



STATEMENT OF ACCOUNTS 2004/05

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EXPLANATORY FOREWORD

1. Originally formed as an independent corporate body on 1 April 1998, as a result of Local Government Reorganisation, Hereford & Worcester Fire and Rescue Authority (the FRA) is now constituted under the Fire and Rescue Services Act 2004. The FRA sets its own budget requirement, receives a share of Non-Domestic Rates and Revenue Support Grant, and issues its own Council Tax Precept.
2. The Statement of Accounts that follows covers the FRA's financial year ending 31 March 2005. They include the Summary Revenue Account (in both subjective and functional formats), the Balance Sheet, the Cash-flow Statement and a schedule detailing the movements in reserves and provisions.
3. The Revenue Account shows day to day running costs (including employees) of the FRA. 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. The Cash-flow Statement shows the income and expenditure on a cash basis and is reconciled to the Revenue Account and to year on year movements in the Balance Sheet.
4. The accounting policies adopted by the FRA comply with the relevant recommended accounting practice. Certain exceptions to this are specifically referred to later. The FRA's policies are explained fully in the notes to the accounts, which are set out on additional pages. For the purpose of the Statement of Accounts the FRA's expenditure follows the standard classification recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).
5. 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 Audit & Budget Committee.

Revenue Budget

6. Available resources for 2004/05 totalled £25.798m, funded as below:

Council Tax Precept	£15.162m
Non-Domestic Rates	£ 6.996m
Revenue Support Grant	£ 3.640m

7. As this is the first year that the FRA was a Precepting Authority, it was the first in which it is required to hold its own reserves to meet unforeseen events (previously it was able to draw on the reserves of Herefordshire and Worcestershire County Councils). Accordingly it was planned to carry £0.548m into balances leaving £25.250m to be spent on service provision. Against this figure, actual expenditure of £25.147m, representing an under-spending equal to 0.4% of budget, was incurred, as below:

	Budget £m	Actual £m	Variance £m
Expenditure	25.250	25.147	(0.103)
Creation of Balances	0.548	0.651	0.103
TOTAL	25.798	25.798	0.000

8. The variation was caused by a variety of issues, which were managed in overall terms during the year to achieve an additional transfer to balances of £0.080m (as well as the budgeted transfer of £0.548m) required by the revised Medium Term Financial Strategy approved by the FRA on 16 February 2005.

9. The main reasons for the variation are given below:

	Over/(Under) £m
Whole-time Pay	
The expected reduction in staff levels happened much faster than originally expected	(0.354)
RDS (Retained) Pay	
The cost of the new (national) pay arrangements was greater than originally expected	0.200
Pensions	
Transfer Values and Lump Sums faster than expected	0.455
Unbudgeted Grants (mainly New Dimensions)	(0.086)
Capital Financing (Leasing savings and extra Investment Income)	(0.205)
Rebilling Costs lower than expected	(0.085)
Net other variations	<u>(0.028)</u>
	<u>(0.103)</u>

10. In July 2004 the ODPM instructed the FRA to reset the budget at a level £1m lower than originally approved by the FRA in February 2004. As a consequence, and in addition, the FRA had to meet the costs of re-billing Council Tax-payers. This amounted to £0.365m and is included in the Supplies and Services section of the Revenue Account statement on page 16.

11. For the financial year 2003/04 the FRA was a levying body which meant that its total expenditure was funded by the Constituent Authorities (ie Herefordshire and Worcestershire County Councils). From 2004/05 the FRA is a precepting body. This means that it receives government grant directly and receives a precept from the Billing Authorities (ie Herefordshire and the 6 District Councils in Worcestershire). As a result, the financing part of the Revenue Account (and also of the Cash Flow Statement) is not directly comparable between the two years.

Capital Programme Budget

12. During 2004/05 £0.745m was spent on new assets or improvements to existing ones. This included £0.525m deposit on the purchase of a single HQ building, improvements at Broadway Fire Station, adaptations at Hereford Fire Station (to accommodate the IRU vehicle) and continued roll out of the 2nd Generation Vehicle Mounted Data System (VMDS).

13. The HQ Project was funded, as planned, by accumulated capital receipts, the IRU works from a specific government grant and the balance of the programme from long term borrowing.

14. In accordance with the approved plan, the payment of the deposit on the HQ building means that the FRA is contractually obliged to complete the purchase in early 2004/05. This will involve further expenditure of £4.725m and took place on 8 April 2005.

Balance Sheet

15. At 1 April 2004 the FRA held fixed assets valued at £17.491m. In accordance with the Capital Accounting Code of Practice all properties should be re-valued every five years, and properties were re-valued at 31 March 2005. This revaluation has added £9.985m to the net asset values.
16. A review of the net book value of vehicles was undertaken which suggested that recorded values were potentially over-stated. Although this is based on a subjective judgement it has been considered prudent to reduce the net book values by £0.334m. This has been charged as additional depreciation.
17. Long Term borrowing has increased by £2.000m as the FRA took advantage of low interest rates in preparation for the expenditure on the HQ Project referred to above. The borrowing, along with all existing borrowing, was from the Public Works Loans Board (PWLB).
18. The Balance Sheet shows liabilities in respect of the two pension schemes provided for staff. The £3.278m liability on the Local Government Scheme will be covered by the continued level of employer contributions. The Firefighters scheme is a statutory un-funded one and the significant liability of £160.460m, is a result of this position. There is no requirement, or legal powers, for the FRA to fund this deficit. More details on pensions can be found on pages 18-19 and 26-27.

The Euro

19. 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.

Corporate Governance Arrangements

20. 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.
21. During 2004/05 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.*'
22. 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 and Internal Audit arrangements; and Risk Management arrangements have been strengthened as referred to in the Statement on Internal Control on page 7.

Treasurer's Personal Assurance Statement

23. This statement has been given to the Authority's external auditors PricewaterhouseCoopers LLP:

24. 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 and Worcester Fire and Rescue Authority's financial statement for the period ending 31 March 2005.

Accounting records

25. 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

26. 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

27. I am not aware of any 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.

28. 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

29. 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.

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

Signed:

Date:

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

Councillor Godfrey Davis
Chairman of the Fire and Rescue Authority

Signed:

Date:

STATEMENT OF RESPONSIBILITIES

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 in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice').

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 and;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT ON INTERNAL CONTROL

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 there is a sound system of internal control which facilitates the effective exercise of the FRA's functions and which includes arrangements for the management of risk.

2. The Purpose of the System of Internal Control

- 2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure 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, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The FRA has always maintained a sound system to protect against risks and mitigate their impact upon the Authority. The systems are constantly being reviewed and updated.

3. The Internal Control Environment

- 3.1 The FRA's Internal Control environment comprises the many systems, policies, procedures, operations and reviews to:

3.2 Establish Statutory and Organisational Obligations and Objectives

- The objectives of the FRA, which are informed by the views of the communities served, the Fire and Rescue Services Act, the National Framework Document and other relevant sources, are embodied in the Integrated Risk Management Plan (IRMP) and Best Value Performance Plan (BVPP).
- The FRA has a robust process for establishing priorities using a risk based approach.
- The FRA has an integrated performance management process from individual Watch, Station and departmental plans, through to the overall corporate level.

3.3 Identify Principal Risks to Achievement of Objectives

- During 2004/05, the FRA established a corporate Risk Register to identify all risks to the achievement of objectives, via an inclusive process involving Members, Officers and Internal Audit.
- Following on from this, each Departmental Head has carried out a similar exercise in regard to lower level risk, which is linked to the Corporate Risk Register.

3.4 Identify Key Controls to Manage Risk

- The FRA has identified mitigation measures against all identified risk, and has in addition established:
- A Scheme of Delegation
- A Code of Corporate Governance
- A Code of Conduct for Members and Officers
- Financial Regulations
- Contract Standing Orders
- An Anti-Fraud and Corruption Policy
- A Whistle Blowing Policy

3.5 Obtain Assurance on the Effectiveness of Controls

- 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 FRA has reviewed processes against the comprehensive CIPFA document "The Statement of Internal Control – Practitioners Guide".
- 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 2004/05 financial year.
- Budget Monitoring reports have been presented to Members throughout the financial year and have shown that the budget pressures are being controlled within the overall total.
- The Chief Executive and Chair have received assurances from Principal Officers and Risk Owners, that controls are operating as expected.
- The S151 and Monitoring Officers have provided reassurances on their respective areas of statutory responsibility.
- Additionally during 2004/05 the FRA has been subject to two external examinations which looked at the effectiveness of the Authority in meeting its objectives. The Authority was successful in retaining the Charter mark for the third time, and has also been subject to the Comprehensive Performance Assessment (CPA) process.

4.0 Significant Internal Control Issues

4.1 Based on the evidence identified in Section 3.5 there are no significant internal control weaknesses identified.

4.2 However the following areas will be subject to additional review during 2005/06.

- Integration of the Statement with the Code of Corporate Governance
- The process for seeking assurances from risk holders.
- The role of Internal Audit in the review of Officers' assurances.
- Review of Service Policy Instructions, stemming from the revised Financial Regulations adopted in December 2004.
- Review of the Employee Code of Conduct.
- Review of Contract Standing Orders.
- Review and test Business Continuity arrangements.
- Extension of the Medium Term Financial Strategy from three years to five years to match the Medium Term Plan.

.....
Chief Fire Officer/Chief Executive

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

Date:

AUTHORITY APPROVAL

In accordance with Regulation 10 (3)b of the Accounts and Audit Regulations 2003 I certify that the Audit and Budget Committee of the Fire and Rescue Authority approved the Statement of Accounts 2004/05 on 20 July 2005.

.....
Chairman of the Audit and Budget Committee

.....
Date

AUDITOR'S REPORT TO HEREFORD & WORCESTER FIRE AND RESCUE AUTHORITY

We have audited the Statement of Accounts on pages 16 to 34 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 12 to 15.

This report is made solely to 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 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Treasurer and Auditors

As described on page 4 (the Statement of Responsibilities) the Treasurer is responsible for the preparation of the Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2002. Our responsibilities, as auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the Statement of Accounts presents fairly the financial position and results of operations of the Authority.

We review whether the statement on the system of internal financial control on pages 6-7 reflects compliance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2002. We report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information we are aware of from our audit of the Statement of Accounts. We are not required to consider whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the Authority's system of internal financial control. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the Statement of Accounts and consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the Statement of Accounts. The other information comprises only the Treasurer's Foreword.

Basis of Audit Opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Statement of Accounts. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the Statement of Accounts, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Statement of Accounts is free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the Statement of Accounts.

Opinion

In our opinion the Statement of Accounts presents fairly the financial position of Hereford & Worcester Fire and Rescue Authority as at 31 March 2005 and its income and expenditure for the year then ended.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature:

Date:

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

At the time of presentation of these Accounts the Audit is not formally completed. The External Auditor will give the Audit Opinion when the Accounts are approved by the Audit and Budget Committee, and when the Public Inspection period is concluded. Indications are that the Opinion will be un-qualified.

STATEMENT OF ACCOUNTING POLICIES

Code of Practice

1. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2002, 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 Authorities.
2. The following sections set out the FRA's general accounting policies which have been followed in 2004/05.

Revenue Income and Expenditure

3. The revenue and capital 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 Revenue Account when goods or services have been received but not invoiced at the year end.
 - Debtors are included in the Balance Sheet and Revenue 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.
 - Individual invoices of less than £500 are accounted for in the year they fall.
5. The FRA purchases some services from Worcestershire County Council and Herefordshire District Council. The cost of these services is included within Agency and Contracted Services in the Revenue Account.
6. Capital charges are included within Gross Operating Expenditure. The purpose of these charges is to ensure the cost of providing and using fixed assets is reflected in the operating cost of the Fire Service. These charges consist of two elements:
 - a notional interest charge (currently 3.5% of current cost valuation), representing the cost of acquiring and holding an asset and;
 - a depreciation charge, representing the value of the asset consumed in the delivery of the service.

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 for the capitalisation of vehicles, which is set at £20,000. There is no *de minimis* level for land purchases or building works that enhance or extend the life of the asset.

9. Fixed assets are stated in the Balance Sheet at gross value, net of depreciation where appropriate, reflecting the capital accounting requirements of the Code of Practice.
10. Property assets have been valued by 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 1 April 2005 which has been used as a proxy for the value at 31 March 2005.
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.
12. Assets have been valued at open market for existing use, or where because of the specialised nature of the asset this could not be assessed, at depreciated replacement cost, subject to the exception that:
 - Short-lived operational assets (ie 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. 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 years
Ancillary Vehicles	5 years
Equipment	5 years
14. In accordance with the SORP land and buildings are valued separately and only the latter is depreciated. For a small number of buildings this split is not available and therefore the total value has been depreciated. The total amount of this depreciation charged in 2004/05 is £0.038m.

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 Asset Management Revenue 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 Financing 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 Revenue Account has been charged with an amount that is sufficient to redeem a specified statutory percentage of outstanding debt. The sum set aside each year is called the Minimum Revenue Provision (MRP).

Leases

17. Operating leases, which are used to acquire vehicles or equipment as an alternative to capital financing, are accounted for in accordance with SSAP21. They are not capitalised and rentals are charged directly to the Revenue 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 Revenue Account.

Stocks

19. Stocks, where material, are shown in the Balance Sheet valued at the average purchase price.
20. Due to a one-off problem last year, the uniform stock at 31 March 2004 was valued at latest recorded invoice price. This did not have a material effect on the accounts.
21. Vehicle fuel is valued at latest invoice price, which is considered appropriate for this type of stock
22. Other immaterial stocks, e.g. stationery, are treated as current expenditure and charged directly to the Revenue Account.

Provisions

23. The FRA holds provisions to finance future expenditure, in respect of known liabilities, as detailed below:
 - **56 Week Uniformed Pay Year**
Uniformed staff are paid every four weeks, however, every 28 years this results in an additional payment during the financial year. This provision, which ensures that 365 days' pay is charged in each financial year, will ensure funds are available for when this next happens. This will be in 2022/23.
 - **FireFighters Pay Settlement (Rank to Role)**
The settlement of the Firefighters pay dispute included a commitment to move from payment by rank to payment by role. This process of rank to role conversion is still on going and may involve additional (budgeted) cost. This provision has been created to ensure that the back pay relevant to 2004-05 is charged to the 2004/05 Revenue Account. This process will be completed in 2005/06.

Reserves

24. Since 1 April 2004 the FRA has been permitted to hold general balances, and the Medium Term Financial Plan includes provision to build these up to a prudent level over the next three years. At 31 March 2005 a small reserve is held to meet expenditure which may arise from unforeseen events.

25. In addition the FRA holds three earmarked reserves to meet known future costs or liabilities which have arisen during 2004/05:
- Pensions Reserve – under the Firefighters Pension Scheme employees are entitled to a lump sum payment on retirement. There are a number of staff who became eligible to retire prior to 31 March 2005 but who had not actually retired.
 - RMB Reserve – to meet the FRA's agreed share of future costs delayed from 2004/05.
 - IPDS Reserve – to meet the cost of agreed IPDS activity delayed from 2004/05.

Capital Accounting Reserves

26. In accordance with the standard accounting practice, two capital accounting reserves exist as part of the system of capital accounting. These are:

- **The Fixed Asset Restatement Account**
This represents the balance of surpluses or deficits arising on the periodic revaluation of fixed assets.
- **The Capital Financing Account**
This represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and other capital financing transactions.

Grants and Contributions

27. Small revenue grants and other contributions are shown as income in arriving at net revenue expenditure, and can be matched against specific items of 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. The difference is reversed out of the Revenue Account after Net Operating Expenditure

REVENUE ACCOUNT FOR 12 MONTHS ENDING 31 MARCH 2005

	Note	2003/04 £000	2004/05 £000
Employee Expenses			
Uniformed		13,396	13,860
Non Uniformed		1,943	2,096
		15,339	15,956
Pensions Current Service Cost			
Fire-Fighters Pension Scheme	3	2,690	3,750
Local Government Pension Scheme	3	220	316
		2,910	4,066
Running Costs			
Other Employee Costs		368	360
Premises Related		912	959
Transport Related		1,200	1,159
Supplies & Services		2,031	2,513
Agency & Contracted Services		240	222
Capital Charges		1,385	1,791
		6,136	7,004
GROSS COST OF SERVICE		24,385	27,026
Income		(404)	(384)
Special Grants	2	(197)	(682)
NET COST OF SERVICE		23,784	25,960
Fire-Fighters Pension Scheme - Past Service Cost	3	0	20
Local Government Pension Scheme - Curtailment Cost	3	0	3
		0	23
SUB-TOTAL		23,784	25,893
Transfer from Asset Management Revenue Account	4	(526)	(641)
Interest & Investment Income		(128)	(261)
Pensions Interest Cost & expected return on pension assets		5,732	7,355
NET OPERATING EXPENDITURE		28,862	32,436
Provision for the repayment of loans	5	(671)	(911)
Transfer to(from) Earmarked Reserves	6	(167)	763
Contribution to/from Pension Reserve		(5,934)	(7,141)
		22,090	
TO BE MET BY LEVY ON CONSTITUENT AUTHORITIES			25,147
TO BE MET BY GRANTS & TAXATION			
Contributions from			
County of Hereford District Council		(5,469)	
Worcestershire County Council		(16,621)	
		0	
Revenue Support Grant			(3,640)
National Non-Domestic Rates			(6,996)
Council Tax Precept			(15,162)
(SURPLUS)/DEFICIT FOR THE YEAR			(651)
Reserves Brought Forward			0
Reserves Carried Forward			(651)

2003/04 has been amended to match the revised classification used for 2004/05

REVENUE ACCOUNT FOR 12 MONTHS ENDING 31 MARCH 2005

Best Value Accounting Code of Practice: Service Expenditure Analysis

	2003/04 £000	2004/05 £000
Operations & Rescues		
Firefighting & Rescues	19,861	20,861
Fire control	779	854
Water Supplies	165	172
	20,805	21,887
Community Fire Safety		
Fire Safety Management	615	653
Prevention & Education	335	766
Legislative & Certification	1,219	1,359
	2,169	2,778
Corporate & Democratic Core		
Democratic Representation	49	206
Corporate Management	761	724
	810	930
NET COST OF SERVICE	23,784	25,595
Fire-Fighters Pension Scheme - Past Service Cost	0	20
Local Government Pension Scheme - Curtailment Cost	0	3
Exceptional Item : Council Tax Re-billing Costs	0	365
	0	388
SUB-TOTAL	23,784	25,893
Transfer from Asset Management Revenue Account	(526)	(641)
Interest & Investment Income	(128)	(261)
Pensions Interest Cost & expected return on pension assets	5,732	7,355
NET OPERATING EXPENDITURE	28,862	32,436
Provision for the repayment of loans	(671)	(911)
Transfer to(from) Earmarked Reserves	(167)	763
Contribution to/from Pension Reserve	(5,934)	(7,141)
TO BE MET BY LEVY ON CONSTITUENT AUTHORITIES	22,090	
TO BE MET BY GRANTS & TAXATION		25,147
Contributions from		
County of Hereford District Council	(5,469)	
Worcestershire County Council	(16,621)	
	0	
Revenue Support Grant		(3,640)
National Non-Domestic Rates		(6,996)
Council Tax Precept		(15,162)
(SURPLUS)/DEFICIT FOR THE YEAR		(651)
Reserves Brought Forward		0
Reserves Carried Forward		(651)

NOTES TO THE REVENUE ACCOUNT

1. Officers' Emoluments

1.1 During the year the number of Staff who received remuneration in excess of £50,000 excluding pension contributions were:

£	2003/04 No. of Staff	2004/05 No. of Staff
50,000 - 59,999	0	2
60,000 - 69,999	3	2
70,000 - 79,999	0	1
80,000 - 89,999	1	0
90,000 - 99,999	0	1

2. Special Grants

2.1 The special grants taken to the Revenue Account in the year are as below:

	2003/04 £000	2004/05 £000
ODPM - New Dimensions Training Grants	0	182
ODPM - New Dimensions Reimbursement	89	45
ODPM - New Burdens (Fire Control) Grant	0	59
Learning and Skills Council Grants	0	9
Use of LPSA Pump Priming Grants*	102	29
Use of ODPM IEG2 Grant	0	31
Radio Scheme - ODPM Reimbursement	6	0
ODPM -Fire Service Transitional Costs Grant	0	327
	197	682

* provided by Herefordshire and Worcestershire County Councils

3. Pension Arrangements

3.1 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.

3.2 The Authority participates in two schemes:

- The Firefighters Pension Scheme – open to Wholetime uniformed staff. This is a statutory unfunded scheme, 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 Local Government Pension Scheme – subject to qualifying criteria, open to other staff. This scheme is administered by Worcestershire County Council and is funded scheme. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

3.3 We recognise the cost of retirement benefits 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 we are required to make against council tax precept (via the levy on the Constituent Authorities in 2003/04) is based on the cash

payable in the year, so the real cost of retirement benefits is reversed out of the Revenue Account after Net Operating Expenditure. Transactions made in the Revenue Account in the year are shown in the table below:

	Firefighters Pension Scheme		Local Government Pension Scheme	
	2003/04 £000	2004/05 £000	2003/04 £000	2004/05 £000
Net Cost of Services :				
current service cost	2,690	3,750	220	316
past service cost	0	20	0	0
curtailment cost	0	0	0	3
Net Operating Expenditure				
interest cost	5,640	7,290	323	381
expected return on assets in the scheme	0	0	(231)	(316)
Amount charged against Grants & Taxation (Levies for 2003/04) in the year				
movement on pensions reserve	(5,925)	(7,091)	(9)	(34)
Actual Amount charged against Grants & Taxation (Levies for 2003/04) in the year				
retirement benefits payable to pensioners	3,687	4,911	0	0
Employees contributions	(1,070)	(1,076)	0	0
Net Transfer Values etc	(212)	134	0	0
employers contributions	0	0	303	330
Net Charge to Revenue Account	2,405	3,969	303	330

4. Asset Management Revenue Account

4.1 This Account provides a mechanism for the FRA to offset the impact of capital charges in arriving at the total level of expenditure to be financed from levies upon the Constituent Authorities.

4.2 The 2004/05 Account is detailed below:

		2003/04 £000	2004/05 £000
Income	Capital Charges	(1,385)	(1,457)
	Capital Charges - Impairment	0	(334)
		(1,385)	(1,791)
	Credit from Govt Grants Deferred	0	(1)
		(1,385)	(1,792)
Expenditure	Provision for Depreciation	757	679
	Additional Depreciation - Impairment	0	334
	External Interest Charges	102	138
		859	1,151
Credit to Revenue Account		(526)	(641)

5. Provision for Repayment of External Loans

5.1 The FRA is required by statute to set aside a minimum revenue provision for the redemption of debt. This calculation was changed for 2004/05, as a result of the introduction of the Prudential Code. For 2003/04 it was equal to 4% of the adjusted credit ceiling at the start of the year. From 2004/05 it is the greater of : 4% of the capital financing requirement at the start of the year or 4% of the adjusted credit ceiling at 1 April 2004). The change in calculation has no material effect on the Revenue Account in 2004/05. The extent to which this amount is not covered by

depreciation charges is represented in the Revenue Account by the provision for repayment of external loans as detailed overleaf:

	2003/04	2004/05
	£000	£000
Minimum Revenue Provision	86	101
Amount Charged as Depreciation	(757)	(679)
Additional Depreciation - Impairment	0	(334)
Amortization from Govt Grants Deferred Account	0	1
	(671)	(911)

6. Transfers to/(from) Earmarked Reserves

6.1 The FRA holds 3 earmarked reserves as described in paragraph 25 of the Statement of Accounting Policies. The movement shown here represents a net transfer to these Reserves as detailed in paragraph 16 of the Notes to the Balance Sheet.

7. Leases

7.1 Up to 2003/04 the FRA 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 £529,845 (2003/04 £543,897).

7.2 The estimated future obligation under these operating lease agreements is shown in the table below.

	£000
2005/06	475
2006/07	443
2007/08	391
2008/09	370
2009/10	292
2010/11	221
2011/12	152
2012/13	99
2013/14	24
2014/15	12
	2,479

8. Agency Services

8.1 The FRA carries out work as an agent to a number of local authority departments for the provision of fire extinguisher maintenance services, for which it is reimbursed. The total income from these sources to 31 March 2005 was £80,975 (2003/04 - £78,911). Material cost associated with this arrangement totalled £28,737 (2003/04 - £32,297), and the FRA employed 2 staff to carry out the work.

9. Publicity

9.1 Section 5 of the Local Government Act 1986 requires the FRA to maintain a separate account of expenditure on a wide range of publicity activities. The expenditure shown overleaf is included within the revenue account:

	2003/04 £	2004/05 £
Staff Advertising	23,013	17,319
General Advertising	2,139	2,254
	25,152	19,573

10. Related Party Transactions

- 10.1 The Clerk to the Fire and Rescue Authority is the Chief Executive of Herefordshire Council, and the Treasurer to the Fire and Rescue Authority is the Director of Financial Services of Worcestershire County Council, (which also administers the Local Government Pension Scheme). The FRA shares services with both these bodies and costs are included in the Revenue Account. The extent and value of these transactions is shown in the table below. Some of the Legal costs associated with capital schemes or disposal of assets are not recorded in the Revenue Account but are charged against capital costs or capital receipts as appropriate.

Service	Related Party	2003/04 £000	2004/05 £000
Legal Services	Herefordshire Council	49	61
Committee Services	Herefordshire Council	34	27
		83	88
Financial Services	Worcestershire County Council	21	5
Internal Audit	Worcestershire County Council	10	12
Payroll and Pensions	Worcestershire County Council	36	43
Scientific Services	Worcestershire County Council	7	7
Cleaning Management	Worcestershire County Council	12	12
Personnel Services	Worcestershire County Council	6	6
ICT Services	Worcestershire County Council	8	9
Property Services	Worcestershire County Council	9	11
		109	105
		192	193

11. External Audit Fees

- 11.1 The Audit Commission has appointed PricewaterhouseCoopers LLP to be the Combined Fire Authority's External Auditors, and for 2004/05 the following fees were incurred in respect of external audit and statutory inspection.

	2004/05 £000
Accrued Fees payable to PricewaterhouseCoopers with regard to external audit services	56

12. Members Allowances

- 12.1 The total amount paid to Members as Allowances under the adopted scheme was £40,820 (2003/04 £0). Prior to September 2003 Members Allowances were the responsibility of the two Constituent Authorities. Although the FRA introduced as scheme in September 2003 as required in accordance with the Regulations on Members Allowances, it was agreed that no payments would be made in relation to the 2003/04 year.

BALANCE SHEET AS AT 31 MARCH 2005

	Note	2003/04 £000	2004/05 £000
Operational Fixed Assets			
Land & Buildings	1-3	16,031	25,358
Vehicles Plant & Equipment	1-3	1,437	757
		17,468	26,115
Non-Operational Fixed Assets			
Assets under construction	1-3	23	648
Assets awaiting disposal	1-3	0	270
		23	918
TOTAL FIXED ASSETS		17,491	27,033
Current Assets			
Cash In Hand		6	6
Cash at Bank	4	2,279	5,497
Stocks & Work in Progress	5	131	149
Debtors & Prepayments	6	768	910
		3,184	6,562
Current Liabilities			
Creditors	7	(1,171)	(1,446)
		(1,171)	(1,446)
NET CURRENT ASSETS		2,013	5,116
Long Term Liabilities			
Long Term Borrowing	8	(2,669)	(4,669)
Provisions	9	(471)	(444)
Liability related to Defined Benefit Pension Schemes	10	(114,179)	(163,738)
		(117,319)	(168,851)
NET ASSETS		(97,815)	(136,702)
REPRESENTED BY:			
Fixed Asset Restatement Account	11	18,030	27,840
Capital Financing Account	11	(2,920)	(3,205)
Government Grants Deferred	12	0	42
Pensions Reserve	13	(114,179)	(163,738)
Unapplied Government Grants	14	0	51
Useable Capital Receipts Reserve	15	1,254	894
Earmarked Reserves	16	0	763
Revenue Reserve	16	0	651
		(97,815)	(136,702)

Treasurer to the Fire and Rescue Authority:

Date:

NOTES TO THE BALANCE SHEET

1. Movement of Fixed Assets

	Land and Buildings £000	Vehicles Plant and Equipment £000	Non-Operational Assets £000	TOTAL
Gross Book Value at 31 March 2004	17,320	4,510	23	21,853
Cumulative Depreciation to 31 March 2004	(1,289)	(3,073)	0	(4,362)
Net Book Value at 31 March 2004	16,031	1,437	23	17,491
Re-statements & Adjustments	(15)	0	0	(15)
Reclassification of Assets	(150)	0	150	0
Additions in year	83	37	625	745
Depreciation for year	(296)	(383)	0	(679)
Asset Impairment	0	(334)	0	(334)
Net Book Value of Disposals	(160)	0	0	(160)
Revaluations at 31 March 2005	9,865	0	120	9,985
Net Book Value at 31 March 2005	25,358	757	918	27,033

Summary

Gross Book Value at 31 March 2005	25,358	4,546	918	30,822
Cumulative Depreciation to 31 March 2005	0	(3,789)	0	(3,789)
Net Book Value at 31 March 2005	25,358	757	918	27,033

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

	2003/04 £000	2004/05 £000
New Buildings and Adaptations	107	708
IT and Communication Equipment	359	37
Total Capital Expenditure	466	745

1.2 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.

1.3 At 31 March 2005 the Authority had a contractual commitment to complete the purchase of the new HQ. This involves further expenditure of £4.725m

2. Financing Capital Expenditure

2.1 Cash Capital expenditure was financed as follows:

	2003/04 £000	2004/05 £000
Credit Approvals/LT Borrowing	440	76
Capital Receipts	0	625
Specific Government Grant	0	44
	440	745

3. Details of Assets Owned

	31st March 2004	31st March 2005
Buildings		
Fire Stations	27	27
Training and Development Centre	1	1
HQ Sites	3	3
Workshops	1	1
Supplies	1	1
Houses - in use	13	11
Houses - vacant pending disposal	2	2
Vehicles and Equipment		
Operational Vehicles	49	48
Ancillary Vehicles	26	26

- 3.1 Due to the de-minimis 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 by ODPM. For information this is shown below:

	31st March 2004	31st March 2005
Operational Vehicles - ODPM	1	2
Operational Vehicles - Leased	21	21
Ancillary Vehicles - Leased	86	76

- 3.2 The apparent reduction in ancillary vehicles is due to the fact that the 2003/04 figure included vehicles on completed leases which were still held pending collection by the leasee.

4. Cash at Bank

- 4.1 Any surplus or overdrawn cash balances remaining on a daily basis are included as part of Worcestershire County Council's (WCC) treasury management activities. Funds are invested in short-term deposits with a range of banks and other financial institutions in accordance with the Treasury Management Policy of the FRA. At 31 March 2005 £5.497m (31 March 2004 £2.279m) was invested with WCC.

5. Stocks and Work in Progress

	31st March 2004 £000	31st March 2005 £000
Uniforms	43	59
Fuel	17	17
Vehicle Stores	67	68
Extinguishers	4	5
	131	149

6. Debtors

	31st March 2004 £000	31st March 2005 £000
Sundry Debtors	491	581
Prepayments	277	329
	768	910

7. Creditors

	31st March 2004 £000	31st March 2005 £000
Government Departments	373	378
Sundry Creditors	707	1,068
LPSA Grant in advance	91	0
	1,171	1,446

8. Long Term Borrowing

	31st March 2004 £000	31st March 2005 £000
Loan Source		
Public Works Loans Board	2,669	4,669
	2,669	4,669
Analysis by Maturity		
Between 1 and 2 years	100	100
Between 2 and 5 years	311	311
Between 5 and 10 years	525	525
Over 10 years	1,733	3,733
	2,669	4,669

9. Movement in Provisions

	56 Week Pay £000	Rank to Role £000	Total £000
Balance at 1 April 2004	254	217	471
Transfers to Revenue Account	0	(217)	(217)
Transfers from Revenue Account	29	161	190
Balance at 31 March 2005	283	161	444

9.1 The purpose and nature of these provisions are disclosed in paragraph 23 of the Statement of Accounting Policies on page 14.

10. Retirement Benefits

10.1 Note 2 to the Revenue Account contains details of the Authority's participation in the Local Government Pension Scheme (administered by Worcestershire County Council) and the Firefighters Pension Scheme, in providing retirement benefits.

10.2 The underlying assets and liabilities for retirement benefits attributable to the Authority at 31 March are as follows:

	Firefighters Pension Scheme		Local Government Pension Scheme		TOTAL	TOTAL
	31st March 2004	31st March 2005	31st March 2004	31st March 2005	31st March 2004	31st March 2005
	£000	£000	£000	£000	£000	£000
Estimated Scheme Liabilities	(112,750)	(160,460)	(5,821)	(8,667)	(118,571)	(169,127)
Estimated Scheme Assets	0	0	4,392	5,389	4,392	5,389
Net Asset/(Liability)	(112,750)	(160,460)	(1,429)	(3,278)	(114,179)	(163,738)

10.3 The liabilities show the underlying commitments that the Authority has in the long-run to pay retirement benefits. The total net liability of £163.738m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £136,702m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

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

10.4 For the Local Government Scheme 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. The liabilities were assessed by Mercer Human Resource Consulting Ltd, who are an independent firm of actuaries.

10.5 For the Firefighters Scheme the Authority has used the 2004/05 model provided by the Government Actuary's Department (GAD), to assess the liabilities.

10.6 The main assumptions used in the calculations are shown on the next page.

	Firefighters Pension Scheme		Local Government Pension Scheme	
	2003/04	2004/05	2003/04	2004/05
Rate of inflation	2.9%	2.9%	2.8%	2.9%
Rate of increase in salaries	4.4%	4.4%	4.0%	4.4%
Rate of increase in pensions	2.9%	2.9%	2.8%	2.9%
Rate for discounting liabilities	6.5%	5.4%	6.3%	5.4%

- 10.7 The Firefighters Pension Scheme has no assets to cover its liabilities. Assets in the Local Government Pension Scheme are valued at fair value, principally market value for investments, and consist of the following categories by proportion of the total assets held by the fund:

	Average Return 2003/04	Average Return 2004/05	Proportion 31st March 2004	Proportion 31st March 2005
Equities	7.5%	7.5%	80%	80%
Government Bonds	4.6%	4.7%	7%	13%
Other Bonds	5.4%	5.5%	7%	6%
Other Assets	3.8%	5.4%	6%	1%
			100%	100%

11. Movements in Capital Accounting Reserves

	Fixed Asset Restatement Account £000	Capital Financing Account £000
Balance at 1 April 2004	18,030	(2,920)
Revaluation & Restatement	9,970	
Use of Capital Receipts		625
Write out of assets disposed	(160)	
Transfer from Govt Grants Deferred		1
Provision for repayment of loans		(911)
Balance at 31 March 2005	27,840	(3,205)

12. Government Grants Deferred

- 12.1 Where an assets is 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. In 2004/05 grant was received in relation to the IRU accommodation works at Hereford.

	£000
Balance at 1 April 2004	0
Grant Received in year	43
Applied in year	(1)
Balance at 1 April 2005	42

13. Movement in Pensions Reserve

- 13.1 An analysis of the movement on the Pension Reserve is shown on the next page.

	Firefighters Scheme		Local Government Scheme		TOTAL £000
	£000		£000		
Balance at 31st March 2004	(112,750)		(1,429)		(114,179)
Current Service Cost	(3,750)		(316)		(4,066)
Contributions	0		335		335
Past Service Settlement/Gain	(20)		(3)		(23)
Transfers In	(350)		0		(350)
Pensions Paid	5,400		0		5,400
Net Interest/Return on Assets	(7,290)		(65)		(7,355)
	(118,760)		(1,478)		(120,238)
Actuarial Loss/Gain					
Asset Gain	n/a	n/a	176	(3% of Assets)	176
Liability Gain/Loss	(7,060)	(4% of Liabilities)	(234)	(3% of Liabilities)	(7,294)
Change in Assumptions	(34,640)	(23% of Liabilities)	(1,742)	(20% of Liabilities)	(36,382)
	(41,700)	(26% of Liabilities)	(1,800)	(21% of Liabilities)	(43,500)
Balance at 31st March 2005	(160,460)		(3,278)		(163,738)

13.2 The change in assumptions largely relates to a reduction in the discount rate used in the actuarial calculations. (LGPS £0.978m, FFPS £28.310m).

14. Movements in Unapplied Grant

	HFSI £000	IEG £000	TOTAL £000
Balance at 1 April 2004	0	60	60
Grant Received in Year	32		32
Used to Finance Capital Expenditure		(41)	(41)
Balance at 31 March 2005	32	19	51

14.1 Un-spent grant in relation to the Home Fire Safety Initiative (HFSI) and electronic government (IEG). In the 2003/04 Balance Sheet the latter is shown in creditors as grant received in advance.

15. Movements in Useable Capital Receipts

	Capital Receipts £000
Balance at 1 April 2004	1,254
Net Proceeds from sale of Fixed Assets	265
Used to Finance Capital Expenditure	(625)
Balance at 31 March 2005	894

16. Movements in Revenue Reserves

	Earmarked Reserves				General Reserve £000
	Pensions £000	RMB Costs £000	IPDS £000	Total £000	
Balance at 1 April 2004	0	0	0	0	0
Increase/(Decrease) in year	716	26	21	763	651
Balance at 31 March 2005	716	26	21	763	651

16.1 The purpose and nature of these provisions are disclosed in paragraph 23 of the Statement of Accounting Policies on page 14.

17. Contingent Liabilities

17.1 There are no contingent liabilities.

18. Related Party Transactions

18.1 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 £0.334m. (03/04 £0.303m)
- **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.

STATEMENT OF TOTAL MOVEMENT IN RESERVES

1. The table on the next page brings together details of all the reserves that are included in the Balance Sheet and described in the Statement of Accounting Policies (paragraphs 24-26) and the Notes to the Balance Sheet (paragraphs 9, 11-16). They are split into Revenue and Capital Reserves.
2. The table below provides an analysis of the movements in Earmarked Reserves, shown in total in the statement on the next page.

TYPE	EARMARKED REVENUE RESERVES			
	Pensions Reserve	IPDS Reserve	RMB Reserve	TOTAL
	USEABLE	USEABLE	USEABLE	USEABLE
	£000	£000	£000	£000
Balance at 31 Mar 2004	0	0	0	0
Transfer from/(to) Revenue Account	716	26	21	763
Balance at 31 Mar 2005	716	26	21	763

3. The table on the next page shows both Accounting and Useable Reserves. The total Useable Reserves at 31 March 2005 are summarised below:

	£000	£000
Revenue		
Unapplied Grant	51	
Earmarked Reserves	763	
General Reserve	651	1,465
Capital		
Unapplied Capital Receipts		894
		2,359

STATEMENT OF TOTAL MOVEMENT IN RESERVES

	CAPITAL RESERVES					REVENUE RESERVES			TOTAL ALL RESERVES
	Fixed Asset Restatement Account	Capital Financing Account	FRS17 Pensions Reserve	Government Grant Deferred	Capital Receipts	General Reserve	Earmarked Reserves	Unapplied Govt Grant*	
TYPE	ACCOUNTING	ACCOUNTING	ACCOUNTING	ACCOUNTING	USEABLE	USEABLE	USEABLE	USEABLE	
	£000	£000	£000		£000	£000	£000	£000	£000
Balance at 31 Mar 2004	18,030	(2,920)	(114,179)	0	1,254	0	0	60	(97,755)
Revenue Account Surplus/(Deficit)						651			651
Transfer to/from Revenue Account							763	(41)	722
Receipt of Grant				43				32	75
Financing of Capital Expenditure		626		(1)	(625)				0
Provision for Repayment of Loans		(911)							(911)
Proceeds from Sale of Assets					265				265
Write out of Assets Disposed	(160)								(160)
Revaluation & Restatement of Assets	9,970								9,970
Appropriation from Pension Reserve			(7,141)						(7,141)
Employee Contributions - FFPS			1,082						1,082
Actuarial Gains/(Losses)			(43,500)						(43,500)
Balance at 31 Mar 2005	27,840	(3,205)	(163,738)	42	894	651	763	51	(136,702)

* Unapplied Government Grant was shown as a Creditor, Grants in Advance, in the 2003/04 Balance Sheet.

CASH-FLOW STATEMENT FOR 12 MONTHS ENDING 31 MARCH 2005

	Notes	2003/04		2004/05	
		£000	£000	£000	£000
REVENUE ACTIVITIES					
Cash Outflow	Employees	18,129		20,312	
	Other	4,782	22,911	4,780	25,092
Cash Inflow	Levies on Constituents	(22,090)		0	
	Council Tax Precept	0		(15,162)	
	Share of National Non-Domestic Rates	0		(6,996)	
	Revenue Support Grant	0		(3,640)	
	Other Government Grants	(195)		(468)	
	Goods & Services	(522)		(433)	
	Other Contributions	(70)	(22,877)	0	(26,699)
Net Cash-flow from Revenue Activities			34		(1,607)
RETURNS ON INVESTMENT & SERVICING OF FINANCE					
Cash Outflow	Interest Paid	101		123	
Cash Inflow	Interest Received	(112)	(11)	(220)	(97)
CAPITAL ACTIVITIES					
Cash Outflow	Purchase of Fixed Assets	440		751	
Cash Inflow	Capital Receipts	(1,034)	(594)	(265)	486
Net Cash-flow Before Financing			(571)		(1,218)
FINANCING					
Cash Outflow	Loans Repaid	0		100	
Cash Inflow	Loans Raised	(525)	(525)	(2,100)	(2,000)
NET CHANGE IN CASH & CASH ALTERNATIVES			(1,096)		(3,218)

NOTES TO THE CASH-FLOW STATEMENT

1. Reconciliation of Revenue Account to Revenue Activities Cash Flow

	2003/04		2004/05	
	£000	£000	£000	£000
Deficit/(Surplus) on Revenue Account	0		(653)	
Transfer from/(to) Earmarked Reserves	167	167	(763)	(1,416)
Less : Non-Cash Transactions				
Minimum Revenue Provision (MRP)	86		101	
change in provisions	89	175	(28)	73
Less : Items on an Accruals Basis				
change in debtors	44		(97)	
change in creditors	(72)		330	
change in stocks/WIP	(3)	(31)	(18)	215
Less : Servicing of Finance		(11)		(97)
Net Cash-Flow : Revenue Activities		34		(1,607)

2. Reconciliation of Movement in Cash

	Balance 31 March 2004 £000	Balance 31 March 2005 £000	Change in the year £000
Cash In Hand	6	6	0
Cash at Bank	2,279	5,497	(3,218)
Cash Overdrawn	0	0	0
	2,285	5,503	(3,218)

3. Reconciliation of Net Cash Flow to the Movement in Net Debt

	2003/04 £000	2004/05 £000
Net Debt at Start of Year	(955)	(384)
Change in Debt Financing	(525)	(2,000)
Change in Cash at Bank	1,096	3,218
Net Debt at End of Year	(384)	834

4. Analysis of Net Debt

	Balance 31 March 2004 £000	Balance 31 March 2005 £000	Change in the year £000
Cash in Hand	6	6	0
Cash at Bank	2,279	5,497	3,218
Short Term Debt	0	0	0
Long Term Debt	(2,669)	(4,669)	(2,000)
	(384)	834	1,218

5. Government Grants

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

Government Grant Received	2003/04 £000	2004/05 £000
Transitional Grant	0	(327)
New Dimensions Training Grant	(91)	(74)
New Dimensions Re-imburement	0	(33)
Home Fire Safety Initiatives Grant	0	(32)
Learning & Skills Council Grants	(7)	(2)
LPSA - Herefordshire 2002/03 Contribution	(47)	0
ODPM - IEG Grant	(50)	0
	(195)	(468)

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.

Budget

A statement of the FRA's policy expressed in financial terms.

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 for which payment has not been made by the end of the financial year.

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.

FRS

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

HFSI

Home Fire Safety Initiative. An ODPM funded scheme to increase the number of Home Fire Safety Checks and Smoke Alarm installations nationally.

IEG

Implementing Electronic Government. A name for the process devised by ODPM where Local Authorities were required to produce detailed plans identifying the costs of moving toward the government targets on e-government. This was to be funded by 3 annual

grant payments. Having completed the 3 plans, there was a change of policy and ODPM determined that only 1 years grant would be paid to Fire & Rescue Authorities.

IPDS

Integrated Personal Development System. An integrated approach to developing personnel to achieve maximum potential for the individual and the organisation.

IRU

Incident Response Unit. Two vehicles provided by ODPM to enable the service to respond with trained personnel to any major incident requiring mass decontamination.

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.

ODPM

Office of the Deputy Prime Minister. The Government department responsible for aspects of Local Authority and Fire and Rescue Authority activity.

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 4 other Fire and Rescue Authorities in the Region to co-ordinate joint working to improve efficiency & 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.