

6. Statement of Accounts 2009/10

Purpose of report

1. To present the Statement of Accounts 2009/10 for approval.
-

Recommendation

The Treasurer recommends that the Statement of Accounts 2009/10 be approved.

2. The Accounts and Audit Regulations (2003) 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 the FRA has delegated this function to the Audit Committee.
4. The Accounts must be approved by 30 June 2010 and published by 30 September 2010.
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 the Statement of Recommended Practice (SORP) regards that the Accounts are prepared on the basis of UK "Generally Accepted Accounting Practice" (GAAP).
7. The principal effect of this is that the Income and Expenditure Account now 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 GAAP.
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 GAAP for grant allocations or as part of the statutory budget setting arrangements.

10. In practical terms this means that the accounting £12.278m deficit in 2009/10 becomes a net deficit of £0.505m.

| | £m | £m |
|--|---------|--------------|
| Deficit from Statement of Accounts | | 12.278 |
| <u>Less items not permitted by statute</u> | | |
| Net Depreciation/Impairment/ Amortisation | -4.623 | |
| Share of Collection Fund surpluses | 0.066 | |
| FRS 17 Entries | -15.832 | -20.389 |
| <u>Plus items required by statute</u> | | |
| Minimum Revenue Provision | 0.780 | |
| Revenue Financing of Capital | 0.090 | |
| Direct Pensions contributions etc | 7.874 | |
| Transfer from earmarked reserves | -0.128 | 8.616 |
| <u>Statutory Council Tax Deficit</u> | | <u>0.505</u> |

11. The Council Tax Deficit shown is a result of the accounting treatment of the potential outlay in respect of the retirement of the previous Chief Fire Officer. Whilst there is a potential contributory payment from the constituent authorities, it is prudent to account for the liability but not for the asset. It is anticipated that the shortfall will be recovered.
12. Differences between GAAP and Statutory Accounting are reconciled in the Statement of Movement in the General Fund Balance as in the table above.
13. This does not affect the underlying financial position.
14. Members' attention is drawn to the following specific aspects of the Accounts:
15. The outturn report to the FRA on 25 June 2010 provided for a transfer of £0.033m to general balances. The treatment referred to at paragraph 11 means that there is now a net transfer from reserves of £0.505m.
16. At 31 March 2010 there is £1.194m in ear-marked reserves. It is anticipated that the bulk of these amounts will be expended in 2010/11.
17. The Balance Sheet shows a negative balance of £212.597m which arises from the identified liabilities in the Pension Schemes of £236.722m. This however represents a significant (44%) increase in liability from the 2008/09 figure of £163.997m.
18. 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.
19. Long term borrowing has increased to £14.963m as the planned rundown of cash resources has completed. The Net Book Value of assets, at £37.888m, remains considerably in excess of the outstanding borrowing figure above.

20. The Accounts include notes relating to the treatment of the potential outlay, over the next five years, in regard to the retirement of the previous Chief Fire Officer.
21. 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.
22. It has been normal practice to present fully audited accounts to this Committee.
23. Subject to no matters arising from the public inspection period of 1 July 2010 to 28 July 2010, 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 2009/10

Background papers - None

Contact Officer

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Hereford & Worcester Fire and Rescue Authority Statement of Accounts 2009/10

CONTENTS

| | Page |
|---|-------------|
| Explanatory Foreword | 2-6 |
| Statement of Responsibilities for the Statement of Accounts | 7 |
| Auditor's Report and Opinion | 8-10 |
| Statement of Accounting Policies | 11-14 |
| Core Financial Statements: | |
| Income and Expenditure Account | 15 |
| Statement of Movement in the General Fund Balance | 15 |
| Statement of Total Recognised Gains and Losses | 16 |
| Balance Sheet | 17 |
| Cash-flow Statement | 18 |
| Notes to the Core Financial Statements | 19-37 |
| Supplementary Financial Statements: | |
| Firefighters' Pension Fund | 38-39 |
| Annual Governance Statement | 40-43 |
| Glossary of Terms | 44-45 |

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 2010. The accounts comprise a group of Core Financial Statements:
 - Income and Expenditure Account
 - Statement of Movement in the General Fund Balance
 - Statement of Recognised Gains and Losses
 - 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 Scheme.
4. The Income and Expenditure Account summarises all the resources that the FRA has generated, consumed or set aside during 2009-10.
5. However, the FRA budget requirement, and therefore the Council Tax demand, is governed by statute and non-statutory proper practices which establish the net expenditure according to different rules. The impact of this is shown in the Statement of Movement in the General Fund Balance. This statement summarises how the surplus or deficit on the Income and Expenditure Account reconciles to the actual spending power carried forward to future years.
6. The Statement of Total Recognised Gains and Losses explains how the movement in the net worth in the Balance Sheet is made up of the surplus or deficit on the Income and Expenditure Account together with other unrealised gains and losses.
7. Expenditure on assets which benefit the FRA over a number of years is dealt with in the capital programme and the value of such assets is recorded in the Balance Sheet. The Balance Sheet shows the value of assets and liabilities at the end of each financial year and excludes transactions in the Pensions Account.
8. The Cash-flow Statement shows the income and expenditure on a cash basis and is reconciled to the Income and Expenditure Account and to year on year movements in the Balance Sheet.
9. 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 11-14.
10. The FRA's spending is planned and controlled by a process which includes regular reporting to both the Service's management team and the FRA's Budget Committee.

Revenue Budget

11. Available resources for 2009-10 totalled £30.451m, funded as below:

| | |
|-----------------------|-----------------|
| Council Tax Precept | £19.915m |
| Non-Domestic Rates | £ 8.560m |
| Revenue Support Grant | £ 1.976m |
| | £30.451m |

12. These resources are those available for the FRA to spend on provision of services under the statutory accounting regime and excludes the share of the Collection Fund Balances for 2009-10 that is included in the Income and Expenditure Account on page 15

13. Although there was a saving as a result of the pay settlements being lower than budgeted; this was offset by the continued rise in fuel and utility prices, additional legal costs and additional un-planned maintenance of buildings; leaving a small under spend of £0.033m against the available resources. The exceptional item that is disclosed at Note 20 on page 13 means there is a net transfer from balances of £0.505m. The rise in fuel costs was anticipated as a budget risk when the FRA considered the 2009-10 budget in February 2009.

Exceptional Items

14. There were no exceptional items in 2008-09. The exceptional item in 2009-10 reflects the potential outlay of £0.538m over the next five years relating to the retirement of the previous Chief Fire Officer. It should be borne in mind that this is a provisional sum and the matter has yet to be determined. This sum may be offset by an equivalent contribution over the same period being made available by the two constituent Councils. These matters arose in 2009-10 and are being concluded but should be recognised in the Accounts as early as possible.

General Balances

15. As a result of the accounting treatment for the exceptional item (paragraph 14 above) the level of general balances falls from £1.147m at 31 March 2009 to £0.642m at 31 March 2010. This was not expected under the Medium Term Financial Plan, however there is a potential reimbursement of these costs from the Constituent Authorities over the next 5 years which would restore balances to the expected levels.

Firefighters' Pensions

16. 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.

17. The employer contribution and certain costs in relation to injury pensions still fall on the Income and Expenditure Account.

Capital Programme Budget

18. During 2009-10 £2.967m was spent on new assets or improvements to existing ones. Expenditure was incurred on the approved vehicle programme, replacement of Breathing Apparatus, minor property works and small equipment and IT schemes. The latter included implementation of the new HR Management Information System. The majority of the programme was, as planned, funded by net borrowing and general capital grant.

Balance Sheet

19. At 1 April 2009 the FRA held Fixed Assets with a net book value of £34.151m. In accordance with the Capital Accounting Code of Practice, property assets have now been re-valued at 31 March 2010.

20. As a consequence of the full valuation having taken place at 31 March 2010, it has not been necessary to carry out an annual impairment review this year. The change in the economic climate since the previous full valuation in 2005, and the significant impairment accounted for in 2008-09, has meant that the asset value has increased by £2.254m.
21. Adjusting for disposals, depreciation, revaluation and capital expenditure, Fixed Assets are valued at £37.888m at 31 March 2010.
22. Long Term borrowing (excluding accrued interest shown as an addition to the long-term creditor in accordance with the SORP) has increased by a net £1.910m in 2009-10, a combination of repayment of a loan falling due and new borrowing. Loans falling within 12 months are shown as short term creditors. All new and existing borrowing is from the Public Works Loans Board (PWLB).
23. The Balance Sheet shows liabilities in respect of the four pension schemes provided for staff.
24. The £7.346m liability on the Local Government Scheme will be covered by the continued level of employer contributions.
25. The Firefighters' schemes are statutory un-funded ones and the significant total liability of £229.376m, 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 40-43.

Corporate Governance Arrangements

26. 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.
27. During 2009-10 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 on 18th December 2009.
28. 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 7-8.

The Euro

29. 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.

Prior Period Adjustments

30. The revised SORP applying to 2009-10 Accounts, requires that a precepting Authority includes an appropriate proportion of Billing Authority's Council Tax Debtors and Creditors within its own Statement of Accounts.

31. The SORP also requires that the precepting Authority brings a proportion of the estimated Collection Fund balances into its Income and Expenditure Account in the year to which they relate, rather than the statutory position which requires inclusion in the Precept calculation for the following year.
32. This is on the basis that the Billing Authorities collect Council Tax on behalf of the FRA. However, in statutory terms the FRA makes a precept on the Billing Authority and has no direct relationship with individual Council Tax-payers.
33. In order that there is comparative data for 2008-09 it has been necessary to restate the relevant Accounts to the position they would have been in had this particular SORP requirement applied to 2008-09.
34. As the Income and Expenditure Account is being re-stated for the reasons above, the opportunity has been taken to restate the 2008-09 comparatives in respect of:
- £0.835m USAR grant – this was previously apportioned across all services, but in 2009/10 it is now more appropriately allocated to Operations & Rescues. The 2008/09 figures are adjusted to reflect an allocation rather than apportionment.
 - Costs previously allocated to Corporate Management are now apportioned across all services
 - Some costs previously apportioned across all services but specifically related to Members costs are now allocated to Democratic Representation.
- These changes have no effect on the Net Cost of Service but provide a more useful comparison with the 2009-10 figures.
35. In prior years the Balance Sheet consolidated both the I & E and Pensions Accounts, but latest advice is that this statement should exclude Pensions Account transactions. The 2008-09 comparatives have been restated to be consistent with 2009-10.

Post Balance Sheet Events

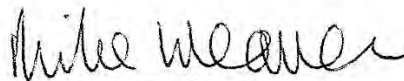
36. On 1 April 2010 the FRA, along with many others, formally took ownership of New Dimensions assets from CLG. Assets include 5 Prime Movers, 7 modules, 2 Incident Response Units (lorries), an Enhanced Command Unit and associated equipment.
37. These assets will be transferred to the FRA at no cost, but the exact valuation to be added to the Balance Sheet is not yet known
38. In his budget statement on 22 June 2010, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. As a result, future pension increases under the Local Government Pension Scheme and the Firefighters Pension Schemes are expected to be slightly lower, on average, than would have been the case if this change had not been made. In the opinion of the Pension Fund Actuary, this change is estimated to reduce the FRS17/IAS19 benefit obligations by between 5% and 8% for most employers. The precise financial effect will be taken into account in the FRS17/IAS19 figures for the financial year ending 31 March 2011.

TREASURER'S PERSONAL ASSURANCE STATEMENT

This statement has been given to the Authority's external auditors The Audit Commission:

- I confirm that, to the best of my knowledge and belief and having made appropriate enquiries of other Senior Officers of the Authority, the following representation is given to you in connection with your audit of the Hereford & Worcester Fire and Rescue Authority's financial statement for the period ending 31 March 2010.
- **Accounting records**
All the accounting records have been made available to you in accordance with section 6 of the Audit Commission Act 1998 for the purposes of your audit and all the transactions undertaken have been properly reflected and recorded in the accounting records. To the best of my knowledge and belief, reasonable efforts have been made to ensure that records and related information which might materially affect the truth and fairness of, or necessary disclosure in, the financial statements, have been made available to you and no such information has been withheld.
- **Related Party Transactions**
Other than stated in the accounts, there are no related party transactions in the period which require adjustment of or disclosure to the financial statements or in the notes thereto.
- **Law and Regulations**
With the exception of the interpretation of the Fire-fighters Pension Scheme relating to the retirement of Chief Fire Officers, I am not aware of any other instances of actual or potential breaches of or non-compliance with the laws and regulations governing the transactions of the Authority or that could have a material effect on the financial statements.
- I am not aware of any irregularities, or allegations of irregularities including fraud, involving management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the financial statements.
- **Subsequent Events**
Other than stated in the accounts, there have been no circumstances or events subsequent to the period end which require adjustment to or disclosure in the financial statements or in the notes thereto.
- The last date at which changes could have been made to these audited accounts was 30 June 2010.

Mike Weaver
Treasurer to the Fire and Rescue Authority
c/o Worcestershire County Council
County Hall
Spetchley Road
Worcester WR5 2NP


Signed

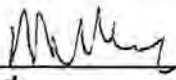
Date: 25/06/2010

Telephone: 01905 766501
E-mail: mweaver@worcestershire.gov.uk

- **Subsequent Events**
Other than stated in the accounts, including the additional note 38 on page 5, there have been no further circumstances or events subsequent to the period end which require adjustment to or disclosure in the financial statements or in the notes thereto.
- The last date at which changes could have been made to these audited accounts was 27 September 2010.

The Statement of Accounts is re-issued take account of the Post Balance Sheet Event. Following the resignation of the Treasurer at 21 July 2010, the Assurance Statement is re-signed by the Deputy Treasurer acting under S114(6) of the Local Government Finance Act 1988..

Martin Reohorn
Deputy Treasurer to the Fire and Rescue Authority
2 Kings Court
Charles Hastings Way
Worcester
WR5 1JR


Signed
Date: 27/09/10

Telephone: 01905 368205
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A STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

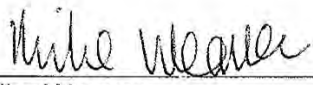
1. The Authority is required to:
 - make arrangements for the proper administration of its financial affairs and to ensure that one of its Officers has responsibility for the administration of those affairs. In this Authority, that Officer is the Treasurer;
 - manage its affairs to secure economic, efficient 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 2010 and its income and expenditure for the year ended 31 March 2010.
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 2010 and its income and expenditure for the year ended 31 March 2010.

Issue Date

5. The date that these financial statements are authorised for issue is 25 June 2010. All known material events that have occurred up to and including this date which relate to 2009/10 or before have been reflected in the accounts.
6. In accordance with the Accounts and Audit Regulations 10(2) I certify that the Statement of Accounts 2009/10 provides a true and fair view of the financial position of the Authority at 31 March 2010 and its income and expenditure for the year 2009/10.

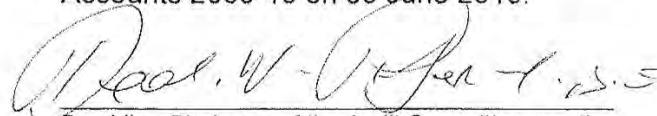


Mike Weaver
Treasurer to the Fire and Rescue Authority

25/06/2010
Date

AUTHORITY APPROVAL

In accordance with Regulation 10 (3)b of the Accounts and Audit Regulations 2003 I certify that the Audit Committee of the Fire and Rescue Authority approved the Statement of Accounts 2009-10 on 30 June 2010.



Presiding Chairman of the Audit Committee meeting

30/06/2010
Date

Revised Issue Date

7. These accounts were reissued on 27 September 2010 to take account of the Post Balance Sheet Event disclosed at note 38 on page 5. The date that these financial statements are authorised for issue is 27 September 2010. All known material events that have occurred up to and including this date which relate to 2009/10 or before have been reflected in the accounts.
8. The Statement of Accounts is re-issued take account of the Post Balance Sheet Event. Following the resignation of the Treasurer at 21 July 2010, the Statement of Accounts are re-signed by the Deputy Treasurer acting under S114(6) of the Local Government Finance Act 1988..



Martin Rehorn
Deputy Treasurer to the Fire and Rescue Authority

27/09/10
Date

Independent Auditor's report to Members of Hereford & Worcester Fire and Rescue Authority

Opinion on the accounting statements

I have audited the accounting statements, the Firefighters' Pension fund accounting statements and related notes of Hereford & Worcester Fire and Rescue Authority for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The Firefighters' pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The accounting statements and Firefighters' Pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the Members of Hereford & Worcester Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the accounting statements, including the Firefighters' Pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). I report to you my opinion as to whether the accounting statements, the Firefighters' Pension fund accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its Firefighters' Pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures. I read other information published with the accounting statements, the Firefighters' Pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the Firefighters' Pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the Firefighters' Pension fund accounting statements and related notes.

My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the Firefighters' Pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the Firefighters' Pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements, the Firefighters' Pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, the Firefighters' pension fund accounting statements and related notes.

Opinion

In my opinion:

- The accounting statements and related notes give a true and fair view, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- The Firefighters' Pension fund accounting statements give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Firefighters' Pension fund during the year ended 31 March 2010 and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Delay in issuing conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources and certificate of completion of the audit

I am considering matters brought to my attention during the course of my audit in relation to the early retirement of the outgoing Chief Fire Officer. Until I have done so I am unable to reach a conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources or to certify completion of the audit. I am satisfied that these matters do not have a material effect on the accounting statements.

Signed on original document

Grant Patterson

District Auditor (Officer of the Audit Commission)

Opus House, Priestley Court, Stafford Technology Park, Beaconside, Stafford, ST18 0LQ.

30 September 2010

STATEMENT OF ACCOUNTING POLICIES

Code of Practice

1. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, A Statement of Recommended Practice (SORP) 2009 and the Best Value Accounting Code of Practice 2009, both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and approved by the Accounting Standards Board. The Code defines proper accounting practices based on both statutory and professional accounting requirements. The accounts follow the guidance notes for practitioners, issued by CIPFA, on the application of accounting standards to Fire and Rescue Authorities.
2. The following sections set out the FRA's general accounting policies which have been followed in 2009-10.
3. 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 Income and Expenditure Account when goods or services have been received but not invoiced at the year end.
 - Debtors are included in the Balance Sheet and Income and Expenditure Account where services have been provided but not reimbursed at the year end.
4. 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 (3) above.
 - 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 Income and Expenditure Account.
 - Individual invoices of less than £500 are accounted for in the year they fall.
5. Depreciation is included within Net Cost of Service. This represents the value of the asset consumed in the delivery of the service.
6. Asset Disposal:
 - From 1 April 2006 authorities are required to calculate gains and losses on disposal of fixed assets for disclosure in the Income and Expenditure Account. As the FRA carries its assets on the balance sheet at current value, gains and losses are measured against this value.
 - The Statement of Recognised Gains and Losses (STRGL) requires any difference between the carrying value on the balance sheet and the sale proceeds (the newly evidenced current value) to be disclosed as a gain or loss
 - In 2009-10 there were no disposals of fixed assets so the Income and Expenditure Account states the gain on the disposal of fixed assets is nil (2008-09 £0.101m).

Capital Assets

7. All expenditure on the acquisition and/or improvement of fixed assets is capitalised provided that the asset yields a benefit to the FRA for a period of more than one year. However, some relatively immaterial items may be financed from revenue.
8. The Authority operates a *de minimis* level of £5,000 for the capitalisation of vehicles. There is no *de minimis* level for land purchases or building works that enhance or extend the life of the asset. There is no *de-minimis* limit for individual equipment items which form part of a bigger capital scheme.
9. Fixed assets are stated in the Balance Sheet at gross value, net of depreciation and impairment, where appropriate, reflecting the capital accounting requirements of the Code of Practice.

10. Property assets have been valued using the independent professional services of the Chief Valuer of Worcestershire County Council, in accordance with the basis recommended by CIPFA and according to the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS). The latest valuation being at 31 March 2010.
11. Fixed assets are classified as:
- Operational Assets - those presently used by the Authority to deliver services, or to support their delivery. These assets are further divided into land and buildings, vehicles, plant, furniture and equipment.
 - Non-Operational Assets – which cover 2 asset types:
 - Work in Progress – Assets on which expenditure has been incurred but which are not yet available for use.
 - Pending Disposal – Assets identified for disposal and not in use awaiting sale.
 - Intangible Assets – that do not have a physical existence but are identifiable and controlled by the FRA – in practice mainly software licences.
12. Assets have been valued at open market value for existing use (OMVEU), or where because of the specialised nature of the asset this could not be assessed, at depreciated replacement cost (DRC), subject to the exception that:
- Short-lived operational assets (i.e. vehicles, plant and equipment) are valued at historic cost (less depreciation where appropriate) as a proxy for current replacement cost.
 - Uncompleted building works, or those completed since the last valuation, are included in the Balance Sheet at historic cost.
13. Depreciation has been calculated on a straight-line basis over the estimated life of the asset, commencing in the year that the asset is brought into use, and is calculated on the opening value plus in year additions. Although depreciation is calculated on the estimated life of the specific individual asset concerned, approximate average depreciation periods have been as follows:
- Buildings 50 years
 - Operational Vehicles 10/15 years
 - Ancillary Vehicles 5 years
 - Equipment 5-10 years
 - Depreciation is not charged on assets that are held pending completion of disposal.
 - Intangible assets are amortized to the Income and Expenditure Account over 5 years.
14. In accordance with the SORP, land and buildings are valued separately and only the latter should be depreciated. For a small number of buildings this split is not available and therefore the total value has been depreciated. The total amount of such depreciation charged in 2009-10 is £0.016m (2008-09 £0.017m).

Financing of Capital Expenditure

15. Capital expenditure is funded by borrowing, government grants, capital receipts and revenue contributions. The interest on external borrowing is charged to the Income and Expenditure Account. 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.

Redemption of Debt

16. 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 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. The policy below was approved by the FRA on 18 February 2009.

- 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.

Leases

17. Operating leases, which are used to acquire vehicles as an alternative to capital financing, are accounted for in accordance with SSAP21/FRS9. They are not capitalised and rentals are charged directly to the Income and Expenditure Account in the year in which they are incurred.

Capital Receipts

18. Proceeds from the sale of fixed assets may be used to finance other capital expenditure as prescribed by the Local Government and Housing Act 1989, amended by subsequent Statutory Instruments. Individual receipts of less than £10,000 are not classified as capital receipts and are credited to the Income and Expenditure Account.

Stocks

19. 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 Income and Expenditure Account.

Provision

20. The Authority has created a provision to meet the potential liability arising from the retirement of the previous Chief Fire Officer, but this may be funded by compensatory contributions from the Constituent Authorities. Whilst the events surrounding this provision arose in 2009-10 liability has yet to be determined.

Reserves

21. At 31 March 2010 a general reserve is held to meet expenditure which may arise from unforeseen events.
22. 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 34-35.

Capital Accounting Reserves

23. 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 Income and Expenditure Account, accounting entries are made to ensure that there is no effect on the council tax requirement.

Collection Fund Adjustment Account

24. The new SORP requires that the Income and Expenditure Account is credited or debited with the FRA share of any surpluses or deficits on the Collection Funds (of the Billing authorities), in the year to which they relate. The statutory accounting regime used for precept setting purposes requires that these surpluses or deficits are accounted for in the year following that to which they relate.
25. The SORP requires that the additional income brought into in the I&E Account is included in the reconciling items in the Statement of Movement on the General Fund Balance and thus has no impact on the council tax requirement for the year.
26. Unlike the statutory accounting arrangement where the FRA precepts directly on the Billing Authority, the SORP requires the accounting for a direct relationship between the FRA and the council taxpayer. Therefore there will be a debtor/creditor position between the FRA and each Billing Authority to be recognised since the net cash paid to the FRA in the year will not be its share of cash collected from council tax-payers.

Grants and Contributions

27. All revenue grants (except for Revenue Support Grant, redistributed National Non-Domestic Rates and Precept Income) and other contributions are shown as income in arriving at net revenue expenditure.

Pensions

28. In accordance with FRS17 the Authority recognises the cost of retirement benefits in the Net Cost of Services, when they are earned, rather than when the benefits are actually paid as pensions.
29. However, the charge that is required to be made to the council tax is based on the amount payable in the year, i.e. the employer's contributions under the relevant scheme. The difference is shown in the Statement of Movement in the General Fund Balance on page 15 and detailed in Note 1 to the accounts on page 19.

INCOME AND EXPENDITURE ACCOUNT FOR 12 MONTHS ENDING 31 MARCH 2010

| | 2008-09 | | | 2009-10 | | |
|---|-----------------------|-------------------|----------------------------|-------------------------|--------------------|-----------------------|
| | Net Expenditure £m | Restatement £m | Expenditure Restated £m | Gross Expenditure £m | Gross Income £m | Net Expenditure £m |
| Operations and Rescues | 27.600 | 0.611 | 28.211 | 27.202 | (1.452) | 25.750 |
| Community Safety | 2.794 | 0.156 | 2.950 | 3.282 | (0.102) | 3.180 |
| Emergency Planning and Civil Defence | 0.120 | 0.006 | 0.126 | 0.143 | (0.003) | 0.140 |
| Corporate and Democratic Core | | | | | | |
| Democratic Representation | 0.228 | 0.080 | 0.308 | 0.338 | (0.006) | 0.332 |
| Corporate Management | 1.891 | (0.853) | 1.038 | 1.062 | (0.023) | 1.039 |
| | 2.119 | (0.773) | 1.346 | 1.400 | (0.029) | 1.371 |
| NET COST OF SERVICE | 32.633 | 0.000 | 32.633 | 32.027 | (1.586) | 30.441 |
| Exceptional Items | | | | | | |
| Potential costs relating to retirement of ex-CFO | | | 0.000 | 0.538 | | 0.538 |
| | 0.000 | 0.000 | 0.000 | 0.538 | 0.000 | 0.538 |
| Interest payable and similar charges | 0.584 | | 0.584 | 0.589 | | 0.589 |
| Interest and Investment Income | (0.226) | | (0.226) | | (0.014) | (0.014) |
| Gain on the disposal of fixed assets | (0.101) | | (0.101) | | | 0.000 |
| Pensions Interest Cost and expected return on pensions assets | 11.929 | | 11.929 | 11.689 | (0.447) | 11.242 |
| | 12.186 | 0.000 | 12.186 | 12.278 | (0.461) | 11.817 |
| NET OPERATING EXPENDITURE | 44.819 | 0.000 | 44.819 | 44.843 | (2.047) | 42.796 |
| Revenue Support Grant | (1.278) | | (1.278) | | (1.976) | (1.976) |
| National Non-Domestic Rates | (9.180) | | (9.180) | | (8.560) | (8.560) |
| Council Tax Receipts | (18.853) | (0.046) | (18.899) | | (19.982) | (19.982) |
| | (29.311) | (0.046) | (29.357) | 0.000 | (30.518) | (30.518) |
| (SURPLUS)/DEFICIT FOR THE YEAR | 15.508 | (0.046) | 15.462 | 44.843 | (32.565) | 12.278 |

STATEMENT OF MOVEMENT IN THE GENERAL FUND BALANCE

| | 2008-09 £m | Restate -ment £m | 2008-09 Restated £m | 2009-10 £m |
|--|----------------|------------------------|---------------------------|----------------|
| (Surplus)/Deficit for the year on the Income and Expenditure Account | 15.508 | (0.046) | 15.462 | 12.278 |
| Net additional amount required by statute and non-statutory proper practice to be debited or credited to the General Fund Balance for the year | (15.396) | 0.046 | (15.350) | (11.773) |
| (Increase)/Decrease in General Fund Balance for the year | 0.112 | 0.000 | 0.112 | 0.505 |
| General Fund Balance brought forward | (1.259) | | (1.259) | (1.147) |
| General Fund Balance carried forward | (1.147) | 0.000 | (1.147) | (0.642) |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| | 2008-09 | Restat- ement | 2008-09 | 2009-10 |
|--|----------------|--------------------------|-----------------|----------------|
| | £m | £m | Restated | £m |
| | | | £m | |
| (Surplus)/Deficit for the year on the Income and Expenditure Account | 15.508 | (0.046) | 15.462 | 12.278 |
| Loss/(Gain) arising from the revaluation of fixed assets | 0.055 | | 0.055 | (5.519) |
| Gain arising from the re-statement of fixed assets | 0.000 | | 0.000 | (0.006) |
| Actuarial (gains)/losses on pension fund asset and liabilities | (22.123) | | (22.123) | 64.767 |
| Total Recognised (Gains)/losses for the year | (6.560) | (0.046) | (6.606) | 71.520 |

BALANCE SHEET

| | Note | 31 Mar 2009 £m | Restat- ement £m | 01 Apr 2009 £m | 31 Mar 2010 £m |
|--|-------|----------------------|------------------------|----------------------|----------------------|
| Operational Fixed Assets | | | | | |
| Land & Buildings | 10-11 | 28.720 | | 28.720 | 30.776 |
| Vehicles Plant & Equipment | 10-11 | 4.929 | | 4.929 | 6.321 |
| | | 33.649 | 0.000 | 33.649 | 37.097 |
| Non-Operational Fixed Assets | | | | | |
| Assets under construction | 10-11 | 0.322 | | 0.322 | 0.590 |
| | | 0.322 | 0.000 | 0.322 | 0.590 |
| Intangible Assets | | | | | |
| Software Licences etc | 10 | 0.180 | | 0.180 | 0.201 |
| | | 0.180 | 0.000 | 0.180 | 0.201 |
| TOTAL FIXED ASSETS | | 34.151 | 0.000 | 34.151 | 37.888 |
| Current Assets | | | | | |
| Cash In Hand | | 0.010 | | 0.010 | 0.017 |
| Short Term Investments | 12-13 | 2.855 | | 2.855 | 1.746 |
| Stocks | 17 | 0.133 | | 0.133 | 0.147 |
| Debtors & Prepayments | 18 | 1.851 | 0.587 | 2.438 | 3.510 |
| | | 4.849 | 0.587 | 5.436 | 5.420 |
| Current Liabilities | | | | | |
| Creditors | 19 | (2.257) | (0.531) | (2.788) | (2.284) |
| Short Term Borrowing | 12 | (1.094) | | (1.094) | (0.529) |
| Deferred Income | | (0.001) | | (0.001) | (0.001) |
| | | (3.352) | (0.531) | (3.883) | (2.814) |
| NET CURRENT ASSETS | | 1.497 | 0.056 | 1.553 | 2.606 |
| Long Term Liabilities | | | | | |
| Long Term Borrowing | 12 | (12.053) | | (12.053) | (14.534) |
| Provision | 32-33 | 0.000 | | 0.000 | (0.538) |
| Capital Grants Unapplied | 20 | (0.369) | | (0.369) | (0.334) |
| Government Grants Deferred | 21 | (0.362) | | (0.362) | (0.963) |
| Liability related to Defined Benefit Pension Schemes | 23 | (163.997) | | (163.997) | (236.722) |
| | | (176.781) | 0.000 | (176.781) | (253.091) |
| NET ASSETS | | (141.133) | 0.056 | (141.077) | (212.597) |
| REPRESENTED BY: | | | | | |
| Revaluation Reserve | 24 | 0.000 | | 0.000 | 5.519 |
| Capital Adjustment Account | 24 | 20.395 | | 20.395 | 16.648 |
| Collection Fund Adjustment Account | 25 | 0.000 | 0.056 | 0.056 | 0.122 |
| Pensions Reserve | 23 | (163.997) | | (163.997) | (236.722) |
| Useable Capital Receipts Reserve | 26 | 0.000 | | 0.000 | 0.000 |
| Earmarked Reserves | 27-28 | 1.322 | | 1.322 | 1.194 |
| Revenue Reserve | 27-28 | 1.147 | | 1.147 | 0.642 |
| | | (141.133) | 0.056 | (141.077) | (212.597) |

Treasurer to the Fire and Rescue Authority



Date

25/06/2010

CASH-FLOW STATEMENT FOR 12 MONTHS ENDING 31 MARCH 2010

| | Notes | 2008-09 | | 2009-10 | |
|---|--------------------------------------|----------|----------------|----------|----------------|
| | | £m | £m | £m | £m |
| REVENUE ACTIVITIES | | | | | |
| Cash Outflow | Employees | 25.854 | | 28.004 | |
| | Other | 6.760 | 32.614 | 7.035 | 35.039 |
| Cash Inflow | Council Tax Receipts | (18.853) | | (19.915) | |
| | Share of National Non-Domestic Rates | (9.180) | | (8.560) | |
| | Revenue Support Grant | (1.278) | | (1.976) | |
| | Other Government Grants | (2.831) | | (3.996) | |
| | Goods & Services | (0.466) | | (0.301) | |
| | Other Contributions | (0.048) | (32.656) | (0.078) | (34.826) |
| Net Cashflow from Revenue Activities | | | (0.042) | | 0.213 |
| RETURNS ON INVESTMENT & SERVICING OF FINANCE | | | | | |
| Cash Outflow | Interest Paid | 0.575 | | 0.584 | |
| Cash Inflow | Interest Received | (0.295) | 0.280 | (0.028) | 0.556 |
| CAPITAL ACTIVITIES | | | | | |
| Cash Outflow | Purchase of Fixed Assets | 3.804 | | 2.942 | |
| Cash Inflow | Capital Receipts | (0.477) | | 0.000 | |
| Cash Inflow | Capital Grants | (0.025) | 3.302 | (0.699) | 2.243 |
| Net Cash-flow Before Financing | | | 3.540 | | 3.012 |
| FINANCING | | | | | |
| Cash Outflow | Loans Repaid | 0.000 | | 1.090 | |
| Cash Inflow | Loans Raised | 0.000 | 0.000 | (3.000) | (1.910) |
| NET CHANGE IN CASH & CASH ALTERNATIVES | | | 3.540 | | 1.102 |

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Reconciliation of the Statement of Movement in the General Fund

1.1 This table details the difference in the accounting basis that the FRA is required, by statute, to use when determining Council Tax for the year.

| | 2008-09 £m | Restate- ment £m | 2008-09 Restated £m | 2009-10 £m |
|---|-----------------|------------------------|---------------------------|-----------------|
| Depreciation, impairment and amortisation of fixed assets | (4.751) | | (4.751) | (4.756) |
| Share of Council Tax Surpluses & Deficits | 0.000 | 0.046 | 0.046 | 0.066 |
| Government Grants Deferred amortisation | 0.021 | | 0.021 | 0.133 |
| Net Gain on Sale of Fixed Assets | 0.101 | | 0.101 | 0.000 |
| Net charges made for retirement benefits in accordance with FRS17 | (17.352) | | (17.352) | (15.832) |
| Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement in the General Fund Balance for the year | (21.981) | 0.046 | (21.935) | (20.389) |
| Minimum revenue provision for capital financing | 0.662 | | 0.662 | 0.780 |
| Capital Expenditure Charged to Revenue | 0.447 | | 0.447 | 0.090 |
| Employer's contributions payable to the Worcestershire County Council Pension Fund and payment of retirement benefits direct to pensioners | 6.257 | | 6.257 | 7.874 |
| Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement in the General Fund Balance for the year | 7.366 | 0.000 | 7.366 | 8.744 |
| Net transfer to or from earmarked reserves | (0.781) | | (0.781) | (0.128) |
| Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement in the General Fund Balance for the year | (0.781) | 0.000 | (0.781) | (0.128) |
| Net additional amount required to be credited to the General Fund balance for the year | (15.396) | 0.046 | (15.350) | (11.773) |

2. Publicity

2.1 Section 5 of the Local Government Act 1986 required the FRA to maintain a separate account of expenditure on a wide range of publicity activities. Although there is no longer a requirement to report this in the Statement of Accounts this information continues to be provided. The expenditure shown below is included within the Income and Expenditure Account:

| | 2008-09 £ | 2009-10 £ |
|---------------------|---------------|---------------|
| Staff Advertising | 46,139 | 31,375 |
| General Advertising | 7,203 | 11,505 |
| | 53,342 | 42,880 |

3. Members Allowances

3.1 The total amount paid to Members as Allowances and expenses under the adopted scheme was £59,225, (2008-09 £57,726). Details in respect of 2009-10 are given below:

| | | | 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 | | | 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 | | | 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 |

4. Officers' Emoluments

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

| £ | 2008-09 No. of Staff | 2009-10 No. of Staff |
|-------------------|-------------------------|-------------------------|
| 50,000 - 54,999 | 9 | 10 |
| 55,000 - 59,999 | 11 | 5 |
| 60,000 - 64,999 | 1 | |
| 65,000 - 69,999 | | |
| 70,000 - 74,999 | 2 | 1 |
| 75,000 - 79,999 | 1 | 2 |
| 80,000 - 84,999 | | |
| 85,000 - 89,999 | 1 | |
| 90,000 - 94,999 | | 2 |
| 95,000 - 99,999 | 2 | 1 |
| 100,000 - 104,999 | | |
| 105,000 - 109,999 | | |
| 110,000 - 114,999 | | |
| 115,000 - 119,999 | 1 | |
| 120,000 - 124,999 | | 1 |
| | 28 | 22 |

4.2 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

| 2008-09 Post Title | | Salary | Benefit in Kind | Total excl Pension | Pension Contrib. | Total incl Pension |
|------------------------------------|---------------|----------------|--------------------|-----------------------|---------------------|-----------------------|
| | | £ | £ | £ | £ | £ |
| Chief Fire Officer/Chief Executive | Uniformed | 119,671 | 129 | 119,800 | 25,490 | 145,290 |
| Deputy Chief Fire Officer | Uniformed | 95,167 | 1,085 | 96,252 | 15,703 | 111,955 |
| Assistant Chief Fire Officer | Uniformed | 96,601 | 129 | 96,730 | 20,576 | 117,306 |
| Assistant Chief Fire Officer | Uniformed | 89,219 | 129 | 89,348 | 19,004 | 108,352 |
| Director of Finance | Non-Uniformed | 63,616 | 7,784 | 71,400 | 10,497 | 81,897 |
| | | 464,274 | 9,256 | 473,530 | 91,270 | 564,800 |
| 2009-10 Post Title | | Salary | Benefit in Kind | Total excl Pension | Pension Contrib. | Total 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 |

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

4.4 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.

5. Related Party Transactions

5.1 For 2008-09 and 2009-10 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). For 2008-09 and 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

5.2 The FRA shares services with both these bodies and costs are included in the Income and Expenditure Account. 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 | 2008-09 £m | 2009-10 £m |
|----------------------|-------------------------------|---------------|---------------|
| Legal Services | Herefordshire Council | 0.047 | 0.071 |
| Committee Services | Herefordshire Council | 0.004 | 0.006 |
| | | 0.051 | 0.077 |
| Financial Services | Worcestershire County Council | 0.012 | 0.012 |
| Internal Audit | Worcestershire County Council | 0.023 | 0.029 |
| Payroll and Pensions | Worcestershire County Council | 0.060 | 0.057 |
| Scientific Services | Worcestershire County Council | 0.009 | 0.009 |
| Personnel Services | Worcestershire County Council | 0.000 | 0.011 |
| Property Services | Worcestershire County Council | 0.064 | 0.150 |
| | | 0.168 | 0.268 |
| | | 0.219 | 0.345 |

5.3 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 £0.594m. (2008-09 £0.532m).
- 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.

5.4 Details of government grants received are shown in Note 34 on page 37.

6. External Audit Fees

6.1 During 2009-10 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.

| | 2008-09 £m | 2009-10 £m |
|--|---------------|---------------|
| Fees payable to the Audit Commission: | | |
| in respect of external audit services : 2007-08 Accounts | 0.015 | |
| in respect of external audit services : 2008-09 Accounts | 0.069 | 0.008 |
| in respect of external audit services : 2009-10 Accounts | | 0.072 |
| | 0.084 | 0.080 |

7. Leases

7.1 The FRA has entered into Operating Leases for the provision of emergency and ancillary vehicles. The total rentals paid to lessors on all leases in the year totalled £0.512m (2008-09 £0.597m).

7.2 The estimated future obligation under these operating lease agreements is shown in the table overleaf:

| | £m |
|---------|--------------|
| 2010/11 | 0.364 |
| 2011/12 | 0.240 |
| 2012/13 | 0.174 |
| 2013/14 | 0.045 |
| 2014/15 | 0.024 |
| 2015/16 | 0.012 |
| | 0.859 |

8. Capital Expenditure

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

| | 2008-09 £m | 2009-10 £m |
|---------------------------------------|---------------|---------------|
| New Buildings & Adaptations | 1.928 | 0.428 |
| Vehicles (including fitted equipment) | 1.352 | 1.130 |
| IT and Communication Equipment | 0.344 | 0.315 |
| Other Equipment | 0.112 | 1.094 |
| Total Capital Expenditure | 3.736 | 2.967 |

8.2 Capital expenditure was financed as follows:

| | 2008-09 £m | 2009-10 £m |
|-----------------------|---------------|---------------|
| Net Borrowing | 2.468 | 2.143 |
| Capital Receipts | 0.477 | 0.000 |
| Capital Grant | 0.344 | 0.734 |
| Revenue Contributions | 0.447 | 0.090 |
| | 3.736 | 2.967 |

8.3 Capital Financing Requirement

| | 2008-09 £m | 2009-10 £m |
|--|---------------|---------------|
| Opening Capital Financing Requirement | 11.592 | 13.398 |
| Capital investment | | |
| Operational assets | 3.421 | 2.385 |
| Assets not yet Operational | 0.315 | 0.582 |
| Sources of Finance | | |
| Capital receipts | (0.477) | 0.000 |
| Government grants and other contributions | (0.344) | (0.734) |
| Sums set aside from revenue - Direct Revenue Financing | (0.447) | (0.090) |
| | 2.468 | 2.143 |
| Sums set aside from revenue - Minimum Revenue Provision | (0.662) | (0.780) |
| Change in Capital Financing Requirement | 1.806 | 1.363 |
| | | |
| Closing Capital Financing Requirement | 13.398 | 14.761 |
| Explanation of movements in year | | |
| Increase in underlying need to borrow (supported by government financial assistance) | 0.701 | 0.783 |
| Increase in underlying need to borrow (unsupported by government financial assistance) | 1.105 | 0.580 |
| Increase in Capital Financing Requirement | 1.806 | 1.363 |

9. Capital Commitments

At 31 March 2010 the FRA had the following material commitments to capital schemes, for which budget provision has been provided:

- Completion of small specialist appliances £0.170m
- Completion of 2009-10 replacement Pumps £0.252m
- Completion of replacement Water Carrier £0.062m
- Advance ordering 2010-11 replacement Pumps £0.645m

10. Movement of Fixed Assets

| | Land and Buildings £m | Vehicles Plant and Equipment £m | Assets not yet Operational £m | Intangible Assets £m | TOTAL £m |
|---------------------------------------|--------------------------|------------------------------------|----------------------------------|-------------------------|----------------|
| Cost or valuation | | | | | |
| at 31 March 2009 | 30.343 | 9.931 | 0.322 | 0.395 | 40.991 |
| Reclassifications | 0.000 | 0.314 | (0.314) | | 0.000 |
| Restatement | | 0.007 | | | 0.007 |
| Adjustment | | 0.176 | | | 0.176 |
| Additions | 0.222 | 2.032 | 0.582 | 0.131 | 2.967 |
| Disposals | 0.000 | | | | 0.000 |
| Write Offs | 0.000 | | | | 0.000 |
| Impairment | (4.518) | | | | (4.518) |
| Revaluation | 4.729 | | | | 4.729 |
| At 31 March 2010 | 30.776 | 12.460 | 0.590 | 0.526 | 44.352 |
| Depreciation | | | | | |
| at 31 March 2009 | (1.623) | (5.002) | 0.000 | (0.215) | (6.840) |
| Restatement | 0.001 | (0.001) | | | 0.000 |
| Adjustment | | (0.176) | | | (0.176) |
| Depreciation Charge for 2009-10 | (0.422) | (0.960) | | | (1.382) |
| Amortization in 2009-10 | | | | (0.110) | (0.110) |
| Disposals | 0.000 | 0.000 | | | 0.000 |
| Write Offs | 0.000 | | | | 0.000 |
| Revaluation | 2.044 | | | | 2.044 |
| At 31 March 2010 | 0.000 | (6.139) | 0.000 | (0.325) | (6.464) |
| Balance Sheet amount at 31 March 2009 | 28.720 | 4.929 | 0.322 | 0.180 | 34.151 |
| Balance Sheet amount at 31 March 2010 | 30.776 | 6.321 | 0.590 | 0.201 | 37.888 |

| Nature of asset holding | Land and Buildings £m | Vehicles Plant and Equipment £m | Assets not yet Operational £m | Intangible Assets £m | TOTAL £m |
|-------------------------|--------------------------|------------------------------------|----------------------------------|-------------------------|---------------|
| Owned | 30.776 | 6.321 | 0.590 | 0.201 | 37.888 |
| | 30.776 | 6.321 | 0.590 | 0.201 | 37.888 |

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.

11 Details of Assets Owned

| | 31-Mar-09 | 31-Mar-10 |
|--------------------------------------|-----------|-----------|
| 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 |
| Building temporarily let | 1 | 1 |
| Vehicles | | |
| Operational Vehicles | 62 | 72 |
| Ancillary Vehicles | 1 | 7 |

11.1 Due to the de-minimus limit applied to vehicle capital purchase (see Accounting Policies) not all vehicles listed above are included in the Fixed Assets on the Balance Sheet. In addition a significant part of the fleet has been acquired under operational leases, or supplied and owned by DCLG. For information this is shown below:

| | 31-Mar-09 | 31-Mar-10 |
|-------------------------------|-----------|-----------|
| Operational Vehicles - DCLG | 9 | 9 |
| Operational Vehicles - Leased | 21 | 17 |
| Ancillary Vehicles - Leased | 113 | 124 |

11.2 The increase in leased ancillary vehicles is temporary as replaced assets are held pending their replacements being made operational.

12. Financial Instruments

12.1 The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments

Long and Short Term Borrowing:

| | 31-Mar-09 | | | 31-Mar-10 | | |
|-----------------------------|-----------------|------------------|---------------|-----------------|------------------|---------------|
| | Long Term £m | Short Term £m | TOTAL £m | Long Term £m | Short Term £m | TOTAL £m |
| Loan Source | | | | | | |
| Public Works Loans Board | 11.963 | 1.090 | 13.053 | 14.438 | 0.525 | 14.963 |
| | 11.963 | 1.090 | 13.053 | 14.438 | 0.525 | 14.963 |
| Analysis by Maturity | | | | | | |
| Less than 1 year | 0.000 | 1.090 | 1.090 | | 0.525 | 0.525 |
| Between 1 and 2 years | 0.525 | 0.000 | 0.525 | 1.467 | | 1.467 |
| Between 2 and 5 years | 1.467 | 0.000 | 1.467 | 1.000 | | 1.000 |
| Between 5 and 10 years | 0.334 | 0.000 | 0.334 | 2.334 | | 2.334 |
| Over 10 years | 9.637 | 0.000 | 9.637 | 9.637 | | 9.637 |
| Total of Loans | 11.963 | 1.090 | 13.053 | 14.438 | 0.525 | 14.963 |
| Accrued Interest | 0.090 | 0.004 | 0.094 | 0.096 | 0.004 | 0.100 |
| Balance Sheet Total | 12.053 | 1.094 | 13.147 | 14.534 | 0.529 | 15.063 |

12.2 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.

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

12.4 The Fair Value of the loans at 31 March 2010 was £15.527m (£14.303m at 31 March 2009) as estimated by PWLB by reference to the "premature repayment" set of rates in force on 31 March 2010 (31 March 2009).

Short Term Investments:

| | 31-Mar-09 £m | 31-Mar-10 £m |
|----------------------------|-----------------|-----------------|
| Loans to Worcestershire CC | 2.855 | 1.746 |
| | 2.855 | 1.746 |

12.5 Any surplus cash balances are loaned on a daily basis to Worcestershire County Council. The County Council invests its total funds in short term deposits with a range of banks in accordance with the WCC Treasury Management Policy.

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-10 £m | written off in last 3 years £m | Historical Default £m |
|---------------------|-----------------|--------------------------------------|-----------------------------|
| Investment with WCC | 1.746 | 0.000 | 0.00% |
| Customers | 0.064 | 0.000 | 0.00% |
| Total | 1.810 | 0.000 | |

14.4 Of the £0.064m due from Customers at 31 March 2010 the following table analyses the due dates.

| | £m |
|----------------------------|--------------|
| not yet due | 0.064 |
| less than 1 month overdue | 0.000 |
| 1 to 2 months overdue | 0.000 |
| more than 2 months overdue | 0.000 |
| | 0.064 |

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 below:

| 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. Stocks

| | 31-Mar-09 £m | 31-Mar-10 £m |
|--------------------------------|-------------------------|-------------------------|
| Equipment, Uniforms & Supplies | 0.059 | 0.064 |
| Fuel | 0.014 | 0.022 |
| Vehicle Stores | 0.060 | 0.061 |
| | 0.133 | 0.147 |

- 17.1 Fuel stocks have increased, as completion of the USAR works at Droitwich have now permitted storage at the Droitwich site to re-commence, and fuel prices have increased significantly this year.

18. Debtors and Prepayments

| | 31-Mar-09 £m | 31-Mar-10 £m |
|-----------------------------------|-------------------------|-------------------------|
| Prepayments | 0.010 | 0.044 |
| Sundry Debtors | 0.590 | 0.683 |
| Amount due from Pension Fund Acct | 1.251 | 2.159 |
| Council Tax Debtors | 0.467 | 0.495 |
| Billing Authority Debtors | 0.120 | 0.129 |
| | 2.438 | 3.510 |

19. Creditors

| | 31-Mar-09 £m | 31-Mar-10 £m |
|-----------------------------|-------------------------|-------------------------|
| Government Departments | 0.464 | 0.452 |
| Sundry Creditors | 1.793 | 1.330 |
| Council Tax Creditors | 0.253 | 0.269 |
| Billing Authority Creditors | 0.278 | 0.233 |
| | 2.788 | 2.284 |

20. Capital Grants Unapplied

| | LPSA1 (Worcs) Reward Grant (Capital) £m | Formula Capital Grant £m | CLG E&D Grant £m | TOTAL £m |
|-------------------------------------|--|---|---|---------------------|
| Balance at 31 March 2009 | 0.369 | 0.000 | 0.000 | 0.369 |
| Grant Received in Year | 0.000 | 0.665 | 0.034 | 0.699 |
| Used to Finance Capital Expenditure | (0.037) | (0.665) | (0.032) | (0.734) |
| Balance at 31 March 2010 | 0.332 | 0.000 | 0.002 | 0.334 |

21. Government Grants Deferred

21.1 Where assets are funded by specific government grant, it is required that accounting for the grant takes place over the life of the asset, in line with the depreciation charge on the asset created.

| | £m |
|---------------------------------|--------------|
| Balance at 31 March 2009 | 0.362 |
| Grant Received in year | 0.734 |
| Grant Applied in year | (0.133) |
| Balance at 31 March 2010 | 0.963 |

22. Pension Arrangements

22.1 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.

22.2 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.

22.3 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 22.4 below) so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.

22.4 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 Paragraph 15 of the Explanatory Forward.
- FFCS – the actual injury pensions and any RDS ill-health pensions payable.

22.5 It is estimated that the following contributions will be made to the schemes in 2010-11

| | Employers Contributions £m | Employees Contributions £m | TOTAL £m |
|---|-------------------------------|-------------------------------|--------------|
| Local Government Pension Scheme (LGPS) | 0.605 | 0.208 | 0.813 |
| Fire-fighters Pension Scheme (FFPS) | 2.103 | 1.086 | 3.189 |
| New Fire-fighters Pension Scheme (NFPS) | 0.288 | 0.209 | 0.497 |
| | 2.996 | 1.503 | 4.499 |

22.6 Transactions made in the Income and Expenditure Account and the Statement of Movement in the General Fund Balance during the year are shown in the tables overleaf:

| | LGPS | | FFPS | |
|---|---------------|---------------|---------------|---------------|
| | 2008-09 £m | 2009-10 £m | 2008-09 £m | 2009-10 £m |
| Income and Expenditure Account | | | | |
| Net Cost of Services: | | | | |
| Current Service Cost | 0.573 | 0.390 | 4.260 | 3.540 |
| Past Service Cost | 0.000 | 0.000 | 0.000 | 0.000 |
| Net Operating Expenditure: | | | | |
| Interest Cost | 0.841 | 0.819 | 10.880 | 10.060 |
| Expected Return on Assets in the Scheme | (0.562) | (0.447) | n/a | n/a |
| Net Charge to the Income and Expenditure Account | 0.852 | 0.762 | 15.140 | 13.600 |
| Statement of Movement in the General Fund Balance | | | | |
| Removal of net charges made for retirement benefits in accordance with FRS17 | (0.852) | (0.762) | (15.140) | (13.600) |
| Actual Amount charged against the General Fund Balance for pensions in the year: | | | | |
| Employer's contribution payable to scheme | 0.532 | 0.594 | 2.128 | 2.137 |
| | 0.532 | 0.594 | 2.128 | 2.137 |

| | NFPS | | FFCS | |
|---|---------------|---------------|---------------|---------------|
| | 2008-09 £m | 2009-10 £m | 2008-09 £m | 2009-10 £m |
| Income and Expenditure Account | | | | |
| Net Cost of Services: | | | | |
| Current Service Cost | 0.590 | 0.660 | 0.000 | 0.000 |
| Past Service Cost | 0.000 | 0.000 | 0.000 | 0.000 |
| Net Operating Expenditure: | | | | |
| Interest Cost | 0.090 | 0.130 | 0.680 | 0.680 |
| Expected Return on Assets in the Scheme | n/a | n/a | n/a | n/a |
| Net Charge to the Income and Expenditure Account | 0.680 | 0.790 | 0.680 | 0.680 |
| Statement of Movement in the General Fund Balance | | | | |
| Removal of net charges made for retirement benefits in accordance with FRS17 | (0.680) | (0.790) | (0.680) | (0.680) |
| Actual Amount charged against the General Fund Balance for pensions in the year: | | | | |
| Employer's contribution payable to scheme | 0.236 | 0.286 | | |
| Retirement Benefits payable to Pensioners | | | 0.611 | 0.632 |
| | 0.236 | 0.286 | 0.611 | 0.632 |

22.7 In addition to the recognised gains and losses included in the Income and Expenditure Account, net actuarial losses of £64.767m (2008-09 £22.123m gain) are included in the Statement of Total Recognised Gains and Losses.

23. Assets and Liabilities in relation to retirement benefits

23.1 Reconciliation of the present value of scheme liabilities:

| | Funded Liabilities (LGPS) | | Un-funded Liabilities (FFPS) | |
|--------------------------------------|---------------------------|---------------|------------------------------|----------------|
| | 2008-09 £m | 2009-10 £m | 2008-09 £m | 2009-10 £m |
| at 1 April | 13.490 | 11.341 | 158.428 | 147.658 |
| Current Service Cost | 0.573 | 0.390 | 3.190 | 2.490 |
| Interest Cost | 0.841 | 0.819 | 10.880 | 10.060 |
| Contributions by scheme participants | 0.214 | 0.236 | 1.070 | 1.050 |
| Actuarial gains and losses | (3.573) | 5.120 | (19.975) | 58.210 |
| Benefits paid | (0.204) | (0.251) | (5.935) | (7.360) |
| at 31 March | 11.341 | 17.655 | 147.658 | 212.108 |

| | Un-funded Liabilities (NFPS) | | Un-funded Liabilities (FFCS) | |
|--------------------------------------|------------------------------|---------------|------------------------------|---------------|
| | 2008-09 £m | 2009-10 £m | 2008-09 £m | 2009-10 £m |
| at 1 April | 0.930 | 1.490 | 10.162 | 10.071 |
| Current Service Cost | 0.420 | 0.440 | | |
| Interest Cost | 0.090 | 0.130 | 0.680 | 0.680 |
| Contributions by scheme participants | 0.170 | 0.220 | | |
| Transfers In | 0.210 | 0.080 | | |
| Actuarial gains and losses | (0.330) | 1.870 | (0.160) | 2.920 |
| Benefits paid | | | (0.611) | (0.633) |
| at 31 March | 1.490 | 4.230 | 10.071 | 13.038 |

23.2 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.

| | 2008-09 £m | 2009-10 £m |
|--------------------------------------|---------------|---------------|
| at 1 April | 7.985 | 6.563 |
| Expected rate of return | 0.562 | 0.447 |
| Actuarial gains and losses | (2.526) | 2.720 |
| Employer contributions | 0.532 | 0.594 |
| Contributions by scheme participants | 0.214 | 0.236 |
| Benefits paid | (0.204) | (0.251) |
| at 31 March | 6.563 | 10.309 |

23.3 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 23.10 appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class as shown in table 23.12. Note that rates quoted are gross of expenses. The actual return on schemes' assets in the year was £3.167m (2008-09 £1.964m).

23.4 **Scheme History:**

| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|---|----------------|----------------|----------------|----------------|----------------|
| | £m | Restated £m | Restated £m | £m | £m |
| Present value of liabilities: | | | | | |
| LGPS : Local Government Pension Scheme | 10.605 | 11.022 | 13.490 | 11.341 | 17.655 |
| FFPS : Firefighters 1992 Scheme | 198.094 | 184.020 | 158.428 | 147.658 | 212.108 |
| NFPS : Firefighters 2006 Scheme | n/a | 0.100 | 0.930 | 1.490 | 4.230 |
| FFCS : Firefighters Injury Scheme | n/a | 10.525 | 10.162 | 10.071 | 13.038 |
| Fair value of assets in the LGPS | 7.137 | 8.076 | 7.985 | 6.563 | 10.309 |
| Surplus/(deficit) in the Scheme: | | | | | |
| LGPS : Local Government Pension Scheme | 3.468 | 2.946 | 5.505 | 4.778 | 7.346 |
| FFPS : Firefighters 1992 Scheme | 198.094 | 184.020 | 158.428 | 147.658 | 212.108 |
| NFPS : Firefighters 2006 Scheme | n/a | 0.100 | 0.930 | 1.490 | 4.230 |
| FFCS : Firefighters Injury Scheme | n/a | 10.525 | 10.162 | 10.071 | 13.038 |
| Total | 201.562 | 197.591 | 175.025 | 163.997 | 236.722 |

23.5 The Authority has elected not to restate the value of scheme assets in the Local Government Scheme for 2005-06 as permitted by FRS 17 (as revised).

23.6 The liabilities show the underlying commitments that the FRA has in the long run to pay retirement benefits. The total liability of £236.722m has a substantial impact on the net worth of the FRA as recorded in the Balance Sheet, resulting in a negative overall balance of £212.597m.

23.7 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.

23.8 The total contributions expected to be made to the LGPS by the FRA in 2009-10 is £0.594m, and to the firefighters' schemes £3.055m. This includes the direct cost of injury pensions, and ill health charges.

23.9 **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.

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

| | Local Government Scheme | | FFPS (1992 Scheme) | |
|--|-------------------------|---------|--------------------|---------|
| | 2008-09 | 2009-10 | 2008-09 | 2009-10 |
| Long-term expected rate of return on assets in the scheme | | | | |
| Equity investments | 7.5% | 7.5% | n/a | n/a |
| Government Bonds | 4.0% | 4.5% | n/a | n/a |
| Other Bonds | 6.0% | 5.2% | n/a | n/a |
| Property | n/a | n/a | n/a | n/a |
| Cash/liquidity | 0.5% | 0.5% | n/a | n/a |
| Mortality assumptions: | | | | |
| Longevity at 65 for current pensioners | | | | |
| Male | 21.2 | 21.2 | 23.1 | 23.3 |
| Female | 24.0 | 24.0 | 24.7 | 25.2 |
| Longevity at 65 for future pensioners | | | | |
| Male | 22.2 | 22.2 | 25.8 | 26.2 |
| Female | 25.0 | 25.0 | 27.4 | 28.0 |
| Rate of inflation | 3.3% | 3.5% | 3.0% | 3.9% |
| Rate of increase in salaries | 4.8% | 5.0% | 4.5% | 5.4% |
| Rate of increase in pensions | 3.3% | 3.5% | 3.0% | 3.9% |
| Rate for discounting scheme liabilities | 7.1% | 5.7% | 6.9% | 5.8% |
| Take-up of option to convert annual pension into retirement lump sum: | | | | |
| take maximum cash | 50% | 50% | n/a | n/a |
| take 3/80ths cash | 50% | 50% | n/a | n/a |

| | NFPS (2006 Scheme) | | FFCS (Injury Scheme) | |
|--|--------------------|---------|----------------------|---------|
| | 2008-09 | 2009-10 | 2008-09 | 2009-10 |
| Longevity at 65 for current pensioners | | | | |
| Male | 23.1 | 23.3 | 23.1 | 23.3 |
| Female | 24.7 | 25.2 | 24.7 | 25.2 |
| Longevity at 65 for future pensioners | | | | |
| Male | 25.8 | 26.2 | 25.8 | 26.2 |
| Female | 27.4 | 28.0 | 27.4 | 28.0 |
| Rate of inflation | 3.0% | 3.9% | 3.0% | 3.9% |
| Rate of increase in salaries | 4.5% | 5.4% | 4.5% | 5.4% |
| Rate of increase in pensions | 3.0% | 3.9% | 3.0% | 3.9% |
| Rate for discounting scheme liabilities | 6.9% | 5.8% | 6.9% | 5.8% |
| Take-up of option to convert annual pension into retirement lump sum: | | | | |
| take maximum cash | n/a | n/a | n/a | n/a |
| take 3/80ths cash | n/a | n/a | n/a | n/a |

23.11 Annual pension conversion options do not apply to the firefighter Pension Schemes.

23.12 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.

| | 31-Mar-09 | 31-Mar-10 |
|------------------|---------------|---------------|
| Equities | 85.6% | 92.3% |
| Government Bonds | 8.4% | 2.8% |
| Other Bonds | 3.2% | 3.9% |
| Other Assets | 2.8% | 1.0% |
| | 100.0% | 100.0% |

23.13 History of experience gains and losses

The actuarial gains identified as movements in the Pension Reserve in 2009-10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010, and are shown in the table below:

| Local Government Scheme | | | | | |
|---|----------------|-----------------------------|-----------------------------|----------------|----------------|
| | 2005-06 | 2006-07 Restated | 2007-08 Restated | 2008-09 | 2009-10 |
| Difference between the expected and actual return on assets | 14.8% | 0.2% | -15.0% | -38.5% | -26.4% |
| Experience gains and losses on liabilities | -3.0% | 0.0% | -5.0% | 0.0% | 0.0% |

| 1992 Firefighters' Pension Scheme | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
| Experience gains and losses on liabilities | 0.4% | -1.4% | 1.8% | 1.6% | 3.2% |

| 2006 Firefighters' Pension Scheme | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
| Experience gains and losses on liabilities | n/a | 0.0% | -25.8% | 11.4% | 1.7% |

| Firefighters Injury Scheme | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
| Experience gains and losses on liabilities | n/a | 0.0% | -2.7% | -2.1% | 2.6% |

24. Movements in Capital Accounting Reserves

| | Capital Adj. Acc. £m | Revaluation Reserve £m |
|-------------------------------------|-------------------------------------|---------------------------------------|
| Balance at 31 March 2009 | 20.395 | 0.000 |
| Revaluation | 1.253 | 5.519 |
| Impairment | (4.518) | 0.000 |
| Restatement | 0.006 | |
| Provision for Depreciation | (1.381) | |
| Amortisation of Intangible Assets | (0.110) | |
| Direct Revenue Financing of Capital | 0.090 | |
| Transfer from Govt Grants Deferred | 0.133 | |
| Provision for repayment of loans | 0.780 | |
| Balance at 31 March 2010 | 16.648 | 5.519 |

25. Movement in Collection Fund Adjustment Account

| | 2008-09 £m | 2009-10 £m |
|--------------------------|-----------------------|-----------------------|
| Balance at 31 Mar | 0.000 | 0.056 |
| restatement | 0.010 | |
| Balance at 01 Apr | 0.010 | |
| change in year | 0.046 | 0.066 |
| Balance at 31 Mar | 0.056 | 0.122 |

26. Movements in Useable Capital Receipts

| | £m |
|--|--------------|
| Balance at 1 April 2009 | 0.000 |
| Net Proceeds from sale of fixed assets | 0.000 |
| Used to Finance capital expenditure | 0.000 |
| Balance at 31 March 2010 | 0.000 |

27. Movements in Revenue Reserves

| | BALANCE 31-Mar-09 £m | IN YEAR MOVEMENT £m | BALANCE 31-Mar-10 £m |
|---|----------------------------|---------------------------|----------------------------|
| CAPITAL ADJUSTMENTS ACCOUNT Purpose : to record consumption of fixed assets over their life and monies set aside to finance assets. | 20.395 | (3.747) | 16.648 |
| REVALUATION RESERVE Purpose : to hold unrealised gains and losses from revaluations since 1st April 2007. | 0.000 | 5.519 | 5.519 |
| COUNCIL TAX ADJUSTMENT ACCOUNT Purpose : balancing account to allow inclusion of share of Collection Fund balances in I&E Account | 0.056 | 0.066 | 0.122 |
| USABLE CAPITAL RECEIPTS Purpose : to hold proceeds of fixed asset sales available to meet future capital investment | 0.000 | 0.000 | 0.000 |
| PENSIONS RESERVE Purpose : balancing account to allow inclusion of Pensions liability in the Balance Sheet. | (163.997) | (72.725) | (236.722) |
| GENERAL FUND Purpose : Resources available to meet future unforeseen costs | 1.147 | (0.505) | 0.642 |
| OTHER RESERVES Purpose : Resources set aside and earmarked for specific future spending. | 1.322 | (0.128) | 1.194 |
| | (141.077) | (71.520) | (212.597) |

27.1 The reduction in the General Fund balance reflects the provision created in respect of potential liability of the previous Chief Fire Officer, as referred to at 32 and 33 below, and will potentially be replenished by contributions from Constituent Authorities.

28. The Other Reserves shown in the table above are earmarked 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, undertaken in 2009/10.
- **Rank to Role Reserve** – The settlement of the firefighters' pay dispute in 2003 included a commitment to move from payment by rank to payment by role. This process was largely completed in 2007-08 and wholly by 2009-10. The small remaining balance is being transferred to the RDS Implementation Reserve (see below).
- **RDS Implementation Reserve** – To assist in completing implementation of the approved RDS Review. To be utilised in 2010-11.

- **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 is held in this reserve 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 will be 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.
- **Mobilising Resilience Reserve** – the further delay to Regional Fire Control “go live” means that the FRS cannot defer expenditure to increase short term resilience of the existing arrangements. This reserve was used to meet such costs in 2009-10.
- **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 has been severely delayed. The ECU had still not been delivered at 31-Mar-2010, although further grant was paid in 2009-10.
- **IRS Implementation Reserve** – to complete the implementation of the project to implement CLG chosen software to deliver data to CLG, and utilised in 2009-10 as planned.
- **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).

| | Balance at 31-Mar-09 £m | from/(to) I & E Acct £m | Transfer £m | Balance at 31-Mar-10 £m |
|--------------------------------------|-------------------------------|-------------------------------|----------------|-------------------------------|
| Earmarked Reserves | | | | |
| Pensions Reserve | 0.167 | | | 0.167 |
| Training Reserve | 0.089 | (0.006) | | 0.083 |
| New Dimensions Training Reserve | 0.070 | (0.040) | | 0.030 |
| Rank to Role Reserve | 0.058 | (0.040) | (0.018) | 0.000 |
| RDS Implementation Reserve | 0.000 | | 0.018 | 0.018 |
| Urban Search & Rescue Reserve | 0.284 | 0.074 | | 0.358 |
| LPSA Reward Grant Reserve | 0.156 | (0.123) | | 0.033 |
| Environment Agency Grant Reserve | 0.022 | | | 0.022 |
| New Burdens (FRC Transition) Reserve | 0.232 | (0.102) | | 0.130 |
| Mobilising Resilience Reserve | 0.040 | (0.040) | | 0.000 |
| Relocation Reserve | 0.045 | | | 0.045 |
| New Dimensions HVP/ECU Reserve | 0.144 | 0.104 | | 0.248 |
| IRS Implementation Reserve | 0.015 | (0.015) | | 0.000 |
| ICP-Workwear Reserve | 0.000 | 0.060 | | 0.060 |
| | 1.322 | (0.128) | 0.000 | 1.194 |

29. Contingent Liabilities

- 29.1 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. At this stage the final figure is not known nor when it will be payable (or if CLG will provide grant funding) Should the costs be incurred, then funding would initially have to be met from general balances.

30. NOTES TO THE CASH-FLOW STATEMENT

30.1 Reconciliation of Income and Expenditure Account to Revenue Activities Cash Flow

| | 2008-09 | | 2009-10 | |
|---|---------|----------------|---------|--------------|
| | £m | £m | £m | £m |
| Movement on General Fund Balance | 0.112 | | (0.033) | |
| less Transfer from Reserve | 0.781 | 0.893 | 0.128 | 0.095 |
| Less : Non-Cash Transactions | | | | |
| Minimum Revenue Provision (MRP) | (0.662) | | (0.780) | |
| Revenue Financing of Capital | (0.447) | (1.109) | (0.090) | (0.870) |
| Less : Items on an Accruals Basis | | | | |
| change in debtors | 0.287 | | 1.036 | |
| change in creditors | 0.166 | | 0.494 | |
| change in stocks/WIP | 0.000 | 0.453 | 0.014 | 1.544 |
| Less : Servicing of Finance | | (0.279) | | (0.556) |
| Net Cash-Flow : Revenue Activities | | (0.042) | | 0.213 |

30.2 Reconciliation of Movement in Cash

| | Balance 31-Mar-09 | Balance 31-Mar-10 | Change in the year |
|----------------|----------------------|----------------------|--------------------------|
| | £m | £m | £m |
| Cash In Hand | 0.010 | 0.017 | (0.007) |
| Cash at Bank | 2.855 | 1.746 | 1.109 |
| Cash Overdrawn | 0.000 | 0.000 | 0.000 |
| | 2.865 | 1.763 | 1.102 |

30.3 Reconciliation of Net Cash Flow to the Movement in Net Debt

| | 2008-09 £m | 2009-10 £m |
|----------------------------------|-----------------|-----------------|
| Net Debt at Start of Year | (6.648) | (10.188) |
| Change in Cash | (0.008) | 0.007 |
| Change in Debt Financing | 0.000 | (1.910) |
| Change in Liquid Resources | (3.532) | (1.109) |
| Net Debt at End of Year | (10.188) | (13.200) |

30.4 Analysis of Net Debt

| | Balance 31-Mar-09 | Balance 31-Mar-10 | Change in the year |
|------------------------|----------------------|----------------------|--------------------------|
| | £m | £m | £m |
| Cash in Hand | 0.010 | 0.017 | 0.007 |
| Short Term Investments | 2.855 | 1.746 | (1.109) |
| Short Term Debt | (1.090) | (0.525) | 0.565 |
| Long Term Debt | (11.963) | (14.438) | (2.475) |
| | (10.188) | (13.200) | (3.012) |

30.5 Government Grants

Government grants received and included in the Cash Inflow from Revenue Activities are shown on the next page.

| Government Grant Received | 2008-09 £m | 2009-10 £m |
|-------------------------------------|-----------------------|-----------------------|
| New Dimensions Training Grant | (0.071) | (0.073) |
| New Dimensions USAR Grant | (0.835) | (0.945) |
| New Dimensions ECU Grant | (0.041) | (0.119) |
| New Burdens (Fire Control) Grant | (0.123) | (0.115) |
| Herefordshire Council Vehicle Grant | (0.005) | 0.000 |
| Pension Top-up Grant | (1.742) | (2.714) |
| CLG - Flooding Manual | 0.000 | (0.030) |
| Bellwin Grant | (0.014) | 0.000 |
| | (2.831) | (3.996) |

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

- 31.1 The National Fire Control Project is working towards the migration of English Fire and Rescue Control functions into nine Regional Control Centres. One of these centres is located within the West Midlands region.
- 31.2 The Centre will be operated by a Local Authority Controlled Company (LACC) of which the 5 regional Fire and Rescue Services are Members. The company was incorporated on 19 February 2007.
- 31.3 On current plans the Regional Control Centre will not be providing any services to Hereford & Worcester Fire and Rescue Authority until at least March 2012.
- 31.4 At 31 March 2010 the company held no material assets or liabilities and in 2009-10 incurred expenditure of £0.487m (2008-09 £0.373m) all of which 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.

32. Provision

- 32.1 The provision relates to the potential liability arising from the circumstances surrounding the retirement of the previous Chief Fire Officer for which a claim against the FRA has been received.
- 32.2 No liability has been accepted at this moment, and the timing of the potential payment is uncertain as it is dependent on the on going discussions and the final combination of annual pension and commuted sum, but a reasonable estimate of the sums potentially payable over the next 5 years can be made.
- 32.3 The potential amount estimated to be payable during this period is £0.538m.

33. Contingent Asset

The additional costs arising from the provision (see 32 above) are potentially to be compensated by contributions from the Constituent Authorities, and as these arise they will be taken to general balances to restore their level.

34. Non-specific Government Grants

The following grants are included as income within the I&E Account on page 15

| | 2008-09 £m | 2009-10 £m |
|----------------------------------|-----------------------|-----------------------|
| Bellwin Grant | 0.014 | 0.000 |
| Herefordshire CAT | 0.005 | 0.030 |
| New Dimensions - USAR | 0.875 | 0.852 |
| New Dimensions - IRU | 0.071 | 0.073 |
| New Dimensions - HVP/ECU | 0.096 | 0.119 |
| New Burdens - Fire Control | 0.123 | 0.115 |
| New Burdens - Fire Control (ISP) | 0.048 | 0.065 |
| | 1.232 | 1.254 |

Firefighters' Pension Fund

1. Since 2006-2007 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. The employer's contribution is borne by the Income and Expenditure Account for Council Tax Precept setting purposes.
3. In accordance with the requirements of FRS17 the employer's contribution is replaced by the current service cost of pensions in the Income and Expenditure Account, and reversed out again in the Statement of Movement in the General Fund Balance.
4. 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.
5. 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 12-15.
6. 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.
7. 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.

Firefighters' Pension Fund Income and Expenditure Account

| | 2008-09 £m | 2009-10 £m |
|--|----------------|----------------|
| Contributions receivable | | |
| Fire & Rescue Authority | | |
| Contributions in relation to pensionable pay | (2.348) | (2.314) |
| Other | (0.019) | (0.110) |
| Firefighters' Contributions | (1.293) | (1.284) |
| | (3.660) | (3.708) |
| Transfers in from other schemes | (0.206) | (0.076) |
| Benefits Payable | | |
| Pensions | 4.232 | 4.709 |
| Commutations & lump sum retirement benefits | 1.651 | 2.638 |
| Payments to and on account of leavers | | |
| Transfers out to other schemes | 0.051 | 0.014 |
| Net amount payable for the year | 2.068 | 3.577 |
| Top-up grant payable by government | (2.068) | (3.577) |
| | 0.000 | 0.000 |

Firefighters' Pension Fund Statement of Net Assets

The following balances are held in relation to the Pensions Fund

| | 31-Mar-09 £m | 31-Mar-10 £m |
|-----------------------------|-----------------|-----------------|
| Current Assets | | |
| Debtors | | |
| Employer Contributions Due | 0.072 | 0.075 |
| Employee Contributions Due | 0.038 | 0.042 |
| CLG Top Up Grant Due | 0.771 | 2.072 |
| Prepayments | 0.370 | 0.407 |
| Creditor | | |
| Overpaid prior year grant | | (0.437) |
| Amounts due to General Fund | (1.251) | (2.159) |
| | 0.000 | 0.000 |

ANNUAL GOVERNANCE STATEMENT 2009/10

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) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, in relation to the publication of a statement on internal control.
- 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 2010 and up to the date of approval of the Statement of Accounts.

3. Key Elements of the Governance Framework

- 3.1 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 Governance 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, a 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 audits 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 Principal Management Team to ensure that there is managerial responsibility and accountability. The Performance Improvement Register is then updated and the review reported to a number of FRA Committees, including where appropriate, the FRA's Audit Committee, Best Value Policy & Performance Committee and Standards 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 is 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 on a regular basis 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 2009/10 financial year.
- Budget Monitoring reports have been presented to Member's of the Budget 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 Chief Executive and Chair have received assurances from Principal Officers and Risk Owners, that controls are operating as expected.
- The S151 and Monitoring Officer have provided assurances on their respective areas of statutory responsibility.
- Additionally during 2009/10 the FRA has been subject to an extensive external review of its performance and use of resources, by the Audit Commission.
- The Charter Mark annual inspection process again confirmed that the FRA continued to be effective and has awarded the FRA an additional element of good practice.
- In June 2009, the FRA hosted a visit by the Local Government Improvement Team to assess its 'Operational Assessment of Service Delivery'. The review confirmed Hereford & Worcester Fire and Rescue Authority are operationally effective and meets its statutory duties.

4.2 We have been advised on the implications of the review of the effectiveness of the Governance Framework by the Audit Committee, Budget Committee, Best Value Policy & Performance Committee, and Standards Committee and where appropriate a plan to address minor weaknesses and ensure continuous improvement of the system is in place.

4.3 In view of events surrounding the retirement of the outgoing Chief Fire Officer the Authority has been in close liaison with its External Auditor in order that Members receive an independent view of the matter. The External Auditor has informed the Authority that he is minded to report on the issues surrounding those events, including the effectiveness of any relevant governance and internal control arrangements. At this stage the Authority's Deputy Monitoring Officer, in consultation with the External Auditor has reviewed the events to determine if any significant and fundamental gaps in governance or internal control arrangements need to be addressed by the Authority as a matter of urgency, prior to the completion of the External Auditor's report. Neither the Deputy Monitoring Officer nor the External Auditor has identified any governance or internal control processes that require immediate attention by the Authority. However, the matter is still under review by the External Auditor who will submit a report to the Authority in due course.


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 review working group will produce recommendations over the coming year to address and further enhance our governance arrangements in those specific areas. The External Auditors' report on its review of recent events may also make some recommendations aimed at enhancing certain aspects of the Authority's governance arrangements. The recommendations will be considered and would need to be agreed by the Audit Committee. 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.



.....
Chief Fire Officer/Chief Executive

27 September 2010



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

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 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 2008-09 and 2009-10.

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.

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

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.

RMB

Regional Management Board. A joint arrangement with the four other Fire and Rescue Authorities in the government’s West Midlands Region to co-ordinate joint working to improve efficiency and effectiveness.

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.