

6. Statement of Accounts 2010/11

Purpose of report

1. To present the Statement of Accounts 2010/11 for approval.
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Recommendation

The Treasurer recommends that the Statement of Accounts 2010/11 be approved.

2. The Accounts and Audit Regulations (2011) require that accounts have to be prepared as soon as practical after the end of the financial year.
3. The signed Statement of Accounts must be approved by resolution of the Fire and Rescue Authority (FRA) or designated committee, and this FRA has delegated the function to the Audit Committee.
4. The Accounts must be approved by 30 September 2011 and published by 30 September 2011.
5. The Code of Practice on Local Authority Accounting provides the framework for the production of the Statement of Accounts, and is recognised as representing best practice for the purpose of expressing an audit opinion which differs from the statutory framework used for Council Tax and Grant purposes.
6. As Members will be aware that the Statement of Recommended Practice (SORP) regards that the Accounts are no longer prepared on the basis of UK "Generally Accepted Accounting Practice" (GAAP) but are now produced under the International Finance Reporting Standards (IFRS) bases in full.
7. The principal effect of this is that the Income and Expenditure Account now becomes the Combined Income and Expenditure Account and exhibits a significant net deficit.
8. This is because the Statutory Accounting arrangements which are used by the FRA in council tax setting have precedence over IFRS.
9. There are charges, e.g. depreciation, and the liability on pension schemes which are not chargeable in the statutory accounts. The Government does not recognise IFRS for grant allocations or as part of the statutory budget setting arrangements.

10. In practical terms this means that the accounting surplus of £25.018m in 2010/11 becomes a net surplus of £0.292m.

	£m	£m
Total Comprehensive Income & Expenditure under IFRS		(25.018)
<u>Less items not permitted by statute:</u>		
Depreciation/Amortisation/Impairment	(2.245)	
Share of Collection Fund Balances	(0.080)	
IAS19 entries	14.627	
Pension Top up Grant	4.053	
Capital Grant/Donated Capital Assets	2.379	
Employee Accumulated Absences	0.059	
Book loss on disposal of fixed assets	(0.007)	18.786
<u>Plus items required by statute:</u>		
Minimum Revenue Provision	1.210	
Revenue Financing of Capital	0.210	
Direct Pensions Contributions etc	3.584	
Transfer of Earmarked Reserves	0.936	5.940
Statutory Accounting - General Fund Balance Surplus		(0.292)

11. Differences between IFRS and Statutory Accounting are reconciled in the Movement in Reserves Statement.
12. This does not affect the underlying financial position.
13. Members' attention is drawn to the following specific aspects of the Accounts:
14. The final transfer to general balances, after accounting for late information relating to the RDS part-time working case settlement, is marginally higher than in the Provisional Final Results report to the FRA on 22 June 2011, as a result of utilisation of small grant.
15. At 31 March 2011 there is £2.130m in ear-marked reserves. It is anticipated that the bulk of these amounts will be expended over the next 4 years (the current CRS period).
16. The Balance Sheet shows a negative balance of £197.896m which arises from the identified liabilities in the Pension Schemes of £225.838m. Although there is a significant reduction in the liability as a result of the government decision to change indexation from RPI to CPI, this has been offset by an increase in liability arising from the accounting requirements of IFRS in respect of the Firefighters Compensation Scheme
17. The FRA is, however, not required or empowered to fund these deficits immediately. The Local Government Pension Scheme (LGPS) is covered by future payments of the employer's contribution and the Firefighters' Schemes are covered by the new financing arrangements commencing from 01 April 2006 which effectively means that the liability will be met by direct government grant, as it arises.

18. Long term borrowing has reduced slightly to £14.438m as the planned rundown of cash resources continues. The Net Book Value of assets, at £40.382m, remains considerably in excess of the outstanding borrowing figure above.
19. On publication, the Statement of Accounts will contain the approved Annual Governance Statement. The Statement will, however, be subject to a separate approval process (elsewhere on this Agenda), and the accounts currently contain the draft prior to approval.
20. Subject to no matters arising from the public inspection period of 11 July 2011 to 5 August 2011, the External Auditor will be able to issue the audit opinion and the accounts will be published as soon as practical after this.

Supporting Information

Appendix 1 - Statement of Accounts 2010/11

Background papers - None

Contact Officer

Tony Wood – Treasurer
(0845 1224454)
Email: twood@hwfire.org.uk

**Hereford & Worcester
Fire and Rescue Authority
Statement of Accounts 2010/11**

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EXPLANATORY FOREWORD

1. Originally formed as an independent corporate body on 1 April 1998, as a result of Local Government Reorganisation, Hereford & Worcester Fire and Rescue Authority (the FRA) is now constituted under the Fire and Rescue Services Act 2004. The FRA sets its own budget requirement, receives a share of Non-Domestic Rates and Revenue Support Grant, and issues its own Council Tax Precept.
2. The Statement of Accounts that follows covers the FRA's financial year ending 31 March 2011. The accounts, which are prepared in accordance with International Financial Reporting Standards (IFRS) comprise a group of Core Financial Statements:
 - Movement in Reserves Statement
 - Comprehensive Income & Expenditure Statement (CIES)
 - Balance Sheet
 - Cash Flow Statement
 - Notes to the Core Statements
3. In addition there is a Supplementary Financial Statement in respect of the Firefighters Pension Account.

The purpose of the Core Financial Statements is as below:

4. **Movement in Reserves Statement**

- This shows the movement in the year on the different reserves held by the FRA, analysed into "useable 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 FRA's services, more details of which are shown in the Comprehensive Income & Expenditure Statement (CIES).
- These are different to the statutory amounts required to be charged to the General Fund Balance for grant and Council Tax setting purposes.
- The Net Increase/Decrease before Transfers to Ear-marked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves.

5. **Comprehensive Income & Expenditure Statement** (CIES)

- This 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.
- The FRA raises taxation to cover expenditure in accordance with statutory regulation; this may be different to the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

6. **Balance Sheet**

- This shows the value as at the balance sheet date of assets and liabilities recognised by the FRA.
- The net assets of the FRA (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories.
- The first category of reserves are "useable reserves" i.e. those reserves that the FRA may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).
- The second category is those that the FRA is not able to use to provide services. This category of reserves included those that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in

Reserves statement line "Adjustments between accounting basis and funding basis under regulations".

7. **Cash-flow Statement**

- This shows the changes in cash and cash equivalents of the FRA during the reporting period.
 - The Statement shows how the FRA 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 FRA are funded by current taxation and grant income.
 - Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the FRA's future service delivery.
 - Cash flows arising from financing activities are useful in predicting claims on future cash flows, by providers of capital to the FRA (i.e. those from whom long term borrowing is taken).
8. The accounting policies adopted by the FRA comply with the relevant recommended accounting practice. The FRA's policies are explained fully in the Statement of Accounting Policies which is set out on pages 9-15.
9. The FRA's spending is planned and controlled by a process which includes regular reporting to the Service's management team and the FRA's Budget Committee or Policy & Resources Committee, as they existed at the time.
10. The Statement of Accounts for 2010-11 are the first to be prepared under IFRS. Those that were published for 2009-10 were based on UK GAAP. The change has required some adjustment to the comparative figures for 2009-10 to comply with IFRS and details are given in the Notes to the Accounts.

Revenue Budget

11. Available resources for 2010-11 totalled £31.395m, funded as below:

Council Tax Precept	£20.727m
Non-Domestic Rates	£ 9.315m
Revenue Support Grant	£ 1.353m
	£31.395m

12. These resources are those available for the FRA to spend on provision of services under the statutory accounting regime and exclude the share of the Collection Fund Balances for 2010-11 that is included in the CIES on page 18.
13. In setting the 2010-11 budget the FRA were aware of (and had planned for) potential future reductions in grant, and planned to use the un-expected buoyancy in the 2010-11 tax base to increase General Reserves rather than to commit future spending.
14. Following the General Election the future grant prospects became significantly worse than the information available when the budget was finalised (ie Feb 2010), although in the short-term this FRA did not experience the same level of reduction as others.
15. As a consequence of these prospects, spending during 2010-11 has been subject to severe restraint as a preparation for future reductions in grant.

16. A summary of the budget and out-turn is given below:

	Budget	Actual	Variance
	£m	£m	£m
Employee Costs	22.644	22.345	(0.299)
Running Costs	7.455	6.626	(0.829)
Capital Financing Costs	2.210	2.173	(0.037)
Accrued Costs - RDS P/T settlement	0.000	0.209	0.209
	32.309	31.353	(0.956)
Special Grants	(1.186)	(1.186)	0.000
transfer to other Earmarked Reserves	0.000	0.086	0.086
	31.123	30.253	(0.870)
transfer to General Reserve	0.272	0.292	0.020
transfer to Development Reserve	0.000	0.550	0.550
transfer to Operational Activity Reserve	0.000	0.300	0.300
	31.395	31.395	0.000

17. The original budget assumed that the costs of the settlement of the national Part-time workers claim in respect of Retained Duty personnel would be incurred in 2011-12 and would be funded from the £0.272m transfer to the General Reserve made in 2010-11.

18. As the majority of these costs (totalling £0.209m) are now known they are prudently accrued into the CIES in 2010-11, reducing the planned transfer to General Reserve to £0.063m.

19. During the year staffing levels have been carefully monitored to ensure that the FRA was not in the position of recruiting staff in 2010-11, only to potentially be making redundancies in the following year, if the immediate grant reduction had been as severe as was initially probable. In conjunction with the public sector pay freeze in 2010-11, staffing spending has been reduced by £0.4m (less backdated NI charges).

20. Significant curtailment of other budgets means that (including the impact of 19 above) there is an overall net surplus of £1.142m, which will be transferred to Reserves as below:

Development Reserve	£0.550m
Operational Activity Reserve	£0.300m
General Reserve	£0.292m

Exceptional Items

21. The exceptional item in 2010-11 relates to the government decision to change future indexing of pensions from the Retail Price Index (RPI) to the Consumer Price Index (CPI) and the consequential significant reduction of £26.570m in future liability. To allocate directly to the cost of service would make year on year comparison difficult. The exceptional item in 2009-10 reflected creation of a provision to meet the potential outlay of £0.538m over the next five years relating to the retirement of the previous Chief Fire Officer. Further information on this is given in the Notes to the Accounts.

General Reserve

22. As a result of the accounting treatment for the exceptional item (paragraph 21) the general reserve at 31 March 2010 was £0.642m.

23. As a consequence of the planned savings in 2010-11 £0.292m will now be added to this reserve, bringing the total to £0.934m. In addition, once the issues surrounding the retirement of the previous Chief Fire Officer are finally resolved there is a potential further transfer into reserves arising from the closure of the provision.

Firefighters' Pensions

24. Since 1 April 2006 Firefighters' pensions are paid from a separate pensions account, into which the employees' contributions and a new employer contribution are also paid. The net deficit on this account is funded by direct government grant.
25. The employer contribution and certain costs in relation to injury pensions still fall on the Income and Expenditure Account.

Capital Programme Budget

26. During 2010-11 £2.703m was spent on new assets or improvements to existing ones. Expenditure was incurred on the approved vehicle programme, the construction of a new Fire Station at Pebworth, minor property works and small equipment and IT schemes. The majority of the programme was, as planned, funded by net borrowing and general capital grant.

Balance Sheet

- 27.1 At 31 March 2010 the FRA held Fixed Assets with a net book value of £38.409m. Professional advice has not identified any further impairment due to changes in the economic climate, and adjusting for disposals, depreciation, revaluation and capital expenditure, Fixed Assets are valued at £40.382m at 31 March 2011.
- 27.2 Part of the increase in Fixed Assets is due to the transfer of ownership of New Dimension Assets from DCLG to the FRA on 1 April 2010. The fair value of these assets less consideration was £1.536m, but the transfer involved no expenditure for the FRA.
28. Long Term borrowing has declined slightly as a planned loan expiry was replaced but no new borrowing has been taken. Loans falling within 12 months are shown as short term creditors. All new and existing borrowing is from the Public Works Loans Board (PWLB).
29. The Balance Sheet shows liabilities in respect of the four pension schemes provided for staff.
30. The £5.768m liability on the Local Government Scheme will be covered by the continued level of employer contributions.
31. The Firefighters' schemes are statutory un-funded ones and the significant total liability of £220.070m, is a result of this position. There is no requirement, or legal powers, for the FRA to fund this deficit, and any costs not financed by employee or employer contributions are met by direct government grant. More details on pensions can be found on pages 41-46.
32. There have been significant changes in the estimated liability on the pension schemes funds as a result of the government decision to index future pensions at CPI rather than RPI, which runs at a much lower rate of increase. In order that this change does not distort reporting information it is shown as an exceptional item of £26.570m within the CIES, i.e. it is not attributed to a specific service area.

Corporate Governance Arrangements

33. The FRA is responsible for ensuring that its business is conducted in accordance with relevant legislation and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, Members and Senior Officers are responsible for putting in place proper procedures for the governance of the FRA's affairs and the stewardship of the resources at its disposal.
34. During 2010-11 the FRA has reviewed the systems and processes it has in place to ensure sound corporate governance and to confirm that they are consistent with the principles outlined in the CIPFA/SOLACE Framework '*Corporate Governance in Local Government: A*

Keystone for Community Governance. The latest review of compliance with the code was approved by the FRA Audit Committee on 29 June 2011.

35. Many of the elements of the code had been in place since the creation of the FRA such as: Codes of Conduct, Codes of Practice, Policy Statements, Standing Orders, Financial Regulations, Internal Audit arrangements and Risk Management arrangements which have been strengthened as referred to in the Annual Governance Statement on pages 63-65.

The Euro

36. The FRA is continuing to consider the impact should the United Kingdom enter the European Monetary Union and adopt the Euro in the near future. During the year no financial commitments relating to European Monetary Union have been entered into.

Post Balance Sheet Events

37. There are no post balance sheet events to report upon.

A STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

1. The Authority is required to:
 - make arrangements for the proper administration of its financial affairs and to ensure that one of its Officers has responsibility for the administration of those affairs. In this Authority, that Officer is the Treasurer;
 - manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
 - approve the Statement of Accounts.

The Treasurer's Responsibilities

2. The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code') is required to provide a true and fair view of the financial position of the Authority at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.
3. In preparing this Statement of Accounts the Treasurer has:
 - selected suitable accounting policies and then applied them consistently;
 - made judgements and estimates that were reasonable and prudent; and
 - complied with the Code of Practice.
4. The Treasurer has also:
 - kept proper accounting records which were up to date;
 - taken reasonable steps for the prevention and detection of fraud and other irregularities; and
 - ensured the Statement of Accounts provides a true and fair view of the financial position of the Authority at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.
5. In accordance with the Accounts and Audit Regulations 10(2) I certify that the Statement of Accounts 2010/11 provides a true and fair view of the financial position of the Authority at 31 March 2011 and its income and expenditure for the year 2010/11.

Tony Wood
Treasurer to the Fire and Rescue Authority

Date

Issue Date

- 6 The date that these financial statements are authorised for issue is 28 September 2011. All known material events that have occurred up to and including this date which relate to 2010/11 or before have been reflected in the accounts.

AUTHORITY APPROVAL

In accordance with Regulation 10 (3)b of the Accounts and Audit Regulations 2011 I certify that the Audit Committee of the Fire and Rescue Authority approved the Statement of Accounts 2010/11 on 28 September 2011.

Presiding Chairman of
Audit Committee meeting

Date

STATEMENT OF ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts has been prepared in accordance with proper accounting principles contained within the Code of Practice on Local Authority Accounting in the United Kingdom 2011, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and International Financial Reporting Standards (IFRS).

2. Debtors and Creditors

The accounts of the FRA are maintained on an accruals basis, thus sums due to, or amounts owing by the FRA in respect of goods and services rendered but not paid for at 31 March are included in the accounts.

- Creditors are included in the Balance Sheet and charged to the Comprehensive Income and Expenditure Statement (CIES) when goods or services have been received but not invoiced at the year end.
- Debtors are included in the Balance Sheet and CIES where services have been provided but not reimbursed at the year end.

Exceptions to this policy are as follows:

- Utilities (gas, telephone, electricity etc) and other annual fees, where invoices will be accounted for in the year they fall, providing that only 1 annual, 4 quarterly or 12 monthly invoices are charged in any one year.
- Existing contracts for aerial sites where income will be accounted for in the year it falls providing that only one 12 monthly invoice is charged in any one year. New contracts of a material nature will be treated in accordance with on a full accruals basis.
- Employee expenses paid through payroll where the cut off date for claim is 20th of the month, but where 12 months' claims will be included in the Comprehensive Income and Expenditure Statement.

Individual invoices of less than £500 are accounted for in the year they fall.

3. VAT

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

4. Property, Plant and Equipment (PP&E)

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment (PP&E) has been capitalised provided it yields benefit to the Authority for more than one year. Capital expenditure enhances the value, usage or life of an asset. Some relatively immaterial items may be financed from revenue.

PP&E valued at fair value on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). The last full valuation of Property assets was undertaken at 31 March 2010, using the independent professional services of the Chief Valuer of Worcestershire County Council.

PP&E are classified into the groupings required by the Code of Practice on Local Authority Accounting and valued on the following basis:

- Land is included in the balance sheet at net current replacement cost.
- Properties where there is evidence of Market Value are valued at Open Market Value for Existing Use. Specialised properties, where there is no evidence of market value, are valued at

Depreciated Replacement Cost.

- Plant and Equipment is measured at the purchase price and any attributable costs, less depreciation, as a proxy for current value.

The Authority has a de-minimus of £5,000 for vehicles.

Assets are held in the Balance Sheet at gross value, net of depreciation and impairment where appropriate.

Component accounting

From 1 April 2010 Component Accounting, as set out in IAS 16 – Property, Plant & Equipment, requires the Authority to componentise all Property, Plant and Equipment where the components have a distinctly different economic life to enable PP&E to be accurately and fairly included in the Authority's Comprehensive Income and Expenditure Statement (CIES) so that the depreciation charge properly reflects the consumption of the asset.

The requirement, however, is prospective and not retrospective, and will therefore be introduced as and when properties are re-valued.

Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped together.

Where a component of an existing asset is to be de-recognised and the component amount is not known, then an estimate using a reasonable basis will be used. The component calculation will be established using the replacement cost of the component, indexed back to the original component's inception and adjusted for any subsequent depreciation and impairment.

Any surpluses arising on the initial valuation of fixed assets have been credited to the Capital Adjustment Account. Surpluses arising on revaluation are credited to the Revaluation Reserve.

5. Intangible Assets

Intangible assets are defined in IAS 38 - Intangible Assets as an identifiable non-monetary asset without physical substance. Intangible assets (e.g. computer software) are measured at cost.

6. Basis of Charge for the use of Assets

A depreciation charge is reflected within the Net Cost of Services in the Comprehensive Income and Expenditure Statement (CIES) and is calculated on all PP&E and Intangible assets according to the following policy:

- A charge is made for all fixed assets with a finite useful life. This charge is calculated using the straight line method.
- Land is not normally depreciated.
- Buildings are depreciated in accordance with IAS 16 – Property, Plant and Equipment, using the estimated life from the most recent valuation report, on a straight line basis over this period.
- Operational vehicles, plant and equipment have an asset life between 5 and 10 years. Fire appliances have an asset life of between 10 and 15 years. Both classes are depreciated on a straight line basis over these periods.
- Information technology assets have an average asset life of 5 years and are depreciated on a straight line basis over this period.
- Other equipment assets have an average life of 5-7 years, but depreciation is based on the expected life of each individual asset, on a straight line basis.
- Newly acquired assets are depreciated from the year of acquisition.
- Assets in the course of construction are not depreciated until brought into use.
- Intangible assets are amortised over their average economic life (5 years).

Specific exceptions to this policy relate to:

- A small number of low value properties have been valued without land being split out, and therefore land is being depreciated contrary to IFRS. The sums however are small and immaterial, the total amount of depreciation on both land and buildings in 2010-11 is £19,000 (2009-10 £16,000).

7. Financing of Capital Expenditure

Capital expenditure is funded by borrowing, government grants, capital receipts and revenue contributions. The interest on external borrowing is charged to the CIES. A provision for repayment of external borrowing, in accordance with the Minimum Revenue Provision, is set aside each year as a contribution to the Capital Adjustment Account.

8. Redemption of Debt

The FRA finances a proportion of its capital investment by raising loans. In accordance with the Local Government and Housing Act 1989, the Income and Expenditure Account is charged annually with a sum to provide for the eventual repayment of those loans. This sum is known as the Minimum Revenue Provision (MRP).

- Since 2008-09, under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, the FRA has been required to determine an appropriate MRP policy, which has been broadly to set aside sufficient funds over the life of the assets funded from net borrowing.
- All expenditure from 2008-09 onwards - MRP using an Asset life basis:
 - Buildings over 50 years – per depreciation policy.
 - IT equipment over 5 years - reflecting average life.
 - Other equipment over 7 years – reflecting actual average usage within the FRS.
 - Vehicles – on actual estimated life of each vehicle.
- Vehicle expenditure before 2008-09 – MRP on a proxy Asset Life basis using original cost, less accumulative MRP, over the remaining useful life of the individual vehicle.
- Expenditure before 2008-09, (other than vehicles) - MRP on a proxy Asset Life basis using original cost, less accumulative MRP over average asset life as above.

9. Leasing Charges

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

During 2010/11 the Authority held both finance and operating leases under the definition of IAS 17 Leases. Leases are accounted for in accordance with IAS 17, operating leases are not capitalised and rentals are charged directly to the CIES in the year to which they relate. Finance leases are capitalised with transactions reflected on the Balance Sheet as fixed assets and deferred liabilities and through the CIES as interest payable and similar charges.

10. Non Current Assets held for Sale

A non-current asset is reclassified as an Asset Held for Sale where it is probable that the carrying amount of the asset will be recovered through a sale transaction rather than through its continual use.

The asset is re-valued and carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

11. Capital Receipts

Capital receipts from the disposal of assets are treated in accordance with the provisions of the Local Government Act 2003, as amended by subsequent Statutory Instruments. Individual receipts of less than £10,000 are credited direct to the CIES.

12 Stocks and Work in Progress

Stocks, where material, are shown in the Balance Sheet valued at the average purchase price, except that:

- Vehicle fuel is valued at latest invoice price, which is considered appropriate for this type of stock.
- Other immaterial stocks, e.g. stationery, are treated as current expenditure and charged directly to the CIES.

13. Pension Arrangements

The disclosure requirements are included in the main financial statements as notes to the accounts in accordance with CIPFA recommended practice and IAS 19 – Employee Benefits.

Types of pension schemes

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

The Authority participates in four schemes:

- The Firefighters' Pension Scheme (FFPS) (the "1992 Scheme"). This is a statutory un-funded defined benefit final salary scheme and has been closed to new entrants since 6 April 2006.
- The New Firefighters' Pension Scheme (NFPS) (the "2006 Scheme") – is open to all uniformed staff (except Fire Control) and is also a statutory un-funded defined benefit final salary scheme, with differing benefits.
- The Firefighters' Compensation Scheme (FFCS) (the Injury Scheme) – another statutory un-funded defined benefit scheme covering existing and new injury pensions.
 - The three Firefighters' schemes are unfunded meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet the actual pensions payments as they eventually fall due. The arrangements are determined by the Department of Communities and Local Government.
- The Local Government Pension Scheme (LGPS) – subject to qualifying criteria, open to staff not covered by the Firefighters' schemes. This scheme is administered by Worcestershire County Council and is a funded defined benefit final salary scheme. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

In accordance with IAS 19 the Authority recognises the cost of retirement benefits within the Net Cost of Services, in the CIES, when they are earned, rather than when benefits are actually paid as pensions. However the charge to be made to the Council Tax, via the precepts, is based on the amount payable in the year. The difference is reversed out in the General Fund.

14. Interest on Balances

During the year surplus money was invested and the interest earned credited to the CIES.

15. Government Grants and Contributions

Government grants and contributions are recognised in the CIES when conditions attached to the grant or contribution has been satisfied. Government grants and contributions that have not been satisfied are carried in the Balance Sheet as creditors.

Where capital grants are credited to the CIES they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant is yet to be used to finance capital, it is held on the Capital Grant Unapplied Reserve. When it has been used, it is transferred to the Capital Adjustment Account.

16. Changes in Accounting Policies

The Authority has reviewed its accounting policies in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors which sets out the principles to be adopted and disclosures that are required within the Statement of Accounts.

The changes highlighted are:

- Grants and contributions
- Componentisation of property, plant and equipment
- Employee benefits – accumulated compensated absences

The policies have been updated to bring them into line with the Code of Practice on Local Government Accounting in the United Kingdom 2011 and International Financial Reporting Standards (IFRS).

17. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The amount of borrowings presented in the Balance Sheet is the outstanding principal repayable, and interest charged to the CIES is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing would be credited and debited to Net Operating Expenditure in the CIES in the year of repurchase/settlement.

However, if repurchase had taken place as part of restructuring of the loan portfolio that involved the modification or exchange of existing instruments, the premium or discount would be deducted from or added (respectively) the amortised cost of the new or modified loan and the write down to the CIES would be spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts are charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The FRA has not yet undertaken such a restructuring of debt and has therefore not yet adopted a policy for its treatment.

18. Financial Assets

The only Financial Asset held by the Authority is the overnight lending to Worcestershire County Council, there are no other investments

19. Collection Fund Adjustment Account

The Council Tax income included in the CIES will show the accrued income for the year. The difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is held in the Collection Fund Adjustment Account and included as a reconciling item in the 'Adjustments between accounting basis and funding basis under regulations' reconciliation.

The Authority's Balance Sheet shows the proportion of surplus/deficit of the Billing Authorities Collection Fund in the Debtors/Creditors balance. The Authority also shows the attributable share of the impairment allowance for doubtful debts.

The IFRS treatment differs from the statutory accounting arrangement, where the FRA precepts directly on the Billing Authority and has no direct debtor or creditor relationship with individual council tax-payers.

20. Employee Benefits – Accumulating Compensating Absences

A review of the cost of holiday entitlements (in the form of annual leave, lieu time and flexi-time) earned by employees but not taken before the year-end which employees can carry forward into the next year. If the value is of a significant amount an accrual is charged to the CIES.

21. Provision

In 2009-10 the Authority created a provision to meet the potential liability arising from the retirement of the previous Chief Fire Officer, it is anticipated that most of these costs will be funded by compensatory contributions from the Constituent Authorities.

22. Reserves

At 31 March 2011 a general reserve is held to meet expenditure which may arise from unforeseen events.

In addition the FRA holds a variety of earmarked reserves to meet specific known future costs. The value and nature of the current reserves are disclosed in the Notes to the Core Financial Statements on pages 49-50.

23. Capital Accounting Reserves

Since 1 April 2007 there are two capital accounting reserves as part of the system of capital accounting. These are:

- **The Capital Adjustments Account**

This account records the consumption (of the historical cost) of a fixed asset over the life of the asset. It also records the amounts set aside from revenue resources or capital receipts to finance capital expenditure on fixed assets or for the repayment of external loans and other capital financing transactions.

- **The Revaluation Reserve**

This reserve records the unrealised net gains and losses from revaluations made after 1 April 2007, with the proviso that losses are charged to the Income and Expenditure Account if the loss is attributable to impairment (the consumption of economic benefits). In the event of such a charge to the CIES, accounting entries are made to ensure that there is no effect on the council tax precept requirement.

24. Operating Segments

IFRS requires that where an organisation considers and manages financial, operating and performance information in material segments, then additional financial information must be provided on these segments.

Due to the nature of its operation, as a single purpose Authority, the FRA and the Service management team manage the organisation as an entity, and do not have relevant operating segments to report upon.

25. Exceptional Items

Where an item of expenditure, which due to its size or significance, would have a distorting effect on the CIES, this will be shown separately with an explanatory note.

26 Actuarial Gains and Losses

These are changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. Such changes will be debited or credited to the Pensions Reserve

MOVEMENT IN RESERVES STATEMENT FOR THE 12 MONTHS ENDING 31 MARCH 2011

Note	General Fund 23.1 £000	Ear- marked Rev Res 23.2 £000	Unapplied Grant 23.4 £000	Cap Rcpts Reserve 23.3 £000	Total Useable 23 £000	Revaln. Reserve 24.1 £000	Capital Adj Acct 24.2 £000	Pensions Reserve 24.3 £000	Coll Fund Adj Acct 24.4 £000	Acc. Abs. Adj Acct 24.5 £000	Total Un-useable 24 £000	All Reserves £000
Balance at 31-Mar-2010	642	1,194	334	0	2,170	5,519	17,563	(248,102)	122	(186)	(225,084)	(222,914)
Surplus/(Deficit) on Provision of Services	17,588				17,588						0	17,588
Other Comprehensive Income & Expenditure					0			7,430			7,430	7,430
Movement in Pensions Reserve												
Reversal of items in the CIES to be removed for determining movement in General Fund												
Relating to Depreciation/Amortisation	2,160				2,160		(2,160)				(2,160)	0
Relating to Depreciation on un-realised gains					0	(98)	98				0	0
Relating to Revaluation/Impairment Losses	85				85		(85)				(85)	0
Relating to Retirement Benefits	(7,197)				(7,197)			7,197			7,197	0
Relating to Pensions Top Up Grant	(4,053)				(4,053)			4,053			4,053	0
Relating to Donated Assets at Fair Value	(1,536)				(1,536)		1,536				1,536	0
Relating to Non-current assets w/off on disposal	19				19		(19)				(19)	0
Relating to Capital Receipts	(12)				0						0	0
Relating to Unapplied Capital Grants/Contributions	(843)				0						0	0
Relating to Grants used to Finance Expd			843		(809)		809				809	0
Relating to Capital Receipts used to Finance Expd			(809)		(12)		12				12	0
Relating to Council Tax Income	80				80			(80)			(80)	0
Relating to Compensated absences	(59)				(59)					59	59	0
Insertion of items in the CIES to be included for determining movement in General Fund												
Employers Contribution to Pension Schemes	(3,584)				(3,584)			3,584			3,584	0
Statutory Provision for Debt Repayment	(1,210)				(1,210)		1,210				1,210	0
Revenue Financing of Capital	(210)				(210)		210				210	0
Transfers Between Earmarked Reserves	(936)	936			0						0	0
Balance at 31-Mar-2011	934	2,130	368	0	3,432	5,421	19,174	(225,838)	42	(127)	(201,328)	(197,896)

SUMMARY OF MOVEMENTS

Balance at 31-Mar-2010	642	1,194	334	0	2,170	5,519	17,563	(248,102)	122	(186)	(225,084)	(222,914)
Movement in Reserves during 2010/11												
Deficit/(Surplus) on Provision of Services	17,588	0	0	0	17,588	0	0	0	0	0	0	17,588
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	0	7,430	0	0	7,430	7,430
Total Comprehensive Income & Expenditure	17,588	0	0	0	17,588	0	0	7,430	0	0	7,430	25,018
Adjustments between accounting basis and funding basis under regulations	(16,360)	0	34	0	(16,326)	(98)	1,611	14,834	(80)	59	16,326	0
Net change before Earmarked Reserve Transfers	1,228	0	34	0	1,262	(98)	1,611	22,264	(80)	59	23,756	25,018
Earmarked Reserves Transfers	(936)	936	0	0	0	0	0	0	0	0	0	0
Net Movement in Year	292	936	34	0	1,262	(98)	1,611	22,264	(80)	59	23,756	25,018
Balance at 31-Mar-2011 Carried Forward	934	2,130	368	0	3,432	5,421	19,174	(225,838)	42	(127)	(201,328)	(197,896)

MOVEMENT IN RESERVES STATEMENT FOR THE 12 MONTHS ENDING 31 MARCH 2010

Note	General	Ear-marked	Unapplied	Cap Rcpts	Total	Revaln.	Capital	Pensions	Coll Fund	Acc.Abs.	Total	All
	Fund	Rev Res	Grant	Reserve	Useable	Reserve	Adj Acct	Reserve	Adj Acct	Adj Acct	Un-useable	Reserves
	23.1	23.2	23.4	23.3	23	24.1	24.2	24.3	24.4	24.5	24	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 01-Apr-2009	1,147	1,322	369	0	2,838	0	20,650	(170,637)	56	(152)	(150,083)	(147,245)
Surplus/(Deficit) on Provision of Services	(11,814)				(11,814)						0	(11,814)
Other Comprehensive Income & Expenditure												
Movement in Pensions Reserve					0			(69,380)			(69,380)	(69,380)
Revaluation Gains					0	5,519					5,519	5,519
Revaluation Losses					0		6				6	6
Reversal of items in the CIES												
<i>to be removed for determining movement in General Fund</i>												
Relating to Depreciation/Amortisation	1,738				1,738		(1,738)				(1,738)	0
Relating to Revaluation/Impairment Losses	3,264				3,264		(3,264)				(3,264)	0
Relating to Retirement Benefits	15,322				15,322			(15,322)			(15,322)	0
Relating to Pensions Top Up Grant	(3,577)				(3,577)			3,577			3,577	0
Relating to Unapplied Capital Grants/Contributions	(699)		699		0						0	0
Relating to Grants used to Finance Expd			(734)		(734)		734				734	0
Relating to Council Tax Income	(66)				(66)				66		66	0
Relating to Compensated absences	34				34					(34)	(34)	0
Insertion of items in the CIES												
<i>to be included for determining movement in General Fund</i>												
Employers Contribution to Pension Schemes	(3,660)				(3,660)			3,660			3,660	0
Statutory Provision for Debt Repayment	(1,086)				(1,086)		1,086				1,086	0
Revenue Financing of Capital	(89)				(89)		89				89	0
Transfers Between Earmarked Reserves	128	(128)			0						0	0
Balance at 31-Mar-2010	642	1,194	334	0	2,170	5,519	17,563	(248,102)	122	(186)	(225,084)	(222,914)

SUMMARY OF MOVEMENTS

Balance at 01-Apr-2009	1,147	1,322	369	0	2,838	0	20,650	(170,637)	56	(152)	(150,083)	(147,245)
<u>Movement in Reserves during 2009/10</u>												
Deficit/(Surplus) on Provision of Services	(11,814)	0	0	0	(11,814)	0	0	0	0	0	0	(11,814)
Other Comprehensive Income & Expenditure	0	0	0	0	0	5,519	6	(69,380)	0	0	(63,855)	(63,855)
Total Comprehensive Income & Expenditure	(11,814)	0	0	0	(11,814)	5,519	6	(69,380)	0	0	(63,855)	(75,669)
Adjustments between accounting basis and funding basis under regulations	11,181	0	(35)	0	11,146	0	(3,093)	(8,085)	66	(34)	(11,146)	0
Net change before Earmarked Reserve Transfers	(633)	0	(35)	0	(668)	5,519	(3,087)	(77,465)	66	(34)	(75,001)	(75,669)
Earmarked Reserves Transfers	128	(128)	0	0	0	0	0	0	0	0	0	0
Net Movement in Year	(505)	(128)	(35)	0	(668)	5,519	(3,087)	(77,465)	66	(34)	(75,001)	(75,669)
Balance at 31-Mar-2010 Carried Forward	642	1,194	334	0	2,170	5,519	17,563	(248,102)	122	(186)	(225,084)	(222,914)

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR 12 MONTHS ENDING 31 MARCH 2011**

	Notes	2009-10			2010-11		
		Gross Expd £000	Gross Income £000	Net Expd £000	Gross Expd £000	Gross Income £000	Net Expd £000
Gross Expenditure, Gross Income and Net Expenditure on Continuing Operations							
Operations and Rescues		26,901	(1,452)	25,449	25,461	(1,382)	24,079
Community Safety		3,231	(102)	3,129	3,263	(66)	3,197
Emergency Planning		141	(3)	138	122	(2)	120
Corporate and Democratic Core		1,479	(29)	1,450	1,560	(28)	1,532
Other Operating Expenditure				0	19	(12)	7
		31,752	(1,586)	30,166	30,425	(1,490)	28,935
Exceptional Items							
Creation of Provision	27	538		538			0
Legislative Change - Pensions Increases	21.6			0	(26,570)		(26,570)
Cost of Services		32,290	(1,586)	30,704	3,855	(1,490)	2,365
Financing & Investment Income and Expenditure	2	12,788	(461)	12,327	14,461	(720)	13,741
Taxation & Non-Specific Grant Income	3		(31,217)	(31,217)		(33,694)	(33,694)
Deficit/(Surplus) on Provision of Services		45,078	(33,264)	11,814	18,316	(35,904)	(17,588)
Deficit/(Surplus) on revaluation of non-current assets	10			(5,525)			0
Deficit/(Surplus) on revaluation of available-for-sale assets				0			0
Actuarial gains/losses on Pensions Assets/Liabilities	22.1 22.2			69,380			(7,430)
Other Comprehensive Income and Expenditure				63,855			(7,430)
Total Comprehensive Income and Expenditure				75,669			(25,018)

BALANCE SHEET

	Notes	01-Apr-2009 £000	31-Mar-2010 £000	31-Mar-2011 £000
Property Plant & Equipment	10	34,739	38,208	40,231
Intangible Assets	11	180	201	151
Long Term Assets		34,919	38,409	40,382
Inventories	17	133	147	184
Short Term Debtors	18	2,472	3,510	3,407
Cash & Cash Equivalents	19	2,865	1,763	1,708
Current Assets		5,470	5,420	5,299
Short Term Borrowing	12	(1,094)	(529)	(1,476)
Short Term Creditors	20	(3,331)	(2,753)	(2,792)
Current Liabilities		(4,425)	(3,282)	(4,268)
Long Term Creditors		(519)	(287)	(116)
Provisions	27	0	(538)	(294)
Long Term Borrowing	12	(12,053)	(14,534)	(13,061)
Other Long Term Liabilities	22	(170,637)	(248,102)	(225,838)
Long Term Liabilities		(183,209)	(263,461)	(239,309)
Net Assets		(147,245)	(222,914)	(197,896)
Useable Reserves	23	2,838	2,170	3,432
Un-useable Reserves	24	(150,083)	(225,084)	(201,328)
Total Reserves		(147,245)	(222,914)	(197,896)

The unaudited accounts were issued on 30 June 2011 and the audited accounts were authorised for issue on 28 September 2011.

CASH-FLOW STATEMENT FOR 12 MONTHS ENDING 31 MARCH 2011

	Note	2009/10 £000	2010/11 £000
Net (surplus) or deficit on the provision of services		11,814	(17,588)
Adjustments to net surplus or deficit on the provision of services for non cash movements		(12,032)	14,279
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	29	74	217
Net cash flows from operating activities		(144)	(3,092)
Investing Activities	30	2,215	1,714
Financing Activities	31	(969)	1,433
Net increase or decrease in cash and cash equivalents		1,102	55
Cash and cash equivalents at the beginning of the period		(2,865)	(1,763)
Net increase or decrease in cash and cash equivalents in the Period		1,102	55
Cash and cash equivalents at the end of the reporting period		(1,763)	(1,708)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. First Time Adoption of IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts 2009/10.

An explanation of the relevant changes is given below and the impact is summarised in the tables that follow these explanations. These explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

1.1 Short Term accumulating compensated absences

Short-term accumulating compensated 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 Authority. The most significant benefit covered by this heading is holiday pay. Other costs include outstanding flexi-time and lieu time.

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 Authority is required to accrue for any annual leave earned but not taken at 31 March each year. An accrual has been provided for in the financial statements for services rendered by employees.

All outstanding benefits of this nature have been reviewed and quantified. As a result the accumulating compensated absences accrual is significant and materially affects the position of the accounts. Hereford & Worcester Fire and Rescue Authority therefore have adjusted the 2009/10 accounts.

1.2 Leases

Under The Code the definition of a finance lease differs from the previous accounting regulations. This may result in a lease which is currently classed as an operating lease being classed as a finance lease under the Code; the accounting treatment of which will require adjustment to the Statement of Accounts.

Hereford & Worcester Fire and Rescue Service have reviewed all their leases and contracts and have accounted for the changes of operating and finance leases being reported in the financial statements accordingly.

1.3 Government Grants

Under The Code, grants and contributions are recognised as income when they become receivable. Previously capital grants were held in grants deferred account and recognised as income over the life of the asset which they were used to fund. Revenue grants and contributions were recognised as income at the point they were matched to expenditure.

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

- The balance of the Government Grants Deferred Account as 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Any grants and contributions received in 2009/10 have been recognised in the Comprehensive Income and Expenditure Statement and the balance either transferred to the Capital Grant Unapplied Account or the Earmarked Reserves Account, via the Movement in Reserves Statement, dependent on the conditions of the grant.

1.4 Pensions Injury

Under IAS 19 any obligation arising from other long-term employee benefits that depend on length of service need to be recognised when service is rendered. As injury awards under the Firefighters' schemes are dependent on service we have valued the liability expected to arise due to injury awards in respect of service prior to the valuation date. We have used historic injury data from Fire Authorities to determine the expected incidence and size of future injury awards. The gratuity lump sum paid on injury is not dependent on service and so has not been recognised as service is rendered. The liability arising from injury awards has been restated for previous years.

Changes from GAAP Balance Sheet at 31-Mar-2009 to IFRS Balance Sheet at 01-Apr-2009

Balance Sheet at 01 Apr 2009 as published 2009/10 under UK GAAP £000		Changed Analysis			SUB-TOTAL £000	Finance Lease £000	IAS 19 Injury Awards £000	Capital Grant £000	Accum Leave £000	Balance Sheet at 01 Apr 2009 as published 2010/11 under IFRS £000	
		Assets £000	Cash £000	Debtors £000							
Operational Fixed Assets		33,971			33,971	768				34,739	Property Plant & Equipment
Land & Buildings	28,720	(28,720)			0						
Vehicles Plant & Equipment	4,929	(4,929)			0						
	33,649										
Non-Operational Fixed Assets											
Assets under construction	322	(322)			0						
	322										
Intangible Assets		180			180					180	Intangible Assets
Software Licences etc	180	(180)			0						
	180										
TOTAL FIXED ASSETS	34,151									34,919	Long Term Assets
Current Assets											
Cash In Hand	10		(10)		0						
Short Term Investments	2,855		(2,855)		0						
Stocks	133				133					133	Inventories
Debtors & Prepayments	2,438			(2,438)	0					0	
				2,438	2,438					2,472	Short Term Debtors
					2,865					2,865	Cash & Cash Equivalents
	5,436								34	5,470	Current Assets
Current Liabilities											
Creditors	(2,788)			(1)	(2,789)	(356)			(186)	(3,331)	Short Term Creditors
Short Term Borrowing	(1,094)				(1,094)					(1,094)	Short Term Borrowing
Deferred Income	(1)			1	0						
	(3,883)									(4,425)	Current Liabilities
NET CURRENT ASSETS	1,553										
Long Term Liabilities											
Long Term Borrowing	(12,053)				(12,053)	(519)				(519)	Long Term Creditors
Provision					0					(12,053)	Long Term Borrowing
Capital Grants Unapplied	(369)				(369)			369			Provisions
Government Grants Deferred	(362)				(362)			362			
Liability related to Defined Benefit Pension Schemes	(163,997)				(163,997)		(6,640)			(170,637)	Other Long Term Liabilities
	(176,781)									(183,209)	Long Term Liabilities
NET ASSETS	(141,077)	0	0	0	(141,077)	(107)	(6,640)	731	(152)	(147,245)	NET ASSETS

REPRESENTED BY:											
Revaluation Reserve					0						
Capital Adjustment Account	20,395				20,395	(107)		362		20,650	
Collection Fund Adjustment Account	56				56					56	
Pensions Reserve	(163,997)				(163,997)		(6,640)		(152)	(170,637)	
Accumulated Absences Reserve					0					(152)	
										(150,083)	Un-useable Reserves
Useable Capital Receipts Reserve											
Unapplied Grant					0			369		369	
Earmarked Reserves	1,322				1,322					1,322	
Revenue Reserve	1,147				1,147					1,147	
										2,838	Useable Reserves
	(141,077)	0	0	0	(141,077)	(107)	(6,640)	731	(152)	(147,245)	TOTAL RESERVES

Changes from GAAP Income & Expenditure Statement 2009-10 to IFRS CIES 2009-10

2009/10 Income & Expenditure Account as Published 2009/10 under UK GAAP		Changed Analysis Funding £000	Changed Analysis Interest £000	Finance Lease £000	IAS 19 Injury Awards £000	Capital Grant £000	Accum Leave £000	2009/10 Consolidated Income & Expenditure Statement as Published 2010/11 under IFRS Net Expd £000	
									Net Expenditure on Continuing Operations
NET COST OF SERVICE	30,445			(110)	(333)	133	31	30,166	Cost of Services
Exceptional Items									Exceptional Items
Potential costs relating to retirement of ex-CFO	538							538	Potential costs relating to retirement of ex-CFO
	538								
Interest payable and similar charges	589		(589)						
Interest and Investment Income	(14)		14						
Gain on the disposal of fixed assets	0								
Pensions Interest Cost and expected return on pensions assets	11,242		(11,242)						
	11,817		11,817	50	460			12,327	Financing & Investment Net Expenditure
NET OPERATING EXPENDITURE	42,800								
		(30,518)				(699)		(31,217)	Taxation & Non-Specific Grant Income
Revenue Support Grant	(1,976)	1,976							
National Non-Domestic Rates	(8,560)	8,560							
Council Tax Receipts	(19,982)	19,982							
	(30,518)								
(SURPLUS)/DEFICIT FOR THE YEAR ON I&E ACCOUNT	12,282								
								11,814	Deficit on Provision of Services
Surplus arising on the revaluation of fixed assets	(5,519)							(5,519)	Surplus on Valuation of non-current assets
Gain arising from the re-statement of fixed assets	(6)							(6)	Gain on Sale of non-current assets
Actuarial gains and losses on pension fund assets and liabilities	64,767				4,613			69,380	Actuarial Gains Losses on Pensions
Total Recognised Gains and Losses	71,524	0		(60)	4,740	(566)	31	75,669	Total Comprehensive Income & Expenditure

Changes from GAAP Balance Sheet at 31-Mar-2010 to IFRS Balance Sheet at 31-Mar-2010

Balance Sheet at 31 Mar 2010 as published 2009/10 under UK GAAP		Changed Analysis			SUB-TOTAL	Finance Lease	IAS 19 Injury Awards	Capital Grant	Accum Leave	Balance Sheet at 31 Mar 2010 as published 2010/11 under IFRS	
£000	£000	Assets £000	Cash £000	Debtors £000	£000	£000	£000	£000	£000	£000	£000
Operational Fixed Assets		37,687			37,687	521				38,208	Property Plant & Equipment
Land & Buildings	30,776	(30,776)			0						
Vehicles Plant & Equipment	6,321	(6,321)			0						
	37,097										
Non-Operational Fixed Assets											
Assets under construction	590	(590)			0						
	590										
Intangible Assets											
Software Licences etc	201	201 (201)			201 0					201	Intangible Assets
	201										
TOTAL FIXED ASSETS	37,888									38,409	Long Term Assets
Current Assets											
Cash In Hand	17		(17)		0						
Short Term Investments	1,746		(1,746)		0						
Stocks	147				147					147	Inventories
Debtors & Prepayments	3,510			(3,510)	0					3,510	Short Term Debtors
				3,510	3,510					1,763	Cash & Cash Equivalents
	5,420		1,763		1,763					5,420	Current Assets
Current Liabilities											
Creditors	(2,284)			(1)	(2,285)	(282)			(186)	(2,753)	Short Term Creditors
Short Term Borrowing	(529)				(529)					(529)	Short Term Borrowing
Deferred Income	(1)			1	0						
	(2,814)									(3,282)	Current Liabilities
NET CURRENT ASSETS	2,606										
Long Term Liabilities											
Long Term Borrowing	(14,534)				(14,534)	(287)				(287)	Long Term Creditors
Provision	(538)				(538)					(14,534)	Long Term Borrowing
Capital Grants Unapplied	(334)				(334)					(538)	Provisions
Government Grants Deferred	(963)				(963)						
Liability related to Defined Benefit Pension Schemes	(236,722)				(236,722)					(248,102)	Other Long Term Liabilities
	(253,091)									(263,461)	Long Term Liabilities
NET ASSETS	(212,597)	0	0	0	(212,597)	(48)	(11,380)	1,297	(186)	(222,914)	NET ASSETS
REPRESENTED BY:											

Revaluation Reserve	5,519				5,519					5,519	
Capital Adjustment Account	16,648				16,648	(48)		963		17,563	
Collection Fund Adjustment Account	122				122					122	
Pensions Reserve	(236,722)				(236,722)		(11,380)		(186)	(248,102)	
Accumulated Absences Reserve					0					(186)	
										(225,084)	Un-useable Reserves
Useable Capital Receipts Reserve											
Unapplied Grant					0			334		334	
Earmarked Reserves	1,194				1,194					1,194	
Revenue Reserve	642				642					642	
										2,170	Useable Reserves
	(212,597)	0	0	0	(212,597)	(48)	(11,380)	1,297	(186)	(222,914)	TOTAL RESERVES

2. Financing and Investment Income and Expenditure

	2009-10 £'000	2010-11 £'000
Interest payable and similar charges	639	657
Interest receivable and similar income	(14)	(10)
Pensions interest cost and expected return on pensions assets	11,702	13,094
	12,327	13,741

3. Taxation and non-specific Grant Income

	2009-10 £'000	2010-11 £'000
Council tax income	19,982	20,647
Non domestic rates	8,559	9,315
Revenue support grant	1,976	1,353
	30,517	31,315
Non-specific Capital Grant	666	809
Diversity Grant	34	34
Total Grants	31,217	32,158
Donated Assets		1,536
Total Grants	31,217	33,694

In 2010/11 the FRA took over New Dimensions Assets from DCLG. Although there was no cost to the FRA, the net cost of the transfer £1.536m (at fair value less consideration (£0)) is required to be treated as a grant under IFRS.

4. Members Allowances

4.1 The total amount paid to Members as Allowances and expenses under the adopted scheme was £56,483 (2009/10 £59,225). Details in respect of 2010/11 are given below:

			BASIC ALLOW	SPEC ALLOW	EXPENSE	TOTAL
Mrs PA Andrews			1,163.52	-	495.40	1,658.92
Mr TJ Bean			1,163.52	1,354.68	-	2,518.20
Mrs M Bunker	from	13-May-10	1,029.03	-	85.60	1,114.63
Mr JP Campion			1,163.52	346.20	-	1,509.72
Mr J Cairns	from	13-May-10	1,029.03	-	-	1,029.03
Mr SJ Clee			1,163.52	5,418.96	497.90	7,080.38
Mr A Ditta	to	13-May-10	137.62	-	-	137.62
Mrs M Drinkwater	to	13-May-10	137.62	160.23	25.20	323.05
Mrs L Duffy			1,163.52	-	50.40	1,213.92
Mrs EA Eyre			1,163.52	-	134.40	1,297.92
Mr JH Goodwin			1,163.52	-	665.50	1,829.02
Mr DW Greenow			1,163.52	-	56	1,219.52
Mr AI Hardman			1,163.52	1,354.68	190.40	2,708.60
Mrs LC Hodgson			1,163.52	-	83.90	1,247.42
Mrs GF Hopkins			1,163.52	-	164.24	1,327.76
Brigadier P Jones CBE			1,163.52	9,031.56	2,522.40	12,717.48
Mrs FM Oborski			1,163.52	-	-	1,163.52
Mrs JA Potter			1,163.52	-	173.80	1,337.32
Mr D Prodger MBE			1,163.52	1,354.68	-	2,518.20
Mr CT Smith			1,163.52	-	28	1,191.52
Mr TA Spencer			1,163.52	-	130.80	1,294.32
Mr CB Taylor			1,163.52	-	145.20	1,308.72
Mr DC Taylor			1,163.52	1,354.68	682	3,200.20
Mr JW Thomas			1,163.52	-	252.90	1,416.42
Mr GC Yarranton			1,163.52	-	441	1,604.52
Mr R Udall			1,163.52	-	-	1,163.52
Mr PJ Watts			1,163.52	-	71.60	1,235.12
			29,094.26	20,375.67	6,896.64	56,366.57
Independent Members of Standards Committee						
Mr RJ Gething			-	-	60.00	60.00
Mr M Mylechreest			-	-	23.20	23.20
Mr R Rogers			-	-	33.20	33.20
			-	-	116.40	116.40
			29,094.26	20,375.67	7,013.04	56,482.97

4.2 Corresponding details in respect of 2009/10 are:

			BASIC ALLOW	SPEC ALLOW	EXPENSE	TOTAL
Mrs PA Andrews			1,163.52	-	398.15	1,561.67
Mr TJ Bean			1,163.52	1,354.68	754.08	3,272.28
Ms JA Brunner	to	25-Jun-09	274.72	-	-	274.72
Mr JP Campion	from	25-Jun-09	892.03	-	-	892.03
Mr SJ Clee			1,163.52	5,418.96	693.13	7,275.61
Mr A Ditta	from	25-Jun-09	892.03	-	-	892.03
Mrs M Drinkwater			1,163.52	1,354.68	177.03	2,695.23
Mrs L Duffy	from	25-Jun-09	892.03	-	149.98	1,042.01
Mrs EA Eyre	from	25-Jun-09	892.03	-	194.99	1,087.02
Mr RJ Farmer	to	04-Jun-09	206.85	-	115.43	322.28
Mr A Fry	to	04-Jun-09	206.85	240.83	-	447.68
Mr JH Goodwin			1,163.52	-	723.14	1,886.66
Mr DW Greenow	from	12-Jun-09	934.05	-	189.15	1,123.20
Mr AI Hardman			1,163.52	1,354.68	92.22	2,610.42
Mr M J Hart	to	25-Jun-09	274.72	-	59.91	334.63
Mrs LC Hodgson	from	25-Jun-09	892.03	-	-	892.03
Mr J Holden	to	04-Jun-09	206.85	-	-	206.85
Mrs GF Hopkins	from	25-Jun-09	892.03	-	200.63	1,092.66
Brigadier P Jones CBE			1,163.52	9,031.56	2,982.64	13,177.72
Mrs P M Morgan	to	12-Jun-09	232.70	-	-	232.70
Mr PM McDonald	to	25-Jun-09	274.72	-	49.47	324.19
Mr PT Mills	to	25-Jun-09	274.72	-	58.20	332.92
Mr WE Moore	to	25-Jun-09	274.72	-	89.74	364.46
Mr PA Mould	to	04-Jun-09	206.85	-	-	206.85
Mrs FM Oborski			1,163.52	-	-	1,163.52
Mrs JA Potter	from	25-Jun-09	892.03	-	309.58	1,201.61
Mr D Prodger MBE			1,163.52	1,038.59	-	2,202.11
Mr CT Smith			1,163.52	-	31.04	1,194.56
Mr TA Spencer	from	25-Jun-09	892.03	-	134.84	1,026.87
Mr CB Taylor	from	25-Jun-09	892.03	-	43.65	935.68
Mr DC Taylor			1,163.52	1,354.68	638.26	3,156.46
Mr JW Thomas	from	25-Jun-09	892.03	-	224.63	1,116.66
Mr GC Yarranton			1,163.52	-	617.97	1,781.49
Mr R Udall			1,163.52	319.85	63.05	1,546.42
Mr PJ Watts			1,163.52	-	-	1,163.52
Mr J Webb	to	06-May-09	115.73	-	-	115.73
			28,693.06	21,468.51	8,990.91	59,152.48
Independent Members of Standards Committee						
Mr RJ Gething			-	-	72.76	72.76
			-	-	72.76	72.76
			28,693.06	21,468.51	9,063.67	59,225.24

5. Officers' Emoluments

5.1 During the year the number of Staff who received remuneration in excess of £50,000 is as detailed in the table. This table includes Senior Officers for which there is also an additional, enhanced, disclosure.

£	2009-10 No. of Staff	2010-11 No. of Staff
50,000 - 54,999	9	6
55,000 - 59,999	5	4
60,000 - 64,999		1
65,000 - 69,999		2
70,000 - 74,999	1	1
75,000 - 79,999	2	
80,000 - 84,999		
85,000 - 89,999		
90,000 - 94,999	2	1
95,000 - 99,999	1	1
100,000 - 104,999		
105,000 - 109,999		
110,000 - 114,999		
115,000 - 119,999		
120,000 - 124,999	1	1
	21	17

5.2 The table represents payments to individual staff members during the year. In 2009-10 there were a number of leavers/starters of staff whose salary is nominally within the lower of these bands. As a consequence the actual number of staff in these bands this year is reduced.

Senior Officers

2009-10			Benefit	Total	Pension	Total
Post Title		Salary	in Kind	excl Pension	Contrib.	incl Pension
		£	£	£	£	£
Chief Fire Officer/Chief Executive	Uniformed	121,130	129	121,259	25,801	147,060
Deputy Chief Fire Officer	Uniformed	96,328	2,266	98,594	16,376	114,970
Assistant Chief Fire Officer	Uniformed	91,793	129	91,922	19,552	111,474
Assistant Chief Fire Officer	Uniformed	91,512	129	91,641	19,492	111,133
Director of Finance	Non-Uniformed	67,642	6,877	74,519	11,499	86,018
		468,405	9,530	477,935	92,720	570,655
2010-11			Benefit	Total	Pension	Total
Post Title		Salary	in Kind	excl Pension	Contrib.	incl Pension
		£	£	£	£	£
Chief Fire Officer/Chief Executive	Uniformed	121,199	8,349	129,548	25,815	155,363
Deputy Chief Fire Officer	Uniformed	96,382	847	97,229	16,385	113,614
Assistant Chief Fire Officer	Uniformed	90,261	1,786	92,047	19,226	111,273
Director of Finance	Non-Uniformed	66,020	2,082	68,102	11,223	79,325
		373,862	13,064	386,926	72,649	459,575

5.3 Pension contributions in the above tables relate to average scheme contribution rates and not an individual pension pot. The Deputy Chief Fire Officer and Director of Finance are in the Local Government Scheme (LGPS). The Chief Fire Officer and Assistant Chief Fire Officers are in the

Firefighters Pension Scheme (FFPS). The 2009-10 salary for the Director of Finance includes late payment of a pay award relating to 2008-09.

- 5.4 Uniformed staff enjoy a preferential tax status (relating to their continuous duty system and requirement to respond to emergencies) in respect of cars, which means that the measured benefit in kind is substantially less than for non-uniform staff. The actual cost to the FRA of cars provided to each officer is not dissimilar.

6. Related Party Transactions

6.1 For 2009-10 and until July 2010 the Treasurer to the Fire and Rescue Authority was the Director of Financial Services of Worcestershire County Council, (which also administers the Local Government Pension Scheme). Until June 2009 the Clerk and Monitoring Officer of the Fire and Rescue Authority was Head of Legal and Democratic Services of Herefordshire Council. From June 2009 the Clerk and Monitoring Officer of the Fire and Rescue Authority was Interim Assistant Chief Executive (Legal and Democratic) of Herefordshire Council.

6.2 The FRA shares services with both these bodies and costs are included in the CIES. The extent and value of these transactions is shown in the table below. Some of the Legal and Property Services costs associated with capital schemes or disposal of assets are not recorded in the Income and Expenditure Account but are charged against capital costs or capital receipts as appropriate.

Service	Related Party	2009-10 £'000	2010-11 £'000
Legal Services	Herefordshire Council	71	18
Clerk/Monitoring Officer	Herefordshire Council	6	49
		77	67
Financial Services	Worcestershire County Council	12	7
Internal Audit	Worcestershire County Council	29	39
Payroll and Pensions	Worcestershire County Council	57	59
Scientific Services	Worcestershire County Council	9	5
Personnel Services	Worcestershire County Council	11	6
Property Services	Worcestershire County Council	150	56
		268	172
		345	239

6.3 During the year transactions with related parties, not disclosed elsewhere in the Statement of Accounts, were as follows:

- Worcestershire County Council Pension Fund Employer's pension contributions paid by the Authority to the Worcestershire County Council Pension Fund totalled £624,000. (2009-10 £594,000).
- Fire Authority Members: No Members of the Fire and Rescue Authority or members of their immediate family or household declared any positions of influence.
- Service Senior Officers: No Senior Officers within the Service or members of their immediate family or household declared any positions of influence.

7. External Audit Fees

7.1 During 2010-11 Hereford & Worcester Fire and Rescue Service incurred the fees below in respect of external audit and statutory inspection, in accordance with the Audit Commission Act 1998.

	2009-10 £'000	2010-11 £'000
Fees payable to the Audit Commission:		
in respect of external audit services : 2008-09 Accounts	8	
in respect of external audit services : 2009-10 Accounts	72	2
in respect of external audit services : 2010-11 Accounts		74
	80	76

8 Leases

8.1 The FRA has entered into Finance Leases for the provision of a number of Fire Appliances, 2 Water Carriers and an Incident Command Unit.

8.2 The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31-Mar-2010 £'000	31-Mar-2011 £'000
Vehicles, Plant, Furniture and Equipment	491	270
	491	270

8.3 The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

Finance lease liabilities (net present value of minimum Lease payments):

	31-Mar-2010 £'000	31-Mar-2011 £'000
Current	281	220
Non-current	343	123
Finance costs payable in future years	(56)	(25)
	568	318

8.4 The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	2009-10 £'000	2010-11 £'000	2009-10 £'000	2010-11 £'000
Not later than one year	281	220	250	202
Less than one year and not later than 5 years	343	123	318	116
Later than 5 years	0	0	0	0
	624	343	568	318

8.5 The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

8.6 The FRA has entered into Operating Leases for the provision of emergency and ancillary vehicles. The total rentals paid to lessors on Operating leases in the year totalled £169,100. (2009-10 £223,900).

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

Not later than one year

Less than one year and not later than 5 years

Later than 5 years

	31-Mar-2010 £'000	31-Mar-2011 £'000
Not later than one year	143	129
Less than one year and not later than 5 years	166	105
Later than 5 years	0	0
	309	234

9 Capital Expenditure

9.1 Details of capital expenditure incurred during the year are as follows:

	2009-10 £'000	2010-11 £'000
New Buildings & Adaptations	428	757
Vehicles (including fitted equipment)	1,130	1,745
IT and Communication Equipment	315	119
Other Equipment	1,094	82
Total Capital Expenditure	2,967	2,703

9.2 Capital expenditure was financed as follows:

	2009-10 £'000	2010-11 £'000
Net Borrowing	2,143	1,673
Capital Receipts	0	11
Capital Grant	734	809
Revenue Contributions	90	210
	2,967	2,703

9.3 Capital Financing Requirement

	2009-10			2010-11		
	Owned £000	Lease d £000	Total £000	Owned £000	Lease d £000	Total £000
Opening Capital Financing Requirement	13,398	875	14,273	14,761	568	15,329
Capital investment						
Operational assets	2,385	0	2,385	2,583	0	2,583
Assets not yet Operational	582	0	582	120	0	120
Sources of Finance						
Capital receipts	0	0	0	(11)	0	(11)
Government grants and other contributions	(734)	0	(734)	(809)	0	(809)
Sums set aside from revenue - Direct Revenue Financing	(90)	0	(90)	(210)	0	(210)
	2,143	0	2,143	1,673	0	1,673
Sums set aside from revenue - Minimum Revenue Provision	(780)	(307)	(1,087)	(959)	(250)	(1,209)
Change in Capital Financing Requirement	1,363	(307)	1,056	714	(250)	464
Closing Capital Financing Requirement	14,761	568	15,329	15,475	318	15,793
Explanation of movements in year						
Increase in underlying need to borrow:						
supported by government financial assistance	783	n/a		805	n/a	
unsupported by government financial assistance	580	n/a		(91)	n/a	
Increase in Capital Financing Requirement	1,363			714		

9.4 Capital Commitments

At 31 March 2011 the FRA had the following material commitments to capital schemes, for which budget provision has been provided:

- Pebworth Fire Station £0.045m
- Replacement Fire Control £0.407m

10 Property, Plant & Equipment

Movements in 2010-11

	Land and Buildings £'000	Vehicles Plant, Furniture and Equipment £'000	Assets not yet Operational £'000	TOTAL Tangible Assets £'000
Cost or valuation				
at 01 April 2010 SoA	30,776	12,460	590	43,826
at 01 April 2010 leased vehicles		2,840		2,840
at 01 April 2010 take out intangibles				0
Restated Cost or Revaluation at 01 April 2010	30,776	15,300	590	46,666
Additions	714	1,821	120	2,655
Donations		1,536		1,536
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(86)			(86)
Derecognition - other				0
Reclassifications	97	375	(472)	0
Disposals		(645)		(645)
At 31 March 2011	31,501	18,387	238	50,126
Accumulated Depreciation and Impairment				
at 01 April 2010 SoA		(6,139)		(6,139)
at 01 April 2010 leased vehicles		(2,349)		(2,349)
at 01 April 2010 adjustment to accum dep re leased vehicles purchased		30		30
Restated Accumulated Depreciation and Impairment	0	(8,458)	0	(8,458)
Depreciation Charge for 2010-11	(487)	(1,139)		(1,626)
Depreciation charge for 2010 11 - leased vehicles		(220)		(220)
Depreciation charge for 2010-11 - donated assets		(242)		(242)
Depreciation adjustment re leased vehicles purchased		26		26
Derecognition - disposals		625		625
At 31 March 2011	(487)	(9,408)	0	(9,895)
Balance Sheet amount at 01 April 2010	30,776	6,842	590	38,208
Balance Sheet amount at 31 March 2011	31,014	8,979	238	40,231

Comparative Movements in 2009-10

	Land and Buildings £'000	Vehicles Plant, Furniture and Equipment £'000	Assets not yet Operational £'000	Total Tangible Assets £'000
Cost or valuation				
at 01 April 2009 SoA NET of impairment	30,343	9,931	322	40,596
at 01 April gross up for accum impairment L&B	3,585			3,585
at 01 April 2009 leased vehicles		2,840		2,840
Restated Cost or Revaluation at 01 April 2009	33,928	12,771	322	47,021
Additions	222	2,032	582	2,836
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,475			3,475
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,518)			(4,518)
Reclassifications	0	314	(314)	0
Restatement		7		7
Depreciation Adjustment - Revaluation at 31-Mar-2010 Adjustment	(2,331)	176		(2,331)
At 31 March 2010	30,776	15,300	590	46,666
Accumulated Depreciation and Impairment				
at 01 April 2009 SoA	(1,623)	(5,002)	0	(6,625)
at 01 April 2009 Impairment L&B	(3,585)			(3,585)
at 01 April 2009 leased vehicles		(2,072)		(2,072)
Restated Accumulated Depreciation and Impairment	(5,208)	(7,074)	0	(12,282)
Depreciation Charge for 2009-10	(422)	(960)		(1,382)
Depreciation charge for 2010 leased vehicles		(277)		(277)
Depreciation adjustment re leased vehicles purchased		30		30
Depreciation written out to the Revaluation Reserve	2,017			2,017
Depreciation written out to the Surplus/Deficit on the Provision of Services	27			27
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	1,254			1,254
Restatement	1	(1)		0
Depreciation Adjustment - Revaluation at 31-Mar-2010 Adjustment	2,331	(176)		2,331
At 31 March 2010	0	(8,458)	0	(8,458)
Balance Sheet amount at 01 April 2009	28,720	5,697	322	34,739
Balance Sheet amount at 31 March 2010	30,776	6,842	590	38,208

10.1 Fixed assets are represented in the Balance Sheet at current value, with the exception of additions occurring since the last revaluation, which are held at historic cost, net of depreciation where appropriate. Assets disposed of have been written-out at their net book value.

10.2 **Details of Assets Owned**

	31-Mar-10	31-Mar-11
Buildings		
Fire Stations	27	27
Training and Development Centre	1	1
Service Headquarters	1	1
Logistics Facility (Workshop/Stores)	1	1
Houses – in use as offices	5	5
Houses – in use (residential)	3	3
Vacant Fire Station - not yet marketed		1
Building temporarily let	1	1

11 Intangible Assets

11.1 The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item or Property, Plant and Equipment.

11.2 All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are 5 years.

11.3 The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £113,000 charged to revenue in 2010/11 was charged to the IT cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

11.4 The movement on Intangible Asset balances during the year is as follows:

	2009-10 £000	2010-11 £000
Balance at start of year:	180	201
- Gross carrying amount	395	526
- Accumulated amortisation	(215)	(325)
Net carrying amount at start of year	180	201
Additions:	131	48
Amortisation for the period	(110)	(98)
Net carrying amount at end of year	201	151
Comprising:		
- Gross carrying amount	526	574
- Accumulated amortisation	(325)	(423)
	201	151

12. Financial Instruments

12.1 The classification of financial instruments included in the Balance Sheet and their carrying amounts are shown below: (Additional information in respect of the Long Term loans is given at note 12.4.

	31-Mar-10			31-Mar-11		
	Long-term £000	Current £000	Total £000	Long-term £000	Current £000	Total £000
Short Term Deposits						
loans to WCC		1,746	1,746		1,691	1,691
	0	1,746	1,746	0	1,691	1,691
Loans & Receivables (at amortized cost)						
Trade Debtors		105	105		29	29
	0	105	105	0	29	29
	0	1,851	1,851	0	1,720	1,720
Financial Liabilities (at amortized cost)						
PWLB Borrowing	14,438	525	14,963	12,971	1,467	14,438
Trade Creditors		1,250	1,250		1,447	1,447
	14,438	1,775	16,213	12,971	2,914	15,885
Other Long Term Liabilities						
Finance Lease Liabilities	318	250	568	202	116	318
	318	250	568	202	116	318

12.2 Fair Value of Assets and Liabilities carried at amortized cost.

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

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

The Fair Value of the loans at 31 March 2011 was £15,360,100 (£15,527,000 at 31 March 2010) as estimated by PWLB by reference to the “premature repayment” set of rates in force on 31 March 2011 (31 March 2010). For all other Financial Assets and Liabilities the Fair Value is equal to the Carrying Value.

The fair value of the liabilities is higher than the carrying amount because the Authority’s portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the balance sheet date (new loan rates).

12.3 Financial Instruments Gains and Losses

The gains and losses recognized in the CIES in relation to financial instruments are shown overleaf:

	Interest Expense 2009/10 £000	Interest Income 2009/10 £000	Interest Expense 2010/11 £000	Interest Income 2010/11 £000
Financial Liabilities				
PWLB Borrowing	589		625	
Finance Lease Interest	50		32	
Total	639	0	657	0
Short Term Deposits				
		14		10
	0	14	0	10

12.4 Long and Short Term Borrowing:

12.4.1 Additional information in respect of Long Term loans shown in table 12.1 is given below.

	31-Mar-11			31-Mar-10		
	Long Term £'000	Short Term £'000	TOTAL £'000	Long Term £'000	Short Term £'000	TOTAL £'000
Loan Source						
Public Works Loans Board	12,971	1,467	14,438	14,438	525	14,963
	12,971	1,467	14,438	14,438	525	14,963
Analysis by Maturity						
Less than 1 year		1,467	1,467		525	525
Between 1 and 2 years	0		0	1,467		1,467
Between 2 and 5 years	1,834		1,834	1,000		1,000
Between 5 and 10 years	3,000		3,000	2,334		2,334
Over 10 years	8,137		8,137	9,637		9,637
Total of Loans	12,971	1,467	14,438	14,438	525	14,963
Accrued Interest	90	9	99	96	4	100
Balance Sheet Total	13,061	1,476	14,537	14,534	529	15,063

	01-Apr-09		
	Long Term £'000	Short Term £'000	TOTAL £'000
Loan Source			
Public Works Loans Board	11,963	1,090	13,053
	11,963	1,090	13,053
Analysis by Maturity			
Less than 1 year		1,090	1,090
Between 1 and 2 years	525		525
Between 2 and 5 years	1,467		1,467
Between 5 and 10 years	334		334
Over 10 years	9,637		9,637
Total of Loans	11,963	1,090	13,053
Accrued Interest	90	4	94
Balance Sheet Total	12,053	1,094	13,147

12.4.2 Since 2006-07 the SORP requires short term interest accruals on long term debt to be treated as an addition to the long term debtor.

12.4.3 Other than the maturing Long Term loan, there are no short term borrowings.

13. Financial Instruments – Exposure to Risk

13.1 The Authority's activities expose it to a variety of financial risks:

- 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 to make payments.
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

13.2 The CIPFA Code of Practice on Treasury Management has been adopted by the FRA, and under the Service Level Agreement with Worcestershire County Council the County Council is obliged to, and does, adopt the Code also. In this way risks are actively managed.

14. Credit Risk

14.1 Under the Treasury Management SLA, the FRA invests surplus cash with WCC, but in return for receiving an average investment rate based on the Council's portfolio of investments the FRA shares risk in proportion to its value of the total portfolio. Credit risk also arises from credit exposures to the Authority's customers.

14.2 Amounts invoiced to customers are of relatively low value and are actively pursued through an SLA with Herefordshire Council Legal Services.

14.3 The following analysis summarises the FRA's potential maximum exposure to credit risk based on actual experience in terms of deposits and percentage of debt which has been written off as unrecoverable in the last 3 years in terms of debtors (total £114.00).

	31-Mar-11 £'000	Written off in last 3 years £'000	Historical Default £'000
Investment with WCC	1,691	0	0%
Customers	29	0	0%
Total	1,720	0	

14.4 Of the £29,000 due from Customers at 31 March 2011 the following table analyses the due dates.

	£'000
not yet due	22
Less than 1 month overdue	4
1 to 2 months overdue	3
more than 2 months overdue	0
	29

15 Liquidity Risk

15.1 The FRA is able to access borrowings from the Public Works Loans Board (PWLB) so there is no significant risk that it will be unable to meet its commitments relating to financial liabilities. The risk is that the FRA will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The FRA sets limits on the proportion of borrowings due to mature at intervals as shown overleaf:

Period of Maturity	Upper Limit %	Lower Limit %
Under 12 months	25	0
12 months and within 24 months	25	0
24 months and within 5 years	50	0
5 years and within 10 years	75	0
10 years and above	95	25

15.2 This strategy allows the FRA time to restructure debt when interest rates are favourable. The strategy is to maintain sufficient cash balances to meet daily revenue requirements without recourse to short term borrowing other than in exceptional circumstances.

16. Market Risk

16.1 The FRA does not invest in equity shares and therefore has no exposure to loss arising from movements in share prices.

16.2 The FRA has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from exchange rate movements.

17. Inventories

	Equip & Uniform £'000	Fuel £'000	Vehicle Parts £'000	Total £'000
Balance outstanding at 31-03-2009	59	14	60	133
Purchases	158	184	42	384
Recognised as an expense in the year	(135)	(176)	(37)	(348)
Written off balances	(18)		(15)	(33)
Reversals of write-offs in previous years			11	11
Balance outstanding at 31-03-2010	64	22	61	147
Purchases	91	145	31	267
Recognised as an expense in the year	(63)	(140)	(28)	(231)
Written off balances	(18)			(18)
Reversals of write-offs in previous years		18	1	19
Balance outstanding at 31-03-2011	74	45	65	184

18. Debtors

	01-Apr-09 £000	31-Mar-10 £000	31-Mar-11 £000
Central Government Bodies	235	373	294
Other Local Authorities	587	625	488
NHS	0	0	0
Public Corporations and Trading Funds	1,251	2,159	2,417
Other entities and individuals	399	353	208
	2,472	3,510	3,407

19. Cash and Cash Equivalents

19.1 The balance of Cash and Cash Equivalents is made up of the following elements:

	01-Apr-09 £000	31-Mar-10 £000	31-Mar-11 £000
Cash held by the Authority	10	17	17
Bank Current Accounts	0	0	0
Short term deposits with Other Local Authorities	2,855	1,746	1,691
	2,865	1,763	1,708

20. Creditors

	01-Apr-09 £000	31-Mar-10 £000	31-Mar-11 £000
Central Government Bodies	464	452	462
Other Local Authorities	531	502	445
NHS	0	0	0
Public Corporations and Trading Funds	0	0	0
Other entities and individuals	2,336	1,799	1,885
	3,331	2,753	2,792

21. Pension Arrangements

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

21.2 The Authority participates in four schemes:

- The Firefighters' Pension Scheme (FFPS) (the "1992 Scheme"). This is a statutory un-funded defined benefit final salary scheme and has been closed to new entrants since 6 April 2006.
- The New Firefighters' Pension Scheme (NFPS) (the "2006 Scheme") – is open to all uniformed staff (except Fire Control) and is also a statutory un-funded defined benefit final salary scheme, with differing benefits.
- The Firefighters' Compensation Scheme (FFCS) (the Injury Scheme) – another statutory un-funded defined benefit scheme covering existing and new injury pensions.
 - The three Firefighters' schemes are unfunded meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet the actual pensions payments as they eventually fall due. The arrangements are determined by the Department of Communities and Local Government.
- The Local Government Pension Scheme (LGPS) – subject to qualifying criteria, open to staff not covered by the Firefighters' schemes. This scheme is administered by Worcestershire County Council and is a funded defined benefit final salary scheme. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

21.3 The retirement benefits are recognised in the Net Cost of Service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax precept is based on the cash payable in the year, (as described in 21.4 below) so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement (MiRS).

21.4 Charges made to the Income and Expenditure Account for council tax precept purposes are as below:

- LGPS – the employer's contribution payable to the Pension Fund.
- FFPS/NFPS – the notional employer's contribution payable into the Pension Account as explained in Paragraphs 24 and 25 of the Explanatory Forward.
- FFCS – the actual injury pensions and any RDS ill-health pensions payable.

21.5 It is estimated that the following contributions will be made to the schemes in 2011-12:

	Employers Contributions £'000	Employees Contributions £'000	TOTAL £'000
Local Government Pension Scheme (LGPS)	645	221	866
Firefighters Pension Scheme (FFPS)	2,083	1,076	3,159
New Firefighters Pension Scheme (NFPS)	288	209	497
	3,016	1,506	4,522

21.6 Transactions made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement (MiRS) during the year are shown in the tables below:

	LGPS 2010-11	FFPS 2010-11	NFPS 2010-11	FFCS 2010-11 Re-stated	TOTAL 2010-11
	£000	£000	£000	£000	£000
Income and Expenditure Account					
Net Cost of Services:					
Current Service Cost	679	4,020	1,030	550	6,279
Past Service Gain (<i>see note below</i>)	(1,060)	(22,330)	(470)	(2,710)	(26,570)
Net Operating Expenditure:					
Interest Cost	1,014	11,230	260	1,300	13,804
Expected Return on Assets in the Scheme	(710)	n/a	n/a	n/a	(710)
Net Charge to the CIES	(77)	(7,080)	820	(860)	(7,197)
Actual Amount charged against the General Fund Balance for pensions in the year:					
Employer's contribution payable to scheme	621	2,012	322		2,955
Retirement Benefits payable to Pensioners				629	629
Net Charge to General Fund	621	2,012	322	629	3,584

	LGPS 2009-10	FFPS 2009-10	NFPS 2009-10	FFCS 2009-10 Re-stated	TOTAL 2009-10
	£000	£000	£000	£000	£000
Income and Expenditure Account					
Net Cost of Services:					
Current Service Cost	390	2,490	440	300	3,620
Past Service Cost	0	0	0	0	0
Net Operating Expenditure:					
Interest Cost	819	10,060	130	1,140	12,149
Expected Return on Assets in the Scheme	(447)	n/a	n/a	n/a	(447)
Net Charge to the CIES	762	12,550	570	1,440	15,322
Actual Amount charged against the General Fund Balance for pensions in the year:					
Employer's contribution payable to scheme	594	2,137	286		3,017
Retirement Benefits payable to Pensioners				632	632
Net Charge to General Fund	594	2,137	286	632	3,649

The Past Service Gain relates to the government's decision to change future indexing of pensions from the RPI index to the CPI index. As the latter usually runs at a lower rate future pensions' increases will be lower, and the future cost of any service earned in the past will be reduced. This figure, which due to its size and nature, is treated as an exceptional item in the CIES, represents an adjustment to the current service costs charged to the CIES (and its predecessors) in the past.

22. Assets and Liabilities in relation to post-employment benefits

22.1 Reconciliation of the present value of scheme liabilities:

	Funded Liabilities (LGPS)	Un-funded Liabilities (FFPS)	Un-funded Liabilities (NFPS)	Un-funded Liabilities (FFCS)	TOTAL
	2010-11 £000	2010-11 £000	2010-11 £000	2010-11 £000	2010-11 £000
at 1st April	17,655	212,108	4,230	24,418	258,411
Current Service Cost (Net of Contribs.)	679	4,020	1,030	550	6,279
Contributions by scheme participants	242	1,009	250		1,501
Past Service Gain	(1,060)	(22,330)	(470)	(2,710)	(26,570)
Transfers In		5	38		43
Interest Cost	1,014	11,230	260	1,300	13,804
Actuarial gains and losses	(987)	(3,970)	(410)	(2,170)	(7,537)
Benefits paid	(664)	(7,610)	(78)	(630)	(8,982)
at 31st March	16,879	194,462	4,850	20,758	236,949

	Funded Liabilities (LGPS)	Un-funded Liabilities (FFPS)	Un-funded Liabilities (NFPS)	Un-funded Liabilities (FFCS)	TOTAL
	2009-10 £000	2009-10 £000	2009-10 £000	2009-10 Re-stated £000	2009-10 £000
at 1st April	11,341	147,658	1,490	10,071	170,560
Restatement at 1 st April 2009				6,640	6,640
	11,341	147,658	1,490	16,711	177,200
Current Service Cost (Net of Contribs.)	390	2,490	440	300	3,620
Contributions by scheme participants	236	1,050	220		1,506
Past Service Gain	0				0
Transfers In			80		80
Interest Cost	819	10,060	130	1,140	12,149
Actuarial gains and losses	5,120	58,210	1,870	6,900	72,100
Benefits paid	(251)	(7,360)		(633)	(8,244)
at 31st March	17,655	212,108	4,230	24,418	258,411

22.2 Recognition of fair value of scheme assets:

Note that as the three firefighter schemes are unfunded there are no assets to report upon, and this table refers to the LGPS only.

	2009-10 £000	2010-11 £000
at 1st April	6,563	10,309
	6,563	10,309
Expected rate of return	447	710
Actuarial gains and losses	2,720	(107)
Employer contributions	594	621
Contributions by scheme participants	236	242
Benefits paid	(251)	(664)
at 31st March	10,309	11,111

22.3 The expected rate of return on assets (LGPS only) is based on market expectations, at the beginning of the period, for investment returns over the life of the entire life of the related obligation. The assumption used is the average of the assumptions shown in table 22.9 appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class as shown in table 22.11. Note that rates quoted are gross of expenses. The actual return on schemes' assets in the year was £865,000 (2009-10 £3,167,000).

22.4 Scheme History:

	31-Mar-2008	31-Mar-2009	31-Mar-2009 Re-stated	31-Mar-2010	31-Mar-2011
	£000	£000	£000	£000	£000
Present value of liabilities:					
LGPS : Local Government Pension Scheme	13,490	11,341	11,341	17,655	16,879
FFPS : Firefighters 1992 Scheme	158,428	147,658	147,658	212,108	194,462
NFPS : Firefighters 2006 Scheme	930	1,490	1,490	4,230	4,850
FFCS : Firefighters Injury Scheme	10,162	10,071	16,711	24,418	20,758
	183,010	170,560	177,200	258,411	236,949
Fair value of assets in the LGPS	7,985	6,563	6,563	10,309	11,111
	7,985	6,563	6,563	10,309	11,111
Net Liabilities of the scheme:					
LGPS : Local Government Pension Scheme	5,505	4,778	4,778	7,346	5,768
FFPS : Firefighters 1992 Scheme	158,428	147,658	147,658	212,108	194,462
NFPS : Firefighters 2006 Scheme	930	1,490	1,490	4,230	4,850
FFCS : Firefighters Injury Scheme	10,162	10,071	16,711	24,418	20,758
Total	175,025	163,997	170,637	248,102	225,838

22.5 The liabilities show the underlying commitments that the FRA has in the long run to pay retirement benefits. The total liability of £225.838m has a substantial impact on the net worth of the FRA as recorded in the Balance Sheet, resulting in a negative overall balance of £197.896m.

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

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

22.7 The total contributions expected to be made to the LGPS by the FRA in 2011-12 is £645,000, and to the firefighters' schemes £2,371,000 This includes the direct cost of injury pensions, and ill health charges.

22.8 Basis for Estimating Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Estimates for the LGPS have been made by Mercer Human Resource Consulting Ltd (an independent firm of actuaries), and for the firefighters' schemes by GAD, the Government Actuary's Department.

22.9 The principal assumptions used by the Actuaries are shown overleaf:

	LGPS	FFPS	NFPS	FFCS
	2010-11	2010-11	2010-11	2010-11
Long-term expected rate of return on assets in the scheme				
Equity investments	7.5%	n/a	n/a	n/a
Government Bonds	4.4%	n/a	n/a	n/a
Other Bonds	5.1%	n/a	n/a	n/a
Property	n/a	n/a	n/a	n/a
Cash/liquidity	0.5%	n/a	n/a	n/a
Mortality assumptions:				
Longevity at 65 for current pensioners				
Male	22.0	23.4	23.4	23.4
Female	24.5	25.3	25.3	25.3
Longevity at 65 for future pensioners				
Male	23.4	26.3	26.3	26.3
Female	26.1	28.0	28.0	28.0
Rate of inflation (RPI)	3.5%	3.8%	3.8%	3.8%
Rate of inflation (CPI)	3.0%	3.0%	3.0%	3.0%
Rate of increase in salaries	4.5%	5.3%	5.3%	5.3%
Rate of increase in pensions	3.0%	3.0%	3.0%	3.0%
Rate for discounting scheme liabilities	5.5%	5.7%	5.7%	5.7%
Take-up of option to convert annual pension into retirement lump sum:				
take maximum cash	50%	n/a	n/a	n/a
take 3/80ths cash	50%	n/a	n/a	n/a

	LGPS	FFPS	NFPS	FFCS
	2009-10	2009-10	2009-10	2009-10
Long-term expected rate of return on assets in the scheme				
Equity investments	7.5%	n/a	n/a	n/a
Government Bonds	4.5%	n/a	n/a	n/a
Other Bonds	5.2%	n/a	n/a	n/a
Property	n/a	n/a	n/a	n/a
Cash/liquidity	0.5%	n/a	n/a	n/a
Mortality assumptions:				
Longevity at 65 for current pensioners				
Male	21.2	23.3	23.3	23.3
Female	24.0	25.2	25.2	25.2
Longevity at 65 for future pensioners				
Male	22.2	26.2	26.2	26.2
Female	25.0	28.0	28.0	28.0
Rate of inflation (RPI)	3.5%	3.9%	3.9%	3.9%
Rate of inflation (CPI)	3.0%	3.0%	3.0%	3.0%
Rate of increase in salaries	5.0%	5.4%	5.4%	5.4%
Rate of increase in pensions	3.5%	3.9%	3.9%	3.9%
Rate for discounting scheme liabilities	5.7%	5.8%	5.8%	5.8%
Take-up of option to convert annual pension into retirement lump sum:				
take maximum cash	50%	n/a	n/a	n/a
take 3/80ths cash	50%	n/a	n/a	n/a

22.10 Annual pension conversion options do not apply to the firefighter pension schemes.

22.11 The firefighters' schemes have no assets to cover their liabilities. The LGPS assets consist of the following categories by proportion of the total assets held – shown in the table overleaf.

	31-Mar-10	31-Mar-11
Equities	92.3%	92.7%
Government Bonds	2.8%	2.6%
Other Bonds	3.9%	3.8%
Other Assets	1.0%	0.9%
	100.0%	100.0%

22.12 Injury Awards

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

22.13 History of experience gains and losses

The actuarial gains identified as movements in the Pension Reserve in 2010-11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011, and are shown in the table below:

Local Government Scheme					
	2006-07 Restated	2007-08 Restated	2008-09	2009-10	2010-11
Difference between the expected and actual return on assets	0.2%	-15.0%	-38.5%	-26.4%	-1.0%
Experience gains and losses on liabilities	0.0%	-5.0%	0.0%	0.0%	3.7%

1992 Firefighters' Pension Scheme					
	2006-07	2007-08	2008-09	2009-10	2010-11
Experience gains and losses on liabilities	-1.4%	1.8%	1.6%	3.2%	0.7%

2006 Firefighters' Pension Scheme					
	2006-07	2007-08	2008-09	2009-10	2010-11
Experience gains and losses on liabilities	0.0%	-25.8%	11.4%	1.7%	5.6%

Firefighters Injury Scheme					
	2006-07	2007-08	2008-09	2009-10	2010/11
Experience gains and losses on liabilities	0.0%	-2.7%	2.9%	-9.8%	6.5%

23. Usable Reserves

Movements in the Authority's usable reserves are summarised in the Movement in Reserves Statement and Notes and are described below:

	01-Apr-09 £'000	31-Mar-10 £'000	31-Mar-11 £'000
General Fund	1,147	642	934
Earmarked Reserves	1,322	1,194	2,130
Unapplied Grants	369	334	368
Capital Receipts Reserve	0	0	0
	2,838	2,170	3,432

23.1 General Fund Balance

	2009-10 £'000	2010-11 £'000
Balance at 01 April	1,147	642
Transfers from CIES		292
Transfers to CIES	(505)	
Balance at 31 Mar	642	934

23.2 Earmarked Reserves

Earmarked revenue reserves are held for a variety of purposes, the nature and value of these is outlined below:

- **Pensions Reserve** – To smooth the uneven effects of charges that still fall on the FRA Income and Expenditure Account, particularly in respect of any Ill-Health retirements.
- **Training Reserve** – To meet the costs of planned training that has been delayed or deferred.
- **New Dimensions Training Reserve** – To provide for costs of Mass Decontamination training that has been delayed or deferred.
- **RDS Implementation Reserve** – To assist in completing implementation of the approved three year RDS Review. To be utilised in 2011-12.
- **Urban Search and Rescue (USAR) Reserve** – The FRA is one of only 19 to provide specialist Urban Search and Rescue facilities to the whole country, and because of this is funded by special grant. With CLG agreement unspent monies are retained and ring-fenced for future USAR purposes.
- **LPSA Reward Grant Reserve** – Following success in achieving targets under Worcestershire Local Public Service Agreement, the FRA was awarded significant Reward Grant. The revenue element was used to fund additional education and preventative activity.
- **Environment Agency Grant Reserve** – Funds provided at the very end of March 2008 to assist the FRA in improving Environmental Protection capability, for which expenditure was incurred in 2010-11.
- **New Burdens Fire Control Transition Reserve** – The balance of various small grants paid by CLG towards the significant costs of transition to Regional Fire Control. The reserve exists because expenditure and grant income are phased differently. The FRA is not in a position to incur costs until grant has actually been confirmed.
- **Relocation Reserve** – National Firefighter terms and conditions require payment of relocation costs in certain circumstances. Budget is provided to cover the expected relocations in year; however the current Housing Market is delaying physical location in many cases.
- **New Dimensions HVP/ECU Reserve** - In very late 2008-09 CLG made payment of significant un-anticipated grant in respect of the Enhanced Command Unit (ECU) and High Volume Pump vehicles training, but delivery of the ECU vehicle was severely delayed. (The ECU had still not been delivered at 31 March 2010, although further grant was paid in 2009-10). Following a change of plan by DCLG, H&W will not now be receiving this vehicle and the use of this reserve is under consideration.
- **ICP Work-wear Reserve** – To match the budgeted routine replacement of non-PPE work-wear with the charging profile under the national Integrated Clothing Project (ICP).

- **Development Reserve** – To provide funding for capacity building or “invest to save” type initiatives to prepare for future grant reductions
- **Operational Activity Reserve** – To fund exceptional activity costs arising from special conditions e.g. prolonged fires in the Malvern Hills or flooding.

A summary of movements is shown below.

	Balance at 01-Apr-09 £000	from I & E Acct £000	(to) I & E Acct £000	Transfers £000	Balance at 31-Mar-10 £000	from I & E Acct £000	(to) I & E Acct £000	Balance at 31-Mar-11 £000
Earmarked Reserves								
Pensions Reserve	167				167			167
Training Reserve	89	(6)			83	50		133
New Dimensions Training Reserve	70	(40)			30			30
Rank to Role Reserve	58	(40)		(18)	0			0
RDS Implementation Reserve	0			18	18			18
Urban Search & Rescue Reserve	284		74		358	74		432
LPSA Reward Grant Reserve	156	(123)			33		(33)	0
Environment Agency Grant Reserve	22				22		(22)	0
New Burdens (FRC Transition) Reserve	232	(102)			130	17		147
Mobilising Resilience Reserve	40	(40)			0			0
Relocation Reserve	45				45			45
New Dimensions HVP/ECU Reserve	144		104		248			248
IRS Implementation Reserve	15	(15)			0			0
ICP-Workwear Reserve	0		60		60			60
Operational Activity Reserve	0				0	300		300
Development Reserve	0				0	550		550
	1,322	(366)	238	0	1,194	991	(55)	2,130
		Net	(128)			Net	936	

23.3 Capital Receipts

	2009-10 £'000	2010-11 £'000
Balance at 01 April	0	0
Net Proceeds from sale of fixed assets	0	12
Used to Finance capital expenditure	0	(12)
Balance at 31 Mar	0	0

23.4 Unapplied Grant

	LPSA1 (Worcs) Reward Grant (Capital) £'000	Formula Capital Grant £'000	CLG E&D Grant £'000	TOTAL £'000
Balance at 01 Apr 2009	369	0	0	369
Grant Received in Year	0	665	34	699
Used to Finance Capital Expenditure	(37)	(665)	(32)	(734)
Balance at 31 March 2010	332	0	2	334
Grant Received in Year		809	34	843
Used to Finance Capital Expenditure		(809)		(809)
Balance at 31 March 2011	332	0	36	368

24. Unusable Reserves

	01-Apr-09 £'000	31-Mar-10 £'000	31-Mar-11 £'000
Revaluation Reserve	0	5,519	5,421
Capital Adjustment Account	20,650	17,563	19,174
Pensions Reserve	(170,637)	(248,102)	(225,838)
Collection Fund Adjustment Account	56	122	42
Accumulated Absences Account	(152)	(186)	(127)
	(150,083)	(225,084)	(201,328)

24.1 Revaluation Reserve

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

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

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

	2009-10 £'000	2010-11 £'000
Balance at 1 April	0	5,519
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	0
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	5,519	0
Difference between fair value depreciation and historical cost depreciation	0	(98)
Balance at 31 March	5,519	5,421

24.2 Capital Adjustment Account

The Capital Adjustment Account 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 is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised as donated assets that have yet to be consumed by the Authority.

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

The table overleaf provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2009-10			2010-11		
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April			20,650			17,563
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	(3,264)			0		
Charges for depreciation and impairment of non-current assets	(1,628)			(2,147)		
Revaluation (gains)/losses on Property, Plant and Equipment	6			0		
Amortisation of intangible assets	(110)			(98)		
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(4,996)		(19)	(2,264)	
Adjusting amounts written out to the Revaluation Reserve - <i>difference in depreciation on historical and current cost basis</i>		0	(4,996)		98	(2,166)
			15,654			15,397
Adjusting amounts written out of the Revaluation Reserve		0			0	
Capital financing applied in the year						
Use of the Capital Receipts Reserve to finance new capital expenditure		0			12	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing		734			809	
Donated Assets fair value		0			1,536	
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances		1,086			1,210	
Capital expenditure charged against the General Fund and HRA balances		89	1,909		210	3,777
Balance at 31 March			17,563			19,174

24.3 Pension 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 as the benefits are earned by employees accruing for years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore 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 will have been set aside by the time the benefits come to be paid.

	2009-11	2010-11
	£000	£000
Balance at 1 April	170,637	248,102
Actuarial Gains and losses on pension assets and liabilities	69,380	(7,430)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES.	15,322	(7,197)
Employers pension contributions and direct payments to pensioners payable in the year	(3,660)	(3,584)
Pension top up grant	(3,577)	(4,053)
Balance at 31 March	248,102	225,838

24.4 Collection Fund Adjustment Account

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

	2009-10	2010-11
	£'000	£'000
Balance at 1 April	56	122
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	66	(80)
Balance at 31 March	122	42

24.5 Accumulated Absences Account

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

	2009-10 £'000	2010-11 £'000
Balance at 1 April	(152)	(186)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory provisions	(34)	59
Balance at 31 March	(186)	(127)

25. Contingent Liabilities

On 17 June 2010 FRA's were informed by the NJC that negotiations with representatives of RDS personnel in respect of the Unfair Treatment of Part-Time workers ruling are almost (but are not yet finally) completed. As part of this agreement a compensation payment is proposed and details of part of this are sufficiently certain for £209,000 to be accrued in the CIES. As a consequence of the agreement certain changes to terms and conditions are to be back-dated to Jul 2010. The cost of these changes is not yet known, as it requires detailed examination of individual elements of each employee's pay, but it is not expected to be material.

26. West Midlands Fire and Rescue Services Regional Control Centre Company

26.1 The National Fire Control Project was a central government project, working towards the migration of English Fire and Rescue Control functions into nine Regional Control Centres. One of these centres would have been located within the West Midlands region.

26.2 The Centre was to have been operated by a Local Authority Controlled Company (LACC) of which the 5 regional Fire and Rescue Services are Members. In accordance with central government direction the company was incorporated on 19 February 2007.

26.3 The National Fire Control Project was cancelled by central government in December 2010 and will not now go ahead, and as a consequence the LACC will be wound up.

26.4 The company held no material assets or liabilities at 31 March 2010 or 31 March 2011 and all expenditure incurred in 2009-10 and 2010-11 was funded by Government grant paid to West Midlands Fire Service. None of these transactions are included in Hereford & Worcester Fire and Rescue Authority's accounts.

27. Provision

The provision was created in 2009/10 to reflect the potential liability arising from the circumstances surrounding the retirement of the previous Chief Fire Officer.

The additional costs arising from this provision were potentially to be compensated by contributions from the Constituent Authorities, with the intention that they would be taken to general balances to restore their level, which was diminished by the creation of the provision.

The movement in the year represents the costs that have been incurred to date, and whilst it is expected that the Constituent Authorities will make a contribution this had not been received at the time the accounts were approved, and so prudently it has not been included in the 2010/11 Accounts.

	2009/10 £000	2010/11 £000
Balance at 01-Apr	-	538
transfer from CIES	538	
Expenditure incurred in year	-	(244)
Balance at 31-Mar	538	294

Over the next 4 years further costs totalling £68,000 are likely to be incurred, bringing the overall cost to £311,000 (significantly less than the £538,000 potential cost).

28. Specific Government Grants

The following grants are included as income within the CIES on page 18

	2009-10 £'000	2010-11 £'000
New Dimensions - Insurance		4
Herefordshire CAT	30	0
New Dimensions - USAR	852	868
New Dimensions - IRU	73	74
New Dimensions - HVP/ECU	119	42
New Burdens - Fire Control	115	141
New Burdens - Fire Control (ISP)	65	57
	1,254	1,186

29. Cashflow Statement – Operating Activities

The cashflows for operating activities include the following items:

	2009/10 £000	2010/11 £000
Interest Paid	(653)	(658)
Interest Received	28	10
Capital Grants	699	843
Proceeds of Sale of Capital Items	0	22
	74	217

30. Cashflow Statement – Investing Activities

	2009/10 £000	2010/11 £000
Purchase of Property, Plant & Equipment	2,942	2,589
Capital Grants received	(699)	(843)
Interest Received	(28)	(10)
Proceeds of sales of Property Plant & Equipment - Capital Receipts	0	(12)
Proceeds of sales of Property Plant & Equipment - Other	0	(10)
	2,215	1,714

31. Cashflow Statement – Financing Activities

	2009/10 £000	2010/11 £000
Interest Paid	653	658
Principal Payments on Finance Leases	288	250
Long Term Loans Raised	(3,000)	0

Long Term Loans Repaid	1,090	525
	(969)	1,433

32 Assumptions made about the future and other major sources of estimation uncertainty

- 32.1 The Statement of Accounts contains estimated figures that are based on assumptions made by the FRA 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.
- 32.2 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 FRA relies on independent advice from specialist valuers.
- 32.3 Firefighters on the Retained Duty System are claiming access to the Firemen's Pension Scheme. In January 2006, the House of Lords granted a re hearing at the Firefighters' Employment Tribunal, which declared that retained firefighters were engaged in broadly similar work as wholetime firefighters. There will be potential pension costs to the Fire Authority relating to the financial periods between July 2000 and April 2006, as a large proportion of the Fire Authority's employees are retained firefighters, the number of retained firefighters involved is not yet certain.
- 32.3 The Actuaries have provided an assessment of the effect of changes in the assumptions used in estimating the pension and assets included in the Accounts according to the requirements of IAS19.
- There are a range of actuarial assumptions which is acceptable under IAS19, particularly in respect of expected salary increases and demographic factors. The assumptions made are the responsibility of the FRA, after taking advice of the Actuaries. 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 IAS19. The Actuaries interpret 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 made by the relevant Actuary is shown in the table.
 - With regard to the LGPS, it is also relevant to note that IAS19 requires the discount 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 Net Liability

Change in financial assumptions 2010/11 : Firefighters Schemes		
	£000	%
0.5% Decrease in rate of return in excess of earnings	5,501	2.5%
	15,84	
0.5 % Decrease in rate of return in excess of pensions	4	7.2%
2 years Increase in Member Life Expectancy	8,802	4.0%

Change in financial assumptions 2010/11 : LGPS		
	£000	%
0.1% Increase in real discount rate	(346)	-6.0%
0.1% Increase in rate of increase in salaries	151	2.6%
0.1% Increase in expected return on equities	0	0.0%
1 Year Increase in Member Life Expectancy	372	6.4%

32.4 Property Plant & Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the FRA will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £16,300 for every year that useful lives had to be reduced

SUPPLEMENTARY FINANCIAL STATEMENT

Firefighters' Pension Fund

1. Since 2006-07 Firefighters' pensions are paid out of a separate account into which the employee's contributions and an employer's contribution are paid. Any deficit on this account is made up by direct government grant.
2. A detailed explanation of the schemes can be found on page 43, but although they are all statutory, national un-funded defined benefit schemes, they are administered locally by each FRA.
3. The Schemes are currently established under the Firefighters Pension Scheme (Amendment) (England) Order 2006.
4. The employer's contribution is borne by the CIES for Council Tax Precept setting purposes.
5. In accordance with the requirements of IAS19 the employer's contribution is replaced by the current service cost of pensions in the CIES, and reversed out again in the MiRS.
6. Although the scheme remains an un-funded one, Government has determined that this account is deemed a Pension Fund separate from the income and expenditure account and is thus reported on separately. As an un-funded scheme there are no assets and the difference between income and expenditure is met by the direct government grant.
7. The accounts are prepared in accordance with the same Code of Practice and accounting policies as outlined in the Statement of Accounting Policies set out on pages 9-15.
8. Any Government grant payable is paid in 2 instalments, 80% of the estimated annual amount at the start of the year, and the actual balance paid following completion of the accounts for the year.
9. The following Statement shows the income and expenditure for the year. It does not take account of liabilities to pay pensions and other benefits after the year end. These are calculated in accordance with IAS 19 and are included in the Balance Sheet on page 19 and detailed in the Notes to the Core Financial Statements on pages 41-46.

Firefighters' Pension Fund Account

	2009-10 £000	2010-11 £000
Contributions receivable		
Fire and Rescue Authority		
Contributions in relation to pensionable pay	(2,314)	(2,235)
Other	(110)	(100)
Firefighters' Contributions	(1,284)	(1,259)
	(3,708)	(3,594)
Transfers in from other schemes	(76)	(43)
Benefits Payable		
Pensions	4,709	5,126
Commutations and lump sum retirement benefits	2,638	2,490
Lump sum death benefits		72
Payments to and on account of leavers		
Transfers out to other schemes	14	2
Net amount payable for the year	3,577	4,053
Top-up grant payable by central government	(3,577)	(4,053)
	0	0

Firefighters' Pension Fund Statement of Net Assets

The following balances are held in relation to the Pensions Fund.

	31-Mar-10 £000	31-Mar-11 £000
Current Assets		
Debtors		
Employer Contributions Due	75	78
Employee Contributions Due	42	45
Top Up receivable from the government	2,072	1,932
Prepayments	407	453
Creditors		
Overpaid prior years grant	(437)	(91)
Amounts due to General Fund	(2,159)	(2,417)
	0	0

ANNUAL GOVERNANCE STATEMENT 2010/11

1. Scope of Responsibility

- 1.1 The Fire and Rescue Authority (FRA) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The FRA also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the FRA is also responsible for ensuring that proper arrangements exist for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained throughout the year and that includes arrangements for the management of risk.
- 1.3 This statement explains how the FRA has complied with these requirements and also meets the requirements of regulation 4(2) (3) and (4) of the Accounts and Audit Regulations 2011.
- 1.4 The FRA has approved and adopted a Code of Corporate Governance, which is consistent of the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the code is available at our website www.hwfire.org or may be obtained from Hereford & Worcester Fire and Rescue Service Headquarters, 2 Kings Court, Charles Hastings Way, Worcester. WR5 1JR.

2. The Purpose of the Governance Framework

- 2.1 The Governance Framework comprises of the systems and processes, and culture and values by which the FRA is directed and controlled. It includes the activities through which it accounts to and engages with, the community. It enables the FRA to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services, including achieving value for money.
- 2.2 *The system of internal control is designed to manage risk to a reasonable level (rather than to eliminate all risk) to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the FRA's policies, aims and objectives. It evaluates the likelihood of those risks being realised and the subsequent impact should they be realised and to ensure they are managed efficiently, effectively and economically. The FRA has always maintained a sound system to protect against risks and mitigate their impact upon the FRA. The systems are constantly being reviewed and updated.*
- 2.3 The Governance Framework has been in place at the Authority for the year ended 31 March 2011 and up to the date of approval of the Statement of Accounts.

3. Key Elements of the Governance Framework

This section of the Statement describes the key elements of the systems and processes that comprise the FRA's Governance arrangements.

- The FRA has adopted an Authority Plan which sets out the FRA's vision and intended outcomes along with an annual IRMP which reviews the FRA's aspirations and implications for its governance arrangements. The FRA has a robust process for establishing priorities using a risk-based approach.
- A Business Continuity Plan is in place which incorporates the FRA's risk management system. The FRA reviews and amends its Corporate Risk Register on a regular basis throughout the year. The Audit Committee reviews the Risk Register and an FRA Member has been appointed as the Authority's Risk Champion.

- A Performance Management Framework is in place which measures the quality of service for users ensuring that it is delivered in accordance with the FRA's objectives and best use of resources.
- The FRA's constitution defines and documents roles and responsibilities of the FRA's committees, sets out clear delegation arrangements, Codes of Conduct and Standing Orders. It also includes certain codes including a Scheme of Delegation, the Code of Corporate Governance, Financial Regulations, Contract Standing Orders, Anti Fraud and Corruption Policy, Anti Money Laundering Policy, Member Officer Protocol and advice on the use of resources by Members. The constitution is reviewed through an Annual Governance review and training is provided on a regular basis to Members and officers embedding relevant codes of conduct.
- An Audit Committee is in place whose functions are determined on an annual basis by the FRA as identified in CIPFA's Audit Committees Practical Guidance for Local Authorities.
- As part of our decision making process procedures are in place for ensuring that technical advice is required from professional officers ensuring compliance with relevant laws, regulations, internal policies and procedures and that expenditure is lawful.
- A Confidential Reporting (Whistle Blowing) Policy, Complaints Procedure and Standards Committee are in place for receiving and investigating complaints from the public and staff.
- An Integrated Personal Development Review, allied to the Performance Management Framework is in place and designed to identify the development of senior officers in relation to their strategic roles supported by appropriate training. A training programme for Members is in place and work is ongoing in relation to the development of a system which identifies development needs of Members.
- A Communications Policy and Procedure is in place which establishes clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- A Partnership Management Group is in place which ensures that good governance arrangements relating to partnerships and other group working are identified and embedded.

4. Review of Effectiveness

- 4.1 The FRA has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control. The review of effectiveness is informed by the work of senior managers in the FRA who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and also by comments made by the external auditors, other review agencies and inspectorates.
- The FRA has carried out a review of the above mentioned processes to ensure that they are both working correctly and relevant to the current environment. The outputs of any review are fed routinely into the Senior Management Board to ensure that there is managerial responsibility and accountability. The Improvement Planning Register is then updated and the review reported to a number of FRA Committees, including where appropriate, the FRA's Audit Committee, Policy and Resources Committee, as well as the main FRA meeting. Specific working groups made up of Members and officers with designated terms of reference have been established to review significant governance areas, for example constitutional governance review and partnership governance review. The IRMP Steering Group was a standing group made up of Members and officers whose role is to formulate the annual IRMP and reports directly to the FRA meeting.
 - The FRA has a clear and well established Performance Management regime that provides relevant information to Officers and Members on the achievement of Corporate Objectives throughout the year.
 - The process of reviewing key financial systems by the Internal Audit provider is a continuous one and no major weaknesses have been identified in the 2010/11 financial year.

- Budget Monitoring reports have been presented to Member's of the Policy and Resources Committee throughout the financial year and have shown that the budget pressures are being controlled within the overall total and final out-turn is consistent with those reports.
- The SMB have held a series of 'away-days' looking at improving effective budgetary control which has led to a refining of the Asset Management Strategy accepted by the Authority in March 2011.
- The Chief Executive and Chair have received assurances from Principal Officers that controls are operating as expected.
- The S151 and Monitoring Officer have provided assurances on their respective areas of statutory responsibility.
- The Authority has carried out an internal audit for operational assurance for the management of Health and Safety based around the national HSE consolidated report. All the recommendations made were accepted by the SMB and have been incorporated into this year's departmental business plan.

5. Significant Governance Issues

Based on the information provided above there are no significant governance issues identified at this time. The constitutional governance review working group and the Partnership Management Group have produced and will continue to produce recommendations over the coming year to address and further enhance our governance arrangements. We are satisfied that those groups will address the need for improvements and we will thereafter monitor the implementation and operation of any agreed recommendations as part of our next annual review. In addition the Authority is awaiting the final report of the District Auditor on his investigation into the retirement of the out going Chief Fire Officer. Any recommendations made by the District Auditor, not already undertaken, will be addressed in the months following its receipt.

.....
Chief Fire Officer/Chief Executive

.....
**Chairman of the Fire and
 Rescue Authority**

Date: 28 September 2011

GLOSSARY OF TERMS

Accruals

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

BVACoP

This is an abbreviation given for the Best Value Accounting Code of Practice. This set out to modernise the system of local authority accounting and reporting to meet the demands of the Best Value legislation.

Capital Adjustment Account

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

Capital Expenditure

Expenditure on the acquisition of fixed assets or expenditure, which adds to and not merely, maintains the value of existing fixed assets.

Capital Receipts

Income from the sale of assets. Such income may only be used to repay loan debt or to finance new capital expenditure.

Chartered Institute of Public Finance and Accountancy (CIPFA)

The principal accountancy body dealing with local government finance.

Creditors

Amounts owed by the FRA but which are unpaid at the end of the financial year

CLG

Communities and Local Government. The Government department that was responsible for aspects of Local Authority and Fire and Rescue Authority activity in 2009-10 and 2010-11.

Debtors

Amounts due to the FRA but unpaid at the end of the financial year.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

Fair Value

The amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price

Fixed Assets

Tangible assets that yield benefits to the FRA for a period of more than one year.

FRA

The Fire and Rescue Authority

FRS

This is an abbreviation for Financial Reporting Standards that are set by the Accounting Standards Board.

GAAP

Generally Accepted Accounting Practice – the standards which are generally adopted across all sets of accounts. In some instances Local Government accounting has to comply with statutory requirements which are contrary to GAAP, but have precedence.

GAD

Government Actuary's Department – the government body that provides information in respect of pensions costs particularly in respect of compliance with FRS17.

ICP – Integrated Clothing Project

A national framework for procurement of PPE and other workwear. Established under FireBuy and originally intended to be mandatory for English FRAs

International Accounting Standard (IAS)**International Financial Reporting Standards (IFRS)**

The framework within which the statement is prepared. Ensuring commonality of treatment across sectors and countries

Impairment

Otherwise known as 'consumption of economic benefit' this is similar to depreciation but can occur at a faster rate because it arises from factors such as physical damage and obsolescence

Intangible Assets

Assets that do not have a physical existence but which are identifiable and controlled by the FRA – in practice mostly software licences.

LASAAC

This is an abbreviation for the Local Authority (Scotland) Accounts Advisory Committee.

Long Term Borrowing

Loans raised to finance capital spending which have still to be repaid.

LPSA

Local Public Service Agreement. A partnership arrangement with Worcestershire County and Herefordshire Councils.

Operational Leasing

A method of financing the acquisition of assets, notably equipment, vehicles, plant, etc, which involves the payment of a rental by the user for a period which is normally substantially less than the useful economic life of the asset.

Provision

A liability or loss which is likely or certain to be incurred but uncertain as to the amount or date when it will arise.

Reserve

An amount set aside for purposes falling outside the definition of a provision.

Revenue Expenditure and Income

Expenditure and income arising from the day to day operation of the FRA.

SORP

This is an abbreviation given for the 'Statement of Recommended Practice' issued by CIPFA and LASAAC incorporating the Code of Practice on Local Authority Accounting in the United Kingdom.

Unapplied Capital Grant

Grants that have been received but not yet used to finance expenditure.

USAR (Urban Search and Rescue)

Specialist CLG Funded teams, hosted by 19 select FRA to provide support for major incidents involving building collapse.