

# Hereford & Worcester Fire and Rescue Authority Statement of Accounts 2007/08

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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 2008. The accounts comprise a group of Core Financial Statements:
  - Income and Expenditure Account
  - Statement of the Movement on 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 2007/08.
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 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.
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 10-13.
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 2007/08 totalled £28.286m, funded as below:

|                       |                 |
|-----------------------|-----------------|
| Council Tax Precept   | £17.931m        |
| Non-Domestic Rates    | £ 8.867m        |
| Revenue Support Grant | £ 1.488m        |
|                       | <b>£28.286m</b> |

12. The budget specifically included a provision to strengthen revenue balances by £0.155m. As a consequence of net underspending in the final out-turn the actual transfer to balances is £0.055m higher at £0.210m.

## Exceptional Items

13. There are no exceptional items in 2007/08, however the 2006/07 Income and Expenditure Account contains two items which by their one-off nature are exceptional.

14. These items are:

- The 2006/07 Account contains a net credit of £0.147m as a result of the closure of the Week 56 Pay Provision arising from the permanent change in accounting policy.
- During 2005/06 the Government amended the grant calculations for 2004/05 and 2005/06 and announced that it would claw-back grant paid in respect of these years during 2006/07. This grant was claimed by reducing the amount of formula grant payable in 2006/07. Local Authority Accounting regulations, however, require that the grants shown in the accounts are those that relate to the year in question; any amendments to prior year grants must be shown as expenditure. This sum amounted to £0.203m, and as it does not relate to Service provision in 2006/07 is shown as an exceptional item. The FRA had provided for this expenditure in an ear-marked reserve.

## Firefighters' Pensions

15. 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.

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

## Capital Programme Budget

17. During 2007/08 £1.299m was spent on new assets or improvements to existing ones. This included costs of the new Workshop building in Malvern, the approved vehicle programme, a new financial accounting system and various minor property schemes. The majority of the programme was, as planned, funded by long term borrowing, with some of the works in relation to the Urban Search and Rescue (USAR) building being funded from a specific revenue reserve.

## Balance Sheet

18. The Balance Sheet at 31 March 2007 has been restated at 1 April 2007 to reflect the changes required by SORP 2007. These changes relate to the Capital Accounting Reserves and the treatment of Long Term Loan interest. They are explained in more detail in Accounting Policy Note 23 and Note 16 to the Core Accounts, respectively.

19. At 1 April 2007 the FRA held fixed assets with a net book value of £35.411m. In accordance with the Capital Accounting Code of Practice property assets were last re-valued at 31 March 2005. Adjusting for disposals, depreciation and capital expenditure, the assets are valued at £35.597m at 31 March 2008.
20. Long Term borrowing has increased by £1.739m (excluding accrued interest shown as an addition to the long-term creditor in accordance with SORP 2007) to fund the approved capital programme, including committed expenditure to be incurred in 2008/09. The new borrowing, in common with that existing, is from the Public Works Loans Board (PWLb).
21. The Balance Sheet shows liabilities in respect of the four pension schemes provided for staff.
  - The £5.490m liability on the Local Government Scheme will be covered by the continued level of employer contributions.
  - The Firefighters' schemes are statutory un-funded ones and the significant total liability of £169.520m, 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 will now be met by direct government grant. More details on pensions can be found on pages 24-29.
22. In accordance with the revised SORP the Balance Sheet for 31 March 2007 has been restated from that included in the Statement of Accounts for 2006-2007 to accommodate the creation of the Revaluation Reserve and Capital Adjustment Account and the demise of the Capital Financing and Fixed Asset Restatement Reserves.

### **Corporate Governance Arrangements**

23. 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.
24. During 2007/08 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 11 June 2007.
25. 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**

26. 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.

## Treasurer's Personal Assurance Statement

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

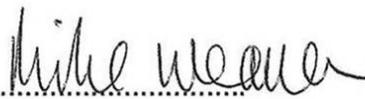
- I confirm that, to the best of my knowledge and belief and having made appropriate enquiries of other Senior Officers of the Authority, the following representation is given to you in connection with your audit of the Hereford & Worcester Fire and Rescue Authority's financial statement for the period ending 31 March 2008.
- **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

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.

- 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 17 September 2008.

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

Signed: 

Telephone: 01905 766501  
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## STATEMENT OF RESPONSIBILITIES

### The Authority's Responsibilities

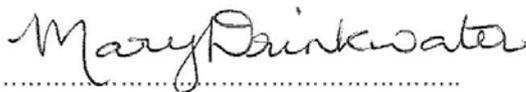
1. The Authority is required to:
  - make arrangements for the proper administration of its financial affairs and to ensure that one of its Officers has responsibility for the administration of those affairs. In this Authority, that Officer is the Treasurer;
  - manage its affairs to secure economic,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

## 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 2007/08 on 30 June 2008 subject to audit and now certify that the Committee approved the audited statement of accounts on 17 September 2008.



.....  
Presiding Chairman of the Audit Committee Meeting

**17 September 2008**

.....  
Date

## **ANNUAL GOVERNANCE STATEMENT**

### **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 included 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

### **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 and its 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 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.
- 2.3 The governance framework has been in place at the Authority for the year ended 31 March 2008 and up to the date of approval of the Statement of Account

### **3. The Governance Framework**

- 3.1 The FRA's governance Framework 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 Corporate Plan.
  - The FRA has a robust process for establishing priorities using a risk based approach.
  - The FRA has an integrated and developing performance management process from individual Watch, Station and departmental plans, through to the overall corporate level.
  - In conjunction with external consultants the FRA has reviewed and commenced the process of realigning the planning process to improve linkages between different statutory plans.

### 3.3 Identify Principal Risks to Achievement of Objectives

- During 2007/08, the FRA reviewed and amended the corporate Risk Register as necessary.
- A similar exercise was carried out for each departmental risk register, in regard to lower level risk, which is linked to the Corporate Risk Register.
- During 2007/08 significant progress was made in developing Business Continuity arrangements; strategically for the FRA and the wider community as well as at a departmental level.
- The profile of risk management and business continuity has been raised further by the appointment of an FRA Member as risk champion.

### 3.4 Identify Key Controls to Manage Risk

- The FRA has identified mitigation measures against all identified risk and has, in addition, well established and embedded controls to manage risk as follows;
- 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
- An Anti-Money Laundering 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 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 2007/08 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, 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 Officers have provided reassurances on their respective areas of statutory responsibility.
- Additionally during 2007/08 the FRA has been subject to an extensive external review of its performance and use of resources, by the Audit Commission. This included an assessment of risk management arrangements. The overall ratings given to the Authority was "Improving Adequately" and "Performing Well" respectively.
- The Charter Mark annual inspection process again confirmed that the FRA continued to be effective.

## 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.

*Paul Hayden*

.....  
**Chief Fire Officer/Chief Executive**



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

**Date: 30 June 2008**

# Independent auditor's report

## Independent auditor's report to the Members of Hereford and Worcester Fire and Rescue Authority

### Opinion on the financial statements

I have audited the accounting statements, the fire pension fund accounting statements and related notes of Hereford and Worcester Fire and Rescue Authority for the year ended 31 March 2008 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of the Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The fire pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial statements and fire 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 and 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 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements, including the fire pension fund accounting statements, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 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 fire pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its fire 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 financial 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 fire pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the fire 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 fire 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 fire 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 fire 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 fire 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 fire pension fund accounting statements and related notes.

### **Opinion**

In my opinion:

- the accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended; and
- the fire pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the fire pension fund during the year ended 31 March 2008 and the amount and disposition of the fund's assets and liabilities as at 31 March 2008, other than liabilities to pay pensions and other benefits after the end of the scheme year.



## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority's responsibilities**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for fire authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for fire authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Hereford and Worcester Fire and Rescue Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

### **Best Value Performance Plan**

I have issued our statutory report on the audit of the authority's Best Value Performance Plan for the financial year 2007/08 on 20 December 2007. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

### **Certificate**

I certify that I 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.



Elizabeth Cave  
District Auditor

26 September 2008

Audit Commission  
Blackpole Business Centre  
Blackpole Road  
Worcester WR3 8SQ



## 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) 2007 and the Best Value Accounting Code of Practice 2007, 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 since 1 April 2006.
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 20<sup>th</sup> 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:
  - 6.1 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. Current value is best evidenced by the actual sale price so in practice there is no gain or loss.
  - 6.2 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
  - 6.3 The Income and Expenditure Account states the gain or loss on the disposal of fixed assets to be zero in 2006/07 and 2007/08.

## 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 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 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 value 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 | 10/15 years |
| Ancillary Vehicles   | 5 years     |
| Equipment            | 5 years     |

Depreciation is not charged on assets that are held pending completion of disposal.
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 2007/08 is £0.022m (2006/07 £0.025m).

## 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 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). In addition, for shorter life assets such as operational vehicles additional Voluntary Revenue Provision (VRP) is made to ensure that any related debt has been redeemed by the end of the useful life of the asset.

### **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.

### **Provisions**

20. The Authority has no provisions.

### **Reserves**

21. The FRA has been permitted to hold general balances only since 1 April 2005, and the Medium Term Financial Plan includes provision to build these up to a prudent level over the next five years. At 31 March 2008 a small 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 31-33.

### **Capital Accounting Reserves**

23. Standard accounting practice for Local Authority capital accounting has changed. Up to 31 March 2007 two capital accounting reserves existed these were:

- **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.

24. From 1 April 2007 these were replaced by a single reserve, two new capital accounting reserves now exist 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. It was created at 1 April 2007 by transferring the balances on the Fixed Asset Restatement and Capital Financing Accounts

- **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.

### **Grants and Contributions**

25. Small revenue grants and other contributions are shown as income in arriving at net revenue expenditure.

### **Pensions**

26. 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.
27. 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 16 and detailed in Note 1 to the accounts on page 20.

### **Non Distributed Costs**

28. Gains or Losses arising on settlement or curtailment under FRS17 in respect of both pension scheme types (uniformed and non uniformed).

## INCOME AND EXPENDITURE ACCOUNT FOR 12 MONTHS ENDING 31 MARCH 2008

|   | 2006-2007<br>Net<br>Expenditure<br>£m | 2007-2008                  |                       |                          |
|---|---------------------------------------|----------------------------|-----------------------|--------------------------|
|   |                                       | Gross<br>Expenditure<br>£m | Gross<br>Income<br>£m | Net<br>Expenditure<br>£m |
| <b>Operations and Rescues</b>                                 |                                       |                            |                       |                          |
| Firefighting and Rescues                                      | 23.511                                | 26.290                     | (1.585)               | 24.705                   |
| Fire Control  | 1.007                                 | 1.193                      | (0.074)               | 1.119                    |
| Water Supplies  | 0.159                                 | 0.117                      | (0.007)               | 0.110                    |
|   | <b>24.677</b>                         | <b>27.600</b>              | <b>(1.666)</b>        | <b>25.934</b>            |
| <b>Community Fire Safety</b>                                  |                                       |                            |                       |                          |
| Fire Safety Management  | 0.826                                 | 1.333                      | (0.064)               | 1.269                    |
| Prevention and Education                                      | 0.575                                 | 0.490                      | (0.069)               | 0.421                    |
| Legislative and Certification                                 | 0.863                                 | 0.875                      | (0.052)               | 0.823                    |
|   | <b>2.264</b>                          | <b>2.698</b>               | <b>(0.185)</b>        | <b>2.513</b>             |
| <b>Corporate and Democratic Core</b>                          |                                       |                            |                       |                          |
| Democratic Representation                                     | 0.238                                 | 0.223                      | (0.014)               | 0.209                    |
| Corporate Management  | 1.009                                 | 1.408                      | (0.092)               | 1.316                    |
|   | <b>1.247</b>                          | <b>1.631</b>               | <b>(0.106)</b>        | <b>1.525</b>             |
| <b>Non Distributed Costs</b>                                  |                                       |                            |                       |                          |
| FFPS - Past Service Gain                                      | 0.000                                 |                            | (2.660)               | (2.660)                  |
| FFPS - Past Service Cost - Injury Awards                      | 0.310                                 | 0.180                      |                       | 0.180                    |
| LGPS - Past Service Gain                                      | 0.000                                 | 0.149                      |                       | 0.149                    |
|   | <b>0.310</b>                          | <b>0.329</b>               | <b>(2.660)</b>        | <b>(2.331)</b>           |
| <b>NET COST OF SERVICE</b>                                    | <b>28.498</b>                         | <b>32.258</b>              | <b>(4.617)</b>        | <b>27.641</b>            |
| <b>Exceptional Items:</b>                                     |                                       |                            |                       |                          |
| 04/05 & 05/06 Grant Amendments                                | 0.203                                 |                            |                       | 0.000                    |
| Change to Pay Accrual Policy                                  | (0.147)                               |                            |                       | 0.000                    |
|   | <b>0.056</b>                          | <b>0.000</b>               | <b>0.000</b>          | <b>0.000</b>             |
| <b>SUB TOTAL</b>  | <b>28.554</b>                         | <b>32.258</b>              | <b>(4.617)</b>        | <b>27.641</b>            |
| Interest payable and similar charges                          | 0.467                                 | 0.500                      | 0.000                 | 0.500                    |
| Interest and Investment Income                                | (0.281)                               | 0.000                      | (0.325)               | (0.325)                  |
| Pensions Interest Cost and expected return on pensions assets | 9.818                                 | 11.170                     | (0.570)               | 10.600                   |
| <b>NET OPERATING EXPENDITURE</b>                              | <b>38.558</b>                         | <b>43.928</b>              | <b>(5.512)</b>        | <b>38.416</b>            |
| Revenue Support Grant   | (1.625)                               |                            | (1.488)               | (1.488)                  |
| National Non-Domestic Rates                                   | (8.417)                               |                            | (8.867)               | (8.867)                  |
| Council Tax Precept   | (17.019)                              |                            | (17.931)              | (17.931)                 |
| <b>DEFICIT FOR THE YEAR</b>                                   | <b>11.497</b>                         | <b>43.928</b>              | <b>(33.798)</b>       | <b>10.130</b>            |

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

|  | 2006-2007<br>£m | 2007/2008<br>£m |
|--|-----------------|-----------------|
| <b>(Surplus)/Deficit for the year on the Income and Expenditure Account</b>  | <b>11.497</b>   | <b>10.130</b>   |
| Net additional amount required by statute and non-statutory proper practice to be debited or credited to the General Fund Balance for the year | (11.681)        | (10.341)        |
| <b>(Increase)/Decrease in General Fund Balance for the year</b>  | <b>(0.184)</b>  | <b>(0.210)</b>  |
| General Fund Balance brought forward   | (0.865)         | (1.049)         |
| <b>General Fund Balance carried forward</b>  | <b>(1.049)</b>  | <b>(1.259)</b>  |

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

|  | 2006-2007<br>£m | 2007-2008<br>£m |
|--|-----------------|-----------------|
| Deficit for the year on the Income and Expenditure Account         | 11.497          | 10.130          |
| Loss arising from the revaluation of fixed assets                  | 0.019           | 0.008           |
| Gain arising from the re-statement of fixed assets                 | (0.017)         | 0.000           |
| Net Actuarial (gains)/losses on pension fund asset and liabilities | (15.798)        | (32.408)        |
| Total Recognised (Gains)/losses for the year                       | <b>(4.299)</b>  | <b>(22.270)</b> |

**BALANCE SHEET**

|  |       | 2006-2007            |                            |                     | 2007-2008            |
|--|-------|----------------------|----------------------------|---------------------|----------------------|
|  | Note  | 31 Mar<br>2007<br>£m | Re-<br>statemen<br>t<br>£m | 1 Apr<br>2007<br>£m | 31 Mar<br>2008<br>£m |
| <b>Operational Fixed Assets</b>                      |       |                      |                            |                     |                      |
| Land & Buildings                                     | 10-11 | 31.252               |                            | 31.252              | 31.023               |
| Vehicles Plant & Equipment                           | 10-11 | 2.990                |                            | 2.990               | 2.873                |
|  |       | <b>34.242</b>        | <b>0.000</b>               | <b>34.242</b>       | <b>33.896</b>        |
| <b>Non-Operational Fixed Assets</b>                  |       |                      |                            |                     |                      |
| Assets under construction                            | 10-11 | 1.169                |                            | 1.169               | 1.701                |
|  |       | <b>1.169</b>         | <b>0.000</b>               | <b>1.169</b>        | <b>1.701</b>         |
| <b>TOTAL FIXED ASSETS</b>                            |       | <b>35.411</b>        | <b>0.000</b>               | <b>35.411</b>       | <b>35.597</b>        |
| <b>Current Assets</b>                                |       |                      |                            |                     |                      |
| Cash In Hand   |       | 0.018                |                            | 0.018               | 0.018                |
| Cash at Bank   | 12    | 3.483                |                            | 3.483               | 6.387                |
| Stocks & Work in Progress                            | 13    | 0.138                |                            | 0.138               | 0.133                |
| Debtors & Prepayments                                | 14    | 2.297                |                            | 2.297               | 1.553                |
|  |       | <b>5.936</b>         | <b>0.000</b>               | <b>5.936</b>        | <b>8.091</b>         |
| <b>Current Liabilities</b>                           |       |                      |                            |                     |                      |
| Creditors  | 15    | (1.673)              | 0.083                      | (1.590)             | (2.490)              |
| Deferred Income                                      |       | (0.005)              |                            | (0.005)             | (0.001)              |
|  |       | <b>(1.678)</b>       | <b>0.083</b>               | <b>(1.595)</b>      | <b>(2.491)</b>       |
| <b>NET CURRENT ASSETS</b>                            |       | <b>4.258</b>         | <b>0.083</b>               | <b>4.341</b>        | <b>5.600</b>         |
| <b>Long Term Liabilities</b>                         |       |                      |                            |                     |                      |
| Long Term Borrowing                                  | 16    | (11.314)             | (0.083)                    | (11.397)            | (13.138)             |
| Capital Grants Unapplied                             | 17    | (0.689)              |                            | (0.689)             | (0.689)              |
| Government Grants Deferred                           | 18    | (0.039)              |                            | (0.039)             | (0.038)              |
| Liability related to Defined Benefit Pension Schemes | 19    | (197.575)            |                            | (197.575)           | (175.010)            |
|  |       | <b>(209.617)</b>     | <b>(0.083)</b>             | <b>(209.700)</b>    | <b>(188.875)</b>     |
| <b>NET LIABILITIES</b>                               |       | <b>(169.948)</b>     | <b>0.000</b>               | <b>(169.948)</b>    | <b>(147.678)</b>     |
| <b>REPRESENTED BY:</b>                               |       |                      |                            |                     |                      |
| Revaluation Reserve                                  | 20    |                      |                            | 0.000               | 0.000                |
| Capital Adjustment Account                           | 20    |                      | 24.153                     | 24.153              | 23.970               |
| Fixed Asset Restatement Account                      | 20    | 26.663               | (26.663)                   |                     |                      |
| Capital Financing Account                            | 20    | (2.510)              | 2.510                      |                     |                      |
|  |       | <b>(197.575)</b>     |                            | <b>(197.575)</b>    | <b>(175.010)</b>     |
| Pensions Reserve                                     | 19    |                      |                            |                     | (175.010)            |
| Useable Capital Receipts Reserve                     | 21    | 0.000                |                            | 0.000               | 0.000                |
| Earmarked Reserves                                   | 22    | 2.425                |                            | 2.425               | 2.103                |
| Revenue Reserve                                      | 22    | 1.049                |                            | 1.049               | 1.259                |
|  |       | <b>(169.948)</b>     | <b>0.000</b>               | <b>(169.948)</b>    | <b>(147.678)</b>     |

Treasurer to the Fire and Rescue Authority .....

**Date** .....

## CASH-FLOW STATEMENT FOR 12 MONTHS ENDING 31 MARCH 2008

|   |                                      | Note<br>s | 2006-2007 |                | 2007-2008 |                |
|---|--------------------------------------|-----------|-----------|----------------|-----------|----------------|
|   |                                      |           | £m        | £m             | £m        | £m             |
| <b>REVENUE ACTIVITIES</b>                               |                                      |           |           |                |           |                |
| Cash Outflow  | Employees                            |           | 22.020    |                | 23.853    |                |
|   | Other                                |           | 6.725     | 28.745         | 5.914     | 29.767         |
|   |                                      |           | (17.019)  |                | (17.931)  |                |
| Cash Inflow   | Council Tax Precept                  |           |           |                |           |                |
|   | Share of National Non-Domestic Rates |           | (8.398)   |                | (8.867)   |                |
|   | Revenue Support Grant                |           | (1.441)   |                | (1.488)   |                |
|   | Other Government Grants              | 24.5      | (0.565)   |                | (3.412)   |                |
|   | Goods & Services                     |           | (0.330)   |                | (0.353)   |                |
|   |                                      |           |           | (27.803)       |           | (32.076)       |
|   | Other Contributions                  |           | (0.050)   |                | (0.025)   |                |
| <b>Net Cashflow from Revenue Activities</b>             |                                      | 24.1      |           | <b>0.942</b>   |           | <b>(2.309)</b> |
| <b>RETURNS ON INVESTMENT &amp; SERVICING OF FINANCE</b> |                                      |           |           |                |           |                |
| Cash Outflow  | Interest Paid                        |           | 0.452     |                | 0.499     |                |
| Cash Inflow   | Interest Received                    |           | (0.257)   | <b>0.195</b>   | (0.313)   | <b>0.186</b>   |
| <b>CAPITAL ACTIVITIES</b>                               |                                      |           |           |                |           |                |
| Cash Outflow  | Purchase of Fixed Assets             |           | 2.714     |                | 1.140     |                |
| Cash Inflow   | Capital Receipts                     |           | (0.299)   |                | (0.182)   |                |
| Cash Inflow   | Capital Grants                       |           | (0.479)   | <b>1.936</b>   | 0.000     | <b>0.958</b>   |
| <b>Net Cash-flow Before Financing</b>                   |                                      | 24.4      |           | <b>3.073</b>   |           | <b>(1.165)</b> |
| <b>FINANCING</b>  |                                      |           |           |                |           |                |
| Cash Outflow  | Loans Repaid                         |           | 0.000     |                | 1.311     |                |
| Cash Inflow   | Loans Raised                         |           | (2.145)   | <b>(2.145)</b> | (3.050)   | <b>(1.739)</b> |
| <b>NET CHANGE IN CASH &amp; CASH ALTERNATIVES</b>       |                                      | 24.2      |           | <b>0.928</b>   |           | <b>(2.904)</b> |

## 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.

|   | 2006-2007<br>£m | 2007-2008<br>£m |
|---|-----------------|-----------------|
| Depreciation and impairment of fixed assets   | (0.896)         | (0.922)         |
| Government Grants Deferred amortisation   | 0.001           | 0.001           |
| Net charges made for retirement benefits in accordance with FRS17   | (17.295)        | (15.804)        |
| <b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>     | <b>(18.190)</b> | <b>(16.725)</b> |
| Minimum revenue provision for capital financing   | 0.381           | 0.449           |
| Capital Expenditure Charged to Revenue  | 0.000           | 0.196           |
| Employer's contributions payable to the Worcestershire County Council Pension Fund and payment of retirement benefits direct to pensioners                                      | 5.483           | 5.960           |
| <b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b> | <b>5.864</b>    | <b>6.605</b>    |
| Voluntary revenue provision for capital financing   | 0.112           | 0.101           |
| Net transfer to or from earmarked reserves  | 0.533           | (0.322)         |
| <b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>          | <b>0.645</b>    | <b>(0.221)</b>  |
| <b>Net additional amount required to be credited to the General Fund balance for the year</b>   | <b>(11.681)</b> | <b>(10.341)</b> |

### 2. Publicity

2.1 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 below is included within the Income and Expenditure Account:

|                     | 2006-2007<br>£ | 2007-2008<br>£ |
|---------------------|----------------|----------------|
| Staff Advertising   | 35,125         | 35,325         |
| General Advertising | 8,694          | 6,948          |
|                     | <b>43,819</b>  | <b>42,273</b>  |

### 3. Members Allowances

- 3.1 The total amount paid to Members as Allowances under the adopted scheme was £49,273. (2006/07 £47,227).

### 4. Officers' Emoluments

- 4.1 During the year the number of Staff who received remuneration in excess of £50,000 fell into the following bands :

| £                 | Re-stated<br>2006-2007<br>No. of Staff | 2007-2008<br>No. of Staff |
|-------------------|--|---------------------------|
| 50,000 - 59,999   | 9                                      | 16                        |
| 60,000 - 69,999   | 1                                      | 4                         |
| 70,000 - 79,999   | 2                                      | 1                         |
| 80,000 - 89,999   | 2                                      | 3                         |
| 90,000 - 99,999   | 0                                      | 0                         |
| 100,000 - 109,999 | 1                                      | 0                         |
| 110,000 - 119,999 | 0                                      | 1                         |

Remuneration for this purpose includes all sums paid or receivable by an employee, and sums due by way of expenses, allowances and the money value of any other benefits received other than in cash.

### 5. Related Party Transactions

- 5.1 The Clerk to the Fire and Rescue Authority is the Head of Legal and Democratic Services 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).
- 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                 | 2006-2007<br>£m | 2007-2008<br>£m |
|----------------------|-------------------------------|-----------------|-----------------|
| Legal Services       | Herefordshire Council         | 0.033           | 0.026           |
| Committee Services   | Herefordshire Council         | 0.030           | 0.032           |
|                      |                               | <b>0.063</b>    | <b>0.058</b>    |
| Financial Services   | Worcestershire County Council | 0.012           | 0.012           |
| Internal Audit       | Worcestershire County Council | 0.016           | 0.026           |
| Payroll and Pensions | Worcestershire County Council | 0.049           | 0.053           |
| Scientific Services  | Worcestershire County Council | 0.009           | 0.007           |
| Personnel Services   | Worcestershire County Council | 0.005           | 0.002           |
| Property Services    | Worcestershire County Council | 0.024           | 0.020           |
|                      |                               | <b>0.115</b>    | <b>0.120</b>    |
|                      |                               | <b>0.178</b>    | <b>0.178</b>    |

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 £0.497m. (2006/07 £0.448m)
- 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.

## 6. External Audit Fees

6.1 From 1 April 2007 the Authority's appointed External Auditors changed, on rotation, from PricewaterhouseCoopers to the Audit Commission. However, as the statutory inspection work in 2007-08 relied on work done in respect of the 2006-07 accounts, this was carried out by PricewaterhouseCoopers. The External Audit activity is now being undertaken by the Audit Commission.

6.2 During 2007-08 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.

|  | 2006-2007<br>£m | 2007-2008<br>£m |
|--|-----------------|-----------------|
| <b>Accrued Fees payable to PricewaterhouseCoopers:</b> |                 |                 |
| in respect of external audit services                  | 0.053           | n/a             |
| in respect of statutory inspections                    | 0.000           | 0.016           |
|  | <b>0.053</b>    | <b>0.016</b>    |
| <b>Accrued Fees payable to the Audit Commission:</b>   |                 |                 |
| in respect of external audit services                  | n/a             | 0.053           |
|  | <b>0.000</b>    | <b>0.053</b>    |
| <b>TOTAL</b>   | <b>0.053</b>    | <b>0.069</b>    |

## 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 £0.589m (2006/07 £0.563m).

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

|         | <b>£m</b>    |
|---------|--------------|
| 2008/09 | 0.542        |
| 2009/10 | 0.385        |
| 2010/11 | 0.276        |
| 2011/12 | 0.169        |
| 2012/13 | 0.121        |
| 2013/14 | 0.021        |
| 2014/15 | 0.024        |
| 2015/16 | 0.012        |
|         | <b>1.550</b> |

## 8. Capital Expenditure

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

|                                       | <b>2006-2007<br/>£m</b> | <b>2007-2008<br/>£m</b> |
|---------------------------------------|-------------------------|-------------------------|
| New Buildings & Adaptations           | 1.289                   | 0.667                   |
| Vehicles (including fitted equipment) | 0.960                   | 0.248                   |
| IT and Communication Equipment        | 0.321                   | 0.334                   |
| Other Equipment                       | 0.041                   | 0.050                   |
| <b>Total Capital Expenditure</b>      | <b>2.611</b>            | <b>1.299</b>            |

8.2 Capital expenditure was financed as follows:

|  | <b>2006-2007<br/>£m</b> | <b>2007-2008<br/>£m</b> |
|--|-------------------------|-------------------------|
| Long Term Borrowing                          | 2.611                   | 0.921                   |
| Capital Receipts *                           | 0.000                   | 0.182                   |
| Revenue Contributions in year                | 0.000                   | 0.049                   |
| Revenue Contributions from Earmarked Reserve | 0.000                   | 0.147                   |
|  | <b>2.611</b>            | <b>1.299</b>            |

\* Capital receipts are used to offset existing borrowing in relation to the HQ building and effectively reduce the net amount of new borrowing required in year.

## 9 Capital Commitments

At 31<sup>st</sup> March 2008 the FRA had the following material commitments to capital schemes, for which budget has been provided.

|                                |         |
|--------------------------------|---------|
| New Workshop                   | £0.838m |
| Replacement Pumping Appliances | £0.749m |
| Replacement Aerial Appliance   | £0.410m |

## 10. Movement of Fixed Assets

|  | Land and Buildings<br>£m | Vehicles Plant and Equipment<br>£m | Non-Operational Assets<br>£m | TOTAL<br>£m   |
|--|--------------------------|------------------------------------|------------------------------|---------------|
| Gross Book Value at 31 March 2007        | 32.087                   | 7.384                              | 1.169                        | 40.640        |
| Cumulative Depreciation to 31 March 2007 | (0.835)                  | (4.394)                            | 0.000                        | (5.229)       |
| <b>Net Book Value at 31 March 2007</b>   | <b>31.252</b>            | <b>2.990</b>                       | <b>1.169</b>                 | <b>35.411</b> |
| Additions in year                        | 0.351                    | 0.416                              | 0.532                        | 1.299         |
| Revaluations                             | 0.024                    | (0.023)                            |                              | 0.001         |
| Depreciation for year                    | (0.422)                  | (0.500)                            |                              | (0.922)       |
| Net Book Value of Disposals              | (0.182)                  | (0.010)                            |                              | (0.192)       |
| <b>Net Book Value at 31 March 2008</b>   | <b>31.023</b>            | <b>2.873</b>                       | <b>1.701</b>                 | <b>35.597</b> |

### Summary

|  |               |              |              |               |
|--|---------------|--------------|--------------|---------------|
| Gross Book Value at 31 March 2008        | 32.273        | 7.323        | 1.701        | 41.297        |
| Cumulative Depreciation to 31 March 2008 | (1.250)       | (4.450)      | 0.000        | (5.700)       |
| <b>Net Book Value at 31 March 2008</b>   | <b>31.023</b> | <b>2.873</b> | <b>1.701</b> | <b>35.597</b> |

- 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-2007 | 31-Mar-2008 |
|---|-------------|-------------|
| <b>Buildings</b>                              | Number      | Number      |
| Fire Stations                                 | 27          | 27          |
| Training and Development Centre               | 1           | 1           |
| HQ Sites                                      | 1           | 1           |
| Workshops                                     | 1           | 1           |
| Supplies                                      | 1           | 1           |
| Houses - in use as offices                    | 5           | 5           |
| Houses - in use (residential)                 | 5           | 4           |
| Site Acquired for new Workshop                | 1           | 1           |
| HQ Buildings temporarily let pending disposal | 1           | 1           |
| <b>Vehicles</b>                               |             |             |
| Operational Vehicles                          | 58          | 55          |
| Ancillary Vehicles                            | 2           | 2           |

- 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 by DCLG. For information this is shown below:

|                               | 31-Mar-2007 | 31-Mar-2008 |
|-------------------------------|-------------|-------------|
| Operational Vehicles - DCLG   | 8           | 8           |
| Operational Vehicles - Leased | 21          | 21          |
| Ancillary Vehicles - Leased   | 98          | 110         |

- 11.2 The apparent increase in leased ancillary vehicles represents cars held temporarily awaiting movement of emergency equipment (eg radios) to their replacements.

## 12. Cash at Bank

- 12.1 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 effectively invested with the County Council which includes this balance with its own funds in short-term deposits with a range of banks and other financial institutions in accordance with the Treasury Management Policy of the WCC. At 31 March 2008 £6.387m. (31 March 2007 £3.483m) was invested with WCC.

## 13. Stocks and Work in Progress

|                | 31-Mar-2007<br>£m | 31-Mar-2008<br>£m |
|----------------|-------------------|-------------------|
| Uniforms       | 0.060             | 0.051             |
| Fuel           | 0.023             | 0.021             |
| Vehicle Stores | 0.055             | 0.061             |
|                | <b>0.138</b>      | <b>0.133</b>      |

## 14. Debtors and Prepayments

|                | 31-Mar-2007<br>£m | 31-Mar-2008<br>£m |
|----------------|-------------------|-------------------|
| Sundry Debtors | 1.880             | 1.160             |
| Prepayments    | 0.417             | 0.393             |
|                | <b>2.297</b>      | <b>1.553</b>      |

## 15. Creditors

|                        | 31-Mar-2007<br>£m | 31-Mar-2008<br>£m |
|------------------------|-------------------|-------------------|
| Government Departments | 0.371             | 0.442             |
| Sundry Creditors       | 1.219             | 2.048             |
|                        | <b>1.590</b>      | <b>2.490</b>      |

## 16. Long Term Borrowing

|                             | 31-Mar-2007<br>£m | 31-Mar-2008<br>£m |
|-----------------------------|-------------------|-------------------|
| <b>Loan Source</b>          |                   |                   |
| Public Works Loans Board    | 11.314            | 13.053            |
|                             | <b>11.314</b>     | <b>13.053</b>     |
| <b>Analysis by Maturity</b> |                   |                   |
| Between 1 and 2 years       | 1.311             | 1.090             |
| Between 2 and 5 years       | 0.970             | 1.992             |
| Between 5 and 10 years      | 0.334             | 0.334             |
| Over 10 years               | 8.699             | 9.637             |
| <b>Total of Loans</b>       | <b>11.314</b>     | <b>13.053</b>     |
| Accrued Interest            | 0.083             | 0.085             |
| <b>Balance Sheet Total</b>  | <b>11.397</b>     | <b>13.138</b>     |

- 16.1 Up to 2006-2007 the relevant SORP allowed accrued interest to be treated as a short term creditor on the balance sheet as it falls due within 12 months. However, SORP 2007 now requires that this accrued interest is shown as an addition to the long term creditor. The corresponding figure in the 2006-2007 Balance Sheet has been amended.

16.2 The Fair Value of the loans at 31 March 2008 was £13.334m (£11.005m at 31 March 2007) as estimated by PWLB by reference to the “premature repayment” set of rates in force on 31 March 2008. (30 March 2007).

## 17. Capital Grants Unapplied

|                                     | <b>LPSA1 (Worcs)<br/>Reward Grant<br/>(Capital)<br/>£m</b> | <b>USAR<br/>Capital<br/>Grants<br/>£m</b> | <b>TOTAL<br/>£m</b> |
|-------------------------------------|--|---|---------------------|
| Balance at 1 April 2007             | 0.419  | 0.270                                     | 0.689               |
| Grant Received in Year              | 0.000  | 0.000                                     | 0.000               |
| Used to Finance Capital Expenditure | 0.000  | 0.000                                     | 0.000               |
| <b>Balance at 31 March 2008</b>     | <b>0.419</b>   | <b>0.270</b>                              | <b>0.689</b>        |

17.1 Un-spent balances in relation to Worcestershire LPSA1 Reward Grant – Capital Element and USAR building works grants. In the latter case the value of work has not yet exceeded the revenue provision also provided.

## 18. Government Grants Deferred

18.1 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.

|                                 | <b>£m</b>    |
|---------------------------------|--------------|
| Balance at 1 April 2007         | 0.039        |
| Grant Received in year          | 0.000        |
| Grant Applied in year           | (0.001)      |
| <b>Balance at 31 March 2008</b> | <b>0.038</b> |

## 19. Pension Arrangements

19.1 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.

19.2 The Authority participates in four schemes:

- The Firefighters’ Pension Scheme (the 1992 Scheme) – was open to Wholetime uniformed staff, who joined the service prior to 6 April 2006. The scheme is now closed to new entrants. 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 New Firefighters’ Pension Scheme (the 2006 Scheme) – is open to all uniformed staff (except Fire Control) and is also a statutory unfunded scheme.
- The Firefighters’ Compensation Scheme (the Injury Scheme – another statutory unfunded scheme covering existing and new injury pensions.
- The Local Government Pension Scheme – 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 scheme. The Authority and employees pay contributions

into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

19.3 For the two Firefighters' Pension Schemes (1992 and 2006) the actual charge to the Income and Expenditure Account is the employer contribution. For the Compensation Scheme the charge is the gross pension payable.

19.4 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 make against council tax precept is based on the cash payable in the year, (as described in 19.3 above) so the real cost of retirement benefits is reversed out of the Income and Expenditure Account and replaced with the cost of pensions earned in the year, Transactions made in the Income and Expenditure Account and the Statement on Movement in the General Fund Balance during the year are shown in the table below:

|   | <b>Local Govt<br/>Scheme<br/>2006-2007<br/>£m</b> | <b>Firefighter<br/>s<br/>1992<br/>2006-2007<br/>£m</b> | <b>Firefighter<br/>s<br/>2006<br/>2006-2007<br/>£m</b> | <b>Firefighter<br/>s<br/>Injury<br/>2006-2007<br/>£m</b> |
|---|---|--|--|--|
| <b>Income and Expenditure Account</b>   |   |  |  |  |
| <b>Net Cost of Services:</b>  |   |  |  |  |
| Current Service Cost  | 0.537   | 6.520  | 0.090  | 0.000  |
| Past Service Cost   | 0.000   | 0.000  | 0.000  | 0.310  |
| <b>Net Operating Expenditure:</b>   |   |  |  |  |
| Interest Cost   | 0.534   | 9.220  | 0.020  | 0.520  |
| Expected Return on Assets in the Scheme   | (0.456)   | 0.000  | 0.000  | 0.000  |
| <b>Net Charge to the Income and Expenditure Account</b>                                 | <b>0.615</b>                                      | <b>15.740</b>  | <b>0.110</b>   | <b>0.830</b>   |
| <b>Statement of Movement in the General Fund Balance</b>                                |   |  |  |  |
| Removal of net charges made for retirement benefits in accordance with FRS17            | (0.615)   | (15.740)   | (0.110)  | (0.830)  |
| <b>Actual Amount charged against the General Fund Balance for pensions in the year:</b> |   |  |  |  |
| Employer's contribution to benefits accruing in Firefighters' pension schemes           | 0.449   | 2.109  | 0.032  | 0.564  |
|   | <b>0.449</b>                                      | <b>2.109</b>   | <b>0.032</b>   | <b>0.564</b>   |

|   | <b>Local Govt Scheme 2007-2008<br/>£m</b> | <b>Firefighter s 1992 2007-2008<br/>£m</b> | <b>Firefighter s 2006 2007-2008<br/>£m</b> | <b>Firefighter s Injury 2007-2008<br/>£m</b> |
|---|---|--|--|--|
| <b>Income and Expenditure Account</b>   |   |  |  |  |
| <b>Net Cost of Services:</b>  |   |  |  |  |
| Current Service Cost  | 0.525                                     | 6.160                                      | 0.850                                      | 0.000  |
| Past Service Cost   | 0.149                                     | (2.660)                                    | 0.000                                      | 0.180  |
| <b>Net Operating Expenditure:</b>   |   |  |  |  |
| Interest Cost   | 0.610                                     | 9.970                                      | 0.030                                      | 0.560  |
| Expected Return on Assets in the Scheme   | (0.570)                                   | 0.000                                      | 0.000                                      | 0.000  |
| <b>Net Charge to the Income and Expenditure Account</b>                                 | <b>0.714</b>                              | <b>13.470</b>                              | <b>0.880</b>                               | <b>0.740</b>                                 |
| <b>Statement of Movement in the General Fund Balance</b>                                |   |  |  |  |
| Removal of net charges made for retirement benefits in accordance with FRS17            | (0.714)                                   | (13.470)                                   | (0.880)                                    | (0.740)                                      |
| <b>Actual Amount charged against the General Fund Balance for pensions in the year:</b> |   |  |  |  |
| Employer's contribution to benefits accruing in Firefighters' pension schemes           | 0.497                                     | 2.187                                      | 0.238                                      | 0.567  |
|   | <b>0.497</b>                              | <b>2.187</b>                               | <b>0.238</b>                               | <b>0.567</b>                                 |

19.5 The underlying assets and liabilities for retirement benefits, in the various schemes, that are attributable to the Authority at 31 March are as follows:

| <b>at 31 March 2007</b>      | <b>Local Govt Scheme<br/>£m</b> | <b>Firefighter s 1992<br/>£m</b> | <b>Firefighter s 2006<br/>£m</b> | <b>Firefighter s Injury<br/>£m</b> | <b>TOTAL<br/>£m</b> |
|------------------------------|---------------------------------|----------------------------------|----------------------------------|------------------------------------|---------------------|
| Estimated Scheme Liabilities | (11.028)                        | (184.020)                        | (0.100)                          | (10.525)                           | (205.673)           |
| Estimated Scheme Assets      | 8.098                           | 0.000                            | 0.000                            | 0.000                              | 8.098               |
| <b>Net Asset/(Liability)</b> | <b>(2.930)</b>                  | <b>(184.020)</b>                 | <b>(0.100)</b>                   | <b>(10.525)</b>                    | <b>(197.575)</b>    |

| <b>at 31 March 2008</b>      | <b>Local Govt Scheme<br/>£m</b> | <b>Firefighter s 1992<br/>£m</b> | <b>Firefighter s 2006<br/>£m</b> | <b>Firefighter s Injury<br/>£m</b> | <b>TOTAL<br/>£m</b> |
|------------------------------|---------------------------------|----------------------------------|----------------------------------|------------------------------------|---------------------|
| Estimated Scheme Liabilities | (13.492)                        | (158.428)                        | (0.930)                          | (10.162)                           | (183.012)           |
| Estimated Scheme Assets      | 8.002                           | 0.000                            | 0.000                            | 0.000                              | 8.002               |
| <b>Net Asset/(Liability)</b> | <b>(5.490)</b>                  | <b>(158.428)</b>                 | <b>(0.930)</b>                   | <b>(10.162)</b>                    | <b>(175.010)</b>    |

| <b>Change between years</b>  | <b>Local Govt Scheme<br/>£m</b> | <b>Firefighter s 1992<br/>£m</b> | <b>Firefighter s 2006<br/>£m</b> | <b>Firefighter s Injury<br/>£m</b> | <b>TOTAL<br/>£m</b> |
|------------------------------|---------------------------------|----------------------------------|----------------------------------|------------------------------------|---------------------|
| Estimated Scheme Liabilities | (2.464)                         | 25.592                           | (0.830)                          | 0.363                              | 22.661              |
| Estimated Scheme Assets      | (0.096)                         | 0.000                            | 0.000                            | 0.000                              | (0.096)             |
| <b>Net Asset/(Liability)</b> | <b>(2.560)</b>                  | <b>25.592</b>                    | <b>(0.830)</b>                   | <b>0.363</b>                       | <b>22.565</b>       |

19.6 The liabilities show the underlying commitments that the Authority has in the long-run to pay retirement benefits. The total net liability of £175.010m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £147.693m. 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.
- In respect of the Firefighters' Schemes, the current financial arrangements mean that any actual expenditure in excess of the current employee and employer contributions will be met by direct government grant.

### Basis for Estimation

19.7 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.

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

19.9 The main assumptions used in the calculations are shown below.

| <b>2006-2007 underlying assumptions</b> | <b>Local Govt Scheme</b> | <b>Firefighters 1992</b> | <b>Firefighters 2006</b> | <b>Firefighters Injury</b> |
|---|--------------------------|--------------------------|--------------------------|----------------------------|
| Rate of Inflation                       | 3.1%                     | 3.4%                     | 3.4%                     | 3.4%                       |
| Rate of Increase in Salaries            | 4.6%                     | 4.9%                     | 4.9%                     | 4.9%                       |
| Rate of Increase in Pensions            | 3.1%                     | 3.4%                     | 3.4%                     | 3.4%                       |
| Rate for Discounting Liabilities        | 5.4%                     | 5.4%                     | 5.4%                     | 5.4%                       |

| <b>2007-2008 underlying assumptions</b> | <b>Local Govt Scheme</b> | <b>Firefighters 1992</b> | <b>Firefighters 2006</b> | <b>Firefighters Injury</b> |
|---|--------------------------|--------------------------|--------------------------|----------------------------|
| Rate of Inflation                       | 3.6%                     | 3.7%                     | 3.7%                     | 3.7%                       |
| Rate of Increase in Salaries            | 5.1%                     | 5.2%                     | 5.2%                     | 5.2%                       |
| Rate of Increase in Pensions            | 3.6%                     | 3.7%                     | 3.7%                     | 3.7%                       |
| Rate for Discounting Liabilities        | 6.1%                     | 6.9%                     | 6.9%                     | 6.9%                       |

19.10 The Firefighters' Schemes have no assets to cover their 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:

|                  | <b>Average Return 2006/07</b> | <b>Average Return 2007/08</b> | <b>Proportion 31 March 2007</b> | <b>Proportion 31 March 2008</b> |
|------------------|-------------------------------|-------------------------------|---------------------------------|---------------------------------|
| Equities         | 7.5%                          | 7.5%                          | 90.3%                           | 88.6%                           |
| Government Bonds | 4.7%                          | 4.6%                          | 5.0%                            | 4.7%                            |
| Other Bonds      | 5.4%                          | 6.1%                          | 3.6%                            | 3.8%                            |
| Other Assets     | 5.3%                          | 5.3%                          | 1.1%                            | 2.9%                            |
|                  |                               |                               | <b>100.0%</b>                   | <b>100.0%</b>                   |

## Actuarial Gains and Losses

19.11 The following table provides a summary of the actuarial gains and losses on the different schemes over the last 5 years. The figure represents the change from the previous year. The percentage figure relates to the proportion of the opening total assets or liabilities as appropriate.

19.12 As the Firefighters' Schemes are un-funded they have no assets to report upon. The 2006 and Injury Schemes did not exist before 2006-07 therefore there is no comparative data for prior periods.

19.13 In the tables below :

- Column A is the difference between the expected and actual return on assets.
- Column B is the difference between actuarial assumptions about liabilities and actual expenditure
- Column C is the change in the demographic and financial assumptions used to estimate liabilities (including the effect of accrual of transfer values)

### Local Government Pension Scheme

|           | A       |        | B       |       | C       |       | TOTAL   |
|-----------|---------|--------|---------|-------|---------|-------|---------|
|           | £m      | %      | £m      | %     | £m      | %     | £m      |
| 2003-2004 | 0.615   | 14.0%  | 0.000   | 0.0%  | 0.000   | 0.0%  | 0.615   |
| 2004-2005 | (0.176) | -3.0%  | 0.234   | 3.0%  | 1.742   | 20.0% | 1.800   |
| 2005-2006 | 1.043   | 14.8%  | (0.315) | -3.0% | (1.007) | -9.5% | (0.279) |
| 2006-2007 | 0.019   | 0.2%   | 0.000   | 0.0%  | 0.685   | 6.2%  | 0.704   |
| 2007-2008 | (1.028) | -12.8% | (0.843) | -6.2% | (0.478) | -3.5% | (2.349) |

### Firefighters' (1992) Pension Scheme

|           | A   |     | B       |       | C        |       | TOTAL    |
|-----------|-----|-----|---------|-------|----------|-------|----------|
|           | £m  | %   | £m      | %     | £m       | %     | £m       |
| 2003-2004 | n/a | n/a | 10.150  | 13.0% | 16.710   | 21.0% | 26.860   |
| 2004-2005 | n/a | n/a | 7.060   | 4.4%  | 34.640   | 21.6% | 41.700   |
| 2005-2006 | n/a | n/a | 0.820   | 0.4%  | 28.510   | 14.4% | 29.330   |
| 2006-2007 | n/a | n/a | (2.650) | -1.4% | (11.994) | -6.4% | (14.644) |
| 2007-2008 | n/a | n/a | 2.810   | 1.5%  | 31.340   | 17.0% | 34.150   |

### Firefighters' (2006) Pension Scheme

|           | A   |     | B       |         | C     |        | TOTAL |
|-----------|-----|-----|---------|---------|-------|--------|-------|
|           | £m  | %   | £m      | %       | £m    | %      | £m    |
| 2006-2007 | n/a | n/a | 0.000   | 0.0%    | 0.010 | n/a    | 0.010 |
| 2007-2008 | n/a | n/a | (0.240) | -240.0% | 0.370 | 370.0% | 0.130 |

### Firefighters' Injury Scheme

|           | A   |     | B       |       | C       |      | TOTAL   |
|-----------|-----|-----|---------|-------|---------|------|---------|
|           | £m  | %   | £m      | %     | £m      | %    | £m      |
| 2006-2007 | n/a | n/a | 0.020   | 0.0%  | (0.420) | 3.9% | (0.400) |
| 2007-2008 | n/a | n/a | (0.270) | -2.6% | 0.840   | 7.9% | 0.570   |

## Movement in Pensions Reserve

19.14 An analysis of the movement on the Pension Reserve referred to in Note 22 is shown below.

|                                   | LGPS<br>£m     | Firefighters'<br>1992<br>£m | Firefighters'<br>2006<br>£m | Firefighters'<br>Injury<br>£m | TOTAL<br>£m      |
|-----------------------------------|----------------|-----------------------------|-----------------------------|-------------------------------|------------------|
| <b>Balance at 31 March 2007</b>   | <b>(2.930)</b> | <b>(184.020)</b>            | <b>(0.100)</b>              | <b>(10.525)</b>               | <b>(197.575)</b> |
| Current Service Cost              | (0.525)        | (5.020)                     | (0.680)                     | 0.000                         | (6.225)          |
| Employee Contributions            | 0.000          | (1.140)                     | (0.170)                     | 0.000                         | (1.310)          |
| Past Service Cost - Injury Awards | (0.149)        | 2.660                       | 0.000                       | (0.180)                       | 2.331            |
| Employer Contributions            | 0.503          | 0.000                       | 0.000                       | 0.000                         | 0.503            |
| Transfers In                      | 0.000          | 0.000                       | (0.080)                     | 0.000                         | (0.080)          |
| Pensions Paid                     | 0.000          | 5.004                       | 0.000                       | 0.533                         | 5.537            |
| Interest on Liabilities           | (0.610)        | (9.970)                     | (0.030)                     | (0.560)                       | (11.170)         |
| Interest on Assets                | 0.570          | 0.000                       | 0.000                       | 0.000                         | 0.570            |
|                                   | <b>(3.141)</b> | <b>(192.486)</b>            | <b>(1.060)</b>              | <b>(10.732)</b>               | <b>(207.419)</b> |
| Actuarial Loss/Gain:              |                |                             |                             |                               |                  |
| Asset Gain                        | (1.028)        | n/a                         | n/a                         | n/a                           | (1.028)          |
| Liability Gain/Loss               | (0.843)        | 2.718                       | (0.240)                     | (0.270)                       | 1.365            |
| Change in Assumptions             | (0.478)        | 31.340                      | 0.370                       | 0.840                         | 32.072           |
|                                   | <b>(2.349)</b> | <b>34.058</b>               | <b>0.130</b>                | <b>0.570</b>                  | <b>32.409</b>    |
| <b>Balance at 31 March 2008</b>   | <b>(5.490)</b> | <b>(158.428)</b>            | <b>(0.930)</b>              | <b>(10.162)</b>               | <b>(175.010)</b> |

## 20. Movements in Capital Accounting Reserves

|                                     | Fixed Asset<br>Restatement<br>Account<br>£m | Capital<br>Financing<br>Account<br>£m | Capital<br>Adjustment<br>Account<br>£m | Revaluation<br>Reserve<br>£m |
|-------------------------------------|---|---------------------------------------|--|------------------------------|
| Balance at 31 March 2007            | 26.663                                      | (2.510)                               | 0.000                                  | 0.000                        |
| Accounting Restatement              | (26.663)                                    | 2.510                                 | 24.153                                 |                              |
| <b>Balance at 1 April 2007</b>      | <b>0.000</b>                                | <b>0.000</b>                          | <b>24.153</b>                          | <b>0.000</b>                 |
| Revaluation                         |   |                                       | 0.001                                  | 0.024                        |
| Provision for Depreciation          |   |                                       | (0.922)                                |                              |
| Direct Revenue Financing of Capital |   |                                       | 0.196                                  |                              |
| Use of Capital Receipts             |   |                                       | 0.182                                  |                              |
| Write out of assets disposed        |   |                                       | (0.191)                                | (0.024)                      |
| Transfer from Govt Grants Deferred  |   |                                       | 0.001                                  |                              |
| Provision for repayment of loans    |   |                                       | 0.550                                  |                              |
| <b>Balance at 31 March 2008</b>     |   |                                       | <b>23.970</b>                          | <b>0.000</b>                 |

## 21. Movements in Useable Capital Receipts

|  | £m           |
|--|--------------|
| Balance at 1 April 2007                | 0.000        |
| Net Proceeds from sale of Fixed Assets | 0.182        |
| Used to Finance Capital Expenditure*   | (0.182)      |
| <b>Balance at 31 March 2008</b>        | <b>0.000</b> |

\*Capital receipts used to offset existing external borrowing in respect of HQ project.

## 22 Movements in Revenue Reserves

|  | <b>BALANCE<br/>01-Apr-07<br/>£m</b> | <b>NET MOVEMENT<br/>IN YEAR<br/>£m</b> | <b>BALANCE<br/>31-Mar-08<br/>£m</b> |
|--|-------------------------------------|--|-------------------------------------|
| <b>CAPITAL ADJUSTMENTS ACCOUNT</b>   | 24.153                              | (0.183)                                | 23.970                              |
| Purpose: to record consumption of fixed assets over their life and monies set aside to finance assets. |                                     |  |                                     |
| <b>REVALUATION RESERVE</b>   | 0.000                               | 0.000                                  | 0.000                               |
| Purpose: to hold unrealised gains and losses from revaluations since 1 April 2007.                     |                                     |  |                                     |
| <b>USABLE CAPITAL RECEIPTS</b>   | 0.000                               | 0.000                                  | 0.000                               |
| Purpose: Proceeds of fixed asst sales available to meet future capital investment                      |                                     |  |                                     |
| <b>PENSIONS RESERVE</b>  | (197.575)                           | 22.565                                 | (175.010)                           |
| Purpose: Balancing account to allow inclusion of Pensions Liability in the Balance Sheet               |                                     |  |                                     |
| <b>GENERAL FUND</b>  | 1.049                               | 0.210                                  | 1.259                               |
| Purpose: Resources available to meet future unforeseen costs   |                                     |  |                                     |
| <b>OTHER RESERVES</b>  | 2.425                               | (0.322)                                | 2.103                               |
| Purpose: Resources set aside and earmarked for specific future spending                                |                                     |  |                                     |

22.1 The Other Reserves shown in the table above are Earmarked for a variety of purposes the value and nature of these is outlined below:

|                                      | <b>Balance at<br/>01 Apr-2007<br/>£m</b> | <b>from<br/>I &amp; E Acct<br/>£m</b> | <b>to<br/>I &amp; E Acct<br/>£m</b> | <b>Balance at<br/>31-Mar-2008<br/>£m</b> |
|--------------------------------------|--|---------------------------------------|-------------------------------------|--|
| <b>Earmarked Reserves</b>            |  |                                       |                                     |  |
| RMB Costs Reserve                    | 0.048                                    |                                       | (0.024)                             | 0.024                                    |
| Pensions Reserve                     | 0.362                                    |                                       | (0.125)                             | 0.237                                    |
| Training Reserve                     | 0.048                                    | 0.144                                 |                                     | 0.192                                    |
| Transitional Grant Repayment Reserve | 0.164                                    |                                       | (0.164)                             | 0.000                                    |
| New Dimensions Training Reserve      | 0.140                                    |                                       | (0.070)                             | 0.070                                    |
| Rank to Role Reserve                 | 0.349                                    |                                       | (0.144)                             | 0.205                                    |
| Urban Search & Rescue Reserve        | 0.734                                    |                                       | (0.216)                             | 0.518                                    |
| LPSA Reward Grant Reserve            | 0.371                                    |                                       | (0.114)                             | 0.257                                    |
| Environment Agency Grant Reserve     | 0.022                                    |                                       |                                     | 0.022                                    |
| Fire Prevention Grant Reserve        | 0.028                                    |                                       |                                     | 0.028                                    |
| HFSI Grant Reserve                   |  | 0.037                                 |                                     | 0.037                                    |
| IEG Reserve                          | 0.019                                    |                                       |                                     | 0.019                                    |
| New Burdens (FRC Transition) Reserve | 0.095                                    | 0.270                                 | (0.095)                             | 0.270                                    |
| Hereford CFS Grant Reserve           | 0.005                                    |                                       |                                     | 0.005                                    |
| Mobilising Resilience Reserve        | 0.040                                    |                                       |                                     | 0.040                                    |
| Relocation Reserve                   |  | 0.045                                 |                                     | 0.045                                    |
| New Dimensions ECU Reserve           |  | 0.054                                 |                                     | 0.054                                    |
| Fuel Price Reserve                   |  | 0.080                                 |                                     | 0.080                                    |
|                                      | <b>2.425</b>                             | <b>0.630</b>                          | <b>(0.952)</b>                      | <b>2.103</b>                             |

22.2 The purpose and nature of these provisions are explained below:

- RMB Reserve – to meet the FRA’s agreed share of future costs delayed from earlier years.
- Pensions – To smooth the un-even 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.
- Transitional Grant Reserve – in 2004/05 government provided grant to assist with the initial costs of modernisation. This was originally to be repaid in 2005/06. Legal difficulties mean that the government is now recovering the grant by top-slicing 2006/07 and 2007/08 formula grant. This reserve was brought back into the Income and Expenditure account in 2006/07 and 2007/08 to compensate for that artificial reduction in formula grant.
- New Dimensions Training Reserve – To provide for the future costs of Mass Decontamination continuation training.
- 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 has been a long one and this requires the FRA to provide for the possible additional costs of back-dating of individual claims to 2004/05. This process was largely completed in 2007/08 and a transfer to the revenue account has been made. A further transfer is expected in 2008/09 and the small remaining balance held pending any future back-dating appeals.
- 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. Some of this grant was paid in advance of the units being fully established and with CLG agreement was retained and is being used in 2007-08 and 2008-09 towards funding the capital costs of associated works at Droitwich Fire Station.
- LPSA Reward Grant Reserve – Following success in achieving targets under Worcestershire Local Public Service Agreement, the FRA has been awarded significant Reward Grant. The revenue element is held in this reserve, pending decisions on actual expenditure to be funded.
- 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 2008/09.
- Fire Prevention Grant Reserve – the small balance represents cash grant received by 31 March 2008, but where expenditure is not yet made. Will be utilised in 2008/09.
- HFSI Reserve – the small balance of grant represents cash grant received by 31 March 2008, but where expenditure is not yet made. Will be utilised in 2008-09.
- IEG Reserve – a small balance of grant originally provided under the Government's now changed strategy on implementing E-government.
- 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.
- Herefordshire CFS Reserve – a small grant to fund fire-related crime reduction initiatives.
- 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 is provided to meet any future costs prior to RCC cutover.
- 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 Enhanced Command Unit Reserve - In late 2007/08, the Authority took delivery of an ECU vehicle originally intended for another Authority. Government provides grant in respect of training, however the late receipt of the vehicle and grant means this is unspent at the year end.
- Fuel Price Reserve – to provide cover in 2008/09 for the significant increase in fuel prices in the early part of the year.

## 23. Contingent Liabilities

23.1 There are no contingent liabilities.

## 24. NOTES TO THE CASH-FLOW STATEMENT

### 24.1 Reconciliation of Income and Expenditure Account to Revenue Activities Cash Flow

|   | 2006-2007 |              | 2007-2008 |                |
|---|-----------|--------------|-----------|----------------|
|   | £m        | £m           | £m        | £m             |
| <b>Movement on General Fund Balance</b>   | (0.184)   |              | (0.210)   |                |
| less Transfer from Reserve                | (0.533)   | (0.717)      | 0.322     | 0.112          |
| <b>Less : Non-Cash Transactions</b>       |           |              |           |                |
| Minimum Revenue Provision (MRP)           | 0.494     |              | (0.550)   |                |
| Revenue Financing of Capital              | 0.000     |              | (0.196)   |                |
| change in provisions                      | (0.488)   | 0.006        | 0.000     | (0.746)        |
| <b>Less : Items on an Accruals Basis</b>  |           |              |           |                |
| change in debtors                         | (0.922)   |              | (0.740)   |                |
| change in creditors                       | (0.936)   |              | (0.742)   |                |
| change in stocks/WIP                      | (0.002)   | (1.860)      | (0.006)   | (1.488)        |
| <b>Less : Servicing of Finance</b>        |           | 0.195        |           | (0.187)        |
| <b>Net Cash-Flow : Revenue Activities</b> |           | <b>0.942</b> |           | <b>(2.309)</b> |

### 24.2 Reconciliation of Movement in Cash

|                | Balance<br>31 March<br>2007<br>£m | Balance<br>31 March<br>2008<br>£m | Change<br>in the<br>year<br>£m |
|----------------|-----------------------------------|-----------------------------------|--------------------------------|
| Cash In Hand   | 0.018                             | 0.018                             | 0.000                          |
| Cash at Bank   | 3.483                             | 6.387                             | (2.904)                        |
| Cash Overdrawn | 0.000                             | 0.000                             | 0.000                          |
|                | <b>3.501</b>                      | <b>6.405</b>                      | <b>(2.904)</b>                 |

### 24.3 Reconciliation of Net Cash Flow to the Movement in Net Debt

|                                  | 2006-2007<br>£m | 2007-2008<br>£m |
|----------------------------------|-----------------|-----------------|
| <b>Net Debt at Start of Year</b> | <b>(4.740)</b>  | <b>(7.813)</b>  |
| Change in Cash                   | (0.939)         | 0.000           |
| Change in Debt Financing         | (2.145)         | 2.904           |
| Change in Liquid Resources       | 0.011           | (1.739)         |
| <b>Net Debt at End of Year</b>   | <b>(7.813)</b>  | <b>(6.648)</b>  |

### 24.4 Analysis of Net Debt

|                        | Balance<br>31 March<br>2007<br>£m | Balance<br>31 March<br>2008<br>£m | Change<br>in the<br>year<br>£m |
|------------------------|-----------------------------------|-----------------------------------|--------------------------------|
| Cash in Hand           | 0.018                             | 0.018                             | 0.000                          |
| Short Term Investments | 3.483                             | 6.387                             | 2.904                          |
| Short Term Debt        | 0.000                             | 0.000                             | 0.000                          |
| Long Term Debt         | (11.314)                          | (13.053)                          | (1.739)                        |
|                        | <b>(7.813)</b>                    | <b>(6.648)</b>                    | <b>1.165</b>                   |

## 24.5 Government Grants

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

|                                       | 2006-2007      | 2007-2008      |
|---------------------------------------|----------------|----------------|
| Government Grant Received             | £m             | £m             |
| New Dimensions Training Grant         | (0.070)        | (0.070)        |
| New Dimensions Reimbursement          | (0.027)        | 0.000          |
| New Dimensions USAR Grant             | (0.040)        | (1.554)        |
| New Dimensions Enhanced Command Grant | 0.000          | (0.061)        |
| New Burdens (Fire Control) Grant      | (0.148)        | (0.443)        |
| Home Fire Safety Initiatives Grant    | (0.032)        | (0.064)        |
| LPSA Reward Grant                     | (0.209)        | 0.000          |
| USAR Industrial Relations Training    | (0.001)        | 0.000          |
| Fire Prevention Grant                 | (0.038)        | (0.037)        |
| Environment Agency Grant              | 0.000          | (0.022)        |
| Pensions Grant                        | 0.000          | (1.026)        |
| Bellwin Grant                         | 0.000          | (0.135)        |
|                                       | <b>(0.565)</b> | <b>(3.412)</b> |

## 25. West Midlands Fire and Rescue Services Regional Control Centre Company

- 25.1 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 being within the West Midlands region.
- 25.2 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
- 25.3 At 31 March 2008 the company held no assets or liabilities and in 2007/08 incurred expenditure of £49,842 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.

## **FIREFIGHTERS' PENSION FUND**

1. Since 2006-2007 Firefighters' pensions are paid out of a separate account into which the employees contributions and an employers contribution are paid. Any deficit on this account is made up by direct government grant.
2. The employers contribution is borne by the Income and Expenditure Account for Council Tax Precept setting purposes.
3. In accordance with the requirements of FRS17 the employers contribution is replaced by the current service cost of pensions in the Income and Expenditure Account, and reversed out again in the Statement of the 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 amount due at 31 March 2008 represents 35% (31 March 2007 32%) of the actual grant for the year. This difference from the 20% expected is for different reasons:
  - In 2006-2007 CLG changed the details of the arrangements after information used to estimate grant had been collected.
  - In 2007-2008 Lower ill health charges (arising from lower ill health retirements than anticipated by the CLG model) and lump sums from delayed 2006-2007 ordinary retirements.
8. The following pensions fund 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

|   | 2006-2007<br>£m | 2007-2008<br>£m |
|---|-----------------|-----------------|
| <b>Contributions receivable</b>               |                 |                 |
| From employer                                 |                 |                 |
| Normal contributions                          | (2.141)         | (2.422)         |
| Additional contributions (early retirement)   | 0.000           | 0.000           |
| Additional contributions (ill health charges) | (0.113)         | (0.010)         |
| From members                                  | (2.254)         | (2.432)         |
| Normal contributions                          | (1.124)         | (1.327)         |
| Additional voluntary contributions            | 0.000           | 0.000           |
| Transfers in                                  | (1.124)         | (1.327)         |
| Individual transfers from other schemes       | 0.000           | (0.085)         |
| Other Transfers                               | 0.000           | 0.000           |
|   | 0.000           | (0.085)         |
|   |                 |                 |
| <b>Income to the Fund</b>                     | <b>(3.378)</b>  | <b>(3.844)</b>  |
| <b>Expenditure</b>                            |                 |                 |
| Benefits Payable                              |                 |                 |
| Pensions                                      | 3.645           | 3.932           |
| Lump sum retirement benefits                  | 0.720           | 1.033           |
| Lump sum death benefits                       | 0.105           | 0.000           |
|   | 4.470           | 4.965           |
|   |                 |                 |
| <b>Expenditure by the Fund</b>                | <b>4.470</b>    | <b>4.965</b>    |
|   |                 |                 |
| <b>Net Deficit on the Fund</b>                | <b>1.092</b>    | <b>1.121</b>    |
| Financed by                                   |                 |                 |
| DCLG Pension Top up Grant - Received          | (0.741)         | (0.675)         |
| DCLG Pension Top up Grant - Due               | (0.351)         | (0.446)         |
|   | <b>(1.092)</b>  | <b>(1.121)</b>  |
|   |                 |                 |
|   |                 |                 |

## FIREFIGHTERS' PENSION FUND STATEMENT OF NET ASSETS

The following balances in relation to the Pensions Fund are included in the Balance Sheet on page 18.

|                            | 2006-2007<br>£m | 2007-2008<br>£m |
|----------------------------|-----------------|-----------------|
| <b>Current Assets</b>      |                 |                 |
| Debtor                     |                 |                 |
| s                          |                 |                 |
| Employer Contributions Due | 0.041           | 0.066           |
| Employee Contributions Due | 0.021           | 0.038           |
| DCLG Top Up Grant Due      | 0.351           | 0.446           |
| Prepayments                | 0.320           | 0.393           |
|                            | <b>0.733</b>    | <b>0.943</b>    |

## **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 2006/07 and 2007/08.

### **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 Actuaries Department – the government body that provides information in respect of pensions costs particularly in respect of compliance with FRS17.

**HFSI**  
Home Fire Safety Initiative. An DCLG 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 the former ODPM (Office of Deputy Prime Minister, now replaced by CLG) 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 year's grant would be paid to Fire and Rescue Authorities.

**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

**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.