



Shropshire and Wrekin

Fire and Rescue Authority

Statement of Accounts

2011/12



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Introduction

This statement of accounts sets out the financial position of Shropshire and Wrekin Fire Authority for the year ended 31 March 2012. 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. The Code is based on the following hierarchy of standards:

- International Financial Accounting Standards (IFRSs)
- International Public Sector Accounting Standards (IPSASs)
- UK Generally Accepted Accounting Practices (UK GAAP)

This foreword provides the reader with

- An understanding of the new accounting statements
- A review of the financial performance of the Authority during 2011/12
- A summary of the Authority's financial position at the end of the year, and
- Details of significant changes likely to affect the Authority during 2012/13.

The Financial Statements

The core financial statements are set out on pages 32 to 36, and are supported by a Statement of Accounting Policies. Explanatory notes follow the accounting statements.

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. 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 (ie borrowing) to the Authority.

Financial Performance

In February 2011, Shropshire and Wrekin Fire Authority approved a revenue budget of £21.036m for 2011/12. 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.

During 2011/12 the Fire Authority has approved net transfers to contingency of £226,000. Actual out turn on the revenue budget was £19.625m, resulting in an additional surplus of £1.185m.

Some of this year's savings represent expenditure that has slipped from 2011/12 into 2012/13, 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 2012/13.



| | |
|-------------------------------|------------|
| Training and development | 31 |
| Hydrants | 47 |
| Operational equipment | 10 |
| Human Resources staff | 24 |
| Command and control system | 23 |
| Other items of minor slippage | 13 |
| Total | 148 |

| | |
|---|--------------|
| Efficiencies and other opportunity savings | £'000 |
| Staff savings – Service Delivery and Control | 36 |
| Staff savings – Executive and Management Support | 48 |
| Staff savings – Training and Development | 24 |
| Staff savings - other | 24 |
| Pay and prices | 485 |
| Facilities and fleet management | -75 |
| Financial services – debt charges | 144 |
| Part Time Workers Tribunal – additional costs | -105 |
| Pensions | 253 |
| Mobilising systems | 27 |
| Training and development | 79 |
| Planning and performance | 69 |
| Other variations | 28 |
| Total | 1,037 |

Capital Programme

In February 2011, the Fire Authority approved a capital programme totalling £1.075m. Following the receipt of a capital grant from Department of Communities and Local Government (DCLG), it was also agreed that a scheme for two fire appliances, at a total of £400,000, would be brought forward.

During the year, two new schemes were added for technological improvements, and two schemes were amended or cancelled. In addition, a number of schemes from years prior to 2011/12 were carried forward for completion.

Schemes prior to 2011/12

A total of £101,000 has been spent on schemes which were approved prior to 2010/11. Four schemes are still to be completed, with estimated completion costs as follows:

| | |
|------------------------------|--------------|
| | £'000 |
| Training improvements | 58 |
| Command and control system | 13 |
| Retained availability system | 50 |
| Firekit replacement | 492 |

2011/12 Schemes



A total of £740,000 has been spent on schemes approved in 2011/12, including £629,000 on operational vehicles and equipment, and £111,000 on information technology and mobilising improvements.

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

| | £'000 |
|---------------------------------|--------------|
| BA set upgrade | 320 |
| Wireless technology on stations | 37 |
| Appliances | 130 |
| Station end equipment | 85 |

The cost of these schemes has been funded from contributions from the Earmarked Capital Reserve, contributions from revenue, and capital grant.

Headquarters Project

The scheme to refurbish the Fire Authority's headquarters, workshop and fire station at St Michaels Street in Shrewsbury was completed during 2011/12, at a total cost of £4.2m.

During 2011/12, capital grants were awarded to the Fire Authority by the Department of Communities and Local Government (CLG), which were used in part to fund the works at the Shrewsbury site. The remainder of the cost was met from contributions from the Unearmarked Capital Reserve and contributions from revenue.

Reserves and Provisions

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

| | 31 March 2011 £'000 | 31 March 2012 £'000 |
|---|------------------------------------|------------------------------------|
| General Reserve | 539 | 552 |
| Efficiency Reserve | 60 | 14 |
| Pensions and other Staff Issues Reserve | 1,256 | 1,389 |
| Extreme Weather Reserve | 312 | 320 |
| Earmarked Capital Reserve | 527 | 587 |
| Unearmarked Capital Reserve | 988 | 2,185 |
| Equipment Replacement Provision | 64 | 35 |
| ICT Reserve | 0 | 966 |
| Capital Grants Unapplied Reserve | 0 | 817 |
| General Fund Balance | 2,212 | 1,411 |

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



The Year Ahead

- **Retained Firefighters & the Part-Time Workers Regulations**

Firefighters on the Retained Duty System are claiming access to the Firemen's Pension Scheme, equality on sick pay, and additional duty payments under the above regulations. In January 2006, the House of Lords granted a re hearing at the firefighters' employment tribunal, which declared that retained firefighters were engaged in broadly similar work as wholetime firefighters.

There will be potential pension costs to the Fire Authority relating to the financial periods between July 2000 and April 2006, as a large proportion of the Authority's employees are retained firefighters. It is likely these payments will be made during the financial year 2011/12, although the number of retained firefighters involved is not yet certain. The balance in the Pensions and Other Staff Issues Reserve was increased in 2010/11 in readiness for these payments.

Payments for compensation to be made relating to the terms and conditions under which retained firefighters worked during this period have been estimated and accrued into this financial year. Payments will be made during 2012/13.

- **FiReControl 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.

Following the closure of the project, the Department of Communities and Local Government (CLG) consulted on the future of fire and rescue control services. The consultation led to the announcement in March 2012 of a grant for future control room services which was created to help fire and rescue authorities in England improve the resilience, efficiency and interoperability of their control services, and secure many of the benefits that would have been delivered by FiReControl.



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:

<https://www.shropshirefire.gov.uk/sites/alpha.shropshirefire.gov.uk/files/page/files/Code%20of%20Corporate%20Governance%202011-12%20Final.pdf>

A paper copy can be obtained from the Corporate, Performance and Operations 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.

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 2011/12 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;
- measure the quality of services for users, ensuring they are delivered in accordance with the Authority's objectives and that they represent the best use of resources;
- define and document the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication;
- develop, communicate and embed codes of conduct, which define the standards of behaviour for members and staff;
- review and update standing orders, standing financial instructions, the scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
- 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);
- undertake the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities;
- ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- enable whistle-blowing and the receiving and investigating of complaints from the public;
- identify the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training;
- establish clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation; and
- ensure good governance arrangements in respect of partnerships and other group working.

Review of Effectiveness

The Fire Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control.

The review of effectiveness is informed by the work of the executive managers within the Authority, who have overall responsibility for the development and maintenance of the governance environment, as well as:



- the 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 2011/12, 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) On-going review of our employment policies is undertaken and, where necessary, policies are modified or created to ensure compliance with all applicable legislation;
- c) The Service Transformation Programme has been established 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.
- d) During the year the Authority has continued with its Public Value approach towards planning, budget and cost saving measures. The Year 1(2011/12) Public Value initiatives have resulted in a £1.1m reduction in the Authority's spend, with minimal disruption to service delivery.
- e) The Service has invested significantly in its Information and Communications Technology and command and control infrastructure, building resilience and improved service delivery.
- f) The Fire Authority has received and/or adopted:
 - Statement of Accounts 2010/11;
 - Corporate Plan 2011/12;
 - Public Value Year 1 2011/12 outcomes;
 - Annual Audit Letter 2010/11;
 - Budget Monitoring reports;
 - Public Value Measure Performance reports;
 - External security audits;
 - 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 2011/12 related to:
- Budget preparation and control
 - Capital accounting and budgeting
 - Payroll, travel and subsistence
 - Risk management
 - Corporate governance
 - Network administration
 - Previous recommendation follow ups

Internal Audit will be conducting audits into the following areas during 2012/13:

- Payroll, travel and subsistence
- Capital accounting and budgeting
- Computer services
- Income generation and sundry debtors
- Purchasing cards
- Information transparency
- Fraud and corruption – changes to creditor bank details
- Risk management
- Corporate governance
- Previous recommendations 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 Authority, for the provision of financial advice and representation.

Shropshire Council's Corporate Head of Finance and Commerce 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



s151 of the Local Government Act 1972, the Local Government Finance Act 1988 and the Accounts and 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:
 - Six meetings of the Fire and Rescue Authority;
 - Five meetings of the Strategy & Resources Committee;
 - Four meetings of the Audit and Performance Management Committee.
- Regular Chair's briefings and internal meetings, as well as regular liaison with the internal Head of Finance (Deputy s151 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 at no cost to the Fire Authority; 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 principle decisions, outside the formal services agreed within the service level agreement.

Significant Internal Control Issues

No significant issues were raised in the Annual Audit Letter 2010/11. The relatively minor points arising from these reviews are being used to enhance the existing system of controls, particularly with regard to information and information and communications technology security.

The Fire Authority undertook a review of its systems of internal control, which underpin its governance framework, during May and June 2012. An Annual Governance Statement (AGS) Improvement Plan 2012/13 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 2012/13, is given below:



Finance Management

1. Ensure that strategic financial planning takes account of likely changes to funding streams, in terms of business rates retention and localisation of council tax support, as a result of new legislation.
2. Public Value and the 2020 Strategy will consider how the Service is structured and meets the challenge of further budget settlements.

Resource Management

3. The Service needs to complete the implementation of the Asset Management System. Existing systems will be assessed to seek assurance that they are robust and fit for purpose.

Operations and Fire Control

4. Embedding of the Command and Control system to suit the needs of the Service and the Community.
5. Determine and implement an appropriate in-life support arrangement for the Command and Control System.
6. Consideration to be given to the outcomes of the Operational Assurance Peer Review.

Health and Safety Management

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

Service Transformation Programme

8. The Service Transformation Programme will monitor key areas including the implementation of a number of systems (Human Resources, Performance Management and Information Management Review). The Programme will aid in embedding and supporting appropriate systems to ensure the most efficient use of our resources.

ICT and Communications

9. Improved resilience of the shadow site at Telford Central needs to be fully assured when installation is complete, with regard to resilience offered by our partnering with Hereford and Worcester Fire and Rescue Service. This will include the provision of secure Business Continuity information, accessible at all times to appropriate managers.



Risk Management and Business Continuity Planning

10. Internal audit has identified that members of the Risk Management Group require some measure of training and/or qualification to ensure that all risk-related issues are dealt with in line with best practice.

Signed:

Chair of Audit and Performance
Management Committee

Paul Raymond
Chief Fire Officer

Rachel Musson
Treasurer



The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice') is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year (ended 31 March 2012).

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 hereby certify that this Statement of Accounts complies with the requirements of the Accounts and Audit Regulations 2003.

TREASURER

Dated:

The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Treasurer;
- to manage its affairs to secure economic, efficient and 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 6 September 2012.

Chair of the Authority

Dated:



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHROPSHIRE AND WREKIN FIRE AUTHORITY

Opinion on the Authority and Pension Fund financial statements

I have audited the financial statements and the firefighters' pension fund financial statements of Shropshire and Wrekin Fire Authority for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The firefighters' pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Shropshire and Wrekin Fire Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Authority's Statement of Accounts, which includes the financial statements and the firefighters' pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword and the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.



Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Shropshire and Wrekin Fire Authority as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the firefighters' pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper



stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Shropshire and Wrekin Fire Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.



Certificate

I certify that I have completed the audit of the accounts, including the firefighters' pension fund accounting statements, of Shropshire & Wrekin Fire and Rescue Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Grant Patterson

District Auditor

Audit Commission
Opus House, Priestly Court
Stafford Technology Park
Beaconside,
Stafford ST18 0LQ

7 September 2012



1 General Principles

The Statement of Accounts summarises the Fire Authority's transactions for the 2011/12 financial year and its position at the year end of 31 March 2012. The Fire Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, 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 2011/12 and the Service Reporting Code of Practice 2011/12, 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.

Accounting policy 12, Property Plant and Equipment, has been updated to incorporate the Authority's policy on heritage assets.



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 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 a note to the financial statements 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.

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 currently on the reserve will be used to fund initiatives arising as 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 will be used to part fund the Authority's refurbishment of the headquarters, workshop and fire station at Shrewsbury, with any balance remaining being 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.



- **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.

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.
- **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.

Retirement Benefits

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

- **Firefighters Pension Schemes** – 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 (CLG). 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 Central Government, and any surplus at the end of the year must be paid back to Central Government.

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

- **Local Government Pension Scheme** – support 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.

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 of 4.9% (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
 - unlisted securities – current bid price
 - property – market value.

Accounting for Pensions

The change in the net pensions liability is analysed into seven 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 arising from current year decisions 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.

- **Interest Cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **Expected Return on Assets** – the annual investment return on the fund assets attributable to the Authority, based on the average of the expected long term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **Gains/losses on settlements and curtailments** – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributable Costs.
- **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 – debited 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 2011/12 (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 :

- 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 Net Expenditure on Continuing Services.

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.

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. 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 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. Two of the Authority's sites, Shrewsbury and Telford Central, are valued at Open Market Value, and are not depreciated.
- 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 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 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 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 SORP 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 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 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.



Movement in Reserves Statement

Shropshire and Wrekin Fire Authority
Statement of Accounts 2011/2012

| | General Fund Balance £'000 | Ear- marked Reserves £'000 | Capital Grants Unapplied Account £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 | Total Authority Reserves £'000 |
|--|-------------------------------------|-------------------------------------|--|--------------------------------------|-------------------------------|---|
| Balance at 31 March 2011 | 2,212 | 3,682 | 0 | 5,894 | -106,198 | -100,304 |
| Movement in reserves during 2011/12 | | | | | | |
| Surplus or (deficit) on the provision of services | -4,780 | 0 | 0 | -4,780 | 0 | -4,780 |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | -640 | -640 |
| Total Comprehensive Income and Expenditure | -4,780 | 0 | 0 | -4,780 | -640 | -5,420 |
| Adjustments between accounting basis & funding basis under regulations | 7,127 | 0 | 0 | 7,127 | -7,127 | 0 |
| Net Increase/Decrease before Transfers to Earmarked Reserves | 2,347 | 0 | 0 | 2,347 | -7,767 | -5,420 |
| Transfers to/from Earmarked Reserves | -3,148 | 2,331 | 817 | 0 | 0 | 0 |
| Increase/Decrease in 2011/12 | -801 | 2,331 | | 2,347 | -7,767 | -5,420 |
| Balance as at 31 March 2012 cfwd | 1,411 | 6,013 | 817 | 8,241 | -113,965 | -105,724 |

Movement in Reserves Statement

Shropshire and Wrekin Fire Authority
Statement of Accounts 2011/2012

| | General Fund Balance | Earmarked Reserves | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|--|-------------------------------------|-------------------------------|--------------------------------------|------------------------------|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 31 March 2010 | 485 | 4,477 | 4,962 | -119,382 | -114,420 |
| Movement in reserves during 2009/10 | | | | | |
| Surplus or (deficit) on the provision of services | -4,896 | 0 | -4,896 | 0 | -4,896 |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 19,012 | 19,012 |
| Total Comprehensive Income and Expenditure | -4,896 | 0 | -4,896 | 19,012 | 14,116 |
| Adjustments between accounting basis & funding basis under regulations | 5,828 | 0 | 5,828 | -5,828 | 0 |
| Net Increase/Decrease before Transfers to Earmarked Reserves | 932 | 0 | 932 | 13,184 | 14,116 |
| Transfers to/from Earmarked Reserves | 795 | -795 | 0 | 0 | 0 |
| Increase/Decrease in 2010/11 | 1,727 | -795 | 932 | 13,184 | 14,116 |
| Balance as at 31 March 2011 cfwd | 2,212 | 3,682 | 5,894 | -106,198 | -100,304 |

Comprehensive Income and Expenditure Statement

Shropshire and Wrekin Fire Authority
Statement of Accounts 2011/2012

| 2010/11 | | | 2011/12 | | |
|-------------------|--------------|-----------------|-------------------|--------------|---|
| Gross Expenditure | Gross Income | Net Expenditure | Gross Expenditure | Gross Income | Net Expenditure |
| £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| | | | | | Expenditure |
| 1,967 | 37 | 1,930 | 2,597 | 13 | 2,584 |
| 17,647 | 351 | 17,296 | 19,908 | 99 | 19,809 |
| 169 | 23 | 146 | 132 | 1 | 131 |
| | | | | | Corporate and Democratic Core |
| | | 346 | | | Demographic representation and management |
| | | 231 | | | Corporate management |
| | | 0 | | | Non Distributed Costs |
| | | | | | Cost of Services – continuing operations |
| | | 19,949 | | | 22,981 |
| | | 0 | | | Gain or loss on disposal of fixed assets |
| | | 0 | | | Other Operating Expenditure |
| | | 265 | | | Interest payable and similar charges |
| | | -40 | | | Interest and investment income |
| | | 7,329 | | | Pensions interest cost and return on pensions assets |
| | | 7,554 | | | Financing and Investment Income and Expenditure (note 4) |
| | | -13,465 | | | Precepts (note 5) |
| | | -9,142 | | | Government Grants (note 5) |
| | | -22,607 | | | Taxation and Non Specific Grant Income (note 5) |
| | | 4,896 | | | Surplus(-)/ Deficit on Provision of Services |
| | | -1,358 | | | Surplus arising on the revaluation of fixed assets |
| | | -7,653 | | | Actuarial gains (-) / losses on pension fund assets and liabilities (note 13) |
| | | -10,001 | | | Exceptional Item – Actuarial gains – note 13 |
| | | -19,012 | | | Other Comprehensive Income and Expenditure |
| | | -14,116 | | | Total Comprehensive Income and Expenditure |
| | | | | | 5,420 |



Balance Sheet

Shropshire and Wrekin Fire Authority
Statement of Accounts 2011/2012

| 31 March 2011 £'000 | | Notes | 31 March 2012 £'000 |
|-------------------------------------|---|---------|---------------------------|
| Property Plant and Equipment | | | |
| 15,425 | Land and Buildings | 15 | 13,648 |
| 3,445 | Vehicles Plant Furniture and Equipment | | 4,239 |
| 18,870 | Total Long Term Assets | | 17,887 |
| Current Assets | | | |
| 0 | Short Term Investments | | 0 |
| 111 | Inventories | 17 | 115 |
| 2,036 | Short Term Debtors | 18 | 1,452 |
| 6,092 | Cash and Cash Equivalent | 19 | 8,239 |
| 8,239 | Total Current Assets | | 9,806 |
| Current Liabilities | | | |
| 0 | Bank Overdraft | | 0 |
| -2,768 | Short Term Creditors | 20 | -2,219 |
| -2,768 | Current Liabilities | | -2,219 |
| Long Term Liabilities | | | |
| -64 | Provisions | 21 | -35 |
| -5,810 | Long Term Borrowing | | -5,810 |
| -118,735 | Pension Liability | 13 | -125,337 |
| -36 | Other Long Term Liabilities | 12 | -16 |
| -124,645 | Long Term Liabilities | | -131,198 |
| -100,304 | Net Liabilities | | -105,724 |
| Usable Reserves | | | |
| 2,212 | General Fund | 22 & 24 | 1,411 |
| 539 | General Reserve | 22 & 24 | 552 |
| 988 | Unearmarked Capital Reserve | 22 & 24 | 2,185 |
| 527 | Earmarked Capital Reserve | 22 & 24 | 587 |
| 312 | Extreme Weather Reserve | 22 & 24 | 320 |
| 60 | Efficiency Reserve | 22 & 24 | 14 |
| 1,256 | Pensions and Other Staff Issues Reserve | 22 & 24 | 1,389 |
| 0 | ICT Reserve | 22 & 24 | 966 |
| 0 | Unapplied Capital Grants Reserve | 22 & 25 | 817 |
| Unusable Reserves | | | |
| 1,454 | Revaluation Reserve | 23 | 1,454 |
| 11,012 | Capital Adjustment Account | 23 | 9,899 |
| -116,152 | Fire Pensions Reserve | 13 | -122,130 |
| -2,583 | LGPS Pensions Reserve | 13 | -3,207 |
| 204 | Collection Fund Adjustment Account | 23 | 186 |
| -133 | Accumulated Absences Account | 23 | -167 |
| 0 | Usable Capital Receipts Reserve | 23 | 0 |
| -100,304 | Total Reserves | | -105,724 |



Cash Flow Statement

Shropshire and Wrekin Fire Authority
Statement of Accounts 2011/2012

| 2010/11 | | 2011/12 |
|----------------|---|----------------|
| £'000 | | £'000 |
| 4,896 | Net (surplus) or deficit on the provision of services | 4,780 |
| -9,162 | Adjustments to net surplus or deficit on the provision of services for non cash movements (see Note 30) | -9,606 |
| -221 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (see Note 27) | -235 |
| <hr/> | | <hr/> |
| -4,487 | Net cash flows from operating activities | -5,061 |
| 2,806 | Investing Activities (see Note 28) | 2,678 |
| 221 | Financing Activities (see Note 29) | 235 |
| <hr/> | | <hr/> |
| -1,460 | Net increase or decrease in cash and cash equivalents | -2,148 |
| -4,631 | Cash and cash equivalents at the beginning of the period | -6,091 |
| <hr/> | | <hr/> |
| -6,091 | Cash and cash equivalents at the end of the reporting period | -8,239 |



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

There were no material changes this year following the transition to International Financial Reporting Standards.

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

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 are claiming access to the Firemen's Pension Scheme, equality on sick pay, and additional duty payments under the above regulations. In January 2006, the House of Lords granted a re hearing at the firefighters' Employment Tribunal, which declared retained firefighters were engaged in broadly similar work as wholetime firefighters.

There will be potential pension costs to the Fire Authority relating to the financial periods between July 2000 and April 2006, as a large proportion of the Fire Authority's employees are retained firefighters.

There are also payments of compensation to be made relating to the terms and conditions under which retained firefighters worked during this period. The likely cost

of these payments has been accrued during the financial year 2011/12, with payments scheduled for 2012/13.

3. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

| 2011/12 | 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 | -1,042 | 1,042 |
| Revaluation losses on Property Plant and Equipment | -3,419 | 3,419 |
| Donated assets at fair value | 800 | -800 |
| Capital grants and contributions applied | 1,099 | -1,099 |
| Insertion of items not debited or credited to the Comp I&E Statement: | | |
| Statutory provision for the financing of capital investment | 316 | -316 |
| Capital expenditure charged against the General Fund Balance | 1,133 | -1,133 |
| Adjustments primarily involving the Pensions Reserves: | | |
| Reversal of items relating to retirement benefits debited or credited to the Comp I&E Statement | -9,543 | 9,543 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 3,581 | -3,581 |
| 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 | -18 | 18 |
| 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 | -34 | 34 |
| Total Adjustments | -7,127 | 7,127 |

| Comparative figures for 2010/11 | 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 | -879 | 879 |
| Revaluation losses on Property Plant and Equipment | -348 | 348 |
| Capital grants and contributions applied | 691 | -691 |
| Insertion of items not debited or credited to the Comp I&E Statement: | | |
| Statutory provision for the financing of capital investment | 367 | -367 |
| Capital expenditure charged against the General Fund Balance | 1,375 | -1,375 |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | |
| Capital grants and contributions unapplied credited to the Comp I&E Statement | | |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | |
| Adjustments primarily involving the Pensions Reserves: | | |
| Reversal of items relating to retirement benefits debited or credited to the Comp I&E Statement | -10,744 | 10,744 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 3,614 | -3,614 |
| 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 | 115 | -115 |
| 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 | -19 | 19 |
| Total Adjustments | -5,828 | 5,828 |

4. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| 2010/11 £'000 | | 2011/12 £'000 |
|------------------|---|------------------|
| 265 | Interest payable and similar charges | 264 |
| 7,329 | Pensions interest cost and expected return on pensions assets | 6,497 |
| -40 | Interest receivable and similar income | -29 |
| 7,554 | Total | 6,732 |

5. TAXATION AND NON SPECIFIC GRANT INCOME

| 2010/11 £'000 | | 2011/12 £'000 |
|------------------|--|------------------|
| -13,465 | Council tax income | -13,536 |
| -7,219 | Non domestic rates | -5,715 |
| -1,233 | Non ringfenced government grants | -2,966 |
| 0 | New Dimension donated assets at fair value | -800 |
| -690 | Capital grants and contributions | -1,916 |
| -22,607 | Total | -24,933 |

6. MEMBERS' ALLOWANCES

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

| | 2011/12 £'000 | 2010/11 £'000 |
|--------------|------------------|------------------|
| Allowances | 69 | 70 |
| Expenses | 4 | 5 |
| Other | 0 | 0 |
| Total | 73 | 75 |

| 2011/12 | Basic Allowance £ | Special Allowance £ | Expenses £ | Total £ |
|----------------|----------------------|------------------------|---------------|---------------|
| C Mellings | 2,658 | 0 | 186 | 2,844 |
| K Blundell | 2,658 | 0 | 104 | 2,762 |
| N Hartin | 2,658 | 2,658 | 803 | 6,119 |
| M Tebbutt | 273 | 0 | 0 | 273 |
| J Dixon | 257 | 290 | 0 | 547 |
| J Jones | 2,658 | 2,658 | 482 | 5,798 |
| A Eade | 407 | 0 | 0 | 407 |
| R Picken | 2,690 | 22 | 47 | 2,759 |
| D Minnery | 2,658 | 5,000 | 289 | 7,947 |
| J Hurst-Knight | 2,658 | 0 | 82 | 2,740 |
| S West | 2,658 | 10,000 | 694 | 13,352 |
| C Mason | 407 | 0 | 0 | 407 |
| L Murray | 2,305 | 583 | 265 | 3,153 |
| B Thompson | 2,251 | 0 | 0 | 2,251 |
| M Bennett | 2,658 | 0 | 52 | 2,710 |
| P Brereton | 273 | 0 | 0 | 273 |
| R Kiernan | 2,658 | 0 | 112 | 2,770 |
| P Adams | 2,658 | 0 | 92 | 2,750 |
| E Carter | 2,251 | 0 | 189 | 2,440 |
| K Roberts | 2,658 | 0 | 0 | 2,658 |
| J Barrow | 2,658 | 1,000 | 624 | 4,282 |
| M Price | 2,658 | 1,000 | 43 | 3,701 |
| Total | 45,668 | 23,211 | 4,064 | 72,943 |

7. 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 | |
|---------------------|---------------------|-----------|
| | 2011/2012 | 2010/2011 |
| £50,000 - £54,999 | 7 | 5 |
| £55,000 - £59,999 | 6 | 7 |
| £60,000 - £64,999 | 1 | 0 |
| £65,000 - £69,999 | 4 | 5 |
| £70,000 - £74,999 | 0 | 0 |
| £75,000 - £79,999 | 0 | 0 |
| £80,000 - £84,999 | 0 | 0 |
| £85,000 - £89,999 | 0 | 0 |
| £90,000 - £94,999 | 1 | 0 |
| £95,000 - £99,999 | 0 | 1 |
| £100,000 - £104,999 | 1 | 1 |
| £105,000 - £109,999 | 0 | 0 |
| £110,000 - £114,999 | 0 | 0 |

Notes to the Accounts

Shropshire and Wrekin Fire Authority
Statement of Accounts 2011/2012

| | | |
|---------------------|---|---|
| £115,000 - £119,999 | 0 | 0 |
| £120,000 - £124,999 | 1 | 1 |

2010/11

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 | 115,549 | 6,717 | 122,266 | 25,483 | 147,749 |
| Deputy Chief Fire Officer | 94,565 | 4,641 | 99,206 | 21,674 | 120,880 |
| Assistant Chief Fire Officer | 88,211 | 5,975 | 94,186 | 18,760 | 112,946 |
| Assistant Chief Officer* | 95,526 | 2,982 | 98,508 | 15,801 | 114,309 |
| Head of Fire Prevention | 70,186 | 5,326 | 75,512 | 11,743 | 87,255 |
| Head of Operational Response and Risk | 61,531 | 4,972 | 66,503 | 13,080 | 79,583 |
| Head of District Performance | 61,531 | 5,488 | 67,019 | 13,080 | 80,099 |
| Treasurer (pro rata) | 35,485 | 0 | 35,485 | 5,181 | 40,666 |
| Resources Manager | 53,460 | 4,457 | 57,917 | 7,805 | 65,722 |

2011/12

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 | 115,296 | 6,772 | 122,068 | 24,507 | 146,575 |
| Deputy Chief Fire Officer | 94,164 | 6,136 | 100,300 | 20,006 | 120,306 |
| Assistant Chief Fire Officer | 87,612 | 6,637 | 94,249 | 18,610 | 112,859 |
| Assistant Chief Officer | 58,488 | 5,031 | 63,519 | 6,232 | 69,751 |
| Head of Fire Prevention | 61,408 | 5,331 | 66,739 | 13,017 | 79,756 |
| Head of Operational Response and Risk | 61,408 | 4,977 | 66,385 | 13,080 | 79,465 |
| Head of District Performance | 61,408 | 5,493 | 66,901 | 13,080 | 79,981 |
| Head of People Development and Safety | 61,408 | 4,669 | 66,077 | 13,080 | 79,157 |
| Treasurer (pro rata)** | 12,458 | 0 | 12,458 | 1,333 | 13,791 |
| Resources Manager | 57,392 | 4,008 | 57,466 | 6,141 | 63,607 |

*In 2010/11 the Assistant Chief Officer Post Salary paid was inflated above the £72,811 salary level due to a maternity cover. In 2011/12 the post-holder has returned from maternity leave but is working a reduced number of hours per week.

**The Treasurer post-holder retired in August 2011. This post has subsequently been deleted as part of a restructure of the finance team with the Treasurer responsibilities being taken on by the Treasurer of Shropshire Council.

8. 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:

| 2011/12 | Executive £'000 | Service Delivery £'000 | Corporate Performance and Operations £'000 | HR and Develop ment £'000 | Total £'000 |
|-----------------------------|----------------------------|---------------------------------------|---|--|------------------------|
| Employee expenses | 1,393 | 10,328 | 1,674 | 1,418 | 14,813 |
| Premises | 1,007 | | 82 | | 1,089 |
| Transport | 514 | 5 | 93 | 4 | 616 |
| Supplies and services | 928 | 92 | 1,173 | 274 | 2,467 |
| Debt charges | 1,889 | | | | 1,889 |
| Fees and Charges | -61 | -30 | -22 | | -113 |
| Recharges | -28 | | | | -28 |
| Government grants | -2,016 | | | | -2,016 |
| Contributions from reserves | 937 | | | | 937 |
| Interest on investments | -29 | | | | -29 |
| Total Outturn | 4,534 | 10,395 | 3,000 | 1,696 | 19,625 |

Comparative figures for 2010/11

| 2010/11 | Executive £'000 | Service Delivery £'000 | Corporate Performance and Operations £'000 | HR and Develop ment £'000 | Total £'000 |
|--------------------------------|----------------------------|---------------------------------------|---|--|------------------------|
| Employee expenses | 1,353 | 10,301 | 1,962 | 1,664 | 15,280 |
| Premises | 972 | 0 | 120 | 0 | 1,092 |
| Transport | 497 | 3 | 78 | 5 | 583 |
| Supplies and services | 817 | 86 | 730 | 388 | 2,021 |
| Debt charges | 2,182 | 0 | 0 | 0 | 2,182 |
| Fees and charges | -238 | 0 | 19 | -8 | -227 |
| Recharges | -21 | 0 | 0 | 0 | -21 |
| Government grants | -184 | 0 | 0 | 0 | -184 |
| Contributions from reserves | -1,280 | 0 | 0 | 0 | -1,280 |
| Interest on investments | -40 | 0 | 0 | 0 | -40 |
| Total Outturn | 4,058 | 10,390 | 2,909 | 2,049 | 19,406 |

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.

| | 2010/11 £'000 | 2011/12 £'000 |
|--|--------------------------|--------------------------|
| Net expenditure in the Directorate Analysis | 19,406 | 19,625 |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis | 1,027 | -16,922 |
| | <hr/> 20,433 | <hr/> 2,703 |
| Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement | -484 | 2,077 |
| | <hr/> 19,949 | <hr/> 4,780 |
| Cost of Services in Comprehensive Income and Expenditure Statement | 19,949 | 4,780 |

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.

| 2011/12 | 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 | -141 | | | -141 |
| Interest and investment income | -29 | | | -29 |
| Income from council tax Government grants and contributions | -2,016 | -13,536 -9,381 | | -13,536 -11,397 |
| Total Income | -2,186 | -22,917 | 0 | -25,103 |
| Employee expenses | 14,812 | 5,995 | | 20,807 |
| Other service expenses | 6,735 | | -2,384 | 4,351 |
| Depreciation, amortisation and impairment | | | 4,461 | 4,461 |
| Interest payments | 264 | | | 264 |
| Total Expenditure | 21,811 | 5,995 | 2,077 | 29,883 |
| Surplus or deficit on the provision of services | 19,625 | -16,922 | 2,077 | 4,780 |

| 2010/11 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 | -248 | 0 | 0 | -248 |
| Interest and investment income | -40 | 0 | 0 | -40 |
| Income from council tax | 0 | -13,465 | 0 | -13,465 |
| Government grants and contributions | -184 | -8,958 | 0 | -9,142 |
| Total Income | -472 | -22,423 | 0 | -22,895 |
| Employee expenses | 15,280 | -2,853 | 0 | 12,427 |
| Other service expenses | 4,333 | 0 | -462 | 3,871 |
| Depreciation, amortisation and impairment | 0 | 1,227 | 0 | 1,227 |
| Interest payments | 265 | 0 | 0 | 265 |
| Total Expenditure | 19,878 | -1,626 | -462 | 17,790 |
| Surplus or deficit on the provision of services | 19,406 | -24,049 | -462 | -5,105 |

9. 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:

| | 2011/12 £'000 | 2010/11 £'000 |
|---|--------------------------|--------------------------|
| Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year | 59 | 64 |
| Total | 59 | 64 |

10. GRANT INCOME

The Authority credited the following grants to the Comprehensive Income and Expenditure Statement in 2011/12:

| | 2011/12 | 2010/11 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Credited to Taxation and Non Specific Grant Income | | |
| Communities and Local Govt – Revenue Support Grant | 1,767 | 1,049 |
| Communities and Local Govt – 2011/12 Council Tax Freeze Grant | 336 | 0 |
| Communities and Local Govt - Capital Grant | 915 | 690 |
| Communities and Local Govt – Capital Grant – Fire Control | 1,000 | 0 |
| Communities and Local Govt – Revenue – Fire Control Implementation Grant | 800 | 0 |
| Communities and Local Govt – New Dimension Grant | 43 | 42 |
| Communities and Local Govt – FiReControl Project Grant | 20 | 142 |
| Donated Assets at fair value | 800 | 0 |
| Other Grants | 0 | 0 |
| Total | 5,681 | 1,923 |

11. 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 8 on reporting for resources allocation decisions.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in note 6.

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.

Following the retirement of the Authority's Treasurer in August 2011, the Treasurer of Shropshire Council took the role of 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 £837,000 to Shropshire Council and £128,000 to the Borough of Telford & Wrekin.

12. LEASES**Authority as a Lessor**

The authority has not engaged in any activity as a lessor

Authority as a Lessee**Finance Leases**

The Authority has a number of outstanding finance leases which are carried as Property Plant and Equipment in the Balance sheet at the following net amounts:

| | 31 March 2012 £'000 | 31 March 2011 £'000 |
|--|------------------------------------|------------------------------------|
| Vehicles, Plant, Furniture and Equipment | 16 | 36 |

The Authority is 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 will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

| | 31 March 2012 £'000 | 31 March 2011 £'000 |
|--|------------------------------------|------------------------------------|
| Finance lease liabilities (net present value of minimum lease payments): | | |
| Current | 16 | 20 |
| Non Current | 0 | 16 |
| Finance costs payable in future years | 2 | 4 |
| Minimum lease payments | 18 | 40 |

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

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | 31 March 2012 £'000 | 31 March 2011 £'000 | 31 March 2012 £'000 | 31 March 2011 £'000 |
| Not later than one year | 18 | 22 | 16 | 20 |
| Later than one year and not later than five years | 0 | 18 | 0 | 16 |
| Later than five years | 0 | 0 | 0 | 0 |
| | 18 | 40 | 16 | 36 |

Operating Leases

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

| | 31 March 2013 £'000 | 31 March 2012 £'000 |
|---|------------------------------------|------------------------------------|
| Not later than one year | 164 | 172 |
| Later than one year and not later than five years | 298 | 455 |
| Later than five years | 15 | 23 |
| | 477 | 650 |

| | | |
|--|-----|-----|
| Operating lease rentals paid during the year | 172 | 172 |
|--|-----|-----|

13. 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 that 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 pensions liabilities with investment assets.

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 (CLG). 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 CLG, and any surplus at the end of the year will be paid back to CLG.

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:

| | Shropshire County Pension Fund | | Fire Pension Schemes | | Total 2010/11 £'000 |
|--|-----------------------------------|------------------|-------------------------|-------------------------|---------------------------|
| | 2011/12 £'000 | 2010/11 £'000 | Old 2011/12 £'000 | New 2011/12 £'000 | |
| Comprehensive I&E Statement | | | | | |
| Cost of Services: | | | | | |
| Current service cost | 294 | 370 | 2,267 | 617 | 3,045 |
| Past service cost | 0 | 0 | 0 | 0 | 0 |
| Financing and Investment Income and Expenditure: | | | | | |
| Interest cost | 516 | 571 | 6,143 | 235 | 7,129 |
| Expected return on assets | -397 | -371 | 0 | 0 | 0 |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 413 | 570 | 8,410 | 852 | 10,174 |
| Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement: | | | | | |
| Actuarial gains and losses | 640 | -1,182 | 0 | 0 | -6,471 |
| Actuarial gains – exceptional item | 0 | -565 | 0 | 0 | -9,436 |
| Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | | | | | |
| 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 | 413 | 570 | 8,410 | 852 | 10,174 |
| Actual amount charged against the General Fund Balance for pensions in the year: | | | | | |
| Employers contributions payable to the scheme | -297 | -316 | | | |
| Retirement benefits payable to pensioners | | | -3,497 | 213 | -3,316 |

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is £640,000.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities:

| | Funded Liabilities: Shropshire County Pension Fund | | Unfunded Liabilities: Fire Pension Schemes | |
|--------------------------------------|---|--------------------------|---|--------------------------|
| | 2011/12 £'000 | 2010/11 £'000 | 2011/12 £'000 | 2010/11 £'000 |
| Opening balance 1 April | 9,308 | 9,921 | 116,152 | 125,201 |
| Current service cost | 294 | 370 | 2,884 | 3,045 |
| Interest cost | 516 | 571 | 6,378 | 7,129 |
| Contributions by scheme participants | 132 | 134 | 796 | 802 |
| Benefits paid | -286 | 44 | -4,080 | -4,118 |
| Actuarial gains and losses | 395 | -1,167 | 0 | -6,471 |
| Actuarial gains - exceptional | 0 | -565 | 0 | -9,436 |
| Past service costs | 0 | 0 | 0 | 0 |
| Closing balance 31 March | 10,359 | 9,308 | 122,130 | 116,152 |

Reconciliation of fair value of the scheme assets:

| | Shropshire County Pension Fund | | Fire Pension Schemes | |
|--------------------------------------|---|--------------------------|-----------------------------|--------------------------|
| | 2011/12 £'000 | 2010/11 £'000 | 2011/12 £'000 | 2010/11 £'000 |
| Opening balance 1 April | 6,857 | 5,977 | 0 | 0 |
| Expected rate of return | 397 | 371 | 0 | 0 |
| Actuarial gains and losses | -245 | 15 | 0 | 0 |
| Employer contributions | 297 | 316 | 0 | 0 |
| Contributions by scheme participants | 132 | 134 | 0 | 0 |
| Benefits paid | -286 | 44 | 0 | 0 |
| Closing balance 31 March | 7,152 | 6,857 | 0 | 0 |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £152,000 (2010/11 - £500,000).

Scheme History

| | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|---|-----------------|----------------|-----------------|-----------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Present value of liabilities: | | | | | |
| Shropshire County Pension Fund | 7,838 | 6,702 | 9,921 | 9,308 | 10,359 |
| Fire Pension Schemes | 105,648 | 88,683 | 125,201 | 116,152 | 122,130 |
| Fair value of assets in the Shropshire County Pension Fund | 5,088 | 4,179 | 5,977 | 6,857 | 7,152 |
| Surplus/(deficit) in the scheme: | | | | | |
| Shropshire County Pension Fund | -2,750 | -2,523 | -3,944 | -2,451 | -3,207 |
| Fire Pension Schemes | -105,648 | -88,683 | -125,201 | -116,152 | -122,130 |
| Total | -108,398 | -91,206 | -129,145 | -118,603 | -125,337 |

The liabilities show the underlying commitments that the Fire Authority has in the long run to pay post employment and retirement benefits. The total liability of £125.337m has a substantial impact on the net worth of the Fire Authority as recorded in the balance sheet, resulting in a negative overall balance of £105.724m.

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

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

The total contributions expected to be made to the Shropshire County Pension Fund by the Fire Authority in the year to 31 March 2013 is £299,000.

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 2007.

The principal assumptions used by the actuary have been:

| | Shropshire County Pension Fund | | Fire Pension Schemes | |
|---|-----------------------------------|---------|-------------------------|---------|
| | 2011/12 | 2010/11 | 2011/12 | 2010/11 |
| Long term expected rate of return on assets in the scheme: | | | | |
| Equity Investments | 7.0% | 7.5% | - | - |
| Bonds | 3.6% | 4.8% | - | - |
| Property | 6.0% | 6.5% | - | - |
| Other | * | * | - | - |
| (*dependent on type of asset) | | | | |
| Mortality Assumptions: | | | | |
| Longevity at 60 (65 County) for current pensioners: men | | | | |
| | 22.0yrs | 21.9yrs | 26.9yrs | 26.8yrs |
| | | | | |
| | 24.7yrs | 24.6yrs | 29.1yrs | 29.1yrs |
| Longevity at 60 (65 County) for future pensioners: men | | | | |
| | 23.4yrs | 23.3yrs | 28.5yrs | 28.4yrs |
| | | | | |
| | 26.2yrs | 26.1yrs | 30.8yrs | 30.7yrs |
| Rate of inflation CPI | 2.5% | 2.9% | 2.6% | 3.0% |
| Rate of increase in salaries | 4.0% | 4.4% | 4.1% | 4.5% |
| Rate of increase in pensions | 2.5% | 2.9% | 2.6% | 3.0% |
| Rate for discounting scheme liabilities | 4.9% | 5.5% | 5.1% | 5.5% |
| Take up option to convert annual pension into retirement lump sum | 50% | 50% | 50% | 50% |

In his UK budget statement on 22 June 2010, the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI).

This had the effect in 2010/11 of reducing the Authority's liabilities in its pension schemes by a total of £10m, and this was recognised as an exceptional actuarial gain in the Comprehensive Income and Expenditure Statement.

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 2012 % | 31 March 2011 % |
|--------------------|--------------------------------|--------------------------------|
| Equity Investments | 53.0 | 65.2 |
| Bonds | 24.8 | 21.4 |
| Property | 3.6 | 3.8 |
| Other Assets | 18.6 | 9.6 |
| | 100.0 | 100.0 |

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.

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets and liabilities at 31 March 2012:

| | 2004/ 2005 | 2005/ 2006 | 2006/ 2007 | 2007/ 2008 | 2008/ 2009 | 2009/ 2010 | 2010/ 2011 | 2011/ 2012 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Shropshire County Pension Fund: | | | | | | | | |
| Differences between the expected and actual return on assets | 2.5% | 13.7% | 0.6% | 8% | 35.5% | 20.8% | 0.2% | -3.4% |
| Experience gains and losses on liabilities | 4.6% | 0 | 0 | 1.3% | 0 | 0 | 3.6% | 0 |
| Old Fire Pension Scheme: | | | | | | | | |
| Experience gains and losses on liabilities | 8% | -3.3% | 0 | 4.2% | 0 | 0 | 3.0% | 0 |
| New Fire Pension Scheme: | | | | | | | | |
| Experience gains and losses on liabilities | - | - | - | 17% | 0 | 0 | 10% | 0 |

14. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was signed off by the Treasurer on 28th June 2012. Events taking place after this date are not reflected in the financial statements or notes.

15. PROPERTY PLANT AND EQUIPMENT**Movements in 2011/12**

| | Land & Buildings £'000 | Vehicles, Plant, Furniture & Equipment £'000 | Property Plant & Equipment £'000 |
|--|---|---|---|
| Cost or Valuation | | | |
| At 1 April 2011 | 15,491 | 7,496 | 22,987 |
| Additions | 1,907 | 771 | 2,678 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 0 | 0 | 0 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | -3,419 | 0 | -3,419 |
| Donated assets at fair value | 0 | 800 | 800 |
| Derecognition - disposals | 0 | 0 | 0 |
| At 31 March 2012 | 13,979 | 9,067 | 23,046 |
| Accumulated Depreciation and Impairment | | | |
| As at 1 April 2011 | | | |
| Depreciation charge | 265 | 777 | 1,042 |
| Depreciation written out to the Revaluation Reserve | 0 | 0 | 0 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 |
| Derecognition - disposals | 0 | 0 | 0 |
| At 31 March 2012 | 331 | 4,828 | 5,159 |
| Net Book Value at 31 March 2012 | 13,648 | 4,239 | 17,887 |
| At 31 March 2011 | 15,425 | 3,445 | 18,870 |

Comparative Movements in 2010/11

| | Land & Buildings £'000 | Vehicles, Plant, Furniture & Equipment £'000 | Property Plant & Equipment £'000 |
|--|---|---|---|
| Cost or Valuation | | | |
| At 1 April 2010 | 13,046 | 6,994 | 20,040 |
| Additions | 2,304 | 502 | 2,806 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 518 | | 518 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | -377 | | -377 |
| Derecognition - disposals | | | |
| At 31 March 2011 | 15,491 | 7,496 | 22,987 |
| Accumulated Depreciation and Impairment | | | |
| | 712 | 3,395 | 4,107 |
| As at 1 April 2010 | | | |
| Depreciation charge | 222 | 656 | 878 |
| Depreciation written out to the Revaluation Reserve | -839 | | -839 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | -29 | | -29 |
| Derecognition - disposals | | | |
| At 31 March 2011 | 66 | 4,051 | 4,117 |
| Net Book Value at 31 March 2011 | 15,425 | 3,445 | 18,870 |
| At 31 March 2010 | 12,335 | 3,598 | 15,933 |

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 – 5% to 20%

Capital Commitments

There were no capital commitments as at 31 March 2012. At 31 March 2011, the Authority had entered into a contract for its headquarters, workshops and fire station at St Michaels Street in Shrewsbury, with budgeted future costs of £1.653m.

New Dimension Assets Transfer

The Department of Communities and Local Government (CLG) has procured and allocated to fire and rescue services a larger number and range of vehicles and equipment, as part of a national capability to respond to major disruptive events.

CLG has requested that each fire and rescue service which has assets allocated to it, agree to the legal title in those assets being transferred to it, under terms that will also require it to enter into a National Maintenance Agreement. This will result in the Authority paying the maintenance contractor rather than CLG, who are currently responsible for routine maintenance costs. Shropshire and Wrekin Fire Authority have signed the Transfer of Assets Agreement. During the financial year 2011/12, the assets were transferred to the Fire Authority at fair value, at no cost to the Fire Authority.

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.

Service Headquarters Revaluation

The new headquarters, workshop and fire station at St Michaels Street in Shrewsbury were completed during 2011/12. The existing site was last valued at 31 March 2010, prior to works commencing.

Following completion of the project, the site has been revalued at 31 March 2012.

Land was valued at open market value at 31 March 2012 at £300,000. The buildings on the site have been valued collectively at open market value, at £2,000,000.

This valuation has resulted in an impairment, which can be detailed as follows:

| | £'000 |
|--|--------------|
| Impairment of Shrewsbury land | 95 |
| Impairment due to demolition of old Headquarters | 700 |
| Impairment of other Shrewsbury buildings | 535 |
| Impairment on procurement and design costs | 274 |
| Impairment of new Shrewsbury building | 1,764 |
| Total impairment at Shrewsbury | 3,369 |

This cost has been posted to the Comprehensive Income and Expenditure Account.

The impairment on the Shrewsbury site is considered a significant, non-recurring item of expenditure for the Authority and as such has been detailed above. The loss which is shown in the Consolidated Income and Expenditure Statement has not been realised and so has not resulted in cash being paid by the Authority. Any future increases in value of this land and buildings will reverse this loss.

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 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 | | 4,239 | 4,239 |
| Carried at fair value as at: | | | |
| 31 March 2012 | 2,300 | | 2,300 |
| 31 March 2011 | 11,348 | | 11,348 |
| Total | 13,648 | 4,239 | 17,887 |

16. FINANCIAL INSTRUMENTS**Categories of Financial Instrument**

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

| | Long Term | | Current | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| | 31 March 2012 £'000 | 31 March 2011 £'000 | 31 March 2012 £'000 | 31 March 2011 £'000 |
| Debtors | | | | |
| Financial assets carried at contract amounts | | 0 | 19 | 43 |
| Total debtors | | 0 | 19 | 43 |
| Borrowings | | | | |
| Financial liabilities at amortised cost | -5,810 | -5,810 | | 0 |
| Total borrowings | -5,810 | 5,810 | | 0 |
| Other Long Term Liabilities | | | | |
| Finance leases | 16 | 36 | | 0 |
| Total other long term liabilities | 16 | 36 | | 0 |
| Creditors | | | | |
| Financial liabilities carried at contract amount | | | 0 | 128 |
| Total creditors | | | 0 | 174 |

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:

| | 2011/12 | | 2010/11 | |
|---|--|---|--|---|
| | Liabilities at amortised cost £'000 | Assets – loans and receivables £'000 | Liabilities at amortised cost £'000 | Assets – loans and receivables £'000 |
| Interest expense | 264 | | 265 | |
| Total expense in Surplus or Deficit on the Provision of Services | 264 | | 265 | |
| Interest income | | 29 | | 40 |
| Total income in Surplus or Deficit on the Provision of Services | | 29 | | 40 |
| Net gain /(loss) for the year | 264 | 29 | 265 | 40 |

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.

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 2012 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 2012 | | 31 March 2011 | |
|-----------------------|--------------------------|---------------------|--------------------------|---------------------|
| | Carrying amount £'000 | Fair value £'000 | Carrying amount £'000 | Fair value £'000 |
| Financial liabilities | 5,810 | 7,182 | 5,810 | 6,166 |
| Long term creditors | 16 | 16 | 36 | 36 |

17. INVENTORIES

| | Vehicle Parts £'000 | Oil £'000 | Diesel £'000 | Uniforms £'000 | Fire Ground Feeding £'000 | Total £'000 |
|---|------------------------|--------------|-----------------|-------------------|------------------------------|----------------|
| 2010/11 | | | | | | |
| Balance outstanding at start of year | 57 | 2 | 9 | 32 | 0 | 100 |
| Purchases | 92 | 6 | 133 | 124 | 18 | 373 |
| Recognised as an expense during the year | -90 | -5 | -132 | -117 | -18 | -362 |
| Balance outstanding at year end | 59 | 3 | 10 | 39 | 0 | 111 |
| 2011/12 | | | | | | |
| Balance outstanding at start of year | 59 | 3 | 10 | 39 | 0 | 111 |
| Purchases | 89 | 7 | 158 | 124 | 9 | 387 |

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| | | | | | | |
|--|-----------|----------|-----------|-----------|----------|------------|
| Recognised as an expense during the year | -85 | -4 | -156 | -130 | -8 | -383 |
| Balance outstanding at year end | 63 | 6 | 12 | 33 | 1 | 115 |

18. 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 2012 £'000 | 31 March 2011 £'000 |
|--------------------------------|------------------------------------|------------------------------------|
| Central government bodies | 903 | 949 |
| Other local authorities | 187 | 762 |
| Other entities and individuals | 362 | 325 |
| Total | 1,452 | 2,036 |

19. CASH AND CASH EQUIVALENTS

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

| | 31 March 2012 £'000 | 31 March 2011 £'000 |
|---|------------------------------------|------------------------------------|
| Cash held by the Authority | 2 | 2 |
| Bank current accounts | 7 | -625 |
| Short term deposits with building societies | 8,230 | 6,715 |
| Total | 8,239 | 6,092 |

20. CREDITORS

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

| | 31 March 2012 £'000 | 31 March 2011 £'000 |
|--------------------------------|------------------------------------|------------------------------------|
| Central government bodies | 850 | 310 |
| Other local authorities | 243 | 627 |
| Other entities and individuals | 1,126 | 1,831 |
| Total | 2,219 | 2,768 |

21. PROVISIONS

| | |
|--|--------------|
| Equipment Replacement Provision | £'000 |
| Balance at 1 April 2011 | 64 |
| Additional provisions made in 2011/12 | 59 |
| Amounts used in 2011/12 | -88 |
| Balance at 31 March 2012 | 35 |

22. 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.

23. UNUSABLE RESERVES

| 31 March 2011 £'000 | | 31 March 2012 £'000 |
|------------------------------------|------------------------------------|------------------------------------|
| 1,454 | Revaluation Reserve | 1,454 |
| 11,012 | Capital Adjustment Account | 9,899 |
| -2,583 | LGPS Pensions Reserve | -3,207 |
| -116,152 | Fire Pensions Reserve | -122,130 |
| 204 | Collection Fund Adjustment Account | 186 |
| -133 | Accumulated Absences Account | -167 |
| -106,198 | Total Unusable Reserves | -113,965 |

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.

| 2010/11 £'000 | | 2011/12 £'000 |
|------------------|--|------------------|
| 97 | Balance at 1 April | 1,454 |
| 1,531 | Upward revaluation of assets | 0 |
| -174 | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 0 |
| 1,454 | Surplus or deficit on revaluation of non current assets not posted to the Surplus/Deficit on the Provision of Services | 1,454 |
| 0 | Difference between fair value depreciation and historical costs depreciation | 0 |
| 1,454 | Balance as at 31 March | 1,454 |

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.

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.

| 2010/11 £'000 | | 2011/12 £'000 |
|------------------|---|------------------|
| -9,806 | Balance at 1 April | -11,012 |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | |
| 878 | Charges for depreciation and impairment of non current assets | 1,042 |
| 349 | Revaluation losses on Property Plant and Equipment | 3,419 |
| -8,579 | | -6,551 |
| 0 | Adjusting amounts written out of the Revaluation Reserve | 0 |
| -8,579 | Net written out amount of the cost of non current assets consumed in the year | -6,551 |
| | Capital financing applied in the year: | |
| -691 | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | -1,099 |
| 0 | Application of grants to capital financing from the Capital Grants Unapplied Account | 0 |
| -367 | Statutory provision for the financing of capital investment charged against the General Fund balance | -316 |
| -1,375 | Capital expenditure charged against the General Fund balance | -1,133 |
| 0 | Donated Assets at fair value | -800 |
| -11,012 | Balance as at 31 March | -9,899 |

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.

| 2010/11 £'000 | | | 2011/12 £'000 | |
|------------------|--------------|--|------------------|--------------|
| Fire | LGPS | | Fire | LGPS |
| 125,201 | 4,058 | Balance at 1 April | 116,152 | 2,583 |
| -6,471 | -1,182 | Actuarial gains or losses on pensions assets and liabilities | 0 | 640 |
| 738 | 5 | 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 | 9,262 | 413 |
| -3,316 | -298 | Employer's pension contributions and direct payments to pensioners payable in the year | -3,284 | -297 -132 |
| 116,152 | 2,583 | Balance at 31 March | 122,130 | 3,207 |

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax 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.

| 2010/11 £'000 | | | 2011/12 £'000 | |
|------------------|--|--|------------------|------------|
| 89 | | Balance at 1 April | | 204 |
| 115 | | Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | | -18 |
| 204 | | Balance at 31 March | | 186 |

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.

| 2010/11 | | 2011/12 |
|----------------|---|----------------|
| £'000 | | £'000 |
| -114 | Balance at 1 April | -133 |
| 114 | Settlement or cancellation of accrual made at the end of the preceding year | 133 |
| -133 | Amount accrued at the end of the current year | -167 |
| 0 | 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 | 0 |
| -133 | Balance at 31 March | -167 |

24. TRANSFERS TO / FROM EARMARKED RESERVES

| | Balance 1 Apr 2010 | Transfers Out 2010/11 | Transfers In 2010/11 | Balance 31 Mar 2011 | Transfers Out 2011/12 | Transfers In 2011/12 | Balance 31 Mar 2012 |
|---|--------------------------|-----------------------------|----------------------------|---------------------------|-----------------------------|----------------------------|---------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| General Fund | | | | | | | |
| General Reserve | 523 | 0 | 16 | 539 | 0 | 13 | 552 |
| Unearmarked Capital Reserve | 1,733 | -1,176 | 431 | 988 | -455 | 1,652 | 2,185 |
| Earmarked Capital Reserve | 378 | -130 | 279 | 527 | -715 | 775 | 587 |
| Extreme Weather Reserve | 303 | 0 | 9 | 312 | 0 | 8 | 320 |
| Pensions and Other Staff Issues Reserve | 1,480 | -265 | 41 | 1,256 | 0 | 133 | 1,389 |

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| | | | | | | | |
|--------------------|--------------|---------------|------------|--------------|---------------|--------------|--------------|
| ICT Reserve | 0 | 0 | 0 | 0 | -338 | 1,304 | 966 |
| Efficiency Reserve | 60 | 0 | 0 | 60 | -46 | 0 | 14 |
| Total | 4,477 | -1,571 | 776 | 3,682 | -1,554 | 3,885 | 6,013 |

25. CAPITAL GRANTS UNAPPLIED ACCOUNT

| | 2011/12 £'000 | 2010/11 £'000 |
|-------------------------------------|------------------|------------------|
| Balance at 1 April | 0 | 0 |
| Capital grants received | -1,916 | 0 |
| Used to finance capital expenditure | 1,099 | 0 |
| Balance at 31 March | -817 | 0 |

26. 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.

| | 2011/12 £'000 | 2010/11 £'000 |
|---|------------------|------------------|
| Opening Capital Financing Requirement | 6,403 | 6,030 |
| <i>Capital investment</i> | | |
| Property Plant and Equipment | 2,678 | 2,806 |
| <i>Sources of Finance</i> | | |
| Government grants and other contributions | -1,099 | -691 |
| Sums set aside from revenue: | | |
| Direct revenue contributions | -1,133 | -1,375 |
| MRP | -316 | -367 |
| Closing Capital Financing Requirement | 6,533 | 6,403 |
| Explanation of movements in year | | |
| Decrease in underlying need to borrowing (supported by government financial assistance) | 0 | 373 |

| | | |
|---|-------------|------------|
| Decrease in underlying need to borrowing (unsupported by government financial assistance) | -130 | 0 |
| Increase / (decrease) in Capital Financing Requirement | -130 | 373 |

27. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

| 2010/11 £'000 | | 2011/12 £'000 |
|------------------|-------------------|------------------|
| -40 | Interest received | -30 |
| 261 | Interest paid | 265 |
| 221 | | 235 |

28. CASH FLOW STATEMENT – INVESTING ACTIVITIES

| 2010/11 £'000 | | 2011/12 £'000 |
|------------------|--|------------------|
| 2,806 | Purchase of property plant and equipment | 2,678 |
| 0 | Purchase of short term and long term investments | 0 |
| 0 | Other payments for investing activities | 0 |
| 0 | Proceeds from the sale of property plant and equipment | 0 |
| 0 | Proceeds from short term and long term investments | 0 |
| 0 | Other receipts from investing activities | 0 |
| 2,806 | Net cash flows from investing activities | 2,678 |

29. CASH FLOW STATEMENT – FINANCING ACTIVITIES

| 2010/11 £'000 | | 2011/12 £'000 |
|------------------|--|------------------|
| 0 | Cash receipts of short and long term borrowing | 0 |
| -40 | Other receipts from financing activities | -30 |
| 261 | Cash payments for the reduction of the outstanding liabilities relating to finance leases Other payments for financing activities | 265 |
| 221 | Net cash flows from financing activities | 235 |

30. CASH FLOW STATEMENT – NON CASH MOVEMENTS

| 2010/11 | | 2011/12 |
|----------------|----------------------------------|----------------|
| £'000 | | £'000 |
| -879 | Depreciation | -1,042 |
| -348 | Losses on asset revaluations | -3,419 |
| 691 | Capital grant | 1,899 |
| 367 | MRP | 316 |
| 1,375 | Capital expenditure from revenue | 1,133 |
| -7,130 | IAS19 pension adjustments | -5,962 |
| 115 | Collection Fund adjustment | -18 |
| -19 | Accumulated Absences adjustment | -34 |
| -18 | Net movement on provision | 27 |
| -367 | MRP | -316 |
| -1,271 | Capital grant | -1,099 |
| 40 | Finance leases | 20 |
| -1,375 | Capital expenditure from revenue | -1,133 |
| 11 | Movement on stocks | 4 |
| 119 | Movement on creditors | -684 |
| -473 | Movement on debtors | 702 |
| 9,162 | | -9,606 |

Pension Fund Accounts

Shropshire and Wrekin Fire Authority
Statement of Accounts 2011/2012

| Year ended 31 March 2011 £'000 | | Year ended 31 March 2012 £'000 |
|---|--|---|
| | Income to the fund | |
| | Contributions receivable: | |
| | From employer: | |
| -1,177 | Normal: Old scheme | -1,132 |
| -250 | Normal: New scheme | -273 |
| 0 | Early Retirements | -38 |
| | From members: | |
| -608 | Normal: Old scheme | -585 |
| -194 | Normal: New scheme | -211 |
| | Transfers in: | |
| -121 | Individual transfers from other schemes | -4 |
| -2,350 | Income to the Fund | -2,243 |
| | Spending from the Fund | |
| | Benefits payable: | |
| 3,169 | Pensions | 3,287 |
| 562 | Commutations on pensions and lump sum retirement benefits | 518 |
| | Lump sum death benefits | 85 |
| | Payments to and on account of leavers: | |
| 303 | Individual transfers out of the scheme | 0 |
| 1,684 | Deficit / surplus for the year before top up grant receivable from Central Government | 1,647 |
| -1,091 | Top Up grant received | -1,311 |
| -593 | Top Up grant receivable | -336 |
| 0 | Net amount receivable for the year | 0 |

See note 1 to the account



Net Assets Statement as at 31 March 2012

| | |
|--|--------------|
| Net Current Assets and Liabilities: | £'000 |
| Amounts due to General Fund | -336 |
| Contributions due from employer | |
| Unpaid pension benefits | |
| Top Up grant receivable | 336 |
| Other current assets and liabilities | |
| | 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 13 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 19.



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.



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.



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.



