

Wiltshire Fire & Rescue Service

Wiltshire and Swindon Fire Authority

Statement of Accounts

2010/11



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Certificate for the Approval of the Statement of Accounts

I confirm that these accounts were approved by the Finance Review and Audit Committee held on 28 June 2011.
After audit, the accounts were approved by the Finance Review and Audit Committee held on 13 September 2011.

Signed on behalf of Wiltshire and Swindon Fire Authority.

Nick Martin

Chairman of the Finance Review and Audit Committee
September 2011

Explanatory Foreword

1 Introduction

Wiltshire and Swindon Fire Authority provides a fire and rescue service for the geographical area of Wiltshire. This booklet, produced by the Finance Director, contains the Statement of Accounts for the Fire Authority for the year ended 31 March 2011. Publication of these accounts is required under the current Accounts and Audit Regulations, and their form is prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, ('the Code'), published by CIPFA/LASAAC. The information contained in the Statement is of a highly technical nature, and readers may find it useful to refer to the glossary at the end of the booklet.

The Code specifies the principles and practices of accounting required to give a true and fair view of the financial position and transactions of the Fire Authority. It sets out the proper accounting practices required by Section 21(2) of the Local Government Act 2003.

This Foreword provides a guide to the Statements that follow, describing changes in accounting policies and presentation that have occurred since the 2009/10 Statement of Accounts. It also explains material items within the Accounts, compares revenue spending to the budget which was approved for the year, outlines the resources available for capital expenditure and other financial commitments and sets the Accounts into the context of ongoing plans for service delivery.

2 Changes from 2009/10 to 2010/11

The 2009/10 Statement of Accounts was prepared under the previous Code of Practice, which was a Statement of Recommended Practice ('SORP') based on UK Generally Accepted Accounting Practices (UK GAAP). The 2010/11 Code is based primarily on International Financial Reporting Standards (IFRSs), which are issued by the International Accounting Standards Board.

The key accounting changes relevant to the Fire Authority include the following -

- ◆ Capital grants and contributions are recognised as income immediately rather than being deferred and released to revenue to match depreciation.
- ◆ Revenue grants and contributions are recognised as income immediately, and if unused at the year-end are taken to earmarked reserves in order to be matched to expenditure in a future year.
- ◆ The Income and Expenditure Account, the Statement of Movement on the General Fund Balance and the Statement of Total Recognised Gains and Losses have been replaced by the Movement in Reserves Statement and the Comprehensive Income and Expenditure Statement. Elements of the Balance Sheet and Cash Flow Statement have also changed.
- ◆ There is a greater emphasis on components of assets, and on derecognising the parts of an asset that have been replaced.
- ◆ There are new classifications known as non-current assets held for sale and cash equivalents.

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- ◆ Employee benefits are accounted for as they are earned by the employee, necessitating the calculation of an accrual for the cost of holiday pay earned but not taken at 31 March.

The Statement of Accounting Policies has been re-written in order to accommodate these and other, less significant, changes. The comparative figures shown for 2009/10, which were originally published under the SORP, have been restated where practicable as if the Code had always applied. Note 34 to the Financial Statements sets out material differences between amounts presented under the SORP and those required by the Code.

The Statement of Accounts is certified, approved and published in accordance with the Accounts and Audit Regulations in force at the time of preparation. New Regulations were brought out in 2011, with an effective date of 31 March 2011, replacing the 2003 Regulations, as amended. Regulation 4 of the 2011 Regulations states that the Annual Governance Statement (AGS) does not form part of the Statement of Accounts. For that reason, from 2010/11, the AGS, including the annual review of the effectiveness of systems of internal control, is published separately.

3 Explanation of the Statements

The Statement of Accounts comprises the following elements -

◆ Statement of Accounting Policies

Accounting policies are included for all items that have a significant effect on the amounts included in the financial statements. Examples of such items include the measurement bases used, accruals, financial instruments, leases, overheads, provisions and reserves. Attention would normally be drawn to individual policies which changed from one year to the next, but as all policies have been reviewed and re-written in the light of the change from the SORP to the Code, this is less prominent in 2010/11. However, Note 34 sets out the effect of material differences. Note 1 to the Financial Statements sets out the critical judgements that have been made in applying accounting policies.

◆ Statement of Responsibilities for the Statement of Accounts

This sets out the respective responsibilities of the Fire Authority and the Finance Director in preparing, publishing and approving the Statement of Accounts.

◆ Independent Auditor's Report

The Statement of Accounts is audited by KPMG LLP, whose opinion and certificate are included in this section. As the Statement is published after certification by the Finance Director and consideration by the Authority's Finance Review and Audit Committee, but

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before the audit has taken place, only the later audited version includes the Auditor's Report.

◆ The Financial Statements

There are four principal financial statements which, taken together, show the results of the stewardship and accountability of elected Members and management for the resources entrusted to them. These results are contained in the information about the Authority's financial position, performance and cash flows. Full information is presented relating to the year of account, 2010/11, with comparative information for the previous year, 2009/10. As the accounts for 2009/10 were originally prepared on a different basis (the SORP), the amounts for that year have been restated as if the provisions of the Code had always been in force. However, where this restatement has not been practicable, the amounts have not been restated, and an explanation is given for the inability to make a recalculation.

◆ Movement in Reserves Statement (MIRS)

This statement shows the movement in the year on the different reserves held by the Authority, analysed between usable and unusable reserves. Usable reserves can be used to fund expenditure or set against the need to raise the Council Tax. Further details about all reserves, and restrictions on their use, are given in notes.

The statement adjusts the deficit on the provision of services calculated on an accounting basis to show the entries required under regulations to get back to the actual deficit for the year and the movement on each reserve. The balances on the principal reserves are shown in the table below. The balance on the General Fund has increased mainly because of the underspending on the revenue account in 2010/11. The significance of the balance on the Pensions Reserve is explained in paragraph 8 below.

Movement in Reserves Statement		31 March 2010	31 March 2011
	See Note	£	£
<u>Usable reserves</u>			
General Fund		-652,500	-2,322,765
Earmarked Reserves	5	-1,869,527	-1,693,617
Total usable reserves		-2,522,027	-4,016,382
<u>Unusable reserves</u>			
Pensions Reserve	29	140,777,000	129,160,000
Reserves for accounting purposes	16	-3,733,779	-3,960,466
Total unusable reserves		137,043,221	125,199,534

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◆ Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost of providing services in the year in accordance with generally accepted accounting practices. The gross expenditure and income on the revenue account is supplemented by amounts in respect of financing and investment activities, gains and losses on the sale or revaluation of assets, pension adjustments, taxation and general grant income.

An exceptional adjustment for past service costs on the Pensions Account, shown as non-distributed costs, has resulted in a large reduction in the Cost of Services in this year's CIES, and a surplus on the provision of services. Generally, it would be expected that there would be a deficit on the provision of services in the CIES. This surplus (or deficit) is taken to the Movement in Reserves Statement to be adjusted back to the actual deficit for the year under statute.

Comprehensive Income & Expenditure Statement		2009/10	2010/11
	See Note	£	£
<u>Cost of Services</u>			
Fire & Rescue Services		24,849,071	26,264,271
Non-distributed costs or credits	29	0	-16,876,000
Total Cost of Services		24,849,071	9,388,271
Surplus (-) or Deficit on Provision of Services (in CIES)		6,715,579	-9,302,169
Actual increase (-) or decrease on the General Fund in the year (in MIRS)		11,653	-1,670,265

◆ Balance Sheet

The Balance Sheet shows the value at the balance sheet date of the assets, liabilities and reserves of the Authority, with long term and current assets and liabilities shown separately. For this purpose, 'current' means within 12 months of the reporting date.

The Code requires a balance sheet to be presented as at the beginning of the earliest comparative period when an accounting policy is applied retrospectively or when items are restated retrospectively. As this has happened widely within the Statement, three balance sheets are shown, giving the balances as at 1 April 2009, 31 March 2010 and 31 March 2011.

The most significant item in the Balance Sheet is the Pensions Liability, match by the Pensions Reserve. These amounts are explained in Note 29 and later in this Foreword. The true net worth of the Authority is shown in this table by deducting the Pensions Reserve from the total Reserves. This adjusted figure matches the net assets less the pensions liability.

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Balance Sheet	1 April 2009	31 March 2010	31 March 2011
	£	£	£
Long term assets	10,115,997	13,152,956	15,224,455
Current assets less current liabilities	1,231,688	378,995	-555,571
Long term liabilities	-104,440,841	-148,053,145	-135,852,036
Net assets	-93,093,156	-134,521,194	-121,183,152
Net worth	93,093,156	134,521,194	121,183,152
Net worth excluding Pensions Reserve	-6,154,685	-6,255,806	-7,976,848

◆ Cash Flow Statement

This statement shows the movements in cash and cash equivalents during the year. Cash equivalents are short term liquid investments that are readily convertible to cash. The statement classifies cash flows arising from operating, investing and financing activities. The statement is constructed indirectly, that is, by removing from the other statements all accruals and other accounting adjustments, leaving the transactions which involve cash or short term investments. The net movement in cash and cash equivalents in the year is reconciled to the movement shown in that item on the Balance Sheet.

Cash Flow Statement	2009/10	2010/11
	£	£
Net cash flows arising from -		
Operating activities (transactions on revenue account, grants & Council Tax)	-1,391,842	-3,613,320
Investing activities (purchase & sale of assets, and capital grants)	2,337,802	2,600,688
Financing activities (long-term borrowing)	-1,124,316	250,313
Net increase in cash and cash equivalents	-178,356	-762,319

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◆ Notes to the Financial Statements

The four financial statements are followed by comprehensive notes, whose purposes are to give more details about items shown on the face of the financial statements, to present information required under regulations or by the Code which is not presented elsewhere and to provide further information relevant to an understanding of the accounts. The notes are cross-referenced to the financial statements, the accounting policies and to each other as appropriate.

◆ The Firefighters' Pension Fund Account and Net Assets Statement

It is unusual for an unfunded pension scheme such as the Firefighters' Scheme to have a fund, as it holds no assets that need to be ring-fenced. Instead the purpose of the Firefighters' Pension Fund is to provide a basis for identifying the balance of cash-based transactions taking place over the year and the arrangements needed to close the balance for that year. The primary objective is to allow the separation of the cost of providing pensions from the cost of running a fire and rescue service. For this reason, the pension fund accounts are shown after the other financial statements. The net cost of the pensions in the year is met by a grant from the Department for Communities and Local Government.

Firefighters' Pensions Fund Account	2009/10 £	2010/11 £
Contributions from firefighters and the Fire Authority	-2,501,306	-2,453,936
Pensions, commutations and transfers paid	4,433,971	4,029,182
Net cost of pensions met by Government Grant	1,932,665	1,575,246

◆ Glossary of Terms

The glossary is provided to aid the reader to an understanding of complex terms which have been used throughout the Statement of Accounts. However, its inclusion is not a requirement of the Code and it is not covered by the statutory requirements for an audit opinion or certification by the Finance Director.

4 Signing and rounding conventions

Throughout the Statement, payments, expenditure and assets are shown as positive figures (debits) and receipts, income, reserves and liabilities as negative figures (credits). All amounts recorded in the accounts are rounded to the nearest whole pound.

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5 Comparison of revenue outturn to budgets

Each year, a revenue budget is approved which matches in total the sums which will be raised by Council Tax, Government grants, and planned transfers from reserves. During the year of account, virements and budget adjustments are approved within this sum but the total must remain as originally approved because this matches the resources available. The actual spending on service running costs, interest payable and other operating costs, net of income from charges and contributions, is known as the outturn. The outturn is contained within the Comprehensive Income and Expenditure Statement, but does not match exactly the format of that Statement as required by the Code, and a reconciliation is shown in Note 18.

In order to demonstrate the Authority's stewardship of public funds, a comparison of the outturn to the budget is shown in this table, followed by comparative figures for 2009/10. Reasons for the most significant variations from the budget in 2010/11 are given below.

2010/11	Original Budget £	Approved Budget £	Outturn £	Variation £
Employees	19,257,300	19,245,300	18,342,546	-902,754
Premises	1,277,700	1,277,700	1,285,154	7,454
Transport	794,900	765,100	738,221	-26,879
Supplies and Services	4,280,800	4,285,600	3,864,603	-420,997
Democratic Representation	91,800	91,800	76,541	-15,259
Gross expenditure	25,702,500	25,665,500	24,307,065	-1,358,435
Income	-650,900	-398,900	-652,990	-254,090
Transfers to (+) or from (-) Reserves	75,000	-140,000	-161,740	-21,740
Net expenditure	25,126,600	25,126,600	23,492,335	-1,634,265

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2009/10	Original Budget £	Approved Budget £	Outturn £	Variation £
Employees	18,812,100	19,136,000	19,362,674	226,674
Premises	1,191,700	1,191,700	1,136,467	-55,233
Transport	750,500	746,800	819,150	72,350
Supplies and Services	4,160,800	4,253,600	4,095,593	-158,007
Democratic Representation	95,400	95,400	75,211	-20,189
Gross expenditure	25,010,500	25,423,500	25,489,095	65,595
Income	-541,800	-871,300	-976,214	-104,914
Transfers from Reserves	0	-83,500	-83,527	-27
Net expenditure	24,468,700	24,468,700	24,429,354	-39,346

Reasons for variations in 2010/11	Variation from Budget	
	£	£
<u>Employees</u>		
Savings on pay costs and pension contributions after decision to hold vacancies	-469,000	
Underspending on retained firefighters' pay and allowances due to reduced level of activity and management actions to make better use of staff, offset by compensation payments to injured firefighters	-389,000	
Reduction in other employee costs, including advertising	-44,000	
		-902,000
<u>Premises & transport</u>		
Repairs to property, including for winter weather damage	+94,000	
Delay in moving in to new workshops - saving on rent	-67,000	
Provision of vehicles - saving on mileage allowances and leased car costs	-91,000	
Increased cost of fuel	+32,000	
Other net variations on premises and transport costs	+12,000	
		-20,000

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Reasons for variations in 2010/11	Variation from Budget	
	£	£
<u>Supplies and services</u>		
Savings on capital financing, partly due to the decision not to borrow in the year	-244,000	
Reduced cost of leasing after some new vehicles deferred to next year	-32,000	
Savings on Emergency Control Centre costs, some being overcharged in previous years	-42,000	
Deferral of consultation work	-36,000	
Savings on uniforms and personal protective equipment following major renewal in 2009/10	-47,000	
Other net variations on supplies and services	-20,000	
		-421,000
Democratic representation savings on expenses and scrutiny assistance		-15,000
<u>Income and transfers from reserves</u>		
Higher than expected call-outs for co-responding (reimbursed by NHS)	-70,000	
Additional rental and workshops income	-51,000	
Proceeds from sale of surplus vehicles and equipment	-25,000	
Increased interest on cash flow - from underspending	-12,000	
Contribution from reserves to cover direct revenue financing of works at Salisbury Fire Station	-22,000	
Grants, contributions and other income for community safety projects and other initiatives	-96,000	
		-276,000
		-1,634,000

6 Material assets acquired or liabilities incurred

Notes 6 and 7 show movements on property, plant and equipment and intangible assets by way of capital expenditure, depreciation and revaluations. Additions to these assets are also set out in Note 25, which shows how the additions were financed in the year. A total of £3,205,338 was added to asset values through capital expenditure (£4,006,778 in 2009/10).

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Capital expenditure in the year		2009/10	2010/11
	See Note	£	£
Enhancements to existing buildings		568,668	611,191
Fitting out new vehicle workshops at Bowerhill		0	344,772
ICT systems and communications equipment		449,463	256,317
Other equipment		640,720	187,876
Fire appliances		1,870,819	1,068,960
Other vehicles		450,121	526,082
Property, plant and equipment	6	3,979,791	2,995,198
Software licences (intangible assets)	7	26,987	210,140
Total capital expenditure	25	4,006,778	3,205,338

The reduction in short term debtors in the year reflects the greater amount of Pensions Top-up Grant received on account during 2010/11 as shown in the Pensions Fund Account. The larger than usual movements on the General Fund and Pensions Reserve are described elsewhere in this Foreword. The other entries on the Balance Sheet have increased or reduced in line with the normal activities of the Authority in the year.

7 Material or unusual charges or credits

The Cost of Services includes the £210,000 revaluation loss described in Note 6c (£227,507 in 2009/10), and a total of £903,733 for depreciation and amortisation charges (£705,614 in 2009/10) shown in Notes 6 and 7.

A credit for £16,876,000 is included in non-distributed costs within the Cost of Services. This results from the decision to move from the Retail Prices Index to the Consumer Prices Index as the basis for future pensions increases, and is further explained in Note 29. There were no non-distributed costs or credits in 2009/10.

The other material items included in the Comprehensive Income and Expenditure Statement are those concerned with the notional entries that are required for pensions. These are set out and explained in Note 29. All the pensions entries that contribute to the Surplus or Deficit on the Provision of Services are reversed in the Movement in Reserves Statement. The real cost in the year of employers' contributions to the various pension schemes and payments to pensioners not covered by the Government Grant is then added back (£2,379,128 in 2010/11; £2,324,300 in 2009/10).

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8 The Pensions Liability

Reference has already been made to the Pensions Liability and Reserve, which have a significant impact on the Balance Sheet of the Authority. The balance was £129,160,000 at the end of 2010/11, a reduction from £140,777,000 at the start of the year.

Details of the transactions for pensions are set out and explained in Note 29, which also describes the nature and benefits of the three schemes to which the Authority contributes - the Firefighters' Pension Scheme (FPS), the New Firefighters' Pension Scheme (NFPS) and the Local Government Pension Scheme, administered locally as the Wiltshire County Fund. The FPS and the NFPS are separate schemes, but their transactions are aggregated in the Accounts.

The sum shown as the Pensions Liability represents the underlying commitment that the Authority has in the long run to pay post employment (retirement) benefits. As such, it appears in the Balance Sheet as a long term creditor. Each year, the amount of future benefits earned by current members of the schemes (the "current service cost") is charged to the Cost of Services in the Comprehensive Income and Expenditure Statement and credited to the pensions Liability. A "past service cost" may arise if the value of future benefits earned in previous years increases due to changes in pensions policy. In 2010/11, there has been a negative past service cost reflecting the decision by the Government to move to the Consumer Prices Index for calculating future pension increases. It is generally accepted that this will result in lower increases than would otherwise have been the case. This has had the effect of reducing the pensions liability.

The Comprehensive Income and Expenditure Statement is also charged, in the section for "Financing income and expenditure", with interest on the pensions liability, net of the return on the assets in the Local Government Fund (£7,005,000 in 2010/11; £6,688,000 in 2009/10).

The Comprehensive Income and Expenditure Statement shows, after the surplus or deficit on the provision of services, the "actuarial gains and losses" on the pensions liability. These are the changes to be made to the value of the liability as a result of the judgements and calculations made by the actuary. They are not carried through to the Movement in Reserves Statement

The Authority has appointed a firm of independent actuaries to estimate the value of the liability in relation to the Firefighters' Schemes each year based on membership data, demographic and statistical assumptions and the Code, which uses International Accounting Standard (IAS) 19 "Employee Benefits". Wiltshire Council, as the administering authority, also appoint actuaries to value the County Fund, and the Fire Authority's share of that Fund and liability is separately identified and notified. At present, both the Fire Authority and Wiltshire Council have appointed Hymans Robertson LLP as actuaries for this purpose.

The assumptions used by the actuary in calculating the value of the pensions liability are set out in Note 29, and a sensitivity analysis is also provided, showing the effect on the liability if the assumptions were to vary.

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9 Borrowing and other sources of funds

The Balance Sheet shows that outstanding debt stands at £6,472,167, of which £500,834 is repayable within a year. Additionally, a finance lease has £772,478 to be repaid over the next eight years, with £83,275 payable in 2011/12. A favourable cash flow during the year, along with the receipt of capital grants and the underspending on the revenue account, has meant that it has proved unnecessary to borrow long term funds during 2010/11. The Authority annually approves a Treasury Management Policy, which includes arrangements for borrowing. The Authority's policy is to borrow from the Public Works Loan Board, the temporary money market, bank overdraft, internal balances and leasing. There is ready access to the Public Works Loan Board, which is part of HM Treasury, for long term loans, but account is taken of the risks of treasury management, daily cash flows, trends in interest rates and national market conditions, and forthcoming maturities, when deciding whether and when to borrow, and for how long.

It is likely that the Authority will need to borrow in order to finance its ongoing capital programme and debt maturities in 2011/12. The Treasury Management Policy lays down an overall limit of external borrowing at any time, including overdrafts, in accordance with CIPFA's Prudential Code. This limit is £11,395,000, including leases, in 2011/12.

Notes 25 and 32 to the Financial Statements show how the capital spending in 2010/11 was financed and the incidence of future loan maturities.

10 Provisions, contingencies and write-offs

When it is known that payments will have to be made, but the date of payment is not certain, the Authority is able to charge the amount to the Comprehensive Income and Expenditure Statement in the year and credit a provision in the Balance Sheet. When the payment is made, it is set against the provision, and the revenue account is only charged if the provision proves insufficient. If no reliable estimate of the payment can be made, then there is a contingent liability. The revenue account then has to be charged in the year of payment, even if the liability related to an event in a past year. Contingent assets and liabilities are not shown in the Balance Sheet, as no amount can be calculated, but they are described in Notes 30 and 31.

There are two provisions in the Balance Sheet at 31 March 2011, and one related contingent liability. These are set out in Notes 14 and 30. The first provision was originally set up in 2007/08, and has been added to each year. It contains money set aside to meet the cost of pay reform for Corporate Staff, the implementation of which has been delayed but is now expected to fall in 2011/12. The provision stands at £518,300, but it remains to be seen whether this will prove sufficient, as there are outstanding appeals from current staff and claims from former staff which may increase the actual cost.

The second provision was established in 2009/10 for the initial compensation costs resulting from the Employment Tribunal's consideration of the Part Time Workers (Prevention of Less Favourable Treatment) Regulations 2000 in relation to firefighters working the Retained Duty

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System. The initial financial impact of this legislation was calculated at about £155,000, based on the reference period 1 July 2000 to 30th June 2009, length of service, rank and role, level of cover and anticipated take-up. The compensation payments are expected to be made in 2011/12. The provision does not cover rights of access to the pension scheme which is being handled by the Department for Communities and Local Government. It is not yet possible to make a reliable estimate of the cost to the Authority, so this counts as a contingent liability in the Accounts. However, an earmarked reserve of £39,000 was established from the revenue underspending at the end of 2009/10 to mitigate the future revenue effect of these pensions costs. This is included in the Movement in Reserves Statement and shown in Note 5.

There were no material write-offs of debts during the year. The Authority includes within debtors on the Balance Sheet its share of Council Tax arrears, net of a provision for bad debts, as notified by the billing authorities. Those authorities do not provide information about sums written off against that provision, but the Authority's share of this bad debts provision increased by £47,645 in 2010/11.

Note 6 explains that £210,000 was written off the valuation of Corsham Fire Station in 2010/11 after the increased value due to extensive refurbishment was countered by a fall in the rental values on which the valuer bases the accounting valuations of property assets.

11 Material events after the reporting date

Post balance sheet events occur between the balance sheet date (31 March) and the date on which the accounts are authorised for issue. These may be adjusting events - i.e. the figures recorded in the accounts must be changed, or non-adjusting events, for which there must be a Note to the financial statements, but no actual change to the figures. Under the Code, adjusting events do not require a Note, but material events would generally have to be explained. The existence of post balance sheet events is reviewed each time the Statement is published, both before and after audit.

No such events have been identified before the audited accounts were authorised for issue on 13 September 2011.

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12 Future developments and the impact of the current economic climate on the Authority

The Authority approved the Revenue Budget and Capital Programme and set the Council Tax for 2011/12 in February 2011. Looking further forward, the Medium Term Financial Strategy 2011/12 to 2014/15 was approved at the same time, while a Strategic Transformation Programme was adopted in May 2011, in response to the reducing level of resources likely to be available in the future.

Revenue Budget	2010/11 Outturn £	2011/12 Budget £
Employees	18,342,546	19,054,000
Premises	1,285,154	1,238,700
Transport	738,221	751,800
Supplies and Services	3,864,603	4,312,100
Democratic Representation	76,541	77,800
Gross expenditure	24,307,065	25,434,400
Income (including Council Tax Freeze Grant in 2011/12)	-652,990	-649,600
Transfers to (+) or from (-) Reserves	1,472,525	95,700
Net expenditure	25,126,600	24,880,500
Financed by		
Government Grants	-9,586,760	-9,110,500
Council Tax (£62.38 per Band D equivalent) and Collection Fund surplus	-15,539,840	-15,770,000

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Capital Programme	2010/11 Outturn £	2011/12 Programme £
Enhancements to existing buildings	611,191	336,500
Major building refurbishment	344,772	400,000
ICT systems, software and communications equipment	466,457	420,000
Other equipment	187,876	0
Fire appliances	1,068,960	1,100,000
Other vehicles	526,082	561,000
Total capital expenditure	3,205,338	2,817,500
Financed by		
Capital Grants	-768,470	-1,100,000
Revenue financing	-21,637	0
Borrowing	-2,415,231	-1,717,500

The Medium Term Financial Strategy assesses how the Authority will manage its finances over the next four years. The stated objectives are -

- ◆ to ensure that the Authority has sufficient resources to deliver against its priorities;
- ◆ to enable spending plans to be aligned to core priorities;
- ◆ to deliver value for money, efficiency and improvement;
- ◆ to provide a longer term financial plan to provide stability for future budget proposals;
- ◆ to maintain an adequate level of reserves and balances in line with the risk strategy; and
- ◆ to improve financial management.

In light of the poor economic climate, the incoming government announced in 2010 a significant reduction in public expenditure over the next four years, equating to a real terms reduction of 25% to the Fire Service across the country. The settlement for 2011/12 clarified that the reductions in Government Grant to the Fire Service would be weighted towards years 3 and 4 of the review period, giving the Authority some time to consider how to maintain services at a reduced cost, without affecting the quality of services delivered.

In addition there are some issues whose financial effect cannot be determined with any certainty, namely

- ◆ the effect of the decision not to continue with plans to organise fire control on a regional basis;
- ◆ Localism Bill;

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- ◆ Working Time Directive;
- ◆ reviews of public sector pension schemes;
- ◆ additional risks associated with the expansion of Swindon and developments in Wiltshire; and
- ◆ expansion of military garrisons.

The Strategy makes assumptions regarding pay increases and general inflation. Capital spending is forecast to reduce according to affordability, as the impact on the revenue account is estimated as approximately £75,000 for each £1 million financed by borrowing. The summary in the table shows that the Strategy forecasts revenue spending over four years and demonstrates that savings are required in order to maintain services at their present level.

Revenue Budget Forecast	2011/12	2012/13	2013/14	2014/15
	£	£	£	£
Net revenue expenditure	25,272,000	25,894,000	26,394,000	26,918,000
Less Council Tax Freeze Grant	-392,000	-392,000	-392,000	-392,000
Expenditure to be financed	24,880,000	25,502,000	26,002,000	26,526,000
Less Government Grants	-9,110,000	-9,231,000	-8,522,000	-7,813,000
Collection Fund Surplus	-104,000	0	0	0
Precept requirement	15,666,000	16,271,000	17,480,000	18,713,000
Precept assuming annual increase in Council Tax of 2.5% and annual increase in tax base of 0.96%	15,666,000	16,212,000	16,777,000	17,361,000
Savings required (cumulative)	0	59,000	703,000	1,352,000

The Medium Term Financial Strategy anticipated an action plan in which the Management Board would lead the process of planning and implementing transformational changes in order to achieve potential savings and cost reductions in advance of the preparation of future budgets. This has now crystallised into the Strategic Transformational Programme, which was presented to the Fire Authority in May 2011. This states clearly that there is a need to change the organisation in a structured and coordinated way, and, as a result, to deliver the necessary benefits to reduce costs while avoiding any reduction in the level of service to the community.

An initial programme of twelve projects has been set out to deliver organisational and service delivery improvement, cost savings and, where possible, to provide income through new funding streams. Part of the increase in the balance on the General Fund in 2010/11, achieved by way of careful management which resulted in the underspending on the budget in that year, may be earmarked in order to provide resources

Explanatory Foreword

for the implementation of the programme. In addition, the level of usable reserves provides some degree of cushioning for any unexpected demands on the service over the next four years. The balances on the earmarked reserves are set out in Note 5 to the Financial Statements.

13 Further information

Publications which cover the Authority's budgeting, performance and operational activity are available on the Service's website www.wiltshire.gov.uk. Copies may also be obtained from Wiltshire and Swindon Fire Authority, Fire & Rescue Service Headquarters, Manor House, Potterne, Devizes, Wiltshire, SN10 5PP. Papers referred to in this Foreword as presented to the meetings of the Authority are also accessible in the same way.

Phil Chow
Finance Director

Statement of Accounting Policies

1 General principles

The general principles adopted in compiling the accounts of the Fire Authority are in accordance with the recommendations of The Chartered Institute of Public Finance and Accountancy (CIPFA). They are contained in the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code), which is the first to be based on International Financial Reporting Standards (IFRSs). This Code constitutes a 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003.

The accounting policies specified in this Statement are the principles, bases, conventions, rules and practices applied by the Authority in preparing and presenting the financial statements. When accounting policies are changed, they are applied retrospectively, unless the Code requires transitional arrangements to be followed. Where retrospective adjustments are made, the comparative figures shown are restated as if the new policy had always been applied, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change.

As the Code has been entirely re-written for IFRSs, many of the accounting policies have changed. The 2009/10 comparative figures have been restated throughout the Statement of Accounts. Note 34 to the Financial Statements gives details of material items of income, expense and balances which were recorded differently under the previous Statement of Recommended Practice.

2 Measurement bases

Measurement is the process of determining the monetary amounts at which the elements of the financial statements are to be recognised and carried in the Balance Sheet and Comprehensive Income and Expenditure Statement. Accounts are maintained on a historic cost basis, but elements are included in the statements at fair value, which is defined in the Code as the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

For land and buildings, whether purchased outright or financed by leasing, fair value is the amount that would be paid for the asset in its existing use. For intangible assets, assets held for sale and financial instruments, more specific definitions of fair value are included in the relevant accounting policies.

3 Accruals

The accounts of the Fire Authority are maintained on an income and expenditure basis, such that amounts relating to the year of account, but due to be paid or received after the end of the year, are included as creditors or debtors, known collectively as accruals. Where actual amounts are not known at the end of April, estimated amounts are included. If it is necessary to make significant judgements in estimating accruals, these are recorded in Note 2 to the Financial Statements.

Statement of Accounting Policies

4 Cash and cash equivalents

Cash comprises notes and coins, and bank accounts that are payable on demand. Cash equivalents are short term, highly liquid investments that are readily convertible to cash and which are subject to an insignificant risk of changes in value. Where bank accounts are overdrawn, these are included on the basis that they are an integral part of the Authority's cash management. Cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment purposes.

The Authority invests its working cash balances in banks and building societies in the short term money market in accordance with its Treasury Management Policy and Annual Investment Strategy. All investments fall within the definition of cash or cash equivalents.

5 Contingent assets and liabilities

Contingent assets are possible assets that may arise from past events whose existence will be confirmed by the occurrence of events not wholly within the Authority's control. These are not recognised in the accounts because prudence cautions that the potential gains may not come to fruition.

Contingent liabilities are obligations arising from past events that may require future payment or transfer of economic benefit. These are not shown in the accounts as no reliable estimate can be made of their effect, but reserves may be earmarked to contribute to possible costs. Once liabilities can be measured accurately, provisions may be established in the accounts in order to charge expenditure to revenue in the appropriate year.

Both contingent assets and liabilities are detailed as memorandum items in the Notes to the Financial Statements.

6 Employee benefits

Short term employee benefits such as salaries, National Insurance contributions and benefits in kind are recognised as an expense in the year of account. The cost of annual leave earned before the end of the year but not used is accrued. However, this accrual is not a valid expense for Council Tax, so it is reversed out in the Movement in Reserves Statement and credited to the 'Short term accumulating compensated absences account', which is included in the unusable reserves in the Balance Sheet.

Long-term benefits such as the injury pensions payable to firefighters are included in the pensions amounts calculated by the Authority's actuaries.

Statement of Accounting Policies

7 Events after the Balance Sheet date

Events after the reporting period are those events, whether favourable or otherwise, that occur between the balance sheet date and the date on which the financial statements are authorised for issue. Those events that provide evidence of conditions that existed at the balance sheet date are adjusting events, and the Statement will be adjusted to account for material amounts that result from those events. Events which only give an indication of conditions that arose after the reporting period are non-adjusting events, and the Statement will not be adjusted for these, although they will be described in Note 4.

Events after the reporting period are reconsidered at each date that the Statement is authorised for issue - i.e before and after audit, and at the time that the Finance Director re-certifies that the accounts give a true and fair view of the Authority's financial position and performance. The relevant dates will be disclosed in Note 4.

8 Exceptional items and prior period adjustments

When items of income or expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement, or in Notes. Prior period adjustments result from of a change in accounting policy or correction of a material error. Changes in accounting estimates are accounted for in the current year and do not give rise to a prior period adjustment.

9 Financial instruments

The Authority invests its surplus cash balances in the short term money market. Under definitions applicable in the SORP, these were classed as 'loans and receivables', but the Code now regards them as 'cash equivalents' as described above. The Code defines a financial asset as current when the Authority expects to realise it within 12 months after the reporting period, or the asset is cash or a cash equivalent. Current financial assets also include trade receivables (debtors). All financial assets are initially measured at fair value and carried at amortised cost, but in the case of financial assets held by the Authority, amortised cost means the outstanding principal, plus interest accrued at the balance sheet date.

Financial liabilities (long term loans) are initially measured at fair value and carried at their amortised cost. Annual charges to revenue for interest payable are based on the carrying amount multiplied by the effective rate of interest. The Authority has borrowed solely from the Public Works Loan Board (PWLB). As they do not have significant transaction costs or complicated interest structures, all PWLB loans are recognised in the Balance Sheet at the principal amount when the loan is taken out. Amortised cost is the outstanding principal, whether the repayment is by maturity, annuity or equal instalments of principal. Loans repayable within a year are shown under current liabilities. Interest costs are charged to the Comprehensive Income and Expenditure Statement.

Statement of Accounting Policies

10 Foreign currency

Foreign currency transactions are accounted for on the basis of the equivalent sterling value of the underlying transaction by applying the relevant exchange rate at the time.

11 Government grants and contributions

Government grants and third party contributions are recognised in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition which has not yet been satisfied. They are accounted for on an accruals basis once there is reasonable assurance that any conditions will be complied with and that the sums will be received.

Capital and Revenue Grants with outstanding unfulfilled conditions are held in the Balance Sheet as receipts in advance. Once conditions are met, these grants are transferred to the Comprehensive Income and Expenditure Statement. If related expenditure has not been incurred by the end of the year, the grants are taken forward in the Grants Unapplied Account as usable reserves. Once related capital expenditure has been incurred the sums are finally transferred to the Capital Adjustment Account to reflect the application of capital resources to finance capital expenditure.

12 Intangible assets

Assets that do not have physical substance, but which are identifiable and controlled by the Authority, such as software licences, are recognised as intangible assets at their historic cost. These are amortised to revenue on a straight line basis over their expected useful lives, as advised by the ICT Director. Software that forms an integral part of a computer system which is purchased at the same time is not counted as a separate asset, but included as an equipment asset in property, plant and equipment and depreciated appropriately.

13 Inventories

Inventories are measured at the lower of cost and net realisable value. An average or standard cost is applied to calculate the value.

14 Operating leases

The Authority has used operating leases as an alternative to borrowing to obtain the use of some vehicles and equipment. Agreements to rent some premises over a period of time are also classified as operating leases. Annual leasing costs are charged directly to the Comprehensive Income and Expenditure Statement, and there is no value for these assets in the Balance Sheet.

Statement of Accounting Policies

15 Finance leases

It has been the Authority's policy not to use finance leases. However, one lease taken out during 2009/10 failed the present value test in IAS 17, whereby the present value of the minimum lease payments amounts to at least substantially all of the fair value of the assets. This lease therefore has to be treated as a finance lease.

Vehicles held under finance leases are included as property, plant and equipment in the Balance Sheet and depreciated in the same manner as other assets, except that the lease term is used when this is shorter than the expected life of the vehicle as advised by the Fleet Engineer. The assets are matched by a long term liability to pay future rentals. The annual rental is divided into a reduction of that liability in the Balance Sheet and a financing charge, which is included in the Comprehensive Income and Expenditure Statement.

As the expenditure on the assets increases the Capital Financing Requirement, this is written down each year by a sum equal to the reduction in the liability. This is recorded in the Movement in Reserves Statement as a transfer between the General Fund and unusable reserves. As a result of this transaction, the cost to the General Fund in the year is the same as for an operating lease.

16 Non-current assets held for sale

Where property, plant and equipment and intangible assets are surplus to requirements and expected to be sold within a year, they are shown as assets held for sale in current assets. They are valued at the lower of the carrying amount and fair value less costs to sell, and they are not depreciated or amortised. Assets which are not expected to be sold, but will be scrapped or abandoned, continue to be counted as property, plant and equipment until they are scrapped or abandoned.

If assets held for sale subsequently fail to meet the criteria set out in the Code, they are transferred back to property, plant and equipment. Any revenue charges resulting from revaluations on reclassification to or from assets held for sale are not proper charges to the General Fund, and are therefore matched by a transfer to the Capital Adjustment Account, recorded in the Movement in Reserves Statement.

17 Overheads

The Cost of Services in the Comprehensive Income and Expenditure Statement includes the net total cost of all services, non-distributed costs and the costs of the Corporate and Democratic Core. Net total cost includes all expenditure and income directly attributable to the service, including depreciation charges, revaluation costs, support services and overheads, which are fully allocated to service divisions.

Statement of Accounting Policies

18 Property, plant and equipment

Valuation, recognition and derecognition

Property, plant and equipment are shown in the Balance Sheet at fair value - the amount that would be paid for the asset in existing use. Where there is no market-based evidence of fair value because of the specialised nature of the asset and it is rarely sold, such as drill towers, the fair value is estimated using a depreciated replacement cost approach.

Once an asset has been recognised in the Balance Sheet, expenditure which enhances or replaces part of it is also recognised as adding value to it. Any replaced part is derecognised to avoid double-counting. Material component parts of an asset may be separately identified and valued, subject to a minimum cost of £10,000. Expenditure on repairs and maintenance, which may prolong the life of an asset by maintaining it in good condition, is counted as revenue expenditure and not added to the value of the asset.

Non-property assets, such as vehicles and equipment, are valued on a depreciated historical cost basis, as a proxy for fair value.

It is the Authority's policy to employ professional valuers to revalue land and buildings every five years, or more often if market conditions or other circumstances require a revaluation to take place. A full valuation was undertaken as at 1 April 2009, and the values determined at that time were incorporated into the 2009/10 Statement of Accounts. Since then, the valuer's informal opinion about property values in general has been obtained at the end of each year. The valuer has also provided advice relating to specific questions about individual properties.

Increases in value are matched by credits in the Revaluation Reserve to recognise unrealised gains. Gains on individual assets are credited to the Comprehensive Income and Expenditure Statement when they reverse impairment or revaluation losses previously charged there.

Reductions in value specific to individual assets and resulting from a known, identifiable cause, are classed as impairments. Those resulting from conditions not specific to one asset, such as a general and significant decline in the property market, or which cannot be ascribed to a particular cause, are recognised as revaluation losses. In each case, losses are charged to the Revaluation Reserve up to the value held there for individual assets and thereafter to the Comprehensive Income and Expenditure Statement, where they are matched by a transfer to the Capital Adjustment Account.

When an asset is derecognised for any reason, a gain or loss is calculated and charged to the Comprehensive Income and Expenditure Statement, where it is matched by a transfer to the Capital Adjustment Account.

Statement of Accounting Policies

Depreciation

All assets except land are depreciated over their expected useful lives. Land is excluded because it is deemed to have an unlimited useful life. Depreciation ceases if an asset is reclassified as held for sale or otherwise derecognised. The sum to be depreciated is the fair value less the residual value. Residual values are based on prices current at the balance sheet date. Residual values, estimated lives and depreciation methods are reviewed annually, and any changes are a change in accounting estimates, not policies.

The estimated useful lives vary in length, with buildings generally being depreciated over 60 years and vehicles over 5 to 15 years. Where experience has shown that assets may last for a longer or shorter period, other estimated lives may be used, following advice from the valuers or officers in the ICT and Logistics departments. With effect from 2010/11, components of an asset may be depreciated over different estimated useful lives.

19 Provisions

A provision relates to a liability, or loss, that is likely to be incurred but where there is uncertainty as to the size and timing of the liability. Its purpose must be specific and it is charged to the Comprehensive Income and Expenditure Statement, where the expenditure would have been incurred. If it becomes clear that a provision, or part of it, is no longer required, then the excess amount is credited back to the Comprehensive Income and Expenditure Statement. If no reliable estimate can be made, then no provision is recognised and the liability is shown as a contingent liability.

20 Reserves

The Authority is able to hold reserves to guard against unforeseen and unbudgeted expenditure. These usable reserves include the General Fund, unused Capital Receipts and Grants and a number of reserves which have been earmarked for specific purposes. Details of individual earmarked reserves are shown in Note 5 to the Financial Statements. When expenditure is incurred which is to be financed from a reserve it is charged to the Comprehensive Income and Expenditure Statement and matched by a transfer shown in the Movement in Reserves Statement. This ensures that there is no net charge to the Council Tax for that expenditure.

Some reserves are kept to manage accounting processes, mainly for property, plant and equipment, and for retirement benefits. These do not represent usable resources for the Authority. They are shown as Unusable Reserves in the Balance Sheet and the Movement in Reserves Statement. Further explanations are detailed in Note 16 to the Financial Statements.

Statement of Accounting Policies

21 Value Added Tax (VAT)

The Authority is able to reclaim input VAT on nearly all of its purchases and must pay over output VAT to H.M. Revenue and Customs (HMRC) monthly. The balance owing to or from HMRC is included in creditors or debtors at the year end as appropriate. VAT is not included on any transactions in the financial statements, except to the extent that it is not reclaimable.

22 Pensions

The Firefighters' Pension Schemes are defined benefit, unfunded schemes. Accounting arrangements are in accordance with IAS 19 "Employee Benefits". The accounts of the Pension Fund are shown at the end of the Statement of Accounts, as they are separate from the Authority's main financial statements. The Pension Fund makes payments to pensioners and receives contributions from current employees and the Authority as employer. Any annual deficit or surplus on the Fund is due from or paid to the Government.

The Authority also maintains an earmarked reserve to meet the costs of ill-health retirements and injury compensation payments which are unpredictable and not met by the Government.

Non-uniformed staff, and some uniformed officers, are eligible for membership of the Wiltshire Pension Fund administered by Wiltshire Council. The accounts of this Fund, which is a Local Government Pension Scheme, are included in the Statement of Accounts of Wiltshire Council. The pension costs that are charged to the Authority's accounts are equal to the employers' contributions paid to the funded pension scheme for employees who are members of the scheme. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis and some past service costs. Contributions to the fund are determined on the basis of rates set to meet 100% of the liabilities of the Pension Fund, in accordance with relevant Government Regulations.

The Authority pays a firm of independent actuaries to value the pension liabilities in the Firefighters' schemes and to provide all relevant pension disclosures included in the Statement of Accounts. The actuaries also provide disclosures relevant to the Authority's participation in the Local Government Pension Scheme.

Statement of Accounting Policies

23 Council Tax

Under statute, the Authority issues precepts to Wiltshire Council and Swindon Borough Council (the billing authorities), which collect Council Tax on the Authority's behalf and pay it into a Collection Fund. The precept is received in instalments during the year, adjusted for a share of the Collection Fund surplus or deficit, which demonstrates the billing authorities' effectiveness in collecting the Council Tax.

The amount shown for Council Tax income in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between this sum and the adjusted precept is taken to the Collection Fund Adjustment Account which is part of the unusable reserves in the Balance Sheet. A reconciling item is included in the Movement in Reserves Statement.

As the collection of Council Tax is seen as an agency arrangement, the cash collected belongs proportionately to the billing authorities, the Fire Authority and other preceptors. A debtor or creditor is therefore recognised between the billing authorities and the Authority. The figures included in the Statement for Council Tax debtors, creditors and adjustments are provided by the billing authorities.

Statement of Responsibilities for the Statement of Accounts

The Authority's responsibilities

The Authority is required to :

- ◆ make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Finance Director.
- ◆ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ◆ approve the Statement of Accounts.

The Finance Director's responsibilities

The Finance Director is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Finance Director has:

- ◆ selected suitable accounting policies and then applied them consistently
- ◆ made judgements and estimates that were reasonable and prudent
- ◆ complied with the local authority Code.

The Finance Director has also:

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

The Finance Director is required to sign and date the Statement of Accounts, stating that it gives a true and fair view of the financial position of the authority at the accounting date and of its income and expenditure for the year ended 31 March 2011.

Phil Chow

Finance Director

Independent auditor's report to the Members of Wiltshire and Swindon Fire Authority

We have audited the financial statements of Wiltshire and Swindon Fire Authority and of the Firefighters' Pension Fund for the year ended 31 March 2011. 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 on pages 43 to 88. The Firefighters' Pension Fund financial statements comprise the Fund Account and the Net Assets Statement and the related notes on page 90. The financial statements have been prepared under applicable law and the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the Members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the Members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Finance Director and auditor

As explained more fully in the Statement of the Finance Director's Responsibilities, set out on page 29, the Finance Director is responsible for the preparation of the financial statements which 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 and the Firefighters' Pension Fund's circumstances and have been consistently applied and adequately disclosed;
- ◆ the reasonableness of significant accounting estimates made by the Finance Director; 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.

Opinion on financial statements

In our opinion the financial statements:

- ◆ give a true and fair view of the financial position of the Authority as at 31 March 2011 and of the Authority's expenditure and income for the year then ended;
- ◆ give a true and fair view of the financial transactions of the Firefighters' Pension Fund during the year ended 31 March 2011 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- ◆ have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- ◆ any matters have been reported in the public interest under section 8 of the Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- ◆ any recommendations have been made under section 11(3) of the Audit Commission Act 1998; or
- ◆ any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

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

Authority's responsibilities

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.

Auditor's responsibilities

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.

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.

Basis of conclusion

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 October 2010, 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 2011.

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 October 2010, we are satisfied that, in all significant respects, Wiltshire and Swindon Fire Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

We certify that we have completed the audit of the financial statements of Wiltshire and Swindon Fire Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

Jon Gorrie (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
100 Temple Street
Bristol
BS1 6AG

13 September 2011

Movement in Reserves Statement 2010/11

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. 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, more details of which are shown in the Comprehensive Income and Expenditure Statement (C.I.E.S.). 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.

	General Fund	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves	See Notes
	£	£	£	£	£	£	£	
Balance at 31 March 2009	-664,153	-1,799,706	-30,450	0	-2,494,309	95,587,465	93,093,156	
Movement in reserves during 2009/10								
Deficit on provision of services	6,715,579				6,715,579	0	6,715,579	
<u>Other Comprehensive Income and Expenditure</u>								
Movement in Pensions Reserve	0				0	34,712,459	34,712,459	29
Total Comprehensive Income and Expenditure	6,715,579				6,715,579	34,712,459	41,428,038	
Adjustments between accounting basis and funding basis under regulations								
<u>Reversal of items in the C.I.E.S.</u>								
Depreciation and amortisation	-705,615				-705,615	705,615	0	6/7
Impairment and revaluation losses	-227,507				-227,507	227,507	0	6
Net gain or loss on sale of non-current assets	-36,098				-36,098	36,098	0	
Capital grants	643,309				643,309	-643,309	0	
Retirement benefits under IAS19	-9,141,000				-9,141,000	9,141,000	0	29
Council Tax income adjustment	11,298				11,298	-11,298	0	16
Employee benefits accrual adjustment	18,236				18,236	-18,236	0	16
<u>Insertion of items not in the C.I.E.S.</u>								
Minimum Revenue Provision	247,966				247,966	-247,966	0	25
Revenue Provision in respect of finance leases	75,684				75,684	-75,684	0	25
Employers' contributions to pension schemes and payments to pensioners	2,324,300				2,324,300	-2,324,300	0	29

Movement in Reserves Statement 2010/11

	General Fund	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves	See Notes
	£	£	£	£	£	£	£	
Capital expenditure charged to revenue	15,680				15,680	-15,680	0	25
Other adjustments								
Use of Capital Receipts to finance capital expenditure			30,450		30,450	-30,450	0	
Net increase/decrease before transfers to or from earmarked reserves	-58,168	0	30,450	0	-27,718	41,455,756	41,428,038	
Transfers to or from earmarked reserves	69,821	-69,821			0	0	0	5
Increase/decrease in the year	11,653	-69,821	30,450	0	-27,718	41,455,756	41,428,038	
Balance at 31 March 2010	-652,500	-1,869,527	0	0	-2,522,027	137,043,221	134,521,194	
Movement in reserves during 2010/11								
Surplus on provision of services	-9,302,169				-9,302,169		-9,302,169	
<u>Other Comprehensive Income and Expenditure</u>								
Movement in Pensions Reserve	0				0	-4,035,872	-4,035,872	29
Total Comprehensive Income and Expenditure	-9,302,169	0	0	0	-9,302,169	-4,035,872	-13,338,041	
Adjustments between accounting basis and funding basis under regulations								
<u>Reversal of items in the C.I.E.S.</u>								
Depreciation and amortisation	-903,733				-903,733	903,733	0	6/7
Impairment and revaluation losses	-210,000				-210,000	210,000	0	6
Net gain or loss on sale of non-current assets	-21,829				-21,829	21,829	0	
Capital grants	768,470				768,470	-768,470	0	
Retirement benefits under IAS19	5,202,000				5,202,000	-5,202,000	0	29
Council Tax income adjustment	104,560				104,560	-104,560	0	16
Employee benefits accrual adjustment	20,136				20,136	-20,136	0	16
<u>Insertion of items not in the C.I.E.S.</u>								
Minimum Revenue Provision	367,966				367,966	-367,966	0	25
Revenue Provision in respect of finance leases	79,480				79,480	-79,480	0	25

Movement in Reserves Statement 2010/11

	General Fund	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves	See Notes
	£	£	£	£	£	£	£	
Employers' contributions to pension schemes and payments to pensioners	2,379,128				2,379,128	-2,379,128	0	29
Capital expenditure charged to revenue	21,637				21,637	-21,637	0	25
Other adjustments								
Rounding	0	-1			-1	0	-1	
Net increase/decrease before transfers to or from earmarked reserves	-1,494,354	-1	0	0	-1,494,355	-11,843,687	-13,338,042	
Transfers to or from earmarked reserves	-175,911	175,911	0	0	0	0	0	5
Increase/decrease in the year	-1,670,265	175,910	0	0	-1,494,355	-11,843,687	-13,338,042	
Balance at 31 March 2011	-2,322,765	-1,693,617	0	0	-4,016,382	125,199,534	121,183,152	

Comprehensive Income and Expenditure Statement 2010/11

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. Authorities raise 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.

2009/10			2010/11		
Gross Expenditure £	Gross Income £	Net Expenditure £	Gross Expenditure £	Gross Income £	Net Expenditure £
1,728,163	-16,637	1,711,526	2,052,477	-10,512	2,041,965
1,531,583	-165,688	1,365,896	1,759,663	-35,457	1,724,206
19,680,374	-376,927	19,303,447	20,104,980	-320,061	19,784,919
2,099,259	-468,930	1,630,329	2,046,959	-278,840	1,768,119
226,768	-1,863	224,905	269,916	-1,408	268,508
456,119	-3,382	452,737	521,193	-2,054	519,139
162,442	-2,210	160,232	157,921	-506	157,415
0	0	0	-16,876,000	0	-16,876,000
25,884,708	-1,035,637	24,849,071	10,037,109	-648,838	9,388,271
		4,044			-6,749

Comprehensive Income and Expenditure Statement 2010/11

2009/10				2010/11		
Gross Expenditure £	Gross Income £	Net Expenditure £		Gross Expenditure £	Gross Income £	Net Expenditure £
		308,642	Financing & Investment Income & Expenditure			334,149
		6,688,000	Interest payable & similar charges			7,005,000
		-10,871	Pensions Interest Cost & Expected Return on Pensions Assets			-23,210
			Interest Income			
		6,985,771	Total			7,315,939
		-15,031,195	Taxation & Non-specific Grant Income			-15,644,400
		-7,676,880	Council Tax Income			-8,371,186
		-1,771,923	Non-Domestic Rates Grant			-1,215,574
		-643,309	Revenue Support Grant			-768,470
			Capital Grants & Contributions			
		-25,123,307	Total			-25,999,630
		6,715,579	Surplus (-) or Deficit on Provision of Services			-9,302,169
		34,712,459	Other Comprehensive Income & Expenditure			-4,035,872
			Actuarial Gains/Losses on Pensions Assets & Liabilities			
		34,712,459	Total			-4,035,872
		41,428,038	Total Comprehensive Income & Expenditure			-13,338,041

Balance Sheet

The Balance Sheet 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 by the Authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves 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 (for example the Capital Receipts Reserve that may only be used to finance capital expenditure or repay debt). The second category of reserves comprises those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

1 April 2009	31 March 2010		31 March 2011		See
£	£		£	£	Notes
9,046,507	9,294,470	Property, Plant & Equipment			6
291,921	2,340,135	Land & Buildings		9,778,073	
665,052	1,414,313	Vehicles		3,567,575	
9,779	0	Plant, Furniture & Equipment		1,608,990	
		Surplus assets		0	
10,013,259	13,048,918			14,954,638	
100,859	102,759	Intangible Assets		266,798	7
1,879	1,279	Long Term Debtors		3,019	10
10,115,997	13,152,956	Long Term Assets		15,224,455	
198,482	189,821	Inventories	136,793		9
2,723,184	2,234,229	Short Term Debtors	1,179,453		10
1,023,158	1,201,514	Cash & Cash Equivalents	1,963,833		11
500	500	Assets Held for Sale	517		12
3,945,324	3,626,064	Current Assets		3,280,596	
-250,000	-170,833	Short Term Borrowing	-500,834		8
-2,249,736	-2,473,456	Short Term Creditors	-2,578,758		13
-213,900	-523,300	Provisions	-673,300		14
0	-79,480	Finance Lease Liabilities	-83,275		27

Balance Sheet

1 April 2009	31 March 2010		31 March 2011		See Notes
£	£		£	£	
-2,713,636	-3,247,069	Current Liabilities		-3,836,167	
0	-772,478	Long Term Creditors	-689,203		27
-5,193,000	-6,472,167	Long Term Borrowing	-5,971,333		8
-99,247,841	-140,777,000	Net Pensions Liability	-129,160,000		29
0	-31,500	Capital Grants Receipts in Advance	-31,500		23
-104,440,841	-148,053,145	Long Term Liabilities		-135,852,036	
-93,093,156	-134,521,194	Net Assets		-121,183,152	
-664,153	-652,500	General Fund	-2,322,765		5
-1,799,706	-1,869,527	Earmarked General Fund Reserves	-1,693,617		
-30,450	0	Capital Receipts Reserve	0		
-2,494,309	-2,522,027	Usable Reserves		-4,016,382	
-68,156	-48,459	Revaluation Reserve	-37,353		16a
-3,811,137	-3,874,703	Capital Adjustment Account	-3,987,800		16b
99,247,841	140,777,000	Pensions Reserve	129,160,000		16c
-60,857	-72,155	Collection Fund Adjustment Account	-176,715		16d
279,774	261,538	Short Term Accumulating Compensated Absences Account	241,402		16e
95,587,465	137,043,221	Unusable Reserves		125,199,534	
93,093,156	134,521,194	Total Reserves		121,183,152	

Phil Chow
Finance Director

Cash Flow Statement

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

2009/10			2010/11		See Notes
£	£		£	£	
	6,715,579	Net surplus (-) or deficit on the provision of services		-9,302,169	
		Adjust net surplus or deficit on the provision of services for non-cash movements			
-680,527		Depreciation	-857,632		
-227,507		Impairment and downward valuations	-210,000		
-25,087		Amortisation	-46,101		
-223,720		Increase/decrease in creditors	-440,293		
-488,955		Increase/decrease in debtors	-1,035,139		
-8,661		Increase/decrease in inventories	-53,028		
-309,400		Increase in provisions	-150,000		
-6,816,700		Pension liability	7,581,128		
-36,098		Carrying amount of non-current assets sold	-21,829		
33,871		Other non-cash items charged to the net surplus or deficit on the provision of services	124,695		
	-8,782,784	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		4,891,801	
	32,054	Proceeds from the sale of property, plant and equipment		28,578	
	643,309	Capital Grants		768,470	
	-1,391,842	Net cash flows from operating activities		-3,613,320	17

Cash Flow Statement

2009/10			2010/11		See Notes
£	£		£	£	
		Investing activities			
3,954,802		Purchase of property, plant and equipment	3,397,736		
0		Other payments for investing activities	0		
-32,054		Proceeds from sale of property, plant and equipment	-28,578		
-674,809		Capital Grants	-768,470		
-910,137		Other receipts from investing activities	0		
	2,337,802	Net cash flows from investing activities		2,600,688	
		Financing activities			
-1,450,000		Cash receipts of long term borrowing	0		
0		Other receipts from financing activities	0		
75,684		Cash payments for the reduction of the outstanding liability relating to a finance lease	79,480		
250,000		Repayments of long term borrowing	170,833		
0		Other payments for financing activities	0		
	-1,124,316	Net cash flows from financing activities		250,313	
	-178,356	Net increase(-)/decrease(+) in cash and cash equivalents		-762,319	
	1,023,158	Cash and cash equivalents at the beginning of the year		1,201,514	
	1,201,514	Cash and cash equivalents at the end of the year		1,963,833	

Notes to the Financial Statements

1 Critical judgements in applying accounting policies

In applying the policies set out in the Statement of Accounting Policies, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts was -

- ◆ There is a high degree of uncertainty about future Government support for local government generally and fire services in particular. However, the Authority has determined that there is as yet insufficient evidence to show that its assets may be impaired by any anticipated need to scale back service provision.

2 Assumptions made about the future and other sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made based on past experience, current trends and other relevant factors. As some balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are set out below. The list does not include items which are carried at fair value based on recently observed market prices, such as land and buildings, for which the Authority relies on independent advice from professional valuers.

- ◆ The Authority has set aside two provisions which are described in Note 14. The Provision for Pay Reform Costs relies on assumptions about claims from former employees and appeals by current employees which may be materially different from the outcomes in 2011/12. Any additional costs will fall on the revenue account, but it is considered equally likely that there may be an amount left in the provision to be credited back to the revenue account. Similarly, adequacy of the Provision for Part-time Workers' Compensation depends on assumptions about the level of claims yet to be made.
- ◆ The actuary has provided an assessment of the effect of changes in the assumptions used in estimating the pensions assets and liabilities included in the Accounts according to the requirements of IAS 19. This is reported in Note 29 f.

Notes to the Financial Statements

3 Material items of income and expense

The Comprehensive Income and Expenditure Statement shows items according to a prescribed form. The Cost of Services is analysed in another form in Note 18. Some material items are not explicitly shown in either of these places, though they are explained elsewhere in the Statement. For example, grant income is detailed in Note 23.

The Cost of Services includes the £210,000 revaluation loss described in Note 6c (£227,507 in 2009/10), and a total of £903,733 for depreciation and amortisation charges (£705,614 in 2009/10) shown in Notes 6 and 7.

A credit for £16,876,000 is included in non-distributed costs within the Cost of Services. This results from the decision to move from the Retail Prices Index to the Consumer Prices Index as the basis for future pensions increases, and is further explained in Note 29. There were no non-distributed costs or credits in 2009/10.

4 Events after the Balance Sheet date

Post balance sheet events occur between the balance sheet date (31 March) and the date on which the accounts are authorised for issue. Events which have a material effect on the accounts must be disclosed in a note. No such events have been identified before the audited accounts were authorised for issue on 13 September 2011.

Notes to the Financial Statements

5 Transfers to and from earmarked reserves

	2009/10			2010/11			See note below	
	Balance 1 Apr 09 £	Transfers out £	Transfers in £	Balance 31 Mar 10 £	Transfers out £	Transfers in £		Balance 31 Mar 11 £
Hydrants	-70,000	14,000	0	-56,000	0	0	-56,000	A
Collaboration	-295,001	0	0	-295,001	0	0	-295,001	B
Integrated Risk Management	-18,527	18,527	0	0	0	0	0	C
Ill Health Retirement	-894,982	0	0	-894,982	108,663	0	-786,319	D
Insurance	-50,000	0	0	-50,000	0	0	-50,000	E
Efficiencies	-45,937	0	0	-45,937	3,937	0	-42,000	F
Unused grants	-425,259	15,797	-118,145	-527,607	162,731	-60,421	-425,297	G
RDS - Impact of PTW Regulations	0	0	0	0	0	-39,000	-39,000	H
Total	-1,799,706	48,324	-118,145	-1,869,527	275,331	-99,421	-1,693,617	

This table sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans (transfers in) and the amounts posted back from earmarked reserves to meet General Fund expenditure in the year (transfers out), as shown in summary in the Movement in Reserves Statement. The narrative that follows sets out the purpose of each reserve.

A Hydrants

The Fire Authority contracts with several water companies to carry out works within the County in respect of hydrants. Orders placed are not always acted upon during the period requested and may not be charged in the correct year. As a result of the late billing situation the Authority's liability for these works has become substantial. A reserve was therefore established to meet this expenditure, the balance representing the amount anticipated as owing to the water companies.

B Collaboration

This reserve is set aside to finance equipment replacement and upgrades at the current Wiltshire Emergency Services Control Centre, together with potential unforeseen costs associated with the Government decision not to continue with the development of the Regional

Notes to the Financial Statements

Control Centre.

C Integrated Risk Management

This reserve has been used to pay for the staffing, accommodation and other associated costs of this essential area of work.

D Ill Health Retirement

Since 1 April, 2006, the Authority pays a set employers' contribution on behalf of firefighters in the Pension Scheme. All normal retirement costs are in effect paid by central government, but the cost of ill-health retirements and injury compensation granted is paid locally. In some circumstances, contributions have to be made to the Pension Scheme in three annual instalments. This reserve recognises these specific liabilities, and guards against the unpredictable timing and cost of events of this nature.

E Insurance

During 2006/07, the renegotiation of the Authority's insurance policies resulted in a significant saving on previous years' premiums and a consequent underspending in the insurance budget. This reduction in premiums did, however, rely on the Authority accepting a higher level of risk by increasing the excesses on the policy. All major insurable risks remain covered by the policy, but the liability and motor sections are now subject to excesses of £5,000, with aggregate limits of £50,000 and £40,000 respectively.

The insurance reserve was established from the savings on insurance premiums to support this additional level of risk.

F Efficiencies Reserve

This reserve was established in 2007/08 to progress work in identifying and implementing reviews to establish efficiencies for future years. A contribution to the cost of a subscription for procurement datasets was agreed in 2010/11.

G Unused Grants

Under the Code, revenue grants and contributions are recognised in the Comprehensive Income and Expenditure Statement, provided there are no unfulfilled conditions attached to them. Any such income not used to match expenditure in the year is transferred to this earmarked reserve so that it can be used to match expenditure in future years. An analysis of income credited to the revenue account in the year is shown in Note 23.

H Retained Duty System - Impact of Part-Time Workers Regulations Reserve

This reserve was set up from the underspending at the end of 2009/10 to mitigate the effect of the Employment Tribunal's decisions relating to the pensions access rights of retained firefighters. This is in addition to the provision previously established for the compensation payable to those firefighters and referred to in Note 14.

Notes to the Financial Statements

6 Property, plant and equipment

A Movements on balances

2010/11	Land & Buildings £	Vehicles £	Plant & Equipment £	Surplus Assets * £	Total £
<u>Cost or valuation</u>					
At 1 April 2010	9,387,668	4,236,853	2,844,877	0	16,469,398
Additions	794,240	1,595,042	605,916	0	2,995,198
Reclassifications	0	0	0	0	0
Derecognition due to disposals	0	-384,555	-27,200	0	-411,755
Transfers to assets held for sale	0	-16,060	0	0	-16,060
At 31 March 2011	10,181,908	5,431,280	3,423,593	0	19,036,781
<u>Depreciation and impairment</u>					
At 1 April 2010	-93,198	-1,896,718	-1,430,564	0	-3,420,480
Depreciation charge for the year	-100,637	-349,116	-407,879	0	-857,632
Revaluations	-210,000	0	0	0	-210,000
Derecognition due to disposals	0	366,586	23,840	0	390,426
Transfers to assets held for sale	0	15,543	0	0	15,543
At 31 March 2011	-403,835	-1,863,705	-1,814,603	0	-4,082,143
<u>Net book value</u>					
At 31 March 2011	9,778,073	3,567,575	1,608,990	0	14,954,638
At 1 April 2010	9,294,470	2,340,135	1,414,313	0	13,048,918

Notes to the Financial Statements

2010/11	Land & Buildings £	Vehicles £	Plant & Equipment £	Surplus Assets * £	Total £
<u>Nature of asset holding at 31 March 2011</u>					
Owned	9,778,073	2,814,539	1,608,990	0	14,201,602
Finance lease	0	753,036	0	0	753,036
Total	9,778,073	3,567,575	1,608,990	0	14,954,638

2009/10	Land & Buildings £	Vehicles £	Plant & Equipment £	Surplus Assets * £	Total £
<u>Cost or valuation</u>					
At 1 April 2009	13,115,799	2,547,379	1,780,464	9,779	17,453,421
Additions	568,668	2,320,940	1,090,183	0	3,979,791
Revaluations	-4,296,799	0	0	0	-4,296,799
Derecognition due to disposals	0	-631,466	0	-9,779	-641,245
Transfers to assets held for sale	0	0	-25,770	0	-25,770
At 31 March 2010	9,387,668	4,236,853	2,844,877	0	16,469,398
<u>Depreciation and impairment</u>					
At 1 April 2009	-4,069,292	-2,255,458	-1,115,412	0	-7,440,162
Depreciation charge for the year	-93,198	-246,407	-340,922	0	-680,527
Revaluations	4,069,292	0	0	0	4,069,292
Derecognition due to disposals	0	605,147	0	0	605,147
Transfers to assets held for sale	0	0	25,770	0	25,770

Notes to the Financial Statements

2009/10	Land & Buildings £	Vehicles £	Plant & Equipment £	Surplus Assets * £	Total £
At 31 March 2010	-93,198	-1,896,718	-1,430,564	0	-3,420,480
<u>Net book value</u>					
At 31 March 2010	9,294,470	2,340,135	1,414,313	0	13,048,918
At 1 April 2009	9,046,507	291,921	665,052	9,779	10,013,259
<u>Nature of asset holding at 31 March 2010</u>					
Owned	9,294,470	1,499,796	1,414,313	0	12,208,579
Finance lease	0	840,339	0	0	840,339
Total	9,294,470	2,340,135	1,414,313	0	13,048,918

* Surplus assets in this table are those owned by the Authority but not in use at the balance sheet date. They do not satisfy the criteria to be defined as held for sale within the next twelve months. Assets which do satisfy those criteria are shown separately and set out in Note 12.

B Effect of changes in estimates

The residual values and estimated lives of all owned vehicles were reviewed in accordance with the Code and in consultation with the Fleet Engineer. The lives of seven vehicles purchased in 2009/10 were increased and their residual values reduced. This resulted in a reduction in the depreciation charged on these vehicles from £95,412 to £78,447. The residual values of 21 fully depreciated vehicles were estimated to have fallen marginally, but no action was taken in respect of these as the difference was not material, totalling £819 net on residual values of £46,943.

A similar review for equipment assets showed that one ICT asset had a reduced useful life, increasing depreciation from £17,760 to £35,520 in the year, while a boat's life was extended, reducing the depreciation charge from £2,022 to £607 per year.

C Revaluations

Property, plant and equipment are included in the Balance Sheet in accordance with the valuation policies set out in the Statement of Accounting Policies, with the addition of capital expenditure on purchases and improvements during the year. A full revaluation of land

Notes to the Financial Statements

and buildings was carried out as at 1 April 2009, resulting in a net fall in value of £227,507. The valuation was carried out by the Authority's valuers, BNP Paribas, who are RICS qualified and external to the Authority. In consultation with these valuers, an informal review of property values as at 31 March 2010 was carried out by the Authority and did not result in the recognition of any material change in the valuation of land and buildings since the previous formal valuation.

As formal valuations are normally carried out at five-yearly intervals, there was another informal review as at 31 March 2011, which again resulted in no material revaluation being required in the properties in general. However, the valuers also visited Corsham Fire Station, which had been extensively refurbished during the year. They advised that the fall in rental values since the last formal valuation meant that there was no appreciable increase in the value of this property for accounting purposes. Therefore, a revaluation loss of £210,000 was recorded.

7 Intangible assets

The Authority accounts for its software as intangible assets, to the extent that it is not an integral part of an IT system which is accounted for as part of Property, Plant and Equipment. All software is given a finite useful life by the ICT Director, based on an assessment of the period that the software is expected to be of use to the Authority. Estimated lives are set out below.

	Cost £	Year of purchase	Life in Years
Asset Management System	59,000	2006/07 & 2007/08	10
Cartology System	31,196	2008/09	5
Retained Availability Recording System	64,740	2008/09 & 2009/10	5
Microsoft licensing	24,503	2010/11	10
Firewatch System	171,687	2010/11	10
Performance Management System	13,950	2010/11	10

The carrying amount of intangible assets is amortised to revenue on a straight line basis. The annual charge is absorbed as an overhead over service headings in the Cost of Services in the Comprehensive Income and Expenditure Statement, and shown with depreciation in the subjective analysis of revenue expenditure in Note 18.

Notes to the Financial Statements

The movement on Intangible Assets balances in the year is given in the following table.

2009/10		2010/11
£		£
	<u>Balance at start of year</u>	
127,949	Gross carrying amounts	154,936
-27,090	Accumulated amortisation	-52,177
100,859	Net carrying amount	102,759
26,987	Additions	210,140
-25,087	Amortisation for the period written off to revenue	-46,101
102,759	Net carrying amount at end of year	266,798
	Comprising -	
154,936	Gross carrying amounts	365,076
-52,177	Accumulated amortisation	-98,278

8 Financial instruments

The following categories of financial instruments are carried in the Balance Sheet.

1 April 2009		31 March 2010		31 March 2011	
Long term	Current	Long term	Current	Long term	Current
£	£	£	£	£	£
				<u>Financial Assets</u>	
0	1,532,853	0	1,197,384	Investments (Cash equivalents)	0
0	79,645	0	130,139	Trade debtors	0
0	1,612,498	0	1,327,523		0
				<u>Financial Liabilities</u>	
-5,193,000	-250,000	-6,472,167	-170,833	Borrowings at amortised cost (PWLB loans)	-5,971,333
0	0	-772,478	-79,480	Finance lease liabilities	-689,203
0	-1,532,340	0	-1,745,696	Trade creditors	0
-5,193,000	-1,782,340	-7,244,645	-1,996,009		-6,660,536
					-2,495,204

The Authority has no financial instruments classified as available for sale or at fair value through profit or loss. Interest is shown in the Comprehensive Income and Expenditure Statement. Trade debtors and creditors exclude items such as Government grant debtors and Council Tax arrears and prepayments. They are included within the overall figures for debtors and creditors which are further analysed in Notes 10 and 13. PWLB loans are borrowed from the Public Works Loan Board.

Fair value

Financial instruments are carried in the Balance Sheet at their amortised cost. Their fair values have been assessed by calculating the present values of the cash flows that will take place over the remaining terms of the instruments, using the following assumptions:

- ◆ PWLB loans are discounted at the equivalent rate applicable at 31 March on new loans taken out for the period remaining on each loan;
- ◆ no early repayment or impairment is recognised;
- ◆ where maturity is within 12 months, the carrying amount is assumed to approximate to the fair value;
- ◆ finance leases are discounted at the PWLB rate as for loans;
- ◆ the fair value of debtors and creditors is the invoiced amount;
- ◆ as investments are counted as cash equivalents, their fair value is the same as the carrying amount.

1 April 2009		31 March 2010			31 March 2011	
Loans	Lease	Loans	Lease		PWLB loans	Finance lease
£	£	£	£		£	£
5,998,606	0	6,960,216	851,958	Fair value	6,583,832	767,978
5,443,000	0	6,643,000	851,958	Carrying amount	6,472,167	772,478
555,606	0	317,216	0		111,665	-4,500

The fair value of PWLB loans is higher than the carrying amount because most loans were taken out at fixed rates higher than those available at the current time. The fair value of the finance lease at 31 March 2010 was the same as the amortised cost because the lease was taken out during 2009/10 and valued for inclusion in the Balance Sheet at its discounted present value.

9 Inventories

2009/10					2010/11			
Clothing	Equipment	Fuel	Total		Clothing	Equipment	Fuel	Total
£	£	£	£		£	£	£	£
106,989	82,867	8,626	198,482	Balance at start of year	83,125	92,661	14,035	189,821
78,808	153,945	54,372	287,125	Purchases	14,866	90,017	57,947	162,830
-102,672	-144,151	-48,963	-295,786	Recognised as an expense in the year	-29,494	-128,311	-56,518	-214,323
0	0	0	0	Written off	-1,535	0	0	-1,535
83,125	92,661	14,035	189,821	Balance at end of year	66,962	54,367	15,464	136,793

10 Debtors

1 April 2009 £	31 March 2010 £		31 March 2011 £
1,467,000	1,368,608	Central government bodies	339,647
203,924	229,060	Other local authorities	170,626
0	35,719	NHS bodies	50,600
11,691	23,149	Public corporations and trading funds	0
1,042,448	578,972	Other entities and individuals	621,599
2,725,063	2,235,508	Total debtors	1,182,472
		Comprising -	
1,879	1,279	Long term debtors	3,019
2,723,184	2,234,229	Short term debtors	1,179,453
2,725,063	2,235,508		1,182,472

11 Cash and cash equivalents

1 April 2009 £	31 March 2010 £		31 March 2011 £
4,615	4,615	Cash held by the Authority	4,615
-514,310	-485	Bank current accounts	3,677
475,795	1,197,384	Call and deposit accounts with banks	1,955,541
1,057,058	0	Fixed short term investments with banks and building societies	0
1,023,158	1,201,514		1,963,833

12 Non-current assets held for sale

Items of property, plant and equipment that are surplus to requirements and satisfy the following criteria are classified as held for sale. They are shown as current assets because they are expected to be sold within a year from the balance sheet date.

- Criteria -
- ◆ Assets must be available for sale in their present condition
 - ◆ The sale must be highly probable and planned

- ◆ Assets must be actively marketed at a reasonable price
- ◆ The sale is expected to be completed within twelve months.

2009/10 £		2010/11 £
500	Balance at 1 April	500
0	Assets newly classified as held for sale	517
0	Assets sold	-500
500	Balance at 31 March	517

Assets which are surplus but cannot be shown to satisfy the criteria, or which are in use at the start of the year and then sold during the year, remain in property, plant and equipment and are recorded in Note 6.

13 Creditors

1 April 2009 £	31 March 2010 £		31 March 2011 £
-389,696	-521,397	Central government bodies	-529,554
-678,161	-962,292	Other local authorities	-492,383
-168	-158	NHS bodies	-192
-70	-1,811	Public corporations and trading funds	-4,704
-1,181,641	-1,839,756	Other entities and individuals	-2,324,403
-2,249,736	-3,325,414	Total creditors	-3,351,236
		Comprising -	
0	-772,478	Long term creditors	-689,203
-2,249,736	-2,473,456	Short term creditors	-2,578,758
0	-79,480	Finance lease liabilities	-83,275
-2,249,736	-3,325,414		-3,351,236

14 Provisions

	Pay Reform £	Part-time workers £	Total £
Balance at 1 April 2010	-368,300	-155,000	-523,300
Additional provisions made in 2010/11	-150,000	0	-150,000
Amounts used in 2010/11	0	0	0
Balance at 31 March 2011	-518,300	-155,000	-673,300

a Provision for Pay Reform

This provision was set up in 2007/08 to meet the costs of pay reform for corporate staff, which was originally meant to take effect from 1 April 2007. During 2010/11, the implementation date was changed to 1 April 2008, but the reform was not implemented as expected and it is currently anticipated that back pay and employers' oncosts will be set against this provision in 2011/12. The actual cost of the reform remains uncertain as there is a full process for appeals by individual employees.

b Provision for Part-time Workers (Retained Compensation)

A provision was established in 2009/10 for the initial compensation costs resulting from the Employment Tribunal's consideration of the Part Time Workers (Prevention of Less Favourable Treatment) Regulations 2000 in relation to firefighters working the Retained Duty System. The initial financial impact of this legislation was calculated at about £155,000, based on the reference period 1 July 2000 to 30th June 2009, length of service, rank and role, level of cover and anticipated take-up. The compensation payments are expected to be made in 2011/12.

15 Usable reserves

Movements on the Authority's usable reserves are set out in the Movement in Reserves Statement, with full details of all earmarked reserves in Note 5. The balances appear in the Balance Sheet after Net Assets.

16 Unusable reserves

Balances on the Authority's unusable reserves are shown in the last part of the Balance Sheet, with transactions summarised in the Movement in Reserves Statement. Full details of those transactions are given here, with further explanation as appropriate.

a Revaluation Reserve

This Reserve contains the unrealised gains arising from increases in the value of individual items of Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- ◆ revalued downwards or impaired, so that the gains are lost,
- ◆ used in the provision of services, so that the gains are consumed through depreciation, or
- ◆ disposed of, so that the gains are realised.

The Revaluation Reserve was created with a nil balance when the recommended practice changed at 1 April 2007. Accumulated gains arising before that date are consolidated into the Capital Adjustment Account.

2009/10 £		2010/11 £
-68,156	Balance at 1 April	-48,459
0	Upward revaluation of assets	0
19,697	Write out accumulated gains on assets sold or scrapped	11,106
-48,459	Balance at 31 March	-37,353

b Capital Adjustment Account

This Reserve absorbs the timing differences arising from the 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 matches the depreciation and other charges made to the Comprehensive Income and Expenditure Statement (CIES). It is credited with resources set aside to finance capital expenditure from capital receipts and the revenue account, including revenue provisions for debt repayment.

2009/10		2010/11	
£		£	£
-3,811,137	Balance at 1 April		-3,874,703
	Reversal of items relating to capital expenditure charged or credited to CIES		
680,527	Depreciation of non-current assets	857,632	
227,507	Revaluation losses on Property, Plant and Equipment	210,000	
25,087	Amortisation of intangible assets	46,101	
36,098	Amounts of non-current assets written out on sale or disposal	10,723	
969,219			1,124,456
-19,697	Adjusting amounts written out of the Revaluation Reserve		0
949,522	Net written out as the cost of non-current assets consumed in the year		1,124,456
	Capital financing applied in the year		
-30,450	Use of Capital Receipts Reserve to finance new capital expenditure	0	
-643,309	Capital Grants credited to CIES and applied to capital financing	-768,470	
-15,680	Capital expenditure charged against the General Fund	-21,637	
-247,966	Statutory provision for debt repayment	-367,966	
-75,684	Revenue provision in respect of finance leases	-79,480	
-1,013,089			-1,237,553
1	Rounding adjustment		0
-3,874,703	Balance at 31 March		-3,987,800

c Pensions Reserve

The Pensions Reserve absorbs 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 (CIES) as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions or other benefits for which it is directly responsible.

The debit balance on the Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding has been set aside by the time that the benefits come to be paid.

2009/10 £		2010/11 £
99,247,841	Balance at 1 April	140,777,000
34,712,459	Actuarial gains or losses on pensions assets and liabilities	-4,035,872
9,141,000	Reversal of items relating to retirement benefits charged or credited to the Deficit on the Provision of Services in the CIES	-5,202,000
-2,324,300	Employer's pension contributions and direct payments to pensioners payable in the year	-2,379,128
140,777,000	Balance at 31 March	129,160,000

d Collection Fund Adjustment Account

The Collection Fund Adjustment Account records the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement (CIES) as it falls due from the Council Taxpayers compared with the statutory arrangements for precepts on the billing authorities' Collection Funds. This reflects the notion that the billing authorities act as agents for the Fire Authority in collecting the Council Tax.

2009/10		2010/11
£		£
-60,857	Balance at 1 April	-72,155
-11,298	Amount by which the Council Tax income credited to the CIES differs from that calculated for the year in accordance with statutory requirements	-104,560
-72,155	Balance at 31 March	-176,715

e Short Term Accumulating Compensated Absences Account

This Reserve absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, i.e. annual leave entitlement and flexitime credits carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from this Account.

2009/10		2010/11	
£		£	£
279,774	Balance at 1 April		261,538
-279,774	Settlement or cancellation of accrual made at the end of the preceding year	-261,538	
261,538	Amounts accrued at the end of the current year	241,402	
-18,236	Amount by which officer remuneration charged to the CIES on an accruals basis is different from that chargeable in the year in accordance with statutory requirements		-20,136
261,538	Balance at 31 March		241,402

17 Cash Flow Statement - Operating activities

The net cash flows from operating activities include the following items:

2009/10		2010/11
£		£
-10,871	Interest received	-23,210
143,697	Interest paid	300,243
37,956	Interest paid on finance leases	34,160

18 Amounts reported for resource allocation decisions

a Management information

The analysis of income and expenditure by division and subdivision of 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 on the basis of budget reports for the service as a whole, prepared on a different basis from the accounting policies used in the Statement of Accounts. In particular:

- ◆ no charges are made for capital expenditure (revenue financing, revaluation losses, etc) or credits for capital grants
- ◆ the cost of retirement benefits is based on payment of employer's contributions rather than the current cost of benefits accrued in the year
- ◆ the minimum revenue provision is included.

b Analysis and reconciliation to the Comprehensive Income and Expenditure Statement

The table below shows the income and expenditure of the Authority in the form presented for management purposes during the year, reconciled to the Cost of Services in the Comprehensive Income and Expenditure Statement (CIES).

2009/10			2010/11	
£	£		£	£
19,362,674		<u>Expenditure</u>		
1,136,467		Employees	18,342,546	
819,150		Premises	1,285,154	
4,095,593		Transport	738,221	
75,210		Supplies & Services	3,864,603	
		Democratic Representation	76,541	
	25,489,094			24,307,065
		<u>Income</u>		
-264,944		General income	-284,526	
-10,871		Interest	-23,210	
-700,399		Grants & staffing reimbursements	-345,254	
	-976,214			-652,990
	-83,527	Contributions to or from reserves		-161,740
	24,429,353	Net expenditure		23,492,335
	3,265,538	Amounts in the CIES not reported to management		-12,017,136
	-2,845,820	Amounts in management information not included in the Cost of Services in the CIES		-2,086,928
	24,849,071	Cost of Services in CIES		9,388,271

The comparative figures for 2009/10 in the table, up to "Net expenditure", are as reported to management in that year. They have not been restated as if the Code was then in force. This means that some lines, such as grants and transfers, are not directly comparable year on year.

Notes to the Financial Statements

c Reconciliation to Subjective Analysis

The Code requires the amounts in the previous table to be reconciled to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement (CIES). The surplus is shown as a negative figure at the bottom of the rightmost column (deficit in 2009/10).

2010/11	Net expenditure on table at 18 b £	Amounts not reported to management £	Amounts not in Cost of Services £	CIES		Total £
				Cost of Services £	Other corporate costs £	
Fees, charges and other service income	-446,266	0	161,739	-284,527	0	-284,527
Interest and investment income	-23,210	0	23,210	0	-23,210	-23,210
Income from Council Tax	0	0	0	0	-15,644,400	-15,644,400
Government Grants and contributions	-345,254	0	0	-345,254	-10,355,230	-10,700,484
Total income	-814,730	0	184,949	-629,781	-26,022,840	-26,652,621
Employee expenses	18,342,546	4,648,864	-2,377,773	20,613,637	0	20,613,637
Other service expenses	4,733,385	0	433,296	5,166,681	0	5,166,681
Non-distributed Costs	0	-16,876,000	0	-16,876,000	0	-16,876,000
Depreciation, amortisation and impairment	903,734	210,000	0	1,113,734	0	1,113,734
Interest payments	334,149	0	-334,149	0	7,339,149	7,339,149
Gain/loss on disposal of non-current assets	-6,749	0	6,749	0	-6,749	-6,749
Total expenditure	24,307,065	-12,017,136	-2,271,877	10,018,052	7,332,400	17,350,452
Net expenditure	23,492,335	-12,017,136	-2,086,928	9,388,271	-18,690,440	-9,302,169

Notes to the Financial Statements

2009/10	Net expenditure on table at 18 b £	Amounts not reported to management £	Amounts not in Cost of Services £	CIES		
				Cost of Services £	Other corporate amounts £	Total £
Fees, charges and other service income	-348,471	0	115,581	-232,890	-382,000	-614,890
Interest and investment income	-10,871	0	10,871	0	-10,871	-10,871
Income from Council Tax	0	0	0	0	-15,031,195	-15,031,195
Government Grants and contributions	-700,399	-102,348	0	-802,747	-10,092,112	-10,894,859
Total income	-1,059,741	-102,348	126,452	-1,035,637	-25,516,178	-26,551,815
Employee expenses	19,362,674	2,434,764	-2,324,300	19,473,138	0	19,473,138
Other service expenses	5,855,734	1	-377,286	5,478,449	0	5,478,449
Depreciation, amortisation and impairment	0	933,121	0	933,121	0	933,121
Interest payments	270,686	0	-270,686	0	7,378,642	7,378,642
Gain/loss on disposal of non-current assets	0	0	0	0	4,044	4,044
Total expenditure	25,489,094	3,367,886	-2,972,272	25,884,708	7,382,686	33,267,394
Net expenditure	24,429,353	3,265,538	-2,845,820	24,849,071	-18,133,492	6,715,579

Notes to the Financial Statements

19 Members' Allowances

The following payments were made to Members in accordance with the Authority's approved scheme of Members' Allowances made under the Local Authorities (Members' Allowances) (England) Regulations 2003. Travelling and subsistence allowances are the reimbursement of expenditure personally and necessarily incurred by Members in the performance of their official duties. Payments made directly to third parties for fares and accommodation in respect of conferences attended are not included in this table.

Member	Basic £	Special responsibility £	Co-optees £	Travel and subsistence £	Total £
Barker, D	0	0	573	143	716
Bawden, M	2,574	2,145	0	244	4,963
Brown, P A	1,523	0	0	0	1,523
Davis, P R	2,574	0	0	216	2,790
Devine, C	2,574	0	0	207	2,781
Groom, M	2,574	0	0	212	2,786
Hall, R	3,631	10,725	0	2,688	17,044
Inight, D	0	0	144	0	144
Marshall, H R	2,574	0	0	0	2,574
Martin, N D	2,574	0	0	370	2,944
McMillan, R	0	0	288	0	288
Montaut, D	2,574	0	0	253	2,827
Newbury, C N	2,574	0	0	240	2,814
Osborn, J	2,574	2,145	0	219	4,938
Payne, G D	2,574	0	0	32	2,606
Wayman, B	1,015	0	0	0	1,015
Wren, D W	3,061	6,723	0	1,512	11,296
Total for 2010/11	34,970	21,738	1,005	6,336	64,049
Total for 2009/10	33,402	19,094	963	7,132	60,591

Notes to the Financial Statements

20 Officers' remuneration

The Accounts and Audit Regulations require the disclosure of the numbers of officers whose remuneration exceeded £50,000 in the year, analysed in bands of £5,000.

2009/10 No.	Remuneration band	2010/11 No.
15	£50,000 - £54,999	13
9	£55,000 - £59,999	11
7	£60,000 - £64,999	4
2	£65,000 - £69,999	3
0	£70,000 - £74,999	0
0	£75,000 - £79,999	0
2	£80,000 - £84,999	0
0	£85,000 - £89,999	2
1	£90,000 - £94,999	0
0	£95,000 - £99,999	1
0	£100,000 - £104,999	0
0	£105,000 - £109,999	0
0	£110,000 - £114,999	0
1	£115,000 - £119,999	0
0	£120,000 - £124,999	1

21 Senior officers' remuneration

The Accounts and Audit Regulations require the disclosure of the remuneration of senior officers whose annual salary is over £50,000 and who have responsibility for management to the extent that they can direct or control the major activities of the Fire Authority, either solely or collectively. These officers are members of the Authority's Management Board. They are included in the table in Note 20 if their total remuneration excluding pension contributions exceeds £50,000. Expenses are taxable payments, not reimbursements made for (e.g.) subsistence. Benefits in kind include the taxable cash equivalent value of cars provided by the Authority. In 2009/10, this was not calculated for officers on call at all times.

Notes to the Financial Statements

2010/11 Officer	Salary, fees and allowances £	Expenses £	Benefits in kind £	Total excluding pension £	Employers' pension contributions £	Total £	See note
Chief Fire Officer and Chief Executive	119,357	138	639	120,134	25,134	145,268	a
Deputy Chief Fire Officer	94,400	138	778	95,316	20,107	115,423	
Assistant Chief Fire Officer, Service Delivery	88,500	0	1,350	89,850	18,850	108,700	
Assistant Chief Fire Officer, Resources	88,500	138	280	88,918	13,009	101,927	
Director, Human Resources, Learning and Development	67,980	38	0	68,018	9,811	77,829	
Director, Finance	66,741	0	3,201	69,942	9,811	79,753	
Director, Service Delivery	66,612	383	0	66,995	13,924	80,919	
Total	592,090	835	6,248	599,173	110,646	709,819	

2009/10 Officer	Salary, fees and allowances £	Expenses £	Benefits in kind £	Total excluding pension £	Employers' pension contributions £	Total £	See note
Chief Fire Officer and Chief Executive	118,268	138	0	118,406	25,191	143,597	
Deputy Chief Fire Officer	15,948	23	0	15,971	3,397	19,368	b
Deputy Chief Fire Officer	78,868	115	0	78,983	16,799	95,782	b
Assistant Chief Fire Officer, Service Delivery	49,288	456	0	49,744	10,498	60,242	c
Assistant Chief Fire Officer, Service Delivery	39,968	0	0	39,968	8,513	48,481	c
Assistant Chief Fire Officer, Resources	14,750	23	0	14,773	3,142	17,915	d
Assistant Chief Fire Officer, Resources	74,056	115	0	74,171	10,841	85,012	d
Director, Human Resources, Learning and Development	65,689	631	0	66,320	9,484	75,804	
Director, Finance	64,498	0	3,233	67,731	9,481	77,212	
Director, Service Delivery	30,229	372	0	30,601	6,326	36,927	e
Total	551,562	1,873	3,233	556,668	103,672	660,340	

Notes to the Financial Statements

Notes

- a The Chief Fire Officer and Chief Executive retired on 31 March 2011. There were no other changes to the composition of the Management Board during 2010/11.
- b The Deputy Chief Fire Officer left on 31 May 2009 and was replaced with effect from 1 June 2009.
- c The post of Assistant Chief Fire Officer, Service Delivery, was filled by a temporarily promoted officer until a permanent appointment was made with effect from 19 October 2009.
- d The Assistant Chief Fire Officer, Resources, was replaced on 1 June 2009.
- e The Director, Service Delivery, became a member of Management Board on 19 October 2009.

Although the Code requires comparative information to be provided only for those individuals included in the 2010/11 table, the table for 2009/10 shows all relevant members of the Management Board.

22 External audit costs

The Authority's external auditors charged £68,425 for work undertaken in 2010/11 (£70,944 in 2009/10).

23 Grant income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement during the year. Grants are received from the Department for Communities and Local Government (CLG) unless otherwise indicated. Some grants from government have been received through the South West regional organisation of fire authorities. Contributions have been made by other local authorities, companies and the armed services, primarily for fire prevention activities involving young people.

2009/10		2010/11	
£		£	£
	<u>Credited to the Cost of Services</u>		
-36,048	National Resilience Grant (New Dimension)	-37,142	
-317,457	New Burdens Grant	-305,660	
-105,920	Contributions for Safe Drive initiative	-37,629	
-65,181	Grants and contributions towards fire prevention activities	-78,000	
-31,000	Local Public Service Agreement	0	
-139,358	Regional secondments	-41,169	
-101,484	CLG secondment	-43,178	
-6,299	Other grants and contributions	-25,689	
-802,747			-568,467
	<u>Credited to Taxation and Non-specific Grant Income</u>		
-1,771,923	Revenue Support Grant	-1,215,574	
-7,676,880	Non-Domestic Rates Grant	-8,371,186	
-643,309	General Capital Grant	-768,470	
-10,092,112			-10,355,230
-10,894,859	Total credited to the Comprehensive Income and Expenditure Statement		-10,923,697

Grants and contributions which have not been used to match expenditure in the year are transferred to earmarked reserves, while those brought forward from previous years may be transferred to the revenue account to cover expenditure in the current year. These transfers are shown in Note 5. The amount shown in this table as credited to the cost of services in 2010/11 includes £162,731 received in previous years.

The Authority has also received a capital grant under the Local Public Service Agreement (£31,500), which has not yet been recognised as income as it has conditions which have not yet been fulfilled. The balances at the year end are shown as Capital Grants Receipts in Advance in the Balance Sheet.

24 Related party transactions

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 has effective control over the general operations of the Authority, in that it is responsible for the statutory framework in which the Authority operates and provides much of its funding in grants. It also sets the terms of some of the transactions which the Authority has with other parties, such as Council Taxpayers. Grants received from central government are set out in Note 23.

Members of the Fire Authority have ultimate control over the Authority's governance and financial policies. The allowances paid to Members in the year are shown in Note 19. Where Members have declared personal interests in accordance with statutory requirements, the details of these have been recorded in the Members' Register of Interests, which is open to public inspection.

Key management personnel having the authority and responsibility for planning, directing and controlling the activities of the Fire and Rescue Service, and members of their families and households, have been asked to declare external interests which might affect the independence of the Authority. All those required to complete returns have replied with nothing to declare. The payments made to senior officers are detailed in Note 21.

Other public bodies may be considered to be related parties in that they are subject to common control by central government. Transactions with these bodies, and balances outstanding at the year end, are shown in the following table.

2009/10 Payments £	31 March 2010 Creditors £		2010/11 Payments £	31 March 2011 Creditors £
49,542	12,336	<u>Wiltshire Council</u> Pay and pensions administration	49,629	12,401
292,284	292,284	<u>Wiltshire Constabulary</u> Emergency Services Control Centre (ECC)	225,998	225,998
214,436	214,436	Capital contribution to ECC	47,128	47,128
22,507	5,079	<u>Swindon Borough Council</u> Legal advice	31,983	8,909
30,000	30,000	Internal Audit services	24,603	16,729
608,769	554,135		379,341	311,165

25 Capital expenditure, financing and commitments

a Capital Financing Requirement

The Capital Financing Requirement (CFR) is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. It is increased annually by capital expenditure and the value of assets acquired by finance leases, and reduced by the application of resources used to finance that expenditure. It is also reduced by the revenue provisions charged to the General Fund for the redemption of debt. These transactions are shown in the table below, together with an explanation of the movement in the CFR in the year.

2009/10			2010/11	
£	£		£	£
	6,235,324	Opening CFR		9,229,013
		<u>Capital expenditure</u>		
568,668		Land and buildings	794,240	
2,320,940		Vehicles	1,595,042	
1,090,183		Plant and equipment	605,916	
26,987		Intangible assets	210,140	
	4,006,778			3,205,338
		<u>Sources of finance</u>		
-15,680		Direct revenue financing	-21,637	
-643,309		Capital grants	-768,470	
-30,450		Capital receipts	0	
-75,684		Revenue provision for finance leases	-79,480	
-247,966		Minimum Revenue Provision	-367,966	
	-1,013,089			-1,237,553
	9,229,013	Closing CFR		11,196,798
		<u>Explanation of movement in CFR</u>		
	2,141,731	Increase in underlying need to borrow		2,047,265
	851,958	Increase/reduction in finance lease liabilities		-79,480
	2,993,689	Increase in CFR		1,967,785

b Capital commitments

The Code requires disclosure of commitments to acquire property, plant and equipment in place at the end of the year. An order was placed in February 2011 for four fire appliances to be delivered in December 2011 at a total cost of £1,040,000 including equipment.

26 Operating leases

The Authority has the use of certain assets under the terms of an operating lease. The annual rentals on these leases are charged to the Cost of Services in the Comprehensive Income and Expenditure Statement. The leased vehicles, equipment and property are not included in the Balance Sheet. The Authority's valuers have advised that the lease of the Occupational Health Facility in Bromham, taken up in 2009/10, and that of the vehicle workshops in Melksham (2010/11) are operating leases. The valuers are RICS qualified and independent of the Authority. The amount charged to the Cost of Services and the future minimum payments due under operating leases are shown here.

2009/10 £	Vehicles and equipment	2010/11 £
793,750	Charged to the Cost of Services in the year	787,139
	Future minimum lease payments	
779,213	Not later than one year	694,898
2,274,147	Later than one year and not later than five years	1,880,502
706,426	Later than five years	405,173
3,759,786	Total of future minimum lease payments	2,980,573
2009/10 £	Property	2010/11 £
5,625	Charged to the Cost of Services in the year	40,599
	Future minimum lease payments	
13,500	Not later than one year	73,500
54,000	Later than one year and not later than five years	294,000
58,500	Later than five years	1,217,901
126,000	Total of future minimum lease payments	1,585,401

27 Finance leases

The Authority acquired four fire appliances in 2009/10 under a finance lease for a ten year term. The annual rental payable is £113,640, which is split between financing costs charged to the Comprehensive Income and Expenditure Statement as interest payable (£34,160 in 2010/11), and the reduction in the liability to pay the lessor. This liability is shown in the Balance Sheet as a long term creditor, for which a fair value is shown in Note 8.

Assets held under finance leases are included in the Balance Sheet at the net present value of the payments to the lessor, and are subject to annual depreciation. They are included in the analysis of property, plant and equipment in Note 6.

31 March 2010 £	Balance Sheet - carrying amount	31 March 2011 £
0	Net book value at start of year	840,339
927,642	Additions	0
-87,303	Depreciation	-87,303
840,339	Net book value at end of year	753,036

31 March 2010 £	Outstanding minimum lease payments	31 March 2011 £
	Net present value of minimum lease payments	
79,480	Current	83,275
772,478	Non-current	689,203
851,958		772,478
170,800	Finance costs payable in future years	136,640
1,022,758	Minimum lease payments	909,118

31 March 2010			31 March 2011	
Minimum lease payments	Finance lease liability	Analysis of payments	Minimum lease payments	Finance lease liability
£	£		£	£
113,640	79,480	Not later than one year	113,640	83,275
454,599	355,874	Later than one year and not later than five years	454,559	371,056
454,559	416,604	Later than five years	340,919	318,147
1,022,798	851,958	Total	909,118	772,478

28 Impairment losses

Under the Code, impairment refers to a loss in the value of an asset for reasons specific to that asset, rather than general falls in prices or weakening of conditions in the property market as a whole. Impairments are charged against the Comprehensive Income and Expenditure Statement unless there is a specific balance in the Revaluation Reserve for the impaired asset. Under this definition, the Authority has not had any transactions for impairments in the current or previous years.

Notes to the Financial Statements

29 Defined Benefit Pension Schemes

a Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make these payments which needs to be disclosed at the time that employees earn their future entitlements.

The Authority participates in three pension schemes:-

- ◆ the Firefighters' Pension Scheme (FPS) for uniformed personnel - this is an unfunded scheme, meaning that there are no investment assets built up to meet the pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. This scheme is now closed to new members.
- ◆ the New Firefighters' Pension Scheme (NFPS) for uniformed personnel - this came into effect from 6 April 2006. It applies to all joiners from that date and any members of the FPS who opt to join the new scheme. As with the FPS, the new scheme is unfunded.
- ◆ the Local Government Pension Scheme for other employees and for uniformed personnel who are unable to join the NFPS. This is a funded defined benefit final salary scheme administered by Wiltshire Council. The Authority and employees pay contributions that are calculated at a level intended to balance the pension liabilities with investment assets. The fund is invested in equities, bonds, property and other investments.

In addition, the Authority has made arrangements for the payment of added years to certain retired employees outside the provisions of the schemes.

b Transactions relating to retirement benefits

The cost of retirement benefits is recognised in the Comprehensive Income and Expenditure Statement (CIES) when they are earned by employees rather than when the benefits are actually paid as pensions. However, the charge that is required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund by way of the Movement in Reserves Statement (MIRS). The transactions on the FPS and NFPS are aggregated in the Accounts. The following transactions have been made in the CIES and MIRS during the year.

Notes to the Financial Statements

2009/10			2010/11	
Firefighters' Schemes	Wiltshire Council Fund		Firefighters' Schemes	Wiltshire Council Fund
£	£		£	£
		Comprehensive Income and Expenditure Statement		
		<u>Cost of Services</u>		
2,100,000	353,000	Current service cost	4,000,000	669,000
0	0	Past service costs	-15,400,000	-1,476,000
		<u>Financing & Investment Income and Expenditure</u>		
6,500,000	570,000	Interest cost	6,800,000	795,000
0	-382,000	Expected return on Scheme assets	0	-590,000
8,600,000	541,000	Total charged to the deficit on the provision of services	-4,600,000	-602,000
		<u>Other Comprehensive Income and Expenditure</u>		
29,991,739	4,720,720	Actuarial gains and losses	-829,928	-3,205,944
38,591,739	5,261,720	Total charged to CIES	-5,429,928	-3,807,944
		Movement in Reserves Statement		
-8,600,000	-541,000	Reversal of net charges made to the deficit on the provision of services in accordance with the Code	4,600,000	602,000
1,815,394	508,906	Actual amount charged against the General Fund balance for pensions - Employers' contributions payable to the schemes	1,870,072	509,056

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement is a loss of £40,783,000 as recorded by the Authority's actuary.

Notes to the Financial Statements

c Assets and liabilities in relation to retirement benefits

2009/10		Reconciliation of present value of scheme liabilities	2010/11	
Firefighters' Schemes £	Wiltshire Council Fund £		Firefighters' Schemes £	Wiltshire Council Fund £
-94,900,000	-8,079,000	Opening balance at 1 April	-133,700,000	-15,186,000
-2,100,000	-353,000	Current service cost	-4,000,000	-669,000
-6,500,000	-570,000	Interest cost	-6,800,000	-795,000
-900,000	-208,000	Contributions by scheme participants	-900,000	-204,000
0	0	Transfers in from other authorities	0	
200,000	0	Transfers out to other authorities	0	
-33,900,000	-6,171,000	Actuarial gains and losses	-400,000	2,903,000
4,400,000	195,000	Benefits paid	4,000,000	45,000
0	0	Past service costs	15,400,000	1,476,000
-133,700,000	-15,186,000	Closing balance at 31 March	-126,400,000	-12,430,000

2009/10	Reconciliation of the fair value of scheme assets	2010/11
Wiltshire Council Fund £		Wiltshire Council Fund £
5,797,000	Opening balance at 1 April	8,109,000
382,000	Expected rate of return	590,000
1,401,000	Actuarial gains and losses	303,000
516,000	Employer contributions	509,000
208,000	Contributions by scheme participants	204,000
-195,000	Benefits paid	-45,000
8,109,000	Closing balance at 31 March	9,670,000

Notes to the Financial Statements

The actual employer's contributions made as per the table in Note 29 (b) above differ from the actuary's estimate of employer's contributions used to calculate the pension liability. The difference is recognised in the Comprehensive Income and Expenditure Statement, within the "Actuarial gains and losses" line.

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period.

The actual return on scheme assets in the year was £393,000 (2009/10: £1,783,000).

Scheme history	2006/07 As restated £000s	2007/08 As restated £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s
<u>Present value of liabilities</u>					
Wiltshire Council Fund	-8,477	-7,923	-8,079	-15,186	-12,430
Firefighters' Schemes	-102,900	-92,300	-94,900	-133,700	-126,400
Total	-111,377	-100,223	-102,979	-148,886	-138,830
Fair value of assets in the Wiltshire Fund	6,024	6,868	5,797	8,109	9,670
<u>Surplus/deficit in the Schemes</u>					
Wiltshire Council Fund	-2,453	-1,055	-2,282	-7,077	-2,760
Firefighters' Schemes	-102,900	-92,300	-94,900	-133,700	-126,400
Total	-105,353	-93,355	-97,182	-140,777	-129,160

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £129m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £121m.

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

- ◆ the deficit on the local government scheme (Wiltshire Council Fund) will be made good by increased contributions over the remaining life of employees (i.e. before payment falls due), as assessed by the scheme actuary, and
- ◆ finance is only required to be raised to cover firefighter pensions when the pensions are actually paid.

Notes to the Financial Statements

In the year to 31 March 2012, the total contributions to be made by the Authority to the Wiltshire Council Fund are estimated at £563,700 and to the Firefighters' Schemes £1,544,000.

d Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method of valuation, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Firefighters' Schemes and the Wiltshire Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries.

31 March 2010		Principal assumptions used by the actuary	31 March 2011	
Firefighters' Schemes	Wiltshire Council Fund		Firefighters' Schemes	Wiltshire Council Fund
		<u>Long term expected rate of return on investments in the scheme</u>		
-	7.8%	Equity investments	-	7.5%
-	5.0%	Bonds	-	4.9%
-	5.8%	Property	-	5.5%
-	4.8%	Cash	-	4.6%
		<u>Mortality assumptions</u>		
		Longevity for current pensioners *		
27.6	20.8	Men	27.9	21.3
31.0	24.1	Women	30.8	23.6
		Longevity for future pensioners *		
29.2	22.3	Men	29.5	23.3
32.7	25.7	Women	32.3	25.5
3.8%	3.8%	Rate of inflation	3.6%	3.6%
5.3%	5.3%	Rate of increase in salaries * *	4.6%	5.1%
3.8%	3.8%	Rate of increase in pensions * * *	2.8%	2.8%
5.5%	5.5%	Rate for discounting scheme liabilities	5.5%	5.5%
90.0%	63.0%	Take-up of option to convert annual pension into retirement lump sum	90.0%	75.0%

Notes to the Financial Statements

- * Longevity assumptions are based on retirement at 65 for the Council Fund and 60 for the Firefighters' Schemes.
- ** The salary increase assumption for the Wiltshire Fund is 1% for the first year, moving to 5.1% from the second year.
- *** For the first time, the pension increase assumption is in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This is a result of the Emergency Budget announcement by the Chancellor of the Exchequer in June 2010. The CPI assumption is 0.8% less than RPI, with RPI being calculated by considering yields on Government bonds. This change in pension increase assumption is a change in benefit and has caused the large credit in the Cost of Services for a past service credit. This approach was adopted by the actuary in line with the recommendations of CIPFA and the Audit Commission.

The Firefighters' Pension Schemes have no assets to cover liabilities. Assets in the Wiltshire Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

31 March 2010 Wiltshire Council Fund %	Assets in the Fund	31 March 2011 Wiltshire Council Fund %
71.0	Equity investments	66.0
16.0	Bonds	19.0
9.0	Property	11.0
4.0	Cash	4.0
100.0	Total	100.0

e History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011.

Notes to the Financial Statements

Gains and losses	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%
<u>Experience gains and losses on liabilities</u>					
Wiltshire Council Fund	2.96	-2.57	-0.01	0.01	5.48
Firefighters' Schemes	-0.78	3.68	0.74	-5.98	2.37
<u>Differences between expected and actual return on assets</u>					
Wiltshire Council Fund	-1.53	-0.87	-35.92	17.28	3.13

f Risks and uncertainties relating to assumptions

There is a range of actuarial assumptions which is acceptable under IAS 19, particularly in respect of expected salary increases and demographic factors. The assumptions used are the responsibility of the Authority, after taking the advice of the actuary. There are risks and uncertainties associated with whatever assumptions are adopted, as the assumptions are effectively projections of future investment returns and demographic experience many years into the future. Inevitably this involves a great deal of uncertainty about what constitutes a "best estimate" under IAS 19. The actuary interprets this as meaning that the proposed assumptions are neutral, i.e. there is an equal chance of actual experience being better or worse than the assumptions used.

The assumptions used are largely prescribed and reflect market conditions at 31 March 2011. Changes in market conditions can have a significant effect on the value of liabilities reported. For example, a reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. The effect of changes in financial assumptions is shown in the table.

With regard to the Wiltshire Council Fund, it is also relevant to note that IAS 19 requires the discount rate to be set with reference to the yields on high quality corporate bonds irrespective of the actual investment strategy of the Fund. Therefore the balance sheet position may change significantly due to relative changes in the equity and AA corporate bond markets at the reporting date.

Approximate increase in employer liability	Firefighters' Schemes			Wiltshire Council Fund	
	Change	%	£	%	£
<u>Change in financial assumptions 2010/11</u>					
Decrease in real discount rate	0.5%	10	11,300,000	12	1,488,000
Increase in member life expectancy	1 year	3	3,600,000	3	404,000
Increase in rate of increase in salaries	0.5%	1	1,700,000	4	498,000
Increase in rate of increase in pensions (CPI)	0.5%	8	9,400,000	7	896,000

Notes to the Financial Statements

30 Contingent liabilities

The Authority is required to disclose if there are possible obligations which may require payment or a transfer of economic benefit. At the time of the closure of accounts, one such contingency existed.

Retained firefighters' part time status

Employment Tribunal cases have been heard regarding whether or not retained firefighters are employed under the same type of contract as wholetime firefighters for the purpose of the Part-time Workers' Regulations. Following a House of Lords ruling, the Tribunal has decided that the exclusion of the retained firefighters from the Firefighters' Pension Scheme and their sick pay arrangements are unlawful. The provision established for compensation payments is described in Note 14, but this does not cover rights of access to the pension scheme which is being handled by the Department for Communities and Local Government. It is not yet possible to make a reliable estimate of the cost to the Authority, and no provision has been made in the Accounts. However, an earmarked reserve was established from the revenue underspending at the end of 2009/10 to mitigate the future revenue effect of these pensions costs. This is shown in Note 5.

31 Contingent assets

The Code defines a contingent asset as a possible asset that arises from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control. Contingent assets are not recognised in the Comprehensive Income and Expenditure Statement or in the Balance Sheet because prudence cautions that the gains may never be recognised.

No contingent assets have been recognised at the Balance Sheet date.

32 Disclosure of the nature and extent of risks arising from financial instruments

The Fire Authority's activities expose it to a variety of financial risks, including -

- ◆ credit risk - the possibility that other parties might fail to pay amounts due to the authority
- ◆ liquidity risk - the possibility that the authority might not have funds available to meet its commitments
- ◆ market risk - the possibility that financial loss might arise as a result of changes in interest rates, prices and other market conditions.

In managing these risks, the Authority has formally adopted a Treasury Management Policy Statement which complies with CIPFA's "Treasury Management in the Public Sector: Code of Practice". It has also set treasury management indicators to monitor key financial instruments risks

Notes to the Financial Statements

in accordance with CIPFA's Prudential Code.

The Authority's Treasury Management Policy states that the successful identification, monitoring and control of risk are the prime criteria by which the effectiveness of treasury management will be measured, and that the authority will pursue optimum performance consistent with the risks associated with these activities.

Treasury management is carried out by staff in the Finance Department, following the policies set out in the Authority's Annual Investment Strategy.

Credit risk

The Authority invests temporarily surplus cash in short-term deposits with banks and other financial institutions in accordance with its Annual Investment Strategy, which gives priority to security and liquidity rather than yield.

The 2010/11 Investment Strategy allowed internal staff to invest surplus cash in a limited range of specified deposits, either fixed term or on call, but with a maximum term of less than one year. The credit criteria are set out below.

Institution	Minimum rating	Maximum investment
Highest quality financial institutions	F1+/AA-	£5m
Other Local Authorities	-	£1m
100% owned subsidiaries of clearing banks	F1+/AA-	£1m
Top ten Building Societies	F1/A	£1m
Other Building Societies	F1/A	£0.5m
Merchant or secondary banks	F1/A	£0.5m

The maximum investment refers to sums invested with any one institution at any one time. The ratings are determined by Fitch and published on their website. The criteria are used to derive lists of institutions which may be used, and authority is delegated to the Finance Director to vary the lists and limits as circumstances dictate. The ratings are reviewed at least quarterly. During 2010/11, the ratings of several institutions, including some of the top ten Building Societies, were downgraded, and the approved lending list was amended accordingly. The number of institutions willing to take short term cash deposits of less than £1 million each also reduced.

At 31 March 2011, £1.2m was invested with one financial institution (2010 - £1.2m in two institutions). As these investments are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, they are classed as cash equivalents in the Balance Sheet and Cash Flow Statement.

Notes to the Financial Statements

The Authority has no experience of default with any of its investments. It does not generally allow credit to its debtors, and at 31 March 2011, there were no material debts more than three months past their due date.

Liquidity risk

The Authority manages its cash flow to ensure that cash is available when needed. If unexpected movements happen, there is ready access to funds through the money markets. There was no need to borrow in this way in 2010/11, and only one short term loan was taken out in the previous year.

To finance its capital programme, the Authority has borrowed exclusively from the Public Works Loan Board, and has ready access to funds from this source. Therefore there is no significant risk that it will be unable to finance its commitments. Liquidity risk lies rather in the maturity profile of existing debt, which could result in a significant proportion of total debt requiring replacement at a time of adverse market conditions. This risk is taken into account when deciding on terms for new borrowing.

The maturity profile of borrowings as at 31 March is as follows.

31 March 2010		31 March 2011
£		£
170,833	Less than one year (in Current Liabilities in Balance Sheet)	500,834
500,833	One to two years	420,833
1,952,500	Two to five years	1,902,500
2,703,167	Five to ten years	2,453,167
1,315,667	Over ten years (last date October, 2027)	1,194,833
6,643,000	Total loans outstanding	6,472,167

The maximum maturing in any one year is £1,096,833 in 2017/18.

Creditors and other payables are all due within one year.

Market risk

The Authority is exposed to risk in terms of interest rate movements. A fall in rates increases the fair value of fixed rate borrowings, but this does not impact upon the Comprehensive Income and Expenditure Statement. As all borrowings are at fixed rates, this gives certainty of cash flow. However, a fall in rates does have an impact on revenue income in the form of investment interest. A judgement of prospective changes in rates is made when the annual budget is set, and performance is monitored through the year by regular reporting.

Notes to the Financial Statements

During 2010/11, as in 2009/10, interest rates on the money market remained at a very low level. The Bank of England base rate was 0.5% and the Local Government 7-day rate remained at 0.25% throughout the year. Income from investment interest was £23,209 in 2010/11 (£11,000 in 2009/10). This represented an average rate of 0.74% on sums invested (0.58% in 2009/10). If rates were to increase by 1%, income would increase by £31,400, other factors being constant.

The Authority is not exposed to significant risks in relation to price inflation or exchange rates in relation to its treasury management activities.

33 Impact of future accounting standards

The Code requires disclosure of information relating to the impact of accounting standards that have been issued but not yet adopted. FRS30 "Heritage Assets" is to be adopted in the 2011/12 Code, such that those assets are to be recognised as a separate class of assets in the Balance Sheet. Full adoption of the standard will occur in the 2011/12 financial statements, but the Authority is also required to disclose the estimated effect in the 2010/11 Statement.

Heritage assets are held principally for their contribution to knowledge or culture. The Authority does not include any such assets in its present classes of property, plant and equipment. However, a classic (1951) fire engine is kept and the Authority also has a number of heritage items in a museum building that is not open to the public, and in other premises throughout the County. None of these items has been formally valued, and some or all of them may fall below the Authority's de minimis limit for recognition as assets. As FRS30 will be applied to the 2011/12 Accounts, there will be a full review of these assets during that year.

Notes to the Financial Statements

34 Material differences between amounts presented under the SORP and the Code

The Statement of Accounts 2010/11 is the first to be prepared on an IFRS basis. Adoption of the new Code has resulted in the restatement of various balances and transactions, with the effect that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts 2009/10. Disclosure is made when there are material differences in the Balance Sheets at 31 March 2009 and 31 March 2010, or the Comprehensive Income and Expenditure Statement for 2009/10.

a Short term accumulating compensated absences

'Short-term accumulated compensating absences' refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the organisation. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Service is required to accrue for any annual leave earned but not taken at 31 March each year, and for flexitime balances carried forward at that date. Under previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

b Capital grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, they were held in a Capital Grants Deferred Account and recognised as income over the life of the assets which they were used to finance, matching the depreciation charge to revenue.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- ◆ Those parts of the grants that were set against depreciation in 2009/10 have been taken out of the Comprehensive Income and Expenditure Statement (CIES).
- ◆ Grants received in 2009/10 and used to finance capital expenditure were transferred from CIES to the Capital Adjustment Account. The Capital Grants Deferred Account included in the creditors balance has been taken out of the Balance Sheet.

Notes to the Financial Statements

- ◆ A grant was received in 2009/10 but not used. This was previously included in creditors as a Capital Grant Unapplied, but is now shown separately in the Balance Sheet as a Capital Grant Received in Advance.

c Revenue grants

Grants and contributions for revenue expenditure, like those for capital, are recognised in the Comprehensive Income and Expenditure Statement when they are receivable, provided no conditions remain unfulfilled. Under the SORP, unused portions of grants were taken forward into future years as creditors, and only recognised in the revenue account in the year that matching expenditure was incurred. In order to ensure that grants still match expenditure, the unused portions are now transferred to earmarked reserves after recognition in the revenue account. Transfers from those reserves can then be made back to the revenue account at the appropriate time.

In re-stating the 2009-10 accounts, the effect has been to reclassify the unused balances of grants and contributions from creditors to earmarked reserves, and to credit to service income all the grants and contributions received in 2009/10, including those not used in that year. The distinction between grants transferred from brought forward balances and income received in the year but not used is not material and has not been made in the service income analysis.

d Changes to the financial statements

	2009/10 Statement of Accounts £	Short term accumulating absences £	Capital grants £	Revenue grants £	2010/11 Statement of Accounts £
<u>Opening 1 April 2009 Balance Sheet</u>					
Short term creditors	-2,395,221	-279,774	0	425,259	-2,249,736
Short Term Accumulating Compensated Absences Account (Part of Unusable reserves - detailed in Note 16)	0	279,774	0	0	279,774
Earmarked Reserves	-1,374,447	0	0	-425,259	-1,799,706

Notes to the Financial Statements

	2009/10 Statement of Accounts £	Short term accumulating absences £	Capital grants £	Revenue grants £	2010/11 Statement of Accounts £
31 March 2010 Balance Sheet					
Short term creditors	-3,311,723	-261,538	572,198	527,607	-2,473,456
Short Term Accumulating Compensated Absences Account (Part of Unusable reserves - detailed in Note 16)	0	261,538	0	0	261,538
Capital Adjustment Account (Part of Unusable reserves - detailed in Note 16)	-3,334,005	0	-540,698	0	-3,874,703
Capital Grants Receipts in Advance	0	0	-31,500	0	-31,500
Earmarked Reserves	-1,341,920	0	0	-527,607	-1,869,527
2009/10 Comprehensive Income and Expenditure Statement					
Community Fire Safety					
Statutory Inspection, Certification & Enforcement	1,712,466	-795	1,500	-1,645	1,711,526
Prevention & Education	1,380,813	-109	1,566	-16,374	1,365,896
Firefighting & Rescue Operations					
Operational Responses	19,318,671	-14,682	36,719	-37,262	19,303,446
Communications & Mobilising	1,617,457	-2,848	62,051	-46,331	1,630,329
Securing Water Supplies	224,546	111	432	-184	224,905
Corporate & Democratic Core					
Corporate Management	452,885	49	137	-334	452,737
Democratic Representation & Management	160,206	38	206	-218	160,232
Cost of Services	24,867,044	-18,236	102,611	-102,348	24,849,071
Capital Grants & Contributions	0	0	-643,309	0	-643,309

Firefighters' Pension Scheme

Pension Fund Account 2010/11

2009/10			2010/11	
£	£		£	£
-1,608,922		Contributions receivable		
0		From the Fire Authority		
		Contributions in relation to pensionable pay	-1,554,446	
		Other payments	-37,599	
-892,384		Firefighters' contributions	-861,891	
	-2,501,306	Total income		-2,453,936
2,887,814		Benefits payable		
1,326,939		Pensions	3,020,920	
		Commutation of pensions and lump sum retirement benefits	1,006,497	
	4,214,753			4,027,417
	219,218	Transfers to other schemes		1,765
	4,433,971	Total expenditure		4,029,182
	1,932,665	Net amount payable for the year		1,575,246
	-678,289	Less Top-up Grant received on account for the year		-1,446,270
	-1,254,376	Balance of Top-up Grant receivable		-128,976
	0			0

Pension Fund Net Assets Statement at 31 March 2011

31 March 2010			31 March 2011	
£	£		£	£
	1,254,376	Current Assets (Debtors)		
		Pension Top-up Grant receivable from the Government		128,976
	1,254,376	Net current assets and liabilities		128,976

Notes to the Pension Fund Accounts

1 Operation and Administration of the Firefighters' Pension Fund

The Firefighters' Pension Scheme (Amendment) (England) Order 2006 established the current arrangements for the operation of the Scheme. The Scheme is unfunded, meaning that there are no investment assets built up to meet future liabilities. Employees and the Fire Authority, as employer, both pay contributions into the Fund, based on percentages of pay which are set nationally and are subject to triennial revaluation by the Government Actuary's Department.

Sums paid into the Fund as contributions or transfers from other schemes, and sums paid out as benefits or transfers, are specified by Regulations. Any difference between sums receivable and payable is met by a top-up grant from, or payment to, the Department for Communities and Local Government.

The Firefighters' Pension Scheme pays pensions and defined benefits to former wholetime employees and those retained employees who retired on ill-health grounds with duty injuries. It is now closed to new entrants, but existing members continue to make contributions. The New Firefighters' Pension Scheme provides pensions and defined benefits to wholetime and retained staff at Watch Manager level and below who joined since April 2006. Operational staff who join the Service at Station Manager level or above who are not existing members of the Firefighters' Pension Scheme may join the Local Government Pension Scheme.

The Schemes and the Fund are administered by Wiltshire Council on behalf of the Fire Authority.

2 Accounting Policies

As the Pension Fund has no investment assets and does not account for benefits payable in the future, there are no accounting policies which diverge from those described in the main Statement of Accounting Policies.

3 Future Liabilities

The Pension Fund Account and Net Assets Statement take account only of transactions, assets and liabilities which relate to year to 31 March 2011. They do not take account of liabilities to pay pensions and other benefits after this period. Details of the Authority's future liabilities are set out in Note 29 to the Financial Statements.

Glossary of Terms

Accounting Policies

Rules and practices adopted by the Authority that dictate how transactions and events are shown and costed.

Accounting Standards

Statements of accepted accounting practice, applicable across the public and private sectors. They form a hierarchy such that where a higher level standard does not cover particular circumstances, then reference is made to standards on a lower level. The levels are -

- 1 International Financial Reporting Standards (IFRSs), including International Accounting Standards (IASs), and interpretations by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), as adopted by the European Union.
- 2 International Public Sector Accounting Standards (IPSASs).
- 3 UK Generally Accepted Accounting Practice (GAAP) Financial Reporting Standards (FRSs), Statements of Standard Accounting Practice (SSAPs) and Urgent Issues Task Force (UITF) Abstracts.

Accruals

Income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuary

An independent professional who advises on the position of the pension fund.

Actuarial Valuation

The Actuary reviews the assets and liabilities of the pension fund every three years.

Amortisation

The writing down of an asset over a period of time in order to charge the revenue account for that asset's usage.

Amortised cost

The basis of recording financial liabilities, derived by discounting cash flows over the term. For loans at fixed interest rates, or variable rates linked to base rate, without significant transaction costs, the amortised cost should equate to the principal of the loan. This is the case for all PWLB loans.

Annual Governance Statement

A statement produced under the requirements of CIPFA's Framework - Delivering Good Governance in Local Government (June 2007), which is a 'proper practice' as defined by the Department for Communities and Local Government. It incorporates the review of the effectiveness of the system of internal control required by the Accounts and Audit Regulations. From 2010/11, it is published separately.

Glossary of Terms

Assets

Items that are owned by the Authority or money that is owed to it.

Balance Sheet

Statement of recorded assets, liabilities, reserves and other balances at the end of the accounting period.

Capital Adjustment Account

This account is credited with all sources of finance for capital expenditure, other than loans. One of these sources is a provision from revenue, equivalent to the minimum revenue provision. It is charged with the historical cost of acquiring, creating or enhancing property plant and equipment, over the life of those assets, through depreciation and impairment losses. The account thus recognises the timing difference arising from the different rates at which assets are accounted for as being consumed and at which resources are set aside to finance their acquisition or enhancement.

Capital Expenditure

Expenditure on new property, plant and equipment or on the enhancement of existing assets so as to significantly prolong their useful life or increase their market value.

Capital Financing Requirement (CFR)

This comprises the value of past and current capital expenditure, less sources of financing other than borrowing

Capital Programme

The budget for expenditure on property, plant and equipment.

Capital Receipts

Income received from the disposal of land, buildings and other capital assets, where the sale proceeds exceed £10,000.

Cash equivalents

Short term, highly liquid investments which have little scope for changes in value.

Cash Flow Statement

The statement which summarises the Authority's inflows and outflows of cash during the year.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Glossary of Terms

Comprehensive Income and Expenditure Statement

A statement showing the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount funded by grants, income and the Council Tax.

The "Code"

The Code of Practice on Local Authority Accounting in the United Kingdom 2010/11. This prescribes the form and content of the Statement of Accounts, and is published by a joint committee of CIPFA and LASAAC. It is based on approved accounting standards and reflects specific statutory accounting requirements. Compliance with the Code is necessary in order that the Authority's Accounts give a "true and fair" view of its financial position and performance.

Council Tax

A local tax on domestic properties introduced in 1993 to replace the Community Charge (Poll Tax). Income from Council Tax finances that part of the Authority's net spending which is not met by Government Grants or Non-domestic Rates. The Tax is collected by Wiltshire Council and Swindon Borough Council (the billing authorities) and paid by them into a **Collection Fund**. The Fire Authority issues a precept to each billing authority for its share of the Tax and the surplus or deficit on the Collection Fund.

Creditors

Amounts owed by the Authority for goods and services received on or before 31 March.

Current Assets

Assets that are expected to be used in the short term (less than one year), such as cash and inventories.

Debtors

Amounts owed to the Authority for goods and services provided on or before 31 March.

De minimis - see Materiality

Depreciation

The loss in value of an asset due to age, wear and tear, deterioration and obsolescence. An annual charge is made to the revenue account to reflect this, but a further adjustment ensures that there is no effect on the Council Tax. The depreciable amount is the cost or value of an asset less its residual value. Depreciation may be regarded as the allocation of the depreciable amount over the useful life of the asset.

Earmarked Reserves

Amounts set aside for a specific purpose, a particular service or a type of expenditure. Technically, they are part of the General Fund, but they are set out as a separate part of usable reserves.

Glossary of Terms

Fair Value

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For land and buildings, this is the amount that would be paid for the asset in its current use.

Finance Lease

A lease that transfers substantially all of the risks and rewards incidental to ownership of an asset, whether or not title is transferred at the end of the lease.

Financial Instruments

Contracts which give rise to a financial asset or liability, such as loans and investments, trade payables (creditors) and receivables (debtors) and financial guarantees.

General Fund (General Reserve)

The account that summarises the revenue costs of providing services that are met by the Authority's demand for Council Tax, Government Grants and other income. In the Statement, this account is included in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement. The balance is carried forward as part of the Usable Reserves in the Balance Sheet.

Gross Expenditure

Total expenditure before deducting income.

Gross Book Value

The value of an asset before deducting depreciation and impairment losses.

Historical Cost

The carrying amount of an asset at 1 April 2007 or at the date of acquisition, if later, adjusted for subsequent depreciation and impairment.

Impairment

The permanent diminution in the fair value of an individual item of property, plant or equipment, caused by a consumption of economic benefits, such as irreparable damage.

Intangible Assets

An identifiable non-monetary asset without physical substance, controlled by the Authority, producing future economic or service benefits. The most common class of intangible assets is computer software, but where this forms an inseparable part of a computer system, the system as a whole will be identified as a tangible asset in property, plant and equipment.

Glossary of Terms

International Financial Reporting Standards (IFRS)

The new basis for reporting local authority accounts which came into effect on 1 April 2010, replacing the standards on which the Statement of Recommended Practice (SORP) was based.

Inventories

The new name for stocks.

LASAAC

The Local Authority (Scotland) Accounts Advisory Committee. The Code is compiled by a joint committee of CIPFA and LASAAC.

Lease

An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for a specified period of time. Leases may be finance leases or operating leases, and each type is accounted for differently.

Liabilities

Amounts owed by the Authority to lenders or suppliers.

Materiality and de minimis

The threshold or cut-off point whereby an item is separately identified in the Statement. An absolute figure cannot normally be stated, as materiality varies according to the class or nature of items being considered. Application of the principle is a matter of judgement. For example, omissions or misstatements are material if they could, individually or collectively, influence the decisions or assessments of those reading the Statement. A discretionary "de minimis" limit of £10,000 has been set for items of equipment - i.e. such items become assets if they cost over £10,000 and will last more than a year, even if they have been purchased initially out of the revenue account. This matches the statutory de minimis limit for capital receipts.

Minimum Revenue Provision

The minimum amount the Authority must charge to its revenue account to provide for the repayment of debt.

Minor Capital Works

Works carried out to improve the Authority's land and buildings.

Movement in Reserves Statement

A Statement showing the movement in the year on the usable and unusable reserves held by the Authority.

Net Book Value (Carrying Amount)

The remaining value of an asset after deducting depreciation and impairment losses.

Glossary of Terms

National Non-Domestic Rates (NNDR)

A flat rate in the pound set by Government, sometimes known as 'Business Rates', levied on businesses and paid into a National Pool. The Authority receives a share from the National Pool as part of its annual funding - the redistributed amount or 'NNDR Grant'.

Net Expenditure

Gross expenditure less income.

Operating Lease

Any lease which does not fall within the definition of a finance lease.

Outturn

Actual income and expenditure for the financial year.

Precept

The charge made by one Authority to another to finance its net expenditure.

Property, Plant and Equipment

The new term for tangible fixed assets - i.e. assets with physical substance that are held for use in the production or supply of goods and services or for administrative purposes, and are expected to be used during more than one accounting period. Accounting for these assets is based on the value that they currently have and is separated from the statutory arrangements for financing their acquisition and enhancement.

Provisions

Amounts set aside for any liability or loss that is likely to be incurred in a future year, but where the exact amount and date is uncertain. A provision can be set up only if a reliable estimate can be made of the amount of the obligation to pay.

Prudential Code

The Prudential Code for Capital Finance in Local Authorities. This was published by CIPFA in 2003. Local authorities are required to comply with its provisions when setting their capital programmes.

Prudential Indicators

A series of measures, set out in the Prudential Code, which demonstrate that the authority is complying with the Code in terms of affordability, prudence, sustainability, practicality, etc., in its capital activities and treasury management.

PWLB

The Public Works Loan Board - the principal source of long-term capital for local authorities.

Glossary of Terms

Reserves

The amount held in balances and funds that are free from specific liabilities or commitments.

Residual Value

The estimated amount that the Authority would receive from the sale of an asset if the asset were already of the age and in the condition expected at the end of its useful life.

Revaluation

The fair value of assets recorded in the Balance Sheet at current value should be formally reviewed by a professional valuer at intervals of no more than five years, and the revised value should be included in the Balance Sheet.

Revaluation Reserve

A record of the accumulated gains on the fair value of property, plant and equipment arising from inflation or other factors, to the extent that these gains have not been consumed by subsequent reductions in value. The balance on this reserve is carried forward as part of the Unusable Reserves in the Balance Sheet.

Revenue Expenditure

The regular day to day costs of running the organisation.

Revenue Support Grant (RSG)

The main grant paid by Central Government to a local authority towards the cost of its services.

R.I.C.S.

The Royal Institution of Chartered Surveyors.

Statement of Recommended Practice (SORP)

Recommendations on accounting practices issued by CIPFA, applicable up to 31 March 2010. The Fire Authority was legally obliged to follow these recommendations, until their replacement by IFRSs.

Treasury Deposits

Cash surpluses invested on the money market in order to receive income from interest.

Treasury Management

The management of cash flows, banking, lending and borrowing; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

Glossary of Terms

True and fair view

The standard against which the accuracy and compliance of the Statement is measured.

Useful Life

The period for which an asset is expected to be available for use by the Authority.

