



# **Shropshire and Wrekin**

## **Fire and Rescue Authority**

# **Statement of Accounts**

2012/13



**Putting Shropshire's Safety First**  
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# Explanatory Foreword

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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 2013. 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

1. An understanding of the accounting statements
2. A review of the financial performance of the Authority during 2012/13
3. A summary of the Authority's financial position at the end of the year, and
4. Details of significant changes likely to affect the Authority during 2013/14.

## The Financial Statements

The core financial statements are set out on pages 34 to 38, and are supported by a Statement of Accounting Policies. Explanatory notes follow the accounting statements. The purpose of these core financial statements is given below

### Movement in Reserves Statement

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

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

### Comprehensive Income and Expenditure Statement

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

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## 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 2012, Shropshire and Wrekin Fire Authority approved a revenue budget of £21.412m for 2012/13. This budget quantified the Service’s strategic and operational plans, and the further sub division into business areas also enabled individual business plans to be quantified, and achievements monitored.

The revenue budget was funded as follows:

	£m
Council Tax Income	14.184
Non Domestic Rates	7.084
Revenue Support Grant	0.144
	<b>21.412</b>

A further one off grant was offered to those authorities that froze council tax for a second year. After considering the effects on long term financial planning, and also taking into account the views of the public through consultation, the Fire Authority agreed to increase council tax by 2.5%.

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During 2012/13 the Fire Authority has approved net transfers to the General Fund balance of £245,000. Actual out turn on the revenue budget was £19.906m, resulting in an additional surplus of £1.261m.

Some of this year's savings represent expenditure that has slipped from 2012/13 into 2013/14, 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 2013/14.

<b>Slipped Expenditure</b>	<b>£'000</b>
Training and development	54
Service Transformation Programme - projects	90
Other	3
<b>Total</b>	<b>147</b>

<b>Efficiencies and other variances</b>	<b>£'000</b>
Pay and prices	827
Staff – Human Resources and Development	67
Staff – Service Delivery and Control	95
Staff – Retained Duty System	300
Staff – Prevention and Operations	-67
Staff - Other	6
Pensions	99
Communications and information management	-62
Equipment and uniform	-79
Equipment replacement	-50
Facilities and hydrants	-54
Fleet management and workshops	-73
Service delivery	25
Human resources and development	66
Other variances	14
<b>Total</b>	<b>1,114</b>

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## Capital Programme

In February 2012, the Fire Authority approved a capital programme totalling £0.503m. During the year, a review was undertaken on the efficient use of reserves and balances, and as a result, a number of new schemes were added. In addition, schemes from years prior to 2012/13 were carried forward for completion.

### Schemes prior to 2012/13

A total of £949,000 has been spent on schemes which were approved prior to 2012/13. Five schemes are still to be completed, with estimated completion costs as follows:

<b>Scheme</b>	<b>£'000</b>
Training improvements	59
Station end equipment	71
People management system	50
Firekit replacement	49
Breathing apparatus upgrade	28

### 2012/13 Schemes

A total of £424,000 has been spent on schemes approved in 2012/13, including £207,000 on operational vehicles and equipment, £158,000 on property improvements and £59,000 on mobilising improvements.

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

<b>Scheme</b>	<b>£'000</b>
People management system	113
Building improvements	100
Light vehicle replacement	50
Corporate gazetteer	65
Major incident room	30
Positive pressure ventilation fans	30
Heating installation at Tweeddale	60
Fireground radio replacement	61
Appliance bay doors	50
RTC equipment on stations	65

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

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## 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.

	<b>31 March 2012 £'000</b>	<b>31 March 2013 £'000</b>
General Reserve	552	566
Efficiency Reserve	14	0
Pensions and other Staff Issues Reserve	1,389	1,424
Extreme Weather Reserve	320	328
Earmarked Capital Reserve	628	1,562
Unearmarked Capital Reserve	2,185	1,002
Equipment Replacement Provision	35	41
ICT Reserve	1,099	998
Capital Grants Unapplied Reserve	817	803
Income Volatility Reserve	0	1,015
Service Transformation Programme Staff Reserve	0	258
Service Delivery Reserve	231	232
General Fund Balance	1,411	1,506

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

## Prior Year Adjustment

The Fire Authority has identified an error in the way in which government grants and other items of income were categorised in 2011/12. The error meant that where grants and income had been received, but no expenditure had been incurred, the amounts were recorded as Receipts in Advance in the Balance Sheet.

The amounts received should have been recognised as income in the Comprehensive Income and Expenditure Statement, with a corresponding contribution to reserves.

In order to correct this error, the Fire Authority has restated the prior year information for 2011/12 (see note 3 to the financial statements).

## The Year Ahead

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

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

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

Payments for compensation relating to the terms and conditions under which retained firefighters worked during this period were estimated and accrued into 2011/12. Some payments have been made during 2012/13, with the remainder due to be made in 2013/14.

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

Full alignment is initially expected to take up to two years, and a Programme Brief is in place which scopes out the projects and work packages that will achieve the joint objectives of both Fire Authorities.

- **Service Transformation Programme**

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

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

The Programme is overseen by a Programme Manager, thus ensuring that a strategic overview is maintained of all projects, reviews and activities. It will be



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supported and delivered by a mixture of Service staff and external resources. The Programme will dovetail into the existing service / financial planning processes and will ensure that the appropriate controls are maintained throughout its lifecycle.

- **Local Authority Controlled Company**

At its meeting on 24 April 2013, the Fire Authority agreed to establish a local authority controlled company, with a trading arm to be known as 'Shropshire Fire Risk Management Services'. The company will deliver a range of function related services, including fire risk management, health and safety management, and training in first aid. Trading will begin in July 2013, and from 2013/14, the accounts will be incorporated into the Statement of Accounts of the Fire Authority.

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## Scope of Responsibility

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

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

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

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

A copy of the Code is on our website at:

<https://www.shropshirefire.gov.uk/sites/alpha.shropshirefire.gov.uk/files/fra/08-code-of-corporate-governance-2012-13.pdf>

A paper copy can be obtained from the Corporate Services Department within the Service.

This Statement explains how the Fire Authority has complied with the Code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement.

## The Purpose of the Governance Framework

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

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The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable, and not absolute, assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Shropshire and Wrekin Fire and Rescue Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact, should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Shropshire and Wrekin Fire and Rescue Authority for the period of the 2012/13 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 and value for money;
- define and document the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the Authority and partnership arrangements;
- develop, communicate and embed codes of conduct, which define the standards of behaviour for Members and staff;
- review and update standing orders, standing financial instructions, the scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
- ensure the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact;
- 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;
- ensure the Authority's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not explain why and how they deliver the same impact;
- enable whistle-blowing and the receiving and investigating of complaints from the public;

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- identify the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training;
- establish clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation; and
- ensure good governance arrangements in respect of partnerships and other joint working and reflecting these in the Authority's overall governance arrangements.

## Review of Effectiveness

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

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

- the Treasurer;
- the Fire Authority's Monitoring Officer;
- Legal advisors to the Fire Authority;
- Internal Auditors; and
- Managers within the Fire Authority, who have day-to-day responsibility for ensuring the governance framework is functioning correctly.

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

Throughout 2012/13, the Fire Authority has maintained, reviewed and improved its system of internal control in a number of ways. In particular:

- a) The Authority continues to monitor expenditure for all capital schemes;
- b) Ongoing review of the Authority's employment policies is undertaken and, where necessary, policies are modified or created to ensure compliance with all applicable legislation;
- c) The Service Transformation Programme continues to bring together the requirements of Public Value, Integrated Risk Management Planning (IRMP) and activities that Service Managers believe will deliver a sustainable service to the community into the future. Central to the Programme will be the continued investment in technology and systems to improve back-office efficiency and provide operations with technology to improve service delivery. The Programme, which dovetails into the Service's Financial and Service planning processes, will ensure that the appropriate level of control and visibility of all projects, reviews and activities are maintained throughout the lifecycle of the Programme.
- d) During the year the Authority has continued with its Public Value approach towards planning, budget and cost saving measures. The Year 2 (2012/13) Public Value initiatives have resulted in a £597,000 reduction in the Authority's budget, with minimal disruption to service delivery.

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- e) The Service has invested significantly in its Information and Communications Technology and command and control infrastructure.
- f) The Fire Authority has received and/or adopted:
  - Statement of Accounts 2011/12;
  - Corporate Plan 2012/13;
  - Public Value Year 2 2012/13 outcomes;
  - Annual Audit Letter 2011/12;
  - 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 2012/13 related to:
  - Corporate governance
  - Capital accounting and budgeting
  - Purchasing cards
  - Creditors master file (fraud and corruption)
  - Payroll system
  - Income and debtors
  - Data transparency
  - Computer services
  - Risk management
  - Previous recommendation follow up

On the basis of the work undertaken and management responses received, the Authority's financial systems, internal control environment and risk management procedures are sound and working effectively and the Audit Service Manager is able to deliver a positive year-end opinion on the Authority's internal control environment for 2012/13.

Internal Audit will be conducting audits into the following areas during 2013/14:

- Payroll system

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- Budget preparation and control
- Capital budgeting and accounting
- Computer services
- Command and Control system
- Purchasing and procurement
- Creditors system
- Partnerships
- Technical services – assets
- Risk management
- Corporate governance
- Fraud and corruption
- Previous recommendation follow up

## The Role of the Chief Financial Officer

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

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

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

The Chief Financial Officer's role is discharged through:

- Provision of advice and support on application of accounting policies and procedures and adherence to International Financial Reporting Standards.
- Attendance by the Treasurer or nominated representative at the following statutory meetings held with Fire Authority Members:
  - Five meetings of the Fire and Rescue Authority;
  - Four meetings of the Strategy and Resources Committee; and
  - 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 section 151 Officer), and the internal Fire Authority Finance Team.

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

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

## **Significant Internal Control Issues**

No significant issues were raised in the External Auditor's Annual Audit Letter 2011/12. The relatively minor points arising from these reviews are being used to enhance the existing system of controls.

The Fire Authority undertook a review of its systems of internal control, which underpin its governance framework, during May and June 2013. An Annual Governance Statement (AGS) Improvement Plan 2013/14 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 2013/14, is given below:

## **Hereford and Worcester Memorandum of Understanding (MoU)**

Hereford and Worcester and Shropshire and Wrekin Fire and Rescue Authorities have now procured and implemented command and control systems from the same supplier.

The MoU seeks to develop plans to align fully the two new systems, to create a single virtualised data system, which will be capable of being operated from control rooms located in Worcester and Shrewsbury.

The deployment of a fully integrated solution with common operating procedures offers improved resilience and broader operational benefits to both Services.

## **Service Transformation Programme**

The first year of the Service Transformation Programme has included a series of reviews culminating in the development of an information management strategy and a roadmap for delivery. The second year of the Programme will involve the implementation of a number of key systems to support the delivery of the strategy. This includes the introduction of a document management system and the upgrade of the people management and fire safety systems. The Programme will aid in embedding and supporting appropriate systems to ensure the most efficient use of our resources.

## **Integrated Risk Management Plan (IRMP 2020 Review)**

To ensure the Service is able to deliver the 2020 process, which involves a series of reviews, consultations and decisions, it is being managed as a project, which will include:

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

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## **Information and Communications Technology (ICT) Corporate Network Infrastructure**

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

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

## **Health and Safety Management**

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

## **Operational Assurance Peer Review Outcomes.**

Implement the outcomes of the 2012 Operational Assurance peer review report.

## **Signed:**

Cllr Dr Jean Jones  
Chair of Audit and  
Performance Management  
Committee

John Redmond  
Chief Fire Officer

James Walton  
Treasurer

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



# Statement of Responsibilities

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## 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 2013).

In preparing this Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

## Certificate of the Treasurer

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and of its income and expenditure for the year ended 31 March 2013.

## TREASURER

**Dated:** 27/09/13

## 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 27 September 2013.

## Chair of the Audit and Performance Committee

**Dated:**

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

# Audit Certificate

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

### **Opinion on the Authority financial statements**

We have audited the financial statements of Shropshire and Wrekin Fire and Rescue Authority for the year ended 31 March 2013 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 and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 5. 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 2012/13.

This report is made solely to the members of Shropshire and Wrekin Fire and Rescue 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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### **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 Statement of Accounts, which includes the Authority 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. Our 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 us 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'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, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Shropshire and Wrekin Fire and Rescue Authority as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

## Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we report by exception

We report to you if:

- in our 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;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we 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
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

## Conclusion on the 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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we 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***

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 us to consider under the Code of Audit Practice in satisfying ourselves 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 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we 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 our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Shropshire and Wrekin Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

## **Certificate**

We certify that we have completed the audit of the financial statements of Shropshire and 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**

Director

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

## Audit Certificate

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Colmore Plaza  
20 Colmore Circus  
BIRMINGHAM  
West Midlands  
B4 6AT

30 September 2013

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

# Statement of Accounting Policies

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## 1 General Principles

The Statement of Accounts summarises the Fire Authority's transactions for the 2012/13 financial year and its position at the year end of 31 March 2013. The Fire Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which require the statement to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Accounting Standards (IFRS).

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

## 2 Accruals of Expenditure and Income

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

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

## 3 Changes in Accounting Policies

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

## 4 Cash and Cash Equivalents

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

# Statement of Accounting Policies

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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:

## Statement of Accounting Policies

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- **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.

Two new reserves were created as the 2011/12 accounts were closed.

- **Service Transformation Programme (STP) Staff Reserve** – the



# Statement of Accounting Policies

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STP is a high level programme of activities, which will be completed to ensure that the Service is best placed to meet the challenges it is likely to face over the coming years. Funding for projects identified as part of the programme have been taken into account in the revenue budget and the capital programme. This reserve was set up to cover the staff elements of the projects.

- **Income Volatility Reserve** – A number of changes will be introduced in 2013/14 which will affect the way in which the Fire Authority is funded, and the levels of funding that will be achieved. This reserve was set up to smooth any volatility or fluctuations in the funding received against estimates in the Medium Term Corporate Plan.

In addition, a new reserve has been created.

- **Service Delivery Reserve** – this reserve has been set up to fund initiatives in service delivery and prevention.

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.

# Statement of Accounting Policies

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## **Retirement Benefits**

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

### **Firefighters Pension Scheme**

On 1 April 2006, new financial arrangements were introduced for both the 1992 and the newly established 2006 Pension Firefighter Pension Schemes. Both schemes are unfunded, defined benefit schemes, and are regulated by the Department for Communities and Local Government (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 4.2% (based on the indicative rate of return on high quality corporate bonds).
- The assets of Shropshire County Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.

## **Accounting for Pensions**

# Statement of Accounting Policies

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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

# Statement of Accounting Policies

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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 2012/13 (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.

# Statement of Accounting Policies

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## **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.

# Statement of Accounting Policies

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## **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.
- 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

# Statement of Accounting Policies

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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)

# Statement of Accounting Policies

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(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



# Statement of Accounting Policies

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

## 15 Financial Liabilities

Financial liabilities are recognised on the Balance sheet when the Fire Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

# Statement of Accounting Policies

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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 of Accounting Policies

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Statement.

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

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

## **19 Prior Period Adjustments**

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

## **20 Exceptional Items**

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

## **21 Events after the Reporting Period**

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

# Core Financial Statements

## Movement in Reserves Statement

	General Fund Balance	Ear-marked Reserves	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2012</b>	<b>1,411</b>	<b>6,418</b>	<b>817</b>	<b>8,646</b>	<b>-113,965</b>	<b>-105,319</b>
<b>Movement in reserves during 2012/13</b>						
Surplus or -deficit on the provision of services (note 4)	-2,659	0	0	-2,659	0	-2,659
Other Comprehensive Income and Expenditure	0	0	0	0	-15,183	-15,183
<b>Total Comprehensive Income and Expenditure</b>	<b>-2,659</b>	<b>0</b>	<b>0</b>	<b>-2,659</b>	<b>-15,183</b>	<b>-17,842</b>
Adjustments between accounting basis & funding basis under regulations (note 4)	3,707	0	0	3,707	-3,707	0
<b>Net Increase/-Decrease before Transfers to Earmarked Reserves</b>	<b>1,048</b>	<b>0</b>	<b>0</b>	<b>1,048</b>	<b>-18,890</b>	<b>-17,842</b>
Transfers to/from Earmarked Reserves	-953	967	-14	0	0	0
<b>Increase/-Decrease in 2012/13</b>	<b>95</b>	<b>967</b>	<b>-14</b>	<b>1,048</b>	<b>-18,890</b>	<b>-17,842</b>
<b>Balance as at 31 March 2013 cfwd</b>	<b>1,506</b>	<b>7,385</b>	<b>803</b>	<b>9,694</b>	<b>-132,855</b>	<b>-123,161</b>

Note 25

Note 25

Note 24

# Core Financial Statements

## Movement in Reserves Statement

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	Restated General Fund Balance	Restated Ear- marked Reserves	Capital Grants Unapplied Account	Restated Total Usable Reserves	Unusable Reserves	Restated Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2011</b>	<b>2,212</b>	<b>3,682</b>	<b>0</b>	<b>5,894</b>	<b>-106,198</b>	<b>-100,304</b>
<b>Movement in reserves during 2011/12</b>						
Surplus or -deficit on the provision of services	-4,375	0	0	-4,375	0	-4,375
Other Comprehensive Income and Expenditure	0	0	0	0	-640	-640
<b>Total Comprehensive Income and Expenditure</b>	<b>-4,375</b>	<b>0</b>	<b>0</b>	<b>-4,375</b>	<b>-640</b>	<b>-5,015</b>
Adjustments between accounting basis & funding basis under regulations (note 4)	7,127	0	0	7,127	-7,127	0
<b>Net Increase/-Decrease before Transfers to Earmarked Reserves</b>	<b>2,752</b>	<b>0</b>	<b>0</b>	<b>2,752</b>	<b>-7,767</b>	<b>-5,015</b>
Transfers to/from Earmarked Reserves	-3,553	2,736	817	0	0	0
<b>Increase/-Decrease in 2011/12</b>	<b>-801</b>	<b>2,736</b>	<b>817</b>	<b>2,752</b>	<b>-7,767</b>	<b>-5,015</b>
<b>Balance as at 31 March 2012 cfwd</b>	<b>1,411</b>	<b>6,418</b>	<b>817</b>	<b>8,646</b>	<b>-113,965</b>	<b>-105,319</b>

# Core Financial Statements

## Comprehensive Income and Expenditure Statement

2011/12				2012/13		
Restated* Gross Expenditure	Restated Gross Income	Restated Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
2,597	84	2,513	<b>Expenditure</b>	1,738	14	1,724
19,908	99	19,809	Community fire safety	16,635	103	16,532
132	1	131	Firefighting and rescue operations	69	1	68
			Emergency planning and civil defence			
		337	<b>Corporate and Democratic Core</b>			260
		234	Democratic representation and management			171
		-114	Corporate management			19
			Non Distributed Costs			
		<b>22,910</b>	<b>Cost of Services – continuing operations</b>			<b>18,774</b>
		264	Interest payable and similar charges			264
		-29	Interest and investment income			-30
		6,497	Pensions interest cost and return on pensions assets (note 14)			6,356
		<b>6,732</b>	<b>Financing and Investment Income and Expenditure (note 5)</b>			<b>6,590</b>
		-13,536	Precepts (note 6)			-14,129
		-11,731	Government Grants (note 6)			-8,576
		<b>-25,267</b>	<b>Taxation and Non Specific Grant Income (note 6)</b>			<b>-22,705</b>
		<b>4,375</b>	<b>Surplus(-)/ Deficit on Provision of Services</b>			<b>2,659</b>
		640	Actuarial gains (-) / losses on pension fund assets and liabilities (note 14)			15,183
		<b>640</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>15,183</b>
		<b>5,015</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>17,842</b>

\*See note 3

# Core Financial Statements

## Balance Sheet

1 April 2011 £'000	Restated 31 March 2012 £'000		Notes	31 March 2013 £'000
		<b>Property Plant and Equipment</b>		
15,425	13,648	Land and Buildings	16	13,383
3,445	4,239	Vehicles Plant Furniture and Equipment	16	4,718
<b>18,870</b>	<b>17,887</b>	<b>Total Long Term Assets</b>		<b>18,101</b>
111	115	Inventories	18	89
2,036	1,452	Short Term Debtors	19	1,475
6,092	8,239	Cash and Cash Equivalent	20	10,723
<b>8,239</b>	<b>9,806</b>	<b>Total Current Assets</b>		<b>12,287</b>
-2,768	-1,814	Short Term Creditors	21	-1,731
<b>-2,768</b>	<b>-1,814</b>	<b>Current Liabilities</b>		<b>-1,731</b>
-64	-35	Provisions	22	-41
-5,810	-5,810	Long Term Borrowing	17	-5,810
-118,735	-125,337	Pension Liability	14	-145,967
-36	-16	Other Long Term Liabilities	13	0
<b>-124,645</b>	<b>-131,198</b>	<b>Long Term Liabilities</b>		<b>-151,818</b>
<b>-100,304</b>	<b>-105,319</b>	<b>Net Liabilities</b>		<b>-123,161</b>
		<b>Usable Reserves</b>		
2,212	1,411	General Fund		1,506
539	552	General Reserve	23 & 25	566
988	2,185	Unearmarked Capital Reserve	23 & 25	1,002
527	628	Earmarked Capital Reserve	23 & 25	1,562
312	320	Extreme Weather Reserve	23 & 25	328
60	14	Efficiency Reserve	23 & 25	0
1,256	1,389	Pensions and Other Staff Issues Reserve	23 & 25	1,424
0	1,099	ICT Reserve	23 & 25	998
0	231	Service Delivery Reserve	23 & 25	232
0	0	Income Volatility Reserve	23 & 25	1,015
0	0	STP Staff Reserve	23 & 25	258
0	817	Unapplied Capital Grants Reserve	23 & 26	803
		<b>Unusable Reserves</b>		
1,454	1,454	Revaluation Reserve	24	1,342
11,012	9,899	Capital Adjustment Account	24	11,760
-116,152	-122,130	Fire Pensions Reserve	14 & 24	-141,705
-2,583	-3,207	LGPS Pensions Reserve	14 & 24	-4,261
204	186	Collection Fund Adjustment Account	24	
				131
-133	-167	Accumulated Absences Account	24	-122
<b>-100,304</b>	<b>-105,319</b>	<b>Total Reserves</b>		<b>-123,161</b>

These financial statements replace the unaudited financial statements certified by the Treasurer on 28 June 2013

## Core Financial Statements

### Cash Flow Statement

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<b>2011/12 £'000</b>		<b>2012/13 £'000</b>
4,780	Net (surplus) or deficit on the provision of services	2,659
-9,606	Adjustments to net surplus or deficit on the provision of services for non cash movements (see Note 31)	-6,516
-235	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (see Note 28)	-234
-5,061	Net cash flows from operating activities	-4,091
2,678	Investing Activities (see Note 29)	1,373
235	Financing Activities (see Note 30)	234
-2,148	Net increase or decrease in cash and cash equivalents	-2,484
-6,091	Cash and cash equivalents at the beginning of the period	-8,239
<b>-8,239</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>-10,723</b>



# Notes to the Core Financial Statements

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## 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.

### **ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED**

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

The Code has introduced several changes in accounting policies which will be required to be adopted from 1 April 2013. The impact of these changes has been assessed as follows;

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

The Authority has concluded that there will be no material impact upon its financial statements in relation to the changes made to IAS1 Presentation of Financial Statements, IAS 12 Income Taxes and IFRS 7 Financial Instruments: Disclosures.

# Notes to the Core Financial Statements

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

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

### Pensions Liability

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

### Reserves

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

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. A total of £700,000 was added to the Pensions and Other Staff Issues Reserve in 2009/10.

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 some payments made in 2012/13, and the balance of payments scheduled for 2013/14.

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

### Future Levels of Funding

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

## 3. PRIOR YEAR ADJUSTMENT

The Fire Authority has identified an error in the way in which government grants and other items of income were categorised in 2011/12. The error meant that where grants and income had been received, but no expenditure had been incurred, the amounts were recorded as Receipts in Advance in the Balance Sheet.

## Notes to the Core Financial Statements

The amounts received should have been recognised as income in the Comprehensive Income and Expenditure Statement, with a corresponding contribution to reserves.

In order to correct this error, the Fire Authority has restated the prior year information for 2011/12.

### Effect on Comprehensive Income and Expenditure Statement 2011/12

	<i>Originally Stated £'000</i>	<i>Restated £'000</i>	<i>Amount of Restatement £'000</i>
Cost of services – continuing operations	22,981	22,910	-71
Financing and investment income and expenditure	6,732	6,732	0
Taxation and non specific grant income	-24,933	-25,267	-334
<b>Surplus / deficit on provision of services</b>	<b>4,780</b>	<b>4,375</b>	<b>-405</b>
Other comprehensive income and expenditure	640	640	0
<b>Total comprehensive income and expenditure</b>	<b>5,420</b>	<b>5,015</b>	<b>-405</b>

### Effect on Balance Sheet 2011/12

	<i>Originally Stated £'000</i>	<i>Restated £'000</i>	<i>Amount of Restatement £'000</i>
Current liabilities: Short term creditors	-2,219	-1,814	405
Usable reserves:			
Earmarked capital reserve	-587	-628	-41
ICT reserve	-966	-1,099	-133
Service delivery reserve	0	-231	-231

### Effect on Movement in Reserves Statement 2011/12

	<i>Originally Stated £'000</i>	<i>Restated £'000</i>	<i>Amount of Restatement £'000</i>
<b>Balance at the end of the previous reporting period 31 Mar 11</b>	<b>5,894</b>	<b>5,894</b>	<b>0</b>
Surplus (or deficit) on the provision			

## Notes to the Core Financial Statements

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of services	-4,780	-4,375	405
Adjustments between accounting basis and funding basis under regulations	7,127	7,127	0
Transfers to or from reserves	0	0	0
<b>Increase (or decrease) in the year</b>	<b>2,347</b>	<b>2,752</b>	<b>405</b>
<b>Balance at the end of the current reporting period 31 Mar 12</b>	<b>8,241</b>	<b>8,646</b>	<b>405</b>

# Notes to the Core Financial Statements

## 4. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2012/13	General Fund Balance £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
<b>Reversal of items debited or credited to the Comp I&amp;E Statement:</b>		
Charges for depreciation of non current assets	-993	993
Revaluation losses on Property Plant and Equipment	-166	166
Donated assets at fair value	0	0
Capital grants and contributions applied	952	-952
<b>Insertion of items not debited or credited to the Comp I&amp;E Statement:</b>		
Statutory provision for the financing of capital investment	307	-307
Capital expenditure charged against the General Fund Balance	1,649	-1,649
<b>Adjustments primarily involving the Pensions Reserves:</b>		
Reversal of items relating to retirement benefits debited or credited to the Comp I&E Statement	-9,610	9,610
Employer's pensions contributions and direct payments to pensioners payable in the year	4,164	-4,164
<b>Adjustment primarily involving the Collection Fund Adjustment Account:</b>		
Amount by which council tax income credited to the Comp I&E Statement is different from council tax calculated for the year in accordance with statutory requirements	-55	55
<b>Adjustment primarily involving the Accumulated Absences Account:</b>		
Amount by which officer remuneration charged to the Comp I&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	45	-45
<b>Total Adjustments</b>	<b>-3,707</b>	<b>3,707</b>

# Notes to the Core Financial Statements

Comparative figures for 2011/12	General Fund Balance	Movement in Unusable Reserves
	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
<b>Reversal of items debited or credited to the Comp I&amp;E Statement:</b>		
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
<b>Insertion of items not debited or credited to the Comp I&amp;E Statement:</b>		
Statutory provision for the financing of capital investment	316	-316
Capital expenditure charged against the General Fund Balance	1,133	-1,133
<b>Adjustments primarily involving the Pensions Reserves:</b>		
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
<b>Adjustment primarily involving the Collection Fund Adjustment Account:</b>		
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
<b>Adjustment primarily involving the Accumulated Absences Account:</b>		
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
<b>Total Adjustments</b>	<b>-7,127</b>	<b>7,127</b>

# Notes to the Core Financial Statements

## 5. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2011/12 £'000		2012/13 £'000
264	Interest payable and similar charges	264
6,497	Pensions interest cost and expected return on pensions assets	6,356
		-30
-29	Interest receivable and similar income	
<b>6,732</b>	<b>Total</b>	<b>6,590</b>

## 6. TAXATION AND NON SPECIFIC GRANT INCOME

2011/12 £'000		2012/13 £'000
-13,536	Council tax income	-14,129
-5,715	Non domestic rates	-7,084
-3,300	Non ringfenced government grants	-553
0	Animal Rescue Donations	-1
-800	New Dimension donated assets at fair value	0
-1,916	Capital grants and contributions	-938
<b>-25,267</b>	<b>Total</b>	<b>-22,705</b>

\*see also note 11

## 7. MEMBERS' ALLOWANCES

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

	2012/13 £'000	2011/12 £'000
Allowances	69	69
Expenses	3	4
<b>Total</b>	<b>72</b>	<b>73</b>

## Notes to the Core Financial Statements

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<b>2012/13</b>	<b>Basic Allowance £</b>	<b>Special Allowance £</b>	<b>Expenses £</b>	<b>Total £</b>
C Mellings	2,658		148	2,806
K Blundell	2,658		71	2,729
N Hartin	2,658	2,658	311	5,627
M Tebbutt	91		55	146
F Bould	2,265	852		3,117
J Jones	2,658	2,658	453	5,769
G Reynolds	2,265		67	2,332
R Picken	400		14	414
D Minnery	2,658	5,000	18	7,676
J Hurst-Knight	2,658		114	2,772
S West	2,658	10,000	768	13,426
L Murray	384	167	50	601
B Thompson	2,658			2,658
M Bennett	2,658		45	2,703
P Brereton	91			91
R Kiernan	2,658		82	2,740
P Adams	2,658		76	2,734
E Carter	2,658		219	2,877
K Roberts	2,658			2,658
J Barrow	2,658	1,000	335	3,993
M Price	2,658	1,000	122	3,780
<b>Total</b>	<b>45,366</b>	<b>23,335</b>	<b>2,948</b>	<b>71,649</b>



## Notes to the Core Financial Statements

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
<b>Total</b>	<b>45,668</b>	<b>23,211</b>	<b>4,064</b>	<b>72,943</b>

### 8. OFFICERS REMUNERATION

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

Remuneration band	Number of Employees	
	2011/2012	2012/2013
£50,000 - £54,999	7	11
£55,000 - £59,999	6	7
£60,000 - £64,999	1	0
£65,000 - £69,999	4	4
£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	1
£95,000 - £99,999	0	0

## Notes to the Core Financial Statements

£100,000 - £104,999	1	1
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	1	1

### 2012/13

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

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

### 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	53,458	4,008	57,466	6,141	63,607

# Notes to the Core Financial Statements

\*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.

## 9. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

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

## Notes to the Core Financial Statements

Comparative figures for 2011/12	Executive	Service Delivery	Corporate Performance and Operations	HR and Development	Total
	£'000	£'000	£'000	£'000	£'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
<b>Total Outturn</b>	<b>4,534</b>	<b>10,395</b>	<b>3,000</b>	<b>1,696</b>	<b>19,625</b>

### 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.

	2012/13 £'000	2011/12 £'000
Net expenditure in the Directorate Analysis	19,906	19,625
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	-16,893	-16,922
	3,013	2,703
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	-354	1,672
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>2,659</b>	<b>4,375</b>

# Notes to the Core Financial Statements

## Reconciliation to Subjective Analysis

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

<b>2012/13</b>	<b>Directorate Analysis</b>	<b>Amounts not reported to management for decision making</b>	<b>Amounts not included in I&amp;E</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees, charges and other service income	-134			-134
Interest and investment income	-30			-30
Income from council tax		-14,129		-14,129
Government grants and contributions	-410	-8,166		-8,576
<b>Total Income</b>	<b>-574</b>	<b>-22,295</b>		<b>-22,869</b>
Employee expenses	14,665	5,401		20,066
Other service expenses	5,551		-1,513	4,038
Depreciation, amortisation and impairment			1,159	1,159
Interest payments	264			264
<b>Total Expenditure</b>	<b>20,480</b>	<b>5,401</b>	<b>-354</b>	<b>25,527</b>
<b>Surplus or deficit on the provision of services</b>	<b>19,906</b>	<b>-16,894</b>	<b>-354</b>	<b>2,658</b>

## Notes to the Core Financial Statements

<b>2011/12 Comparable Figures</b>	<b>Directorate Analysis £'000</b>	<b>Amounts not reported to management for decision making £'000</b>	<b>Amounts not included in I&amp;E £'000</b>	<b>Total £'000</b>
Fees, charges and other service income	-212	0	0	-212
Interest and investment income	-29	0	0	-29
Income from council tax	0	-13,536	0	-13,536
Government grants and contributions	-2,350	-9,381	0	-11,731
<b>Total Income</b>	<b>-2,591</b>	<b>-22,917</b>	<b>0</b>	<b>-25,508</b>
Employee expenses	14,812	5,995	0	20,807
Other service expenses	7,140	0	-2,789	4,351
Depreciation, amortisation and impairment	0	0	4,461	4,461
Interest payments	264	0	0	264
<b>Total Expenditure</b>	<b>22,216</b>	<b>5,995</b>	<b>1,672</b>	<b>29,883</b>
<b>Surplus or deficit on the provision of services</b>	<b>19,625</b>	<b>-16,922</b>	<b>1,672</b>	<b>4,375</b>

### 10. EXTERNAL AUDIT COSTS

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

	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
Fees payable with regard to external audit services carried out by the appointed auditor for the year		
Audit Commission (less rebate)	1	56
Grant Thornton	38	0
<b>Total Audit Fees</b>	<b>39</b>	<b>56</b>

# Notes to the Core Financial Statements

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## 11. GRANT INCOME

The Authority credited the following grants to the Comprehensive Income and Expenditure Statement in 2012/13:

	2011/12 £'000	2012/13 £'000
<b>Capital:</b>		
CLG - Fire Capital Grant	915	914
CLG – Fire Control Capital Grant	1,000	0
Environment Agency – Capital Grant	0	24
<b>Revenue:</b>		
CLG – Revenue Support Grant	1,767	144
CLG – 2011/12 Council Tax Freeze Grant	336	336
CLG – Revenue – Fire Control Implementation Grant	800	0
CLG – New Dimension Grant	161	0
CLG – New Dimension Grant	43	46
CLG – New Dimension Accommodation Grant	41	0
CLG – FiReControl Convergence Grant	133	0
CLG – Council Tax Reform Grant	0	27
Communities and Local Govt – FiReControl Project Grant	20	0
Donated Assets at fair value	800	0
Animal Rescue donations	0	1
<b>Total</b>	<b>6,016</b>	<b>1,492</b>

The Council Tax Freeze Grant 2011/12 (£336,000) – the Authority is eligible to receive this annually for four years until 2014/15.

## 12. RELATED PARTIES

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

### Central Government

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

# Notes to the Core Financial Statements

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out in the subjective analysis in note 9 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 2012/13 is shown in note 7.

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

## **Officers**

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

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

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

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 £820,000 to Shropshire Council and £135,000 to the Borough of Telford & Wrekin.

## **13. LEASES**

### **Authority as a Lessor**

The Authority has not engaged in any activity as a lessor

### **Authority as a Lessee**

#### **Finance Leases**

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



## Notes to the Core Financial Statements

	31 March 2012 £'000	31 March 2013 £'000
Vehicles, Plant, Furniture and Equipment	16	0

The Authority was committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the assets acquired by the Authority and finance costs that were payable by the Authority in future years while the liability remained outstanding. There are no outstanding finance lease payments at 31 March 2013.

	31 March 2012 £'000	31 March 2013 £'000
Finance lease liabilities (net present value of minimum lease payments):		
Current	16	0
Non Current	0	0
Finance costs payable in future years	2	0
<b>Minimum lease payments</b>	<b>18</b>	<b>0</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2013 £'000
Not later than one year	18	0	16	0
Later than one year and not later than five years	0	0	0	0
Later than five years	0	0	0	0
	<b>18</b>	<b>0</b>	<b>16</b>	<b>0</b>

### Operating Leases

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

## Notes to the Core Financial Statements

	31 March 2012	31 March 2013
	£'000	£'000
Not later than one year	164	105
Later than one year and not later than five years	298	201
Later than five years	15	7
	<b>477</b>	<b>313</b>
Operating lease rentals paid during the year	<b>156</b>	<b>172</b>

### 14. PARTICIPATION IN PENSION SCHEMES

As part of the terms and conditions of employment of its officers and other employees, the Fire Authority makes contributions towards the cost of retirement benefits. Although these benefits will not actually be payable until the employees retire, the Fire Authority has a commitment to make the payments 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 pension 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:

# Notes to the Core Financial Statements

	Shropshire County Pension Fund		Fire Pension Schemes		
	2012/13 £'000	2011/12 £'000	Old 2012/13 £'000	New 2012/13 £'000	Total 2011/12 £'000
<b>Comprehensive I&amp;E Statement</b>					
<b>Cost of Services:</b>					
Current service cost	334	294	2,250	667	2,884
Past service cost	3	0	0	0	0
<b>Financing and Investment Income and Expenditure:</b>					
Interest cost	509	516	5,931	273	6,378
Expected return on assets	-357	-397	0	0	0
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	489	413	8,181	940	9,262
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:</b>					
Actuarial gains and losses	868	640	13,100	1,215	0
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	868	640	13,100	1,215	0
<b>Movement in Reserves Statement</b>					
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	489	413	8,181	940	9,262
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>					
Employers contributions payable to the scheme	-303	-297	-1,090	-282	-1,261
Top up Grant			-2,812	506	-1,904
Retirement benefits payable to pensioners			-183	0	-119

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is £15.183m.

# Notes to the Core Financial Statements

## Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities:

	<b>Funded Liabilities: Shropshire County Pension Fund</b>		<b>Unfunded Liabilities: Fire Pension Schemes</b>	
	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
Opening balance 1 April	10,359	9,308	122,130	116,152
Current service cost	334	294	2,917	2,884
Interest cost	509	516	6,204	6,378
Contributions by scheme participants	131	132	826	796
Benefits paid	-424	-286	-4,687	-4,080
Actuarial gains and losses	1,495	395	14,315	0
Past service costs	3	0	0	0
Closing balance 31 March	<b>12,407</b>	<b>10,359</b>	<b>141,705</b>	<b>122,130</b>

Reconciliation of fair value of the scheme assets:

	<b>Shropshire County Pension Fund</b>		<b>Fire Pension Schemes</b>	
	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
Opening balance 1 April	7,152	6,857	0	0
Expected rate of return	357	397	0	0
Actuarial gains and losses	627	-245	0	0
Employer contributions	303	297	0	0
Contributions by scheme participants	131	132	0	0
Benefits paid	-424	-286	0	0
Closing balance 31 March	<b>8,146</b>	<b>7,152</b>	<b>0</b>	<b>0</b>

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 £984,000 (2011/12 - £152,000).

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

Top up grant has been included in the reconciliation of assets under the schemes, and has been included within employer contributions as income into the schemes. Disclosures in the statement reflect top up grant of £2.306m in 2012/13, and £1.904m in 2011/12.

# Notes to the Core Financial Statements

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## Scheme History

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
<b>Present value of liabilities:</b>					
Shropshire County Pension Fund	6,702	9,921	9,308	10,359	12,407
Fire Pension Schemes	88,683	125,201	116,152	122,130	141,705
<b>Fair value of assets in the Shropshire County Pension Fund</b>	4,179	5,977	6,857	7,152	8,146
<b>Surplus/(deficit) in the scheme:</b>					
Shropshire County Pension Fund	-2,523	-3,944	-2,451	-3,207	-4,261
Fire Pension Schemes	-88,683	-125,201	-116,152	-122,130	-141,705
<b>Total</b>	<b>-91,206</b>	<b>-129,145</b>	<b>-118,603</b>	<b>-125,337</b>	<b>-145,966</b>

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 £145.967m 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 £123.161m.

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 2014 is £302,000. Total contributions expected to be made to the Firefighter Pension Schemes in the year to 31 March 2014 is £3,769,000.

## 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

## Notes to the Core Financial Statements

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:

	<b>Shropshire County Pension Fund</b>		<b>Fire Pension Schemes</b>	
	<b>2012/13</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2011/12</b>
<b>Long term expected rate of return on assets in the scheme:</b>				
Equity Investments	7.0%	7.0%	-	-
Bonds	3.4%	3.6%	-	-
Property	5.7%	6.0%	-	-
Other	*	*	-	-
(*dependent on type of asset)				
<b>Mortality Assumptions:</b>				
Longevity at 60 (65 County) for current pensioners: men	22.4yrs	22.0yrs	27.4yrs	26.9yrs
women	25.1yrs	24.7yrs	29.7yrs	29.1yrs
Longevity at 60 (65 County) for future pensioners: men	24.2yrs	23.4yrs	29.4yrs	28.5yrs
Women	27.1yrs	26.2yrs	31.7yrs	30.8yrs
Rate of inflation CPI	2.4%	2.5%	2.4%	2.6%
Rate of increase in salaries	3.9%	4.0%	3.9%	4.1%
Rate of increase in pensions	2.4%	2.5%	2.4%	2.6%
Rate for discounting scheme liabilities	4.2%	4.9%	4.4%	5.1%
Take up option to convert annual pension into retirement lump sum	50%	50%	50%	50%

A change in underlying assumptions in the Fire pension schemes have resulted in actuarial losses of £14.315m in 2012/13, compared to no gains or losses in 2011/12:

**Loss of £12.879m:**

Decrease in expected yield on bonds from 5.1% to 4.4%, less  
Decrease in inflation from 2.6% to 2.4%, accounts for losses of £12.879m.

**Loss of £1.436m:**

## Changes in long term mortality rate assumptions

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.

	<b>31 March 2013</b>	<b>31 March 2012</b>
	<b>%</b>	<b>%</b>
Equity Investments	55.7	53.0

## Notes to the Core Financial Statements

Bonds	23.2	24.8
Property	3.0	3.6
Other Assets	18.1	18.6
	<b>100.0</b>	<b>100.0</b>

**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	2012/ 2013
<b>Shropshire County Pension Fund:</b>									
Differences between the expected and actual return on assets	2.5%	13.7%	0.6%	8%	35.5%	20.8%	0.2%	-3.4%	-7.7%
Experience gains and losses on liabilities	4.6%	0	0	1.3%	0	0	3.6%	0	0
<b>Old Fire Pension Scheme:</b>									
Experience gains and losses on liabilities	8%	-3.3%	0	4.2%	0	0	3.0%	0	0
<b>New Fire Pension Scheme:</b>									
Experience gains and losses on liabilities	-	-	-	17%	0	0	10%	0	0

### 15. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was signed off by the Treasurer on 28th June 2013. Events taking place after this date are not reflected in the financial statements or notes.

# Notes to the Core Financial Statements

## Post Balance Sheet Event – non adjusting

At its meeting on 24 April 2013, the Fire Authority agreed to establish a local authority controlled company, with a trading arm to be known as ‘Shropshire Fire Risk Management Services’. The company will deliver a range of function related services, including fire risk management, health and safety management, and training in first aid. Trading will begin in July 2013, and from 2013/14, the accounts will be incorporated into the statement of Accounts of the Fire Authority.

## 16. PROPERTY PLANT AND EQUIPMENT

### Movements in 2012/13

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



# Notes to the Core Financial Statements

## Comparative Movements in 2011/12

	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Property Plant & Equipment £'000
<b>Cost or Valuation</b>			
<b>At 1 April 2011</b>	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		-3,419
Donated assets at fair value	0	800	800
Derecognition - disposals			
<b>At 31 March 2012</b>	<b>13,979</b>	<b>9,067</b>	<b>23,046</b>
<b>Accumulated Depreciation and Impairment</b>			
<b>As at 1 April 2011</b>	66	4,051	4,117
Depreciation charge	265	777	1,042
Depreciation written out to the Revaluation Reserve	0		0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0		0
Derecognition - disposals			
<b>At 31 March 2012</b>	<b>331</b>	<b>4,828</b>	<b>5,159</b>
<b>Net Book Value at 31 March 2012</b>	<b>13,648</b>	<b>4,239</b>	<b>17,887</b>
<b>At 31 March 2011</b>	<b>15,425</b>	<b>3,445</b>	<b>18,870</b>

## Depreciation

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

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

# Notes to the Core Financial Statements

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## Capital Commitments

At 31 March 2013, the Authority had entered into a number of contracts for the provision or enhancement of Property Plant and Equipment in 2013/14, budgeted to cost £148,000.

The commitments were:

Firekit replacement	£49,000
Breathing apparatus upgrade	£28,000
Station end equipment	£71,000

Similar commitments at 31 March 2012 were £1,077,000.

## New Dimension Assets Transfer

The Department of Communities and Local Government (CLG) 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 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 signed the Transfer of Assets Agreement, and 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.

## Notes to the Core Financial Statements

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- 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 was revalued at 31 March 2012.

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

This valuation resulted in an impairment, which was 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
<b>Total impairment at Shrewsbury</b>	<b>3,369</b>

This cost was posted to the Comprehensive Income and Expenditure Account in 2011/12.

The impairment on the Shrewsbury site was considered a significant, non-recurring item of expenditure for the Authority and as such has been detailed above. The loss which was shown in the Consolidated Income and Expenditure Statement was not realised and so did not result 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.

## Notes to the Core Financial Statements

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		4,718	4,718
Carried at fair value as at:			
31 March 2012	2,300		2,300
31 March 2011	11,083		11,083
<b>Total</b>	<b>13,383</b>	<b>4,718</b>	<b>18,101</b>

## 17. FINANCIAL INSTRUMENTS

### Categories of Financial Instrument

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

	Long Term			Current		
	31 March 2013 £'000	31 March 2012 £'000	1 April 2011 £'000	31 March 2013 £'000	31 March 2012 £'000	1 April 2011 £'000
<b>Cash and cash equivalents</b>						
Cash and bank accounts				124	9	-623
Short term deposits with bank				1,920	0	6,715
Short term deposits with local authorities				8,180	6,320	0
				500	1,910	0
Short term deposits with Debt Management Office						
<b>Total cash and cash equivalents</b>				10,724	8,239	6,092

## Notes to the Core Financial Statements

### Debtors

Financial assets carried at contract amounts	0	22	19	43
<b>Total debtors</b>	<b>0</b>	<b>22</b>	<b>19</b>	<b>43</b>

### Borrowings

Financial liabilities at amortised cost	-5,810	-5,810	-5,810	0
<b>Total borrowings</b>	<b>-5,810</b>	<b>-5,810</b>	<b>-5,810</b>	<b>0</b>

### Other Long Term Liabilities

Finance leases	0	16	36	
<b>Total other long term liabilities</b>	<b>0</b>	<b>16</b>	<b>36</b>	

### Creditors

Financial liabilities carried at contract amount	0	209	128	174
<b>Total creditors</b>	<b>0</b>	<b>209</b>	<b>128</b>	<b>174</b>

### 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:

	2012/13		2011/12	
	Liabilities at amortised cost £'000	Assets – loans and receivables £'000	Liabilities at amortised cost £'000	Assets – loans and receivables £'000
Interest expense	264		264	
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>264</b>		<b>264</b>	
Interest income		30		29
<b>Total income in Surplus or Deficit on the Provision of Services</b>		<b>30</b>		<b>29</b>
<b>Net gain /(loss) for the year</b>	<b>264</b>	<b>30</b>	<b>264</b>	<b>29</b>

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

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

## Notes to the Core Financial Statements

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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 2013 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 2013		31 March 2012		1 April 2011	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial liabilities	5,810	7,426	5,810	7,182	5,810	6,166
Long term creditors	0	0	16	16	36	36

# Notes to the Core Financial Statements

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

	31 March 2013 £'000	31 March 2012 £'000	31 March 2011 £'000
<b>Loan Source</b>			
Public Works Loan Board	5,810	5,810	5,810

## Analysis by Maturity

Less than 1 year	0	0	0
Between 1 and 2 years	0	0	0
Between 2 and 5 years	112	112	112
Between 5 and 10 years	443	280	280
Between 10 and 20 years	1,706	1,519	1,242
Between 20 and 30 years	1,889	2,239	2,516
Between 30 and 40 years	800	450	0
Between 40 and 50 years	860	1,210	1,660

## 18. INVENTORIES

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

2011/12	Vehicle Parts £'000	Oil £'000	Diesel £'000	Uniforms £'000	Fire Ground Feeding £'000	Total £'000
Balance outstanding at start of year	59	3	10	39	0	111
Purchases	89	7	158	124	9	387
Recognised as an expense during the year	-85	-4	-156	-130	-8	-383
Balance outstanding at year end	63	6	12	33	1	115

# Notes to the Core Financial Statements

## 19. DEBTORS

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

	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>	<b>1 April 2011 £'000</b>
Central government bodies	405	567	356
Public corporations and trading funds	472	336	593
Other local authorities	328	187	762
Other entities and individuals	270	362	325
<b>Total</b>	<b>1,475</b>	<b>1,452</b>	<b>2,036</b>

## 20. CASH AND CASH EQUIVALENTS

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

	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>	<b>1 April 2011 £'000</b>
Cash held by the Authority	2	2	2
Bank current accounts	122	7	-625
Short term deposits with bank	1,920	0	6,715
Short term deposits with local authorities	8,180	6,320	0
Short term deposits with Debt Management Office	500	1,910	0
<b>Total</b>	<b>10,724</b>	<b>8,239</b>	<b>6,092</b>

## 21. CREDITORS

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

	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>	<b>1 April 2011 £'000</b>
Central government bodies	366	516	310
Other local authorities	332	172	627
Other entities and individuals	1,033	1,126	1,831
<b>Total</b>	<b>1,731</b>	<b>1,814</b>	<b>2,768</b>



# Notes to the Core Financial Statements

## 22. PROVISIONS

<b>Equipment Replacement Provision</b>	<b>£'000</b>
<b>Balance at 1 April 2012</b>	<b>35</b>
Additional provisions made in 2012/13	81
Amounts used in 2012/13	-75
<b>Balance at 31 March 2013</b>	<b>41</b>

  

<b>Balance at 1 April 2011</b>	<b>£'000</b>
	<b>64</b>
Additional provisions made in 2011/12	59
Amounts used in 2011/12	-88
<b>Balance at 31 March 2012</b>	<b>35</b>

## 23. USABLE RESERVES

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

## 24. UNUSABLE RESERVES

<b>31 March 2012 £'000</b>		<b>31 March 2013 £'000</b>
1,454	Revaluation Reserve	1,342
9,899	Capital Adjustment Account	11,760
-3,207	LGPS Pensions Reserve	-4,261
-122,130	Fire Pensions Reserve	-141,705
186	Collection Fund Adjustment Account	131
-167	Accumulated Absences Account	-122
<b>-113,965</b>	<b>Total Unusable Reserves</b>	<b>-132,855</b>

# Notes to the Core Financial Statements

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## 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.

<b>2011/12</b>		<b>2012/13</b>
<b>£'000</b>		<b>£'000</b>
1,454	Balance at 1 April	1,454
0	Upward revaluation of assets	
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-3
<hr/> 1,454	Surplus or deficit on revaluation of non current assets not posted to the Surplus/Deficit on the Provision of Services	<hr/> 1,451
0	Difference between fair value depreciation and historical costs depreciation	-109
<hr/> <b>1,454</b>	<b>Balance as at 31 March</b>	<hr/> <b>1,342</b>

## 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.

## Notes to the Core Financial Statements

2011/12 £'000		2012/13 £'000
-11,012	<b>Balance at 1 April</b>	-9,899
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
1,042	Charges for depreciation and impairment of non current assets	993
3,419	Revaluation losses on Property Plant and Equipment	163
<u>-6,551</u>		<u>-8,743</u>
0	Adjusting amounts written out of the Revaluation Reserve	-109
<u>-6,551</u>	Net written out amount of the cost of non current assets consumed in the year	<u>-8,852</u>
	Capital financing applied in the year:	
-1,099	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-938
0	Application of grants to capital financing from the Capital Grants Unapplied Account	-14
-316	Statutory provision for the financing of capital investment charged against the General Fund balance	-307
-1,133	Capital expenditure charged against the General Fund balance	-1,649
-800	Donated Assets at fair value	
<u>-9,899</u>	<b>Balance as at 31 March</b>	<u>-11,760</u>

### 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

## Notes to the Core Financial Statements

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.

2011/12 £'000			2012/13 £'000		
Fire	LGPS		Fire	LGPS	Total
116,152	2,583	<b>Balance at 1 April</b>	122,130	3,207	125,337
0	640	Actuarial gains or losses on pensions assets and liabilities	14,315	868	15,183
9,262	413	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	9,121	489	9,610
-3,284	-297	Employer's pension contributions and direct payments to pensioners payable in the year	-3,861	-303	-4,164
	-132				
<b>122,130</b>	<b>3,207</b>	<b>Balance at 31 March</b>	<b>141,705</b>	<b>4,261</b>	<b>145,966</b>

### 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.

2011/12 £'000		2012/13 £'000
204	<b>Balance at 1 April</b>	186
-18	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	-55
<b>186</b>	<b>Balance at 31 March</b>	<b>131</b>

# Notes to the Core Financial Statements

## 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.

<b>2011/12</b>		<b>2012/13</b>
<b>£'000</b>		<b>£'000</b>
-133	Balance at 1 April	-167
133	Settlement or cancellation of accrual made at the end of the preceding year	
-167	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	-122
<b>-167</b>	<b>Balance at 31 March</b>	<b>-122</b>

## 25. TRANSFERS TO / FROM EARMARKED RESERVES

	Balance 1 Apr 2011 £'000	Transfers Out 2011/12 £'000	Transfers In 2011/12 £'000	Balance 31 Mar 2012 £'000	Transfers Out 2012/13 £'000	Transfers In 2012/13 £'000	Balance 31 Mar 2013 £'000
<b>General Fund</b>							
General Reserve	539	0	13	552	0	14	566
Unearmarked Capital Reserve	988	-455	1,652	2,185	-1,237	54	1,002
Earmarked Capital Reserve	527	-715	816	628	-357	1,291	1,562
Extreme Weather Reserve	312	0	8	320	0	8	328
Pensions and Other Staff Issues Reserve	1,256	0	133	1,389	0	35	1,424
ICT Reserve	0	-338	1,437	1,099	-124	23	998

## Notes to the Core Financial Statements

Efficiency Reserve	60	-46	0	14	-14	0	0
STP Staff Reserve	0	0	0	0	-49	307	258
Income Volatility Reserve	0	0	0	0	0	1,015	1,015
Service Delivery Reserve	0	0	231	231	0	1	232
<b>Total</b>	<b>3,682</b>	<b>-1,554</b>	<b>4,290</b>	<b>6,418</b>	<b>-1,781</b>	<b>2,748</b>	<b>7,385</b>

### 26. CAPITAL GRANTS UNAPPLIED ACCOUNT

	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
Balance at 1 April	-817	0
Capital grants received	-938	-1,916
Used to finance capital expenditure	952	1,099
Balance at 31 March	<b>-803</b>	<b>-817</b>

### 27. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
<b>Opening Capital Financing Requirement</b>	<b>6,533</b>	<b>6,403</b>
<i>Capital investment</i>		
Property Plant and Equipment	1,373	2,678
<i>Sources of Finance</i>		
Government grants and other contributions	-952	-1,099

## Notes to the Core Financial Statements

Sums set aside from revenue:

Direct revenue contributions	-1,649	-1,133
MRP	-307	-316

<b>Closing Capital Financing Requirement</b>	<b>4,998</b>	<b>6,533</b>
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### Explanation of movements in year

Decrease in underlying need to borrowing (supported by government financial assistance)		0
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Increase / -Decrease in underlying need to borrowing (unsupported by government financial assistance)	-1,535	130
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<b>Increase / (decrease) in Capital Financing Requirement</b>	<b>-1,535</b>	<b>130</b>
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## 28. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

<b>2011/12</b>		<b>2012/13</b>
<b>£'000</b>		<b>£'000</b>
-30	Interest received	-30
265	Interest paid	264
<b>235</b>		<b>234</b>

## 29. CASH FLOW STATEMENT – INVESTING ACTIVITIES

<b>2011/12</b>		<b>2012/13</b>
<b>£'000</b>		<b>£'000</b>
2,678	Purchase of property plant and equipment	1,373
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
<b>2,678</b>	<b>Net cash flows from investing activities</b>	<b>1,373</b>

# Notes to the Core Financial Statements

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## 30. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2011/12 £'000		2012/13 £'000
0	Cash receipts of short and long term borrowing	
-30	Other receipts from financing activities	-30
	Cash payments for the reduction of the outstanding liabilities relating to finance leases	
265	Other payments for financing activities	264
<b>235</b>	<b>Net cash flows from financing activities</b>	<b>234</b>

## 31. CASH FLOW STATEMENT – NON CASH MOVEMENTS

2011/12 £'000		2012/13 £'000
-1,042	Depreciation	-993
-3,419	Losses on asset revaluations	-166
1,899	Capital grant	938
316	MRP	307
1,133	Capital expenditure from revenue	1,649
-5,962	IAS19 pension adjustments	-5,446
-18	Collection Fund adjustment	-55
-34	Accumulated Absences adjustment	45
27	Net movement on provision	-5
-316	MRP	-307
-1,099	Capital grant	-952
20	Finance leases	16
-1,133	Capital expenditure from revenue	-1,649
4	Movement on stocks	-27
-684	Movement on creditors	603
702	Movement on debtors	-474
<b>-9,606</b>		<b>-6,516</b>



# Pension Fund Accounts

Year ended 31 March 2012 £'000		Year ended 31 March 2013 £'000
	<b>Income to the fund</b>	
	<b>Contributions receivable:</b>	
	<b>From employer:</b>	
-1,132	Normal: Old scheme	-1,090
-273	Normal: New scheme	-282
-38	Early Retirements	-59
	<b>From members:</b>	
-585	Normal: Old scheme	-600
-211	Normal: New scheme	-225
	<b>Transfers in:</b>	
-4	Individual transfers from other schemes	
<hr/> -2,243	<b>Income to the Fund</b>	<hr/> -2,256
	<b>Spending from the Fund</b>	
	<b>Benefits payable:</b>	
3,287	Pensions	3,538
	Commutations on pensions and lump sum retirement	864
518	benefits	
85	Lump sum death benefits	
	<b>Payments to and on account of leavers:</b>	
0	Individual transfers out of the scheme	0
<hr/> 1,647	<b>Deficit / surplus for the year before top up grant receivable from Central Government</b>	<hr/> 2,146
-1,311	Top Up grant received	-1,674
-336	Top Up grant receivable	-472
<hr/> 0	<b>Net amount receivable for the year</b>	<hr/> 0

See note 1 to the account

# Pension Fund Accounts

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## Net Assets Statement as at 31 March 2013

£'000	Current Assets	£'000
336	Top Up grant receivable from Government	472
	<b>Current Liabilities</b>	
-336	Amounts due to General Fund	-472
<hr/>	<b>0</b>	<hr/>
		<b>0</b>

## Notes to the Pension Fund Accounts

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

# Glossary of Terms

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## **Accrual**

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

## **Capital Adjustment Account**

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

## **Capital Expenditure**

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

## **Capital Receipts**

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

## **CIPFA**

The Chartered Institute of Public Finance and Accountancy.

## **Capital Financing Requirement**

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

## **Collection Fund Adjustment Account**

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

## **Corporate and Democratic Core**

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

## **Council Tax**

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

## **Creditors**

Amount owed by an organisation for work done, goods received, or services rendered to the organisation within the accounting period but for which payment has not been made.

## **Current Assets**

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

## **Current Liabilities**

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

# Glossary of Terms

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## **DCLG**

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

## **Debtors**

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

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

## **Finance Lease**

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

## **Government Grants**

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

## **Heritage Assets**

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

## **Impairment**

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

## **International Accounting Standards (IAS)**

## **International Financial Accounting Standards (IFRS)**

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

## **Long Term Borrowing**

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

## **Minimum Revenue Provision (MRP)**

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

## **Non Current Assets**

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

# Glossary of Terms

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## **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.