer

Statement of Responsibilities

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice') is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year (ended 31 March 2014).

In preparing this Statement of Accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice and current regulations.

The Treasurer has also:

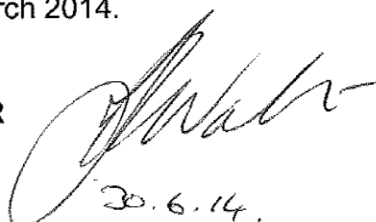
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Treasurer

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and of its income and expenditure for the year ended 31 March 2014.

TREASURER

Dated:



30.6.14.

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 effective use of resources and safeguard its assets.

Approved by the Authority

The Statement of Accounts was approved at a meeting of the Audit and Performance Management Committee on 0 September 2014.

Chair of the Audit and Performance Committee

Dated:

*A signed copy of the statement is held at Brigade Headquarters.

Audit Certificate

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Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the Fire Authority's transactions for the 2013/14 financial year and its position at the year end of 31 March 2014. The Fire Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which require the statement to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Accounting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2 Accruals of Expenditure and Income

Activity is accounted for in the year it takes place, not simply when cash payments are made or received. In particular:

- Supplies are recorded as expenditure when they are consumed – when there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3 Changes in Accounting Policies

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions of the Fire Authority's financial position or financial performance. When a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

4 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of

Statement of Accounting Policies

acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Fire Authority's cash management.

5 Provisions

Provisions are made when an event has taken place that gives the Fire Authority an obligation that probably requires payment, but where the timing of the payment is uncertain. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Fire Authority becomes aware of the obligation, based on the best estimate of the likely payment. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of the financial year, and where it is likely that payment does not need to be made, the provision is reversed and credited back to the relevant service.

The Fire Authority holds an Equipment Replacement Provision, which is designed to smooth expenditure on operational equipment currently charged to the Comprehensive Income and Expenditure Statement. A detailed equipment replacement programme establishes contributions into the provision, and this will lead to successful replacement planning in the medium term.

6 Contingent Liabilities

Contingent liabilities are not recognised in the Comprehensive Income and Expenditure Statement or the Balance Sheet where there is not absolute certainty they will materialise. Where appropriate, they may feature in the Statement of Accounts if there is a reasonable likelihood of the event occurring.

7 Reserves

The Fire Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in that year, to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so there is no net charge against council tax for the expenditure.

Statement of Accounting Policies

The Authority holds the following reserves:

- **General Reserve** – A risk assessment of the pressures likely to face the Authority is undertaken, and the current balance on this reserve represents those identified risks, in proportion to the probability of their occurrence.
- **Efficiency Reserve** – this reserve was set up specifically to invest in efficiencies. The balance on the reserve at the end of 2012/13 was used to fund initiatives from the remaining part of the Authority's refurbishment of the headquarters, workshop and fire station at Shrewsbury.
- **Pensions and Other Issues Reserve** – set up as a result of the introduction of the new Firefighters Pension Scheme on 1 April 2006, the original reserve was required to pay for unexpected sickness retirements and other payments, which remain the responsibility of the Authority's revenue account. In 2008/09, the reserve was expanded to cover other staff matters, including the costs following the Retained Firefighters & Part Time Regulations Tribunal – the potential pension payments as a result of the tribunal remain unsettled.
- **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 – Unearmarked** – this reserve is made up of budgeted contributions and unspent balances from previous years. It was used to part fund the Authority's refurbishment of the headquarters, workshop and fire station at Shrewsbury, with the balance remaining to be used against future major building projects.
- **Capital Reserve – Earmarked** – this reserve is used to fund small capital projects, reducing the need to borrow, and a contribution towards its replacement is made to the reserve from the revenue account, in lieu of capital financing costs.
- **ICT Reserve** - this reserve was established using unspent balances from 2010/11 and approved budgets for ICT projects. It is intended that this reserve will be used to manage information technology and communications issues as they arise, and ensure a consistent and managed approach to ICT investment. The reserve also contains revenue grant provided to the Authority by government for changes to Control Rooms.
- **Capital Grants Unapplied Reserve** – this reserve holds grants and contributions paid to the Fire Authority, for which conditions for use have not been met, or expenditure has not been incurred

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- **Service Transformation Programme (STP) Staff Reserve** – the STP is a high level programme of activities, which will be completed to ensure that the Service is best placed to meet the challenges it is likely to face over the coming years. Funding for projects identified as part of the programme have been taken into account in the revenue budget and the capital programme. This reserve was set up to cover the staff elements of the projects.
- **Income Volatility Reserve** – A number of changes were introduced in 2013/14 which affected the way in which the Fire Authority is funded, and the levels of funding that will be achieved. This reserve was set up to smooth any volatility or fluctuations in the funding received against estimates in the Medium Term Corporate Plan.
- **Service Delivery Reserve** – this reserve was set up to fund initiatives in service delivery and prevention.

Three new reserves were created as the 2012/13 accounts were closed.

- **Training Reserve** - there have been, and will continue to be, changes in the management structure of the Service, which will inevitably require additional training and development of staff over the next three years and beyond. This reserve has been created to enable this training and development to be carried out, without adding additional pressure to the revenue budget.
- **New Operational Equipment Reserve** - this reserve has been established to help provide some stability in the revenue budget in this area. Where a need for new equipment is identified, contributions can be made from the reserve, and any ongoing requirements for the equipment can be established.
- **Building Maintenance Reserve** - The revenue budget in this area is used to fund preventative or controlled maintenance in line with the Authority's Asset Management Plan, and also covers unexpected reactive maintenance. This reserve has been created to deal with exceptional, unexpected repairs that do not require a regular revenue budget.

Certain reserves are kept to manage the accounting processes for Property Plant and Equipment and do not represent usable resources for the Authority:

- **Revaluation Reserve** – this replaced the Fixed Asset Replacement Account (FARA), and represents net gains on assets that have been revalued after 1 April 2007.

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- **Capital Adjustment Account** – the opening balance on this account was created from the balances on the FARA and the Capital Financing Account. It reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

8 Employee Benefits

Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, and are recognised as an expense for services in the year in which employees tender service to the Fire Authority.

An accrual is made for the cost of the holiday entitlements earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movements in Reserves Statement so that holiday benefits are charged to revenue in the year in which the holiday absence occurs.

The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

Post Employment Benefits

Employees of the Fire Authority are members of three separate pension schemes:

Firefighters Pension Scheme

On 1 April 2006, new financial arrangements were introduced for both the 1992 and the newly established 2006 Pension Firefighter Pension Schemes. Both schemes are unfunded, defined benefit schemes, and are regulated by the Department for Communities and Local Government (DCLG).

Contributions to the schemes are made by firefighters and employers, which are paid into a separate Pension Fund Account, from which most commutations and pension payments are made. Any deficit on this account will be met by DCLG, and any surplus at the end of the year must be paid back to DCLG.

The introduction of the 2006 scheme enables firefighters on the Retained Duty System to contribute to a pension scheme, although those who choose not to join will still be eligible to receive a payment following an injury whilst on duty.

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

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The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Shropshire County Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate detailed in note 14 of the accounts (based on the indicative rate of return on high quality corporate bonds).
- The assets of Shropshire County Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.

Accounting for Pensions

The change in the net pensions liability is analysed into the following components:

- **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
- **Past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributable Costs.
- **Net Interest on the defined liability (asset)** – ie net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- **Remeasurements** comprising:
 - The return on plan assets – excluding amounts included in net

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- interest on the defined benefit liability (asset) – charged to the Pensions Reserve.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.
- **Contributions paid to the pension funds** – cash paid as employer’s contributions to the pension schemes.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension schemes in the year, not the amount calculated according to the relevant accounting standard. In the Movement in Reserves Statement, this means there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension schemes and any amounts payable to schemes but unpaid at the year end.

The negative balances that arise on the Pension Reserves thereby measure the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Termination Benefits

Termination benefits are amounts payable as a result of a decision made by the Authority to terminate an officer’s employment before the normal retirement date, or an officer’s decision to accept voluntary redundancy, and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

9 VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid recoverable from it.

10 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of :

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- Corporate and Democratic Core – costs relating to the Authority’s status as a single function democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Cost of Services – Continuing Operations.

11 Intangible Assets

Expenditure on non monetary assets that do not have physical substance but are controlled by the Fire Authority as a result of past events (i.e. software licences) is capitalised when it is expected future economic benefits or service potential will flow from the intangible asset to the Fire Authority.

12 Property Plant and Equipment

Assets that have physical substance are held for use in the production or supply of goods or services, for rental to others, or administration purposes and that are expected to be used during more than one financial year are classified as Property Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property Plant and Equipment is capitalised on an accruals basis, provided it is probable that the future economic benefits or service potential associated with the item will flow to the Fire Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset’s potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

The de minimis level for Property Plant and Equipment is £10,000.

Measurement

Property Plant and Equipment is valued on the bases 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).

Operational properties and other operational assets are carried in the Balance Sheet using the following measurement bases:

- Depreciated Replacement Cost (DRC) for specialised properties, and
- Open Market Value (OMV) for non specialised properties.

There are no holdings of non operational assets or community assets, with all fire stations and Service Headquarters and workshops being classified as operational assets.

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Valuation

Assets which are held in the Balance Sheet at current value are revalued where there have been material changes in current value, but as a minimum every five years. Items within a class of property plant and equipment are revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates.

The fair value of land and buildings is determined by appraisal of appropriate evidence, that is normally undertaken by professionally qualified valuers, who:

- Hold a recognised and relevant professional qualification
- Has sufficient current local and national knowledge of the market, and
- Has the skills and understanding to undertake the valuations competently.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the revaluation gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down

Statement of Accounting Policies

- against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve, or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation

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

An exception is made for assets without a determinable finite useful life (ie freehold land) and assets that are not yet available for use (ie assets under construction).

Depreciation is provided on the following bases:

- Fire stations and other buildings – straight line allocation over the life of the property as estimated by the valuer.
- Vehicles, plant and equipment – straight line allocation over the life of the asset, as advised by a suitably qualified officer.

Where an item of Property Plant and Equipment has major components whose value makes up more than 25% of the total asset value, the components are depreciated separately.

Currently there are no components of any asset that are depreciated separately.

Disposal

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains

Statement of Accounting Policies

accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts must be credited to the Capital Receipts Reserve and can only be used for new capital investment. Receipts are appropriated to the Reserve from the General Funds Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Charges to Revenue for Non Current Assets

Services are debited with the following amounts to record the cost of holding non current assets during the year:

- Depreciation attributable to the assets used by each service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the loss can be written off
- Amortisation of intangible fixed assets attributable to the service.

The Fire Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Fire Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution of MRP (Minimum Revenue Provision) in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Local Authorities (Capital Finance and Accounting) (England)(Amendment) Regulations 2008 came into effect on 31 March 2008. These regulations updated the requirement to make provision for the repayment of debt (MRP).

From 2008/09, the following policy has been adopted:

- For all borrowing incurred during or before 2006/07, the MRP applied is calculated on the basis of 4% of the Capital Financing Requirement (CFR). A further voluntary provision of 4% is made for all assets other than land and buildings.
- For all borrowing incurred during and after 2007/08, the MRP applied

Statement of Accounting Policies

from 2008/09 is calculated on the basis of the Asset Life Method. This method has been selected because it charges the financing costs of assets over the lives of those assets in equal instalments each year, and follows the same principles made by the Authority from 2006/07.

Heritage Assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental and historical associations. They include historical buildings, civic regalia, orders and decorations (medals), military equipment of scientific interest, and works of art. Authorities are required to account for tangible heritage assets in accordance with FRS 30 Heritage Assets.

Heritage assets are recognised and measured in accordance with the Fire Authority's policies on Property Plant and Equipment. However, where information on cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements, the Code does not require that the asset is recognised on the Balance Sheet.

13 Leases

Finance Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Non current assets recognised under finance leases are accounted for using the policies applied generally to Property Plant and Equipment, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at the present value of the minimum lease payments. The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the Plant and Equipment, applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a

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prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement on Reserves Statement for the difference between the two.

Operating Leases

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

14 Financial Assets

The Authority has financial assets which are classified in the Code as loans and receivables, which are assets that have fixed or determinable payments but are not quoted in an active market. They are initially measured at fair value and carried at their amortised cost in the Balance Sheet. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the Authority's loans, this means the amount presented in the Balance Sheet is the outstanding principal receivable and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

15 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Fire Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all of the borrowings the Fire Authority has, this means the amount presented in the Balance Sheet is the outstanding principal repayable, and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

16 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value, on a first in first out basis. Obsolescent inventory is written

Statement of Accounting Policies

off during the year.

17 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.

Investments that mature in no more than three months from the date of acquisition, and that are readily convertible to known amounts with insignificant risk of a change in value, are categorised as cash equivalents in the financial statements.

18 Government Grants

Whether paid on account, by instalments or in arrears, government grants are recognised as due to the Fire Authority when there is reasonable assurance that:

- The Fire Authority will comply with the conditions attached to the payments, and
- The grant will be received.

Amounts recognised as due to the Fire Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant have been satisfied. Conditions are stipulations that specify the future economic benefits or service potential embodied in the asset acquired using the grant are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant is credited to the relevant service line (attributable revenue grants), or Taxation and Non Specific Grants Income (non ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where revenue grants and contributions have been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance sheet date, the grant recognised as income is transferred to an earmarked reserve. This transfer is recognised in the Movement in Reserves Statement.

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Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustments Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

19 Prior Period Adjustments

Prior period adjustments may arise as a result in a change in accounting policy or to correct a material error. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the policy had always been applied.

20 Exceptional Items

Where items of income or expenditure are material, their nature and amount is disclosed separately either on the face of the Comprehensive Income and Expenditure Statement, or in the notes to the financial statements.

21 Events after the Reporting Period

Events may occur between the financial year end and the date that the Statement of Accounts is authorised for issue. Any such events occurring after the Balance Sheet date are properly reflected in the Statement of Accounts up to the date that they are authorised.

Core Financial Statements

Movement in Reserves Statement

	General Fund Balance	Ear-marked Reserves	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2013	1,506	7,385	803	9,694	-132,855	-123,161
Movement in reserves during 2013/14						
Surplus or -deficit on the provision of services	-1,548	0	0	-1,548	0	-1,548
Other Comprehensive Income and Expenditure	0	0	0	0	5,187	5,187
Total Comprehensive Income and Expenditure	-1,548	0	0	-1,548	5,187	3,639
Adjustments between accounting basis & funding basis under regulations (note 4)	4,468	0	0	4,468	-4,468	0
Net Increase/-Decrease before Transfers to Earmarked Reserves	2,920	0	0	2,920	719	3,639
Transfers to/from Earmarked Reserves	-3,403	3,078	325	0	0	0
Increase/-Decrease in 2013/14	-483	3,078	325	2,920	719	3,639
Balance as at 31 March 2014 cfwd	1,023	10,463	1,128	12,614	-132,136	-119,522

Note 25

Note 26

Note 24

Core Financial Statements

Movement in Reserves Statement

	Restated General Fund Balance	Ear- marked Reserves	Capital Grants Unapplied Account	Total Usable Reserves	Restated Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2012	1,411	6,418	817	8,646	-113,965	-105,319
Movement in reserves during 2012/13						
Surplus or -deficit on the provision of services (note 4)	-2,674	0	0	-2,674	0	-2,674
Other Comprehensive Income and Expenditure	0	0	0	0	-15,168	-15,168
Total Comprehensive Income and Expenditure	-2,674	0	0	-2,674	-15,168	-17,842
Adjustments between accounting basis & funding basis under regulations (note 4)	3,722	0	0	3,722	-3,722	0
Net Increase/-Decrease before Transfers to Earmarked Reserves	1,048	0	0	1,048	-18,890	-17,842
Transfers to/from Earmarked Reserves	-953	967	-14	0	0	0
Increase/-Decrease in 2012/13	95	967	-14	1,048	-18,890	-17,842
Balance as at 31 March 2013 cfwd	1,506	7,385	803	9,694	-132,855	-123,161

Note 25

Note 26

Note 24

Core Financial Statements

Comprehensive Income and Expenditure Statement

2012/13				2013/14		
Restated* Gross Expenditure	Restated Gross Income	Restated Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
1,750	14	1,736	Expenditure			
16,703	103	16,600	Community fire safety	1,605	15	1,590
70	1	69	Firefighting and rescue operations	15,620	161	15,459
			Emergency planning and civil defence	65	1	64
			Corporate and Democratic Core			
261	0	261	Democratic representation and management	261	0	261
171	0	171	Corporate management	169	0	169
19	0	19	Non Distributed Costs	20		20
18,974	118	18,856	Cost of Services – continuing operations	17,740	177	17,563
		264	Interest payable and similar charges			263
		-30	Interest and investment income			-46
		6,289	Pensions interest cost and return on pensions assets (note 14)			6,307
		6,523	Financing and Investment Income and Expenditure (note 5)			6,524
		-14,129	Precepts (note 6)			-12,887
		-8,576	Government Grants (note 6)			-9,652
		-22,705	Taxation and Non Specific Grant Income (note 6)			-22,539
		2,674	Surplus(-)/ Deficit on Provision of Services			1,548
		15,168	Actuarial gains (-) / losses on pension fund assets and liabilities (note 14)			-5,187
		15,168	Other Comprehensive Income and Expenditure			-5,187
		17,842	Total Comprehensive Income and Expenditure			-3,639

*See note 3

Core Financial Statements

Balance Sheet

31 March 2013 £'000		Notes	31 March 2014 £'000
	Property Plant and Equipment		
13,383	Land and Buildings	16	12,910
4,718	Vehicles Plant Furniture and Equipment	16	5,108
18,101	Total Long Term Assets		18,018
89	Inventories	18	109
1,475	Short Term Debtors	19	2,969
10,723	Cash and Cash Equivalent	20	12,647
12,287	Total Current Assets		15,725
-1,731	Short Term Creditors	21	-1,771
-1,731	Current Liabilities		-1,771
-41	Provisions	22	-105
-5,810	Long Term Borrowing	17	-5,810
-145,967	Pension Liability	14	-145,551
0	Other Long Term Liabilities	13	-28
-151,818	Long Term Liabilities		-151,494
-123,161	Net Liabilities		-119,522
	Usable Reserves		
1,506	General Fund		1,023
566	General Reserve	23 & 25	577
1,002	Unearmarked Capital Reserve	23 & 25	1,022
1,562	Earmarked Capital Reserve	23 & 25	3,160
328	Extreme Weather Reserve	23 & 25	334
0	Efficiency Reserve	23 & 25	0
1,424	Pensions and Other Staff Issues Reserve	23 & 25	1,755
998	ICT Reserve	23 & 25	1,026
232	Service Delivery Reserve	23 & 25	236
1,015	Income Volatility Reserve	23 & 25	1,137
258	STP Staff Reserve	23 & 25	275
803	Unapplied Capital Grants Reserve	23 & 26	1,128
0	Training Reserve	23 & 25	255
0	Operational Equipment Reserve	23 & 25	278
0	Building Maintenance Reserve	23 & 25	408
	Unusable Reserves		
1,342	Revaluation Reserve	24	1,287
11,760	Capital Adjustment Account	24	11,989
-141,705	Fire Pensions Reserve	14 & 24	-141,826
-4,261	LGPS Pensions Reserve	14 & 24	-3,725
131	Collection Fund Adjustment Account	24	282
-122	Accumulated Absences Account	24	-143
-123,161	Total Reserves		-119,522

Core Financial Statements

Cash Flow Statement

Restated 2012/13 £'000		2013/14 £'000
2,674	Net (surplus) or deficit on the provision of services	1,548
-6,531	Adjustments to net surplus or deficit on the provision of services for non cash movements (see Note 31)	-4,652
-234	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (see Note 28)	-217
-4,091	Net cash flows from operating activities	-3,321
1,373	Investing Activities (see Note 29)	1,180
234	Financing Activities (see Note 30)	217
-2,484	Net increase or decrease in cash and cash equivalents	-1,924
-8,239	Cash and cash equivalents at the beginning of the period	-10,723
-10,723	Cash and cash equivalents at the end of the reporting period	-12,647

Notes to the Core Financial Statements

1. ACCOUNTING POLICIES

The following accounting policies are relevant to an understanding of the financial statements, and have been applied during their preparation:

Accruals of expenditure and income
Cash and cash equivalents
Provisions
Reserves
Employee benefits
Overheads and support services
Property Plant and Equipment
Leases
Financial Liabilities
Inventories
Investments
Government Grants

Change in Accounting Policies

The Code has introduced a change in accounting policy to be adopted from 1 April 2013. The impact of this change has been assessed as follows;

There have been significant changes to IAS 19 Employee Benefits which are applicable to any accounting period commencing on or after 1 January 2013. The key change affecting the Local Government Pension Scheme is in relation to the expected return on assets credited to the Comprehensive Income and Expenditure Statement (CI&ES). This has previously been based on the anticipated performance of return seeking assets however, under the new accounting arrangements, this will effectively be replaced with a net interest on assets calculated using the discount rate. Within the CI&ES for 2012/13, the total post employment benefit charged to the surplus or deficit on provision of services increased by £15,000. Re-measurements (liabilities and assets) replaces actuarial gains and losses. The re-measurements (liabilities and assets) reduced by £15,000.

The adoption of the 2011 amendments to IAS19 and IAS1 in the Code is a change in accounting policy that requires the publication of a Balance Sheet as at the beginning of the earliest comparative period in the financial statements, where the changes brought about by these amendments are material.

The Authority has concluded that there will be no material impact upon its financial statements in relation to the changes made to IAS19, and therefore a Balance Sheet as at 1 April 2012 has not been included.

Notes to the Core Financial Statements

Accounting standards that have been issued but have not yet been adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Authority. All accounting standards have been adopted by the Authority.

2. ASSUMPTIONS MADE ABOUT THE FUTURE, OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGEMENTS

The Statement of Accounts contains estimated figures based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

Reserves

Firefighters on the Retained Duty System have successfully claimed 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 retained firefighters were engaged in broadly similar work as wholetime firefighters.

Pension costs associated with the outcome of the tribunal will be met from the Pensions and Other Staff Issues Reserve.

In applying the accounting policies set out in note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Future Levels of Funding

There is a high level of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close fire stations and reduce levels of service delivery.

Notes to the Core Financial Statements

3. PRIOR YEAR ADJUSTMENT

There have been significant changes to IAS 19 Employee Benefits which are applicable to any accounting period commencing on or after 1 January 2013. The key change affecting the Local Government Pension Scheme is in relation to the expected return on assets credited to the Comprehensive Income and Expenditure Statement (CI&ES). This has previously been based on the anticipated performance of return seeking assets however, under the new accounting arrangements, this will effectively be replaced with a net interest on assets calculated using the discount rate.

In order that this change in accounting policy is reflected in the correct accounting year, the Fire Authority has restated the prior year information for 2012/13.

Effect on Comprehensive Income and Expenditure Statement 2012/13

	<i>Originally Stated</i> £'000	<i>Restated</i> £'000	<i>Amount of Restatement</i> £'000
Cost of services – continuing operations	18,774	18,856	-82
Financing and investment income and expenditure	6,590	6,523	67
Taxation and non specific grant income	-22,705	-22,705	0
Surplus / deficit on provision of services	2,659	2,674	-15
Other comprehensive income and expenditure	15,183	15,168	15
Total comprehensive income and expenditure	17,842	17,842	0

Notes to the Core Financial Statements

Effect on Movement in Reserves Statement 2012/13

	<i>Originally Stated</i> £'000	<i>Restated</i> £'000	<i>Amount of Restatement</i> £'000
Balance at the end of the previous reporting period 31 Mar 12	8,646	8,646	0
Surplus (or deficit) on the provision of services	-2,659	-2,674	-15
Adjustments between accounting basis and funding basis under regulations	3,707	3,722	15
Transfers to or from reserves	0	0	0
Increase (or decrease) in the year	1,048	1,048	0
Balance at the end of the current reporting period 31 Mar 13	9,694	9,694	0

Effect on Cash Flow Statement 2012/13

	<i>Originally Stated</i> £'000	<i>Restated</i> £'000	<i>Amount of Restatement</i> £'000
Net (surplus) deficit on the provision of services	2,659	2,674	15
Adjustments to net surplus of deficit on the provision of services for non cash items	-6,516	-6,531	-15
Adjustments for items included in net surplus of deficit on the provision of services that are investing and financing activities	-234	-234	0
Net cash flows from operating activities	-4,091	-4,091	0

Notes to the Core Financial Statements

4. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2013/14	General Fund Balance £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:		
Reversal of items debited or credited to the Comp I&E Statement:		
Charges for depreciation of non current assets	-1,349	1,349
Revaluation losses on Property Plant and Equipment	43	-43
Capital grants and contributions applied	605	-605
Insertion of items not debited or credited to the Comp I&E Statement:		
Statutory provision for the financing of capital investment	300	-300
Capital expenditure charged against the General Fund Balance	575	-575
Adjustments primarily involving the Pensions Reserves:		
Reversal of items relating to retirement benefits debited or credited to the Comp I&E Statement	-10,156	10,156
Employer's pensions contributions and direct payments to pensioners payable in the year	5,384	-5,384
Adjustment primarily involving the Collection Fund Adjustment Account:		
Amount by which council tax income credited to the Comp I&E Statement is different from council tax calculated for the year in accordance with statutory requirements	151	-151
Adjustment primarily involving the Accumulated Absences Account:		
Amount by which officer remuneration charged to the Comp I&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-21	21
Total Adjustments	-4,468	4,468

Notes to the Core Financial Statements

Comparative figures for 2012/13	Restated General Fund Balance	Movement in Unusable Reserves
	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:		
Reversal of items debited or credited to the Comp I&E Statement:		
Charges for depreciation of non current assets	-993	993
Revaluation losses on Property Plant and Equipment	-166	166
Donated assets at fair value	0	0
Capital grants and contributions applied	952	-952
Insertion of items not debited or credited to the Comp I&E Statement:		
Statutory provision for the financing of capital investment	307	-307
Capital expenditure charged against the General Fund Balance	1,649	-1,649
Adjustments primarily involving the Pensions Reserves:		
Reversal of items relating to retirement benefits debited or credited to the Comp I&E Statement	-9,625	9,625
Employer's pensions contributions and direct payments to pensioners payable in the year	4,164	-4,164
Adjustment primarily involving the Collection Fund Adjustment Account:		
Amount by which council tax income credited to the Comp I&E Statement is different from council tax calculated for the year in accordance with statutory requirements	-55	55
Adjustment primarily involving the Accumulated Absences Account:		
Amount by which officer remuneration charged to the Comp I&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	45	-45
Total Adjustments	-3,722	3,722

Notes to the Core Financial Statements

5. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2013/14 £'000	Restated 2012/13 £'000
Interest payable and similar charges	263	264
Pensions interest cost and expected return on pensions assets	6,307	6,289
Interest receivable and similar income	-46	-30
Total	6,524	6,523

6. TAXATION AND NON SPECIFIC GRANT INCOME

	2013/14 £'000	2012/13 £'000
Council tax income	-12,887	-14,129
Non domestic rates	-3,422	-7,084
Non ringfenced government grants	-5,300	-553
Animal Rescue Donations	0	-1
Capital grants and contributions	-930	-938
Total	-22,539	-22,705

*see also note 11

7. MEMBERS' ALLOWANCES

The Authority paid the following amounts to members of the Authority during the year.

	2013/14 £'000	2012/13 £'000
Allowances	70	69
Expenses	3	3
Total	73	72

Notes to the Core Financial Statements

2013/14	Basic Allowance £	Special Allowance £	Expenses £	Total £
M Price	2,658	1,000	121	3,779
C Mellings	2,658	0	144	2,802
N Hartin	2,658	2,697	404	5,759
K Blundell	386	0	14	400
R Picken	2,279	0	44	2,323
D Minnery	2,658	5,000	56	7,714
S West	2,658	10,000	898	13,556
J Hurst Knight	2,658	0	150	2,808
J Jones	2,658	2,658	363	5,679
T Kiernan	2,658	0	37	2,695
P Adams	2,658	0	42	2,700
J Barrow	2,658	1,000	578	4,236
K Roberts	336	0	0	336
M Bennett	2,658	0	0	2,658
E Carter	2,658	726	329	3,713
J Thompson	2,658	726	0	3,384
F Bould	2,658	277	0	2,935
G Reynolds	2,658	0	105	2,763
P Cherrington	2,329	0	104	2,433
Total	45,200	24,084	3,389	72,673

2012/13	Basic Allowance £	Special Allowance £	Expenses £	Total £
C Mellings	2,658	0	148	2,806
K Blundell	2,658	0	71	2,729
N Hartin	2,658	2,658	311	5,627
M Tebbutt	91	0	55	146
F Bould	2,265	852	0	3,117
J Jones	2,658	2,658	453	5,769
G Reynolds	2,265	0	67	2,332
R Picken	400	0	14	414
D Minnery	2,658	5,000	18	7,676

Notes to the Core Financial Statements

2012/13	Basic Allowance £	Special Allowance £	Expenses £	Total £
J Hurst-Knight	2,658		114	2,772
S West	2,658	10,000	768	13,426
L Murray	384	167	50	601
B Thompson	2,658			2,658
M Bennett	2,658		45	2,703
P Brereton	91			91
R Kiernan	2,658		82	2,740
P Adams	2,658		76	2,734
E Carter	2,658		219	2,877
K Roberts	2,658			2,658
J Barrow	2,658	1,000	335	3,993
M Price	2,658	1,000	122	3,780
Total	45,366	23,335	2,948	71,649

8. OFFICERS REMUNERATION

The number of employees whose remuneration, excluding pension contributions was £50,000 or more in bands of £5,000 were:

Remuneration band	Number of Employees	
	2012/2013	2013/2014
£50,000 - £54,999	11	5
£55,000 - £59,999	7	5
£60,000 - £64,999	0	3
£65,000 - £69,999	4	3
£70,000 - £74,999	0	0
£75,000 - £79,999	0	0
£80,000 - £84,999	0	1
£85,000 - £89,999	0	0
£90,000 - £94,999	1	0
£95,000 - £99,999	0	0
100,000 - £104,999	1	0
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	1
£120,000 - £124,999	1	0

Notes to the Core Financial Statements

2013/14

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

Post	Salary & allowances £	Benefits in kind £	Total £	Pension Conts. £	Total £
Chief Fire Officer	117,662	4,265	121,927	25,063	146,990
Deputy Chief Fire Officer (post deleted July 13)	26,251	1,124	27,375	5,591	32,966
Assistant Chief Fire Officer	89,597	3,788	93,385	19,042	112,427
Assistant Chief Officer (pro rata)	61,418	4,802	66,220	6,373	72,593
Head of Fire Prevention	62,481	2,384	64,865	13,308	78,173
Head of Operational Response and Risk	61,548	3,745	65,293	13,109	78,402
Head of Area Command	62,481	4,700	67,181	13,308	80,489
Head of People Development and Safety	62,481	762	63,243	13,308	76,551
Resources Manager	55,316	2,899	58,215	5,919	64,134
Head of Finance (pro rata)	42,384	0	42,384	4,535	46,919

2012/13

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

Post	Salary & allowances £	Benefits in kind £	Total £	Pension Conts. £	Total £
Chief Fire Officer	117,230	6,778	124,008	24,970	148,978
Deputy Chief Fire Officer	95,904	6,142	102,046	20,428	122,474
Assistant Chief Fire Officer	89,100	4,479	93,579	18,978	112,557
Assistant Chief Officer	52,429	5,245	57,674	6,293	63,967
Head of Fire Prevention	63,583	4,865	68,448	13,543	81,991
Head of Operational Response and Risk	63,630	4,611	68,241	13,553	81,794
Head of District Performance	62,377	5,397	67,774	13,286	81,060
Head of People Development and Safety	62,937	5,265	68,202	13,406	81,608
Resources Manager	54,822	3,345	58,167	5,860	64,027

Notes to the Core Financial Statements

9. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's senior management on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirements is based on cash flows (payment of employer's pension contributions) rather than the current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and is not charged to directorates.

The income and expenditure of the Authority's directorates as recorded in the budget reports is as follows:

2013/14	Executive £'000	Service Delivery £'000	Corporate Performance and Operations £'000	HR and Develop ment £'000	Total £'000
Employee expenses	1,346	9,617	1,944	1,345	14,252
Premises	854	0	43	0	897
Transport	485	0	103	0	588
Supplies and services	887	47	114	1,052	2,100
Debt charges	1,245	0	0	0	1,245
Fees and Charges	-176	0	0	0	-176
Government grants	-150	0	0	0	-150
Contributions to reserves	1,572	0	0	0	1,572
Interest on investments	-45	0	0	0	-45
Total Outturn	6,017	9,664	2,204	2,397	20,283

Notes to the Core Financial Statements

Comparative figures for 2012/13	Corporate Performance and Operations				Total £'000
	Executive £'000	Service Delivery £'000	and Operations £'000	HR and Develop- ment £'000	
Employee expenses	1,455	10,008	1,803	1,399	14,665
Premises	1,009	0	47	0	1,056
Transport	507	5	106	4	622
Supplies and services	923	94	1,062	110	2,189
Debt charges	2,391	0	0	0	2,391
Fees and Charges	-96	0	-21	0	-117
Recharges	-17	0	0	0	-17
Government grants	-410	0	0	0	-410
Contributions from reserves	-443	0	0	0	-443
Interest on investments	-30	0	0	0	-30
Total Outturn	5,289	10,107	2,997	1,513	19,906

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2013/14 £'000	2012/13 £'000
Net expenditure in the Directorate Analysis	20,283	19,906
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	-17,595	-16,878
	2,688	3,028
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	-1,140	-354
Cost of Services in Comprehensive Income and Expenditure Statement	1,548	2,674

Notes to the Core Financial Statements

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14	Directorate Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I&E £'000	Total £'000
Fees, charges and other service income	-177	0	0	-177
Interest and investment income	-46	0	0	-46
Income from council tax	0	-12,887	0	-12,887
Government grants and contributions	-150	-9,502	0	-9,652
Total Income	-373	-22,389	0	-22,762
Employee expenses	14,253	4,794	0	19,047
Other service expenses	6,140	0	-2,446	3,694
Depreciation, amortisation and impairment	0	0	1,306	1,306
Interest payments	263	0	0	263
Total Expenditure	20,656	4,794	-1,140	24,310
Surplus or deficit on the provision of services	20,283	-17,595	-1,140	1,548

Notes to the Core Financial Statements

2012/13 Comparable Figures	Directorate Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I&E £'000	Total £'000
Fees, charges and other service income	-134	0	0	-134
Interest and investment income	-30	0	0	-30
Income from council tax	0	-14,129	0	-14,129
Government grants and contributions	-410	-8,166	0	-8,576
Total Income	-574	-22,295	0	-22,869
Employee expenses	14,665	5,417	0	20,082
Other service expenses	5,551	0	-1,513	4,038
Depreciation, amortisation and impairment	0	0	1,159	1,159
Interest payments	264	0	0	264
Total Expenditure	20,480	5,417	-354	25,543
Surplus or deficit on the provision of services	19,906	-16,878	-354	2,674

10. EXTERNAL AUDIT COSTS

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts and statutory inspections to non audit services provided by the Authority's external auditors:

	2013/14 £'000	2012/13 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year		
Audit Commission (rebate)	-5	1
Grant Thornton	38	38
Total Audit Fees	33	39

Notes to the Core Financial Statements

11. GRANT INCOME

The Authority credited the following grants to the Comprehensive Income and Expenditure Statement in 2013/14:

	2013/14 £'000	2012/13 £'000
CLG - Fire Capital Grant	930	914
Environment Agency – Capital Grant	0	24
DCLG Revenue– Revenue Support Grant	4,813	144
DCLG Revenue – 2011/12 Council Tax Freeze Grant-	336	336
DCLG Revenue – New Dimension Grant	47	46
DCLG Revenue – Small Business Multiplier Grant	43	0
DCLG Revenue – Capitalisation Grant	27	0
DCLG Revenue – Council Tax Reform Grant	0	27
DCLG Revenue – Transparency Code Grant	3	0
DCLG – Transitional Grant for Rural Authorities	31	0
Animal Rescue Donations	0	1
Total	6,230	1,492

Council Tax Freeze Grant 2011/12 (£336,000) – the Authority is eligible to receive this annually for four years until 2014/15, after which it will be rolled into the funding baseline.

12. RELATED PARTIES

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government

The UK Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides a proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (ie council tax bills). Grants received from government departments are set out in the subjective analysis in note 9 on reporting for resources allocation decisions.

Notes to the Core Financial Statements

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in note 7.

There are no instances of transactions involving these related parties which require disclosing.

Officers

There are no instances of transactions involving these related parties which require disclosing.

Other Public Bodies (subject to common control by the UK Government)

The Head of Legal and Administrative Services of the Borough of Telford & Wrekin was also the Clerk of Shropshire and Wrekin Fire Authority.

The Treasurer of Shropshire Council was also the Treasurer of Shropshire and Wrekin Fire Authority.

Shropshire Council and the Borough of Telford & Wrekin, provide a number of support services for Shropshire and Wrekin Fire Authority. The gross payments made to these authorities were £686,000 to Shropshire Council (excludes £57,000 rates refunds) and £164,000 to the Borough of Telford & Wrekin.

Local Authority Controlled Company - Shropshire Fire Risk Management Services Limited

Shropshire Fire Risk Management Services Limited is wholly owned by Shropshire and Wrekin Fire Authority. The company began trading on 16 July 2013, and delivers a range of function related services, including fire risk management, health and safety management and training in first aid.

Shropshire Fire Risk Management Services Limited's accounting year end is 31 March 2014, corresponding with the Fire Authority. The company's accounts were prepared under UK GAAP and independently audited. The company made a net profit of £5,000 for the period to 31 March 2014.

The board of directors of the company is made up of five members of the Fire Authority;

David Minnery (Chair)
Joyce Barrow
Nigel Hartin
Chris Mellings
Terry Kiernan

Notes to the Core Financial Statements

The company employs no staff directly, using staff seconded from the Authority. Recharges at full cost for the trading period to 31 March 2014 totalled £24,712. In addition, contractors are employed to carry out business activities.

The company manager is the Fire Authority's Head of Prevention, Area Manager Martin Timmis.

In July 2013, the Fire Authority approved a loan facility of £20,000 for the company, should it be required. This facility was not used during 2013/14.

Group accounts have not been prepared because the net income, expenditure, assets and liabilities of the company do not have a material impact on the results reported.

13. LEASES

Authority as a Lessor

The Authority has not engaged in any activity as a lessor.

Authority as a Lessee

Finance Leases

The Authority had a number of outstanding finance leases which were carried as Property Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2014 £'000	31 March 2013 £'000
Vehicles, Plant, Furniture and Equipment	28	0

The Authority was committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the assets acquired by the Authority and finance costs that were payable by the Authority in future years while the liability remained outstanding. Outstanding finance lease payments at 31 March 2014 are shown below.

	31 March 2014 £'000	31 March 2013 £'000
Finance lease liabilities (net present value of minimum lease payments):		
Current	15	0
Non Current	13	0
Finance costs payable in future years	2	0
Minimum lease payments	30	0

Notes to the Core Financial Statements

The minimum leases payments will be repayable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000
Not later than one year	16	0	15	0
Later than one year and not later than five years	14	0	13	0
Later than five years	0	0	0	0
Total	30	0	28	0

Operating Leases

The future minimum lease payments due under non cancellable leases in future years are:

	31 March 2014 £'000	31 March 2013 £'000
Not later than one year	93	105
Later than one year and not later than five years	116	201
Later than five years	0	7
	209	313
Operating lease rentals paid during the year	105	172

14. PARTICIPATION IN PENSION SCHEMES

As part of the terms and conditions of employment of its officers and other employees, the Fire Authority makes contributions towards the cost of retirement benefits. Although these benefits will not actually be payable until the employees retire, the Fire Authority has a commitment to make the payments, and this commitment needs to be disclosed at the time employees earn their future entitlement.

The Fire Authority participates in three pension schemes:

Local Government Pension Scheme: non operational staff are eligible for membership of the Shropshire County Pension Fund administered by Shropshire Council. This is a funded defined benefit final salary scheme, meaning that the Fire Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Notes to the Core Financial Statements

The Shropshire County Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of Shropshire Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the Committee.

Firefighters Pension Schemes: on 1 April 2006 new financial arrangements were introduced for both the 1992 and the newly established 2006 Firefighter Pension Schemes.

Both schemes are unfunded, defined benefit schemes, and are regulated by the Department for Communities and Local Government (DCLG). Contributions to the schemes are made by the Fire Authority and employees, and are paid into a separate Pensions Fund Account, from which most commutations and regular payments will be made. Any deficit on this account will be met by DCLG, and any surplus at the end of the year will be paid back to DCLG.

The **principal risks** to the Authority of the schemes are the longevity assumptions, statutory changes to the schemes (ie large scale withdrawals from the schemes), changes to inflation, and in the case of the Local Government Pension Scheme, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute as described in the accounting policies.

Transactions Relating to Retirement Benefits

The costs of retirement benefits are recognised in the reported cost of services when they are earned by employees, rather than when the benefits are actually paid as pensions. However the required charge against council tax is based on the cash payable in the year, so the real cost of post employment and retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Notes to the Core Financial Statements

	Shropshire County Pension Fund		Fire Pension Schemes		
	2013/14 £'000	Restated 2012/13 £'000	Old 2013/14 £'000	New 2013/14 £'000	Restated 2012/13 £'000
Comprehensive I&E Statement					
Cost of Services:					
Service cost comprising:					
Current service cost	445	342	2,533	871	2,991
Past service cost	0	3	0	0	0
Financing and Investment Income and Expenditure:					
Net Interest Expense	174	150	5,797	326	6,130
Administration Cost	10	9	0	0	0
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	629	504	8,330	1,197	9,121
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:					
Remeasurements (assets)	-1,347	-642	0	0	0
Remeasurements (liabilities) <i>(actuarial gains and losses)</i>	489	1,495	-3,736	-593	14,315
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	-858	853	-3,736	-593	14,315
Movement in Reserves Statement					
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-629	-504	-8,330	-1,197	-9,121
Actual amount charged against the General Fund Balance for pensions in the year:					
Employers contributions payable to the scheme	-307	-303	-1,032	-291	-1,372
Top up Grant			-4,161	543	-2,306
Retirement benefits payable to pensioners			-136	0	-183

Notes to the Core Financial Statements

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

	Shropshire County Pension Fund		Fire Pension Schemes	
	2013/14 £'000	2012/13 £'000	2013/14 £'000	2012/13 £'000
Present value of the defined benefit obligation	13,761	12,407	141,826	141,705
Fair value of plan assets	-10,036	-8,146	0	0
Net liability arising from defined benefit obligation	3,725	4,261	141,826	141,705

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of the movements in the fair value of scheme liabilities:

	Funded Liabilities: Shropshire County Pension Fund		Unfunded Liabilities: Fire Pension Schemes	
	2013/14 £'000	2012/13 £'000	2013/14 £'000	2012/13 £'000
Opening balance 1 April	12,407	10,359	141,705	122,130
Current service cost	445	342	3,404	2,991
Interest cost	520	501	6,123	6,130
Contributions by scheme participants	134	131	896	826
Benefits paid	-234	-424	-5,973	-4,687
Remeasurements (actuarial gains and losses):				
Experience (-) gain / loss	1,405	0	0	0
(-)Gain/ Loss in financial assumptions	-1,209	1,370	-6,209	12,879
(-)Gain/ Loss in demographic assumptions	293	125	1,880	1,436
Past service costs	0	3	0	0
Closing balance 31 March	13,761	12,407	141,826	141,705

Notes to the Core Financial Statements

Reconciliation of present value of the scheme assets (defined benefit obligation):

	Shropshire County Pension Fund		Fire Pension Schemes	
	2013/14 £'000	2012/13 £'000	2013/14 £'000	2012/13 £'000
Opening balance 1 April	8,146	7,152	0	0
Interest income	346	351	0	0
Administration cost	-10	-9		
Remeasurements (assets)	1,347	642	0	0
Employer contributions	307	303	0	0
Contributions by scheme participants	134	131	0	0
Benefits paid	-234	-424	0	0
Closing balance 31 March	10,036	8,146	0	0

Top up grant - these are grants payable by government, to those fire authorities whose Pension Fund Accounts are in a deficit position. The grant assists employers with management of benefit payments under the Fire pension schemes.

Top up grant has been included in the reconciliation of assets under the schemes, and has been included within employer contributions as income into the schemes. Disclosures in the statement reflect top up grant of £3.618m in 2013/14, and £2.306m in 2012/13.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Fire Schemes and the Shropshire County Pension Fund liabilities have been assessed by Mercers, an independent firm of actuaries, estimates for the Shropshire County Pension Fund being based on the latest full valuation of the Scheme as at 31 March 2013.

Notes to the Core Financial Statements

The principal assumptions used by the actuary have been:

	Shropshire County Pension Fund		Fire Pension Schemes	
	2013/14	2012/13	2013/14	2012/13
Long term expected rate on assets:				
Equity investments	7.0%	7.0%	-	-
Government bonds	3.4%	2.8%	-	-
Other bonds	4.3%	3.9%	-	-
Property	6.2%	3.0%	-	-
Other assets	0.5%	4.9%	-	-
Mortality Assumptions:				
Longevity at 60 (65 County) for future pensioners: Men	26.0yrs	24.2yrs	30.4yrs	29.4yrs
Women	29.0yrs	27.1yrs	33.0yrs	31.7yrs
Rate of inflation CPI	2.4%	2.4%	2.4%	2.4%
Rate of increase in salaries	3.9%	3.9%	3.9%	3.9%
Rate of increase in pensions	2.4%	2.4%	2.4%	2.4%
Rate for discounting scheme liabilities	4.5%	4.2%	4.5%	4.4%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some or all of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the schemes, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used for the previous period.

Changes in the actuarial assumptions adopted at the accounting date have resulted in an actuarial gain for 2013/14. The net discount rate increased slightly over the year, and this has led to a reduction in liabilities, and therefore an actuarial gain (remeasurement). This was offset to a degree by a change in mortality assumptions. The net effect of these changes was an overall actuarial gain, or remeasurement, of £0.5m over the three pension schemes.

Notes to the Core Financial Statements

Impact on the Defined Benefit Obligation in the Schemes

	Shropshire County Pension Fund		Fire Pension Schemes	
	Increase in assumption £'000	Decrease in assumption £'000	Increase in assumption £'000	Decrease in assumption £'000
Longevity (increase or decrease in one year)	256	-256	2,534	-2,534
Rate of inflation (increase or decrease by 1%)	291	-291	2,782	-2,782
Rate of increase in salaries (increase or decrease by 1%)	89	-89	692	-692
Rate for discounting scheme liabilities (increase or decrease by 1%)	-285	285	-2,721	2,721

The Fire Pension Schemes have no assets to cover their liabilities. The Shropshire County Pension Fund's assets consist of the following categories, by proportion of the total assets held.

	31 March 2014 £'000	31 March 2014 %	Restated 31 March 2013 £'000	Restated 31 March 2013 %
Equity Investments	5,481	54.6	4,672	57.4
Bonds	2,408	24.0	1,889	23.2
Property	398	4.0	235	2.9
Other Assets	1,749	17.4	1,350	16.5
	10,036	100.0	8,146	100.0

Impact on the Authority's Cash Flows – Local Government Pension Scheme

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The administering authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pension Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Authority anticipated to pay £327,000 expected contributions to the scheme in 2014/15.

Notes to the Core Financial Statements

The weighted average duration of the defined benefit obligation for scheme members is 21 years in 2013/14 (17 years in 2012/13).

Injury Awards – the level of injury awards payable to eligible members is dependent on the salary, service and also degree of disablement of the member at the time the injury is incurred. Therefore, in line with IFRS Code of Practice, the assumption that such awards are “not usually subject to the same degree of uncertainty as the measurement of post-employment benefits” can be rebutted and injury awards are therefore accounted for, under IAS19, in the same manner as for the main pension scheme benefits.

15. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was signed off by the Treasurer on 30th June 2014. Events taking place after this date are not reflected in the financial statements or notes.

Notes to the Core Financial Statements

16. PROPERTY PLANT AND EQUIPMENT

Movements in 2013/14	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Property Plant & Equipment £'000
Cost or Valuation			
At 1 April 2013	13,979	10,274	24,253
Additions	-43	1,266	1,223
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	43	0	43
At 31 March 2014	13,979	11,540	25,519
Accumulated Depreciation and Impairment			
As at 1 April 2013	596	5,556	6,152
Depreciation charge	473	876	1,349
At 31 March 2014	1,069	6,432	7,501
Net Book Value at 31 March 2014	12,910	5,108	18,018
At 31 March 2013	13,383	4,718	18,101

Notes to the Core Financial Statements

Comparative Movements in 2012/13	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Property Plant & Equipment £'000
Cost or Valuation			
At 1 April 2012	13,979	9,067	23,046
Additions	166	1,207	1,373
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-3	0	-3
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-163	0	-163
At 31 March 2013	13,979	10,274	24,253
Accumulated Depreciation and Impairment			
As at 1 April 2012	331	4,828	5,159
Depreciation charge	265	728	993
At 31 March 2013	596	5,556	6,152
Net Book Value at 31 March 2013	13,383	4,718	18,101
At 31 March 2012	13,648	4,239	17,887

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Land and buildings – 25 to 40 years
- Vehicles, plant, furniture and equipment – 3 to 20 years.

Notes to the Core Financial Statements

Capital Commitments

At 31 March 2014, the Authority had entered into a number of contracts for the provision or enhancement of Property Plant and Equipment in 2014/15, budgeted to cost £319,000. The commitments were:

Training improvements on stations	£120,000
Appliance replacement	£199,000

Similar commitments at 31 March 2013 were £148,000.

Revaluations

The Authority carries out a rolling programme that ensures all Property Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings were carried out at 31 March 2011, by R Edwards MRICS from Shropshire Council, under instruction from the Authority. The valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The valuations have been undertaken on the following assumptions:-

- The properties are free from any undisclosed onerous burdens, outgoings or restrictions and good title can be shown.
- The land and properties are not contaminated (including Radon Gas)
- The properties and their values are unaffected by any matters which could be revealed by Local Search or inspection of any register and the use and occupation of the asset is lawful.
- In valuing the property, plant and machinery has been excluded unless forming part of the structure and normally valued with the buildings.
- The report does not take account of any liability for taxation which may arise on disposal whether actual or notional.
- Details of title have been taken from previous records supplied by Shropshire Fire and Rescue Service.
- Where there are user rights these have not been considered as having a value because of the inability to transfer such rights.
- Where the property in the ownership of Shropshire Fire and Rescue Service is subject to user rights, the value of the affected parts of the property have been excluded, except where the occupation has approximately twelve months or less to run to the expiry date.

Items within a class of property plant and equipment are revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates.

Heritage Assets

The Fire Authority has a number of items which can be classed as heritage assets, due to their cultural and historical associations to the Fire Service. These assets have been held within the Service for a number of years, having been originally

Notes to the Core Financial Statements

donated. The Authority does not seek to acquire assets of this nature, and has no intention of disposing of the assets currently held.

These assets, which include fire helmets and medals, are held at Brigade Headquarters in Shrewsbury, and at a number of retained stations throughout the county. The estimated value of the assets held is not material to the statements.

As there are no valuations held for these assets, and valuations could not be obtained at a cost which is commensurate with the benefits to the users of the financial statements, the assets are not recognised in the Balance Sheet in accordance with the Code.

Valuation of Non Current Assets carried at Current Value

	Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Total £'000
Carried at historical cost	0	5,108	5,108
Carried at fair value as at:			
31 March 2012	2,200		2,200
31 March 2011	10,710		10,710
Total	12,910	5,108	18,018

17. FINANCIAL INSTRUMENTS

Categories of Financial Instrument

The following categories of financial instrument are carried in the Balance Sheet:

	Long Term		Current	
	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000
Cash and cash equivalents				
Cash and bank accounts			197	124
Short term deposits with bank			9,430	1,920
Short term deposits with local authorities			2,770	8,180
Short term deposits with Debt Management Office			250	500
Total cash and cash equivalents	0	0	12,647	10,724
Debtors				
Financial assets carried at contract amounts			116	22
Total debtors	0	0	116	22

Notes to the Core Financial Statements

	Long Term		Current	
	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000
Borrowings				
Financial liabilities at amortised cost	5,810	-5,810		0
Total borrowings	5,810	-5,810		0
Other Long Term Liabilities				
Finance leases	28	0		
Total other long term liabilities	28	0		
Creditors				
Financial liabilities carried at contract amount			242	209
Total creditors	0	0	242	209

Financial Instrument Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2013/14		2012/13	
	Liabilities at amortised cost £'000	Assets – loans and receivables £'000	Liabilities at amortised cost £'000	Assets – loans and receivables £'000
Interest expense	263	0	264	0
Total expense in Surplus or Deficit on the Provision of Services	263	0	264	0
Interest income	0	46	0	30
Total income in Surplus or Deficit on the Provision of Services	0	46	0	30
Net gain /(loss) for the year	263	46	264	30

Nature and extent of risk arising from financial instruments: The Authority's activities expose it to a variety of financial risks:

Credit Risk –this is the possibility other parties may fail to pay amounts due to the Authority. This arises from the lending of surplus funds to banks, building societies and other local authorities, as well as credit exposures to the Authority's customers.

Notes to the Core Financial Statements

The Authority, with support and guidance from Treasury Services at Shropshire Council, work to minimise the exposure to the unpredictability of financial markets and to protect the financial resources available to fund services.

The Authority has adopted CIPFA's Code of Treasury Management Practices, and an Annual Treasury Management Strategy has also been approved by the Authority.

Liquidity Risk – this is the possibility the Authority may not have funds available to meet its commitments to make payments. As the Authority has ready access to borrowings, there is no significant risk it will be unable to raise finance to meet its commitments.

Market Risk – this is the possibility financial loss might arise for the Authority as a result of changes in such measures as interest rates. Changes in interest receivable on variable rate investments will be posted to the Comprehensive Income and Expenditure Statement and will therefore directly affect the General Fund Balance.

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2014 of 4.05% to 5.125% for loans from the PWLB
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as followed:

	31 March 2014		31 March 2013	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial liabilities	5,810	6,903	5,810	7,426
Long term creditors	28	28	0	0

Notes to the Core Financial Statements

Additional information in respect of the Authority's borrowing is given below

	31 March 2014 £'000	31 March 2013 £'000
Loan Source		
Public Works Loan Board	5,810	5,810
Analysis by Maturity		
Less than 1 year	0	0
Between 1 and 2 years	112	0
Between 2 and 5 years	0	112
Between 5 and 10 years	443	443
Between 10 and 20 years	2,247	1,706
Between 20 and 30 years	1,348	1,889
Between 30 and 40 years	1,130	800
Between 40 and 50 years	530	860

18. INVENTORIES

2013/14	Vehicle Parts £'000	Oil £'000	Diesel £'000	Uniforms £'000	Fire Ground Feeding £'000	Total £'000
Balance outstanding at start of year	48	4	10	25	2	89
Purchases	86	3	143	168	18	418
Recognised as an expense during the year	-69	-5	-146	-159	-19	-398
Balance outstanding at year end	65	2	7	34	1	109

2012/13	Vehicle Parts £'000	Oil £'000	Diesel £'000	Uniforms £'000	Fire Ground Feeding £'000	Total £'000
Balance outstanding at start of year	63	6	12	33	1	115
Purchases	118	9	154	137	11	429
Recognised as an expense during the year	-133	-11	-156	-145	-10	-455
Balance outstanding at year end	48	4	10	25	2	89

Notes to the Core Financial Statements

19. DEBTORS

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.

	31 March 2014 £'000	31 March 2013 £'000
Central government bodies	1,164	405
Public corporations and trading funds	803	472
Other local authorities	710	328
Other entities and individuals	292	270
Total	2,969	1,475

20. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

	31 March 2014 £'000	31 March 2013 £'000
Cash held by the Authority	2	2
Bank current accounts	195	122
Short term deposits with bank	9,430	1,920
Short term deposits with local authorities	2,770	8,180
Short term deposits with Debt Management Office	250	500
Total	12,647	10,724

21. 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 2014 £'000	31 March 2013 £'000
Central government bodies	435	366
Other local authorities	548	332
Other entities and individuals	788	1,033
Total	1,771	1,731

Notes to the Core Financial Statements

22. PROVISIONS

Equipment Replacement Provision

	£'000
Balance at 1 April 2013	41
Additional provisions made in 2013/14	108
Amounts used in 2013/14	-44
Balance at 31 March 2014	105

	£'000
Balance at 1 April 2012	35
Additional provisions made in 2011/12	81
Amounts used in 2011/12	-75
Balance at 31 March 2013	41

23. USABLE RESERVES

The Fire Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

Movements in the Authority's usable reserves are detailed in the Movement in Reserve Statement.

24. UNUSABLE RESERVES

31 March 2013 £'000		31 March 2014 £'000
1,342	Revaluation Reserve	1,287
11,760	Capital Adjustment Account	11,989
-4,261	LGPS Pensions Reserve	-3,725
-141,705	Fire Pensions Reserve	-141,826
131	Collection Fund Adjustment Account	282
-122	Accumulated Absences Account	-143
-132,855	Total Unusable Reserves	-132,136

Notes to the Core Financial Statements

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property Plant and Equipment. The balance is reduced when the assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2012/13 £'000		2013/14 £'000
1,454	Balance at 1 April	1,342
	Upward revaluation of assets	
-3	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0
1,451	Surplus or deficit on revaluation of non current assets not posted to the Surplus/Deficit on the Provision of Services	1,342
-109	Difference between fair value depreciation and historical costs depreciation	-55
1,342	Balance as at 31 March	1,287

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairments losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

Notes to the Core Financial Statements

The Account contains revaluation gains accumulated on Property Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

Note 24 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2012/13 £'000		2013/14 £'000
9,899	Balance at 1 April	11,760
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
-993	Charges for depreciation and impairment of non current assets	-1,306
-163	Revaluation losses on Property Plant and Equipment	0
8,743	Total	10,454
109	Adjusting amounts written out of the Revaluation Reserve	55
8,852	Net written out amount of the cost of non current assets consumed in the year	10,509
	Capital financing applied in the year:	
938	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	0
14	Application of grants to capital financing from the Capital Grants Unapplied Account	605
307	Statutory provision for the financing of capital investment charged against the General Fund balance	300
1,649	Capital expenditure charged against the General Fund balance	575
11,760	Balance as at 31 March	11,989

Notes to the Core Financial Statements

Pensions Reserves

The Pensions Reserves absorb the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserves therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has to set aside to meet them. The statutory arrangements will ensure funding will have been set aside by the time the benefits come to be paid.

Restated 2012/13 £'000				2013/14 £'000		
Fire	LGPS	Total		Fire	LGPS	Total
122,130	3,207	125,337	Balance at 1 April	141,705	4,262	145,967
14,315	853	15,168	Actuarial gains or losses on pensions assets and liabilities	-4,329	-858	-5,187
9,121	504	9,625	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	9,527	629	10,156
-3,861	-303	-4,164	Employer's pension contributions and direct payments to pensioners payable in the year	-5,077	-307	-5,384
141,705	4,261	145,966	Balance at 31 March	141,826	3,726	145,552

Notes to the Core Financial Statements

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2012/13 £'000		2013/14 £'000
186	Balance at 1 April	131
-55	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	151
131	Balance at 31 March	282

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, ie annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

2012/13 £'000		2013/14 £'000
-167	Balance at 1 April	-122
	Settlement or cancellation of accrual made at the end of the preceding year	0
167	Amount accrued at the end of the current year	122
-122	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-143
-122	Balance at 31 March	-143

Notes to the Core Financial Statements

25. TRANSFERS TO / FROM EARMARKED RESERVES

	Balance 31 Mar 2012 £'000	Transfers Out 2012/13 £'000	Transfers In 2012/13 £'000	Balance 31 Mar 2013 £'000	Transfers Out 2013/14 £'000	Transfers In 2013/14 £'000	Balance 31 Mar 2014 £'000
General Reserve	552	0	14	566	0	11	577
Unearmarked Capital Reserve	2,185	-1,237	54	1,002	0	20	1,022
Earmarked Capital Reserve	628	-357	1,291	1,562	-5	1,603	3,160
Extreme Weather Reserve	320	0	8	328	0	6	334
Pensions and Other Staff Issues Reserve	1,389	0	35	1,424	0	331	1,755
ICT Reserve	1,099	-124	23	998	-194	222	1,026
Efficiency Reserve	14	-14	0	0	0	0	0
STP Staff Reserve	0	-49	307	258	-147	164	275
Income Volatility Reserve	0	0	1,015	1,015	0	122	1,137
Service Delivery Reserve	231	0	1	232	-1	5	236
Training Reserve	0	0	0	0	0	255	255
Building Maintenance Reserve	0	0	0	0	0	408	408
Operational Equipment Reserve	0	0	0	0	-28	306	278
Total	6,418	-1,781	2,748	7,385	-375	3,453	10,463

Notes to the Core Financial Statements

26. CAPITAL GRANTS UNAPPLIED ACCOUNT

	2013/14 £'000	2012/13 £'000
Balance at 1 April	-803	-817
Capital grants received	-930	-938
Used to finance capital expenditure	605	952
Balance at 31 March	-1,128	-803

27. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

	2013/14 £'000	2012/13 £'000
Opening Capital Financing Requirement	4,998	6,533
<i>Capital investment</i>		
Property Plant and Equipment	1,223	1,373
<i>Sources of Finance</i>		
Government grants and other contributions	-605	-952
Sums set aside from revenue:		
Direct revenue contributions	-575	-1,649
MRP	-300	-307
Closing Capital Financing Requirement	4,741	4,998
Explanation of movements in year		
Decrease in underlying need to borrowing (supported by government financial assistance)	0	0
Increase / -Decrease in underlying need to borrowing (unsupported by government financial assistance)	-257	-1,535
Increase / (decrease) in Capital Financing Requirement	-257	-1,535

Notes to the Core Financial Statements

28. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2012/13 £'000		2013/14 £'000
-30	Interest received	-46
264	Interest paid	263
234		217

29. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2012/13 £'000		2013/14 £'000
1,373	Purchase of property plant and equipment	1,180
0	Other receipts from investing activities	0
1,373	Net cash flows from investing activities	1,180

30. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2012/13 £'000		2013/14 £'000
-30	Other receipts from financing activities	-46
	Cash payments for the reduction of the outstanding liabilities relating to finance leases	
264	Other payments for financing activities	263
234	Net cash flows from financing activities	217

Notes to the Core Financial Statements

31. CASH FLOW STATEMENT – NON CASH MOVEMENTS

Restated 2012/13 £'000		2013/14 £'000
-993	Depreciation	-1,349
-166	Losses on asset revaluations	43
938	Capital grant	605
307	MRP	300
1,649	Capital expenditure from revenue	575
-5,461	IAS19 pension adjustments	-4,772
-55	Collection Fund adjustment	151
45	Accumulated Absences adjustment	-21
-5	Net movement on provision	-64
-307	MRP	-300
-952	Capital grant	-605
16	Finance leases	14
-1,649	Capital expenditure from revenue	-575
-27	Movement on stocks	21
603	Movement on creditors	113
-474	Movement on debtors	1,212
-6,531		-4,652

Pension Fund Accounts

Year ended 31 March 2013 £'000		Year ended 31 March 2014 £'000
	Income to the fund	
	Contributions receivable:	
	From employer:	
-1,090	Normal: Old scheme	-1,032
-282	Normal: New scheme	-291
-59	Early Retirements	-58
	From members:	
-600	Normal: Old scheme	-641
-225	Normal: New scheme	-255
	Transfers in:	
	Individual transfers from other schemes	0
-2,256	Income to the Fund	-2,277
	Spending from the Fund	
	Benefits payable:	
3,538	Pensions	3,790
864	Commutations on pensions and lump sum retirement benefits	1,649
	Payments to and on account of leavers:	
0	Individual transfers out of the scheme	144
2,146	Deficit / surplus for the year before top up grant receivable from Central Government	3,306
-1,674	Top Up grant received	-2,503
-472	Top Up grant receivable	-803
0	Net amount receivable for the year	0

See note 1 to the account

Pension Fund Accounts

Net Assets Statement as at 31 March 2014

£'000	Current Assets	£'000
472	Top Up grant receivable from Government	803
£'000	Current Liabilities	£'000
-472	Amounts due to General Fund	-803
0		0

Notes to the Pension Fund Accounts

- 1. Firefighters Pension Schemes** – on 1 April 2006 new financial arrangements were introduced for both the 1992 and the newly established 2006 Firefighter Pension Schemes. The Pension fund was established under the Firefighters Pension Fund Regulations 2006.
- 2.** The Pension Fund is regulated by Department of Communities and Local Government (DCLG), and the pension schemes are managed and administered locally by each Fire Authority. Both are unfunded, defined benefit schemes; contributions to the schemes are made by firefighters and employers, and paid into the Fund, from which most commutations and regular pension payments are made. Any deficit on the Fund will be met by Government, and any surplus at the end of the year will be repaid to Government.
- 3.** The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end; information on the Authority's long term pensions obligations can be found at note 14 to the main financial statements.
- 4.** Employees and employers contribution levels are set nationally by DCLG and subject to triennial revaluation by the Government's Actuary Department.
- 5.** The accounts are prepared in accordance with the same Code of Practice and accounting policies as the main financial statements – they can be found at page 20.

Glossary of Terms

Accrual

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Capital Adjustment Account

Provides a balancing mechanism between the different rates at which assets are depreciated under IFRS and are financed through capital controls system.

Capital Expenditure

Expenditure on the acquisition of non current assets such as land, buildings, vehicles and equipment which are of long term value, or expenditure which adds to and not merely maintains the value of existing assets.

Capital Receipts

Money received from the sale of capital assets such as vehicles, which may be used to repay outstanding debt or finance new assets.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Capital Financing Requirement

This measures the underlying need to borrow to finance capital expenditure.

Collection Fund Adjustment Account

Provides a mechanism for recognising the Fire Authority's share of the Collection Fund surplus / deficits at the end of the year.

Corporate and Democratic Core

Represents the costs of corporate policy making and member based activities. Other costs relate to the general running of the Fire Authority including corporate management and public accountability.

Council Tax

The means of raising money locally which pays for Fire Authority services. This is a property based tax where the amount levied is dependant on the valuation of each dwelling.

Creditors

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 Assets

Items from which the Fire Authority derives a benefit but which will be consumed or realised during the next accounting period, ie stocks, debtors, cash.

Current Liabilities

Amounts which will become payable in the next accounting period ie creditors.

Glossary of Terms

DCLG

The Department of Communities and Local Government – the Government department with responsibility for the Fire and Rescue Service.

Debtors

Sums of money due to the Fire Authority for goods sold or services rendered but for which payment has not been received at the balance sheet date.

Depreciation – the measure of the wearing out, consumption, or other reduction in the useful economic life of a non current asset, whether arising from use, passage of time or obsolescence through technological or other changes.

Finance Lease

Leases which transfer the risks and rewards of ownership of a fixed asset to the lessee and such assets are included within the non current assets in the balance sheet.

Government Grants

Assistance by government in the form of cash or transfers of assets to authorities, in return for past or future compliance with certain conditions relating to the activities of the Fire Authority

Heritage Assets

Assets preserved in trust for future generations because of their cultural, environmental or historical associations, which have historical, artistic, scientific or environmental qualities, and which are held and maintained by the Fire Authority principally for the contribution to knowledge and culture

Impairment

A reduction in the value of a non current asset below its carrying amount on the balance sheet.

International Accounting Standards (IAS)

International Financial Accounting Standards (IFRS)

The framework of standards within which the financial statements are prepared.

Long Term Borrowing

Loans that are raised with external bodies, for periods of more than one year.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to the revenue account each year to set aside for provision for credit liabilities, previously 4% of the capital financing requirement

Non Current Assets

Tangible assets that yield benefits to the Fire Authority and the services it provides for a period of more than one year.

Glossary of Terms

Operating Leases

Leases where the ownership of the asset remains with the lessor, and the annual rental is charged to the revenue account.

Operational Assets

Non current assets held and occupied, used or consumed by the Fire Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Revaluation Reserve

Contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation.

Revenue Support Grant

Government grant in aid of the Fire Authority's services generally. It is based upon the Government's assessment of how much the Fire Authority needs to spend in order to provide a standard level of service.

Stocks

The amount of unused or unconsumed stocks held in expectation of future use

Useful Life

The period over which the Fire Authority will derive benefits from the use of a non current asset.

Virement

The transfer of resources between budget heads. Virements must be properly authorised by the appropriate committee or by officers under delegated powers.