



STATEMENT OF ACCOUNTS 2006/07

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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 2007. There has been a change in presentation from previous years and the Accounts now 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 Statementand the notes to the core statements are now consolidated.
3. In addition there is now a Supplementary Financial Statement in respect of the Firefighters Pension Scheme.
4. This arrangement is intended to bring local authority accounts into line with UK Generally Accepted Accounting Practice (GAAP). Where the changes have required items in the 2005/06 Accounts to be restated the policies and notes have been annotated as appropriate.
- 5.1 The Income and Expenditure Account summarises all the resources that the FRA has generated, consumed or set aside during 2006/07.
- 5.2 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 15-19.

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 2006/07 totalled £27.061m, funded as below:

Council Tax Precept	£17.019m
Non-Domestic Rates	£ 8.417m
Revenue Support Grant	£ 1.625m

12. In accordance with the approved Medium Term Financial Strategy, the budget included provision for the repayment of Transitional Grant and provision to strengthen balances.
13. The budget specifically included a provision to strengthen revenue balances by £0.151m. As a consequence of net underspending in the final out-turn the actual transfer to balances is £0.033m higher at £0.184m

Exceptional Items

14. There are a number of significant items in the Income and Expenditure Account which by their one-off nature are exceptional.
- In 2005/06 acquisition of the freehold new Headquarters building meant that the premium paid by the previous tenant to buy out their long term lease accrued to the FRA.
 - In 2005/06 a provision in respect of costs of backdating elements of the Firefighters pay settlement (in respect of rank to role) was converted into a reserve. In accordance with proper accounting practice the provision is credited back to the Income and Expenditure Account and an equal sum transferred to an earmarked reserve
 - 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 change in accounting policy referred to on page 18.
 - 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 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. With effect from 1 April 2006 the arrangements for funding Firefighters' pensions changed. Previously all pensions out-goings were charged to the Revenue Account, offset to a degree by employee contributions, leaving the net cost borne by the Revenue Account. The new position is that the out-goings 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. In addition to the changed funding arrangements the existing Firefighters' scheme (now known as the 1992 scheme) has been closed to new entrants, to be replaced by a new Firefighters' (2006) scheme for new entrants, and a Injury Compensation Scheme, for all injury pensions.

Capital Programme Budget

17. During 2006/07 £2.611m was spent on new assets or improvements to existing ones. This included the purchase of a new Workshop building in Malvern, replacement of two aerial appliances, new fireground radios and water rescue equipment. The programme was, as planned, will be funded by long term borrowing

Balance Sheet

18. At 1 April 2006 the FRA held fixed assets with a net book value of £33.983m. 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 £35.411m at 31 March 2007.
19. Long Term borrowing has increased by £2.145m to fund the approved capital programme. The borrowing, along with all existing borrowing, was from the Public Works Loans Board (PWLb).
20. The Balance Sheet shows liabilities in respect of the 4 pension schemes provided for staff.
 - The £2.930m 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 £194.645m, 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 33-37.

Corporate Governance Arrangements

21. 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.
22. During 2006/07 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.

23. 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 have been strengthened as referred to in the Statement on Internal Control on page 8-10.

The Euro

24. 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

25. This statement has been given to the Authority's external auditors PricewaterhouseCoopers LLP:
26. 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 2007.

Accounting records

27. 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

28. 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

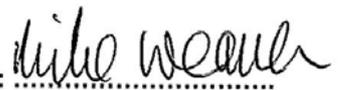
29. I am not aware of any instances of actual or potential breaches of or non-compliance with the laws and regulations governing the transactions of the Authority or that could have a material effect on the financial statements.
30. I am not aware of any irregularities, or allegations of irregularities 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

31. 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.
32. The last date at which changes could have been made to these accounts was 29 June 2007.

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

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

Signed: 
Date: 18 June 2007

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 2006/07 on 29 June 2007.

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

.....
Date

STATEMENT ON INTERNAL CONTROL

1. Scope of Responsibility

- 1.1 The Fire and Rescue Authority (FRA) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The FRA also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the FRA is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the FRA's functions and which includes arrangements for the management of risk.

2. The Purpose of the System of Internal Control

- 2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the FRA's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The FRA has always maintained a sound system to protect against risks and mitigate their impact upon the Authority. The systems are constantly being reviewed and updated.

3. The Internal Control Environment

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

3.2 Establish Statutory and Organisational Obligations and Objectives

- The objectives of the FRA, which are informed by the views of the communities served, the Fire and Rescue Services Act, the National Framework Document and other relevant sources, are embodied in the Integrated Risk Management Plan (IRMP) and 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 2006/07, 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 2006/7 significant progress was made in developing Business Continuity arrangements

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 reviewed processes against the comprehensive CIPFA document “The Statement of Internal Control – Practitioners Guide”, and documented the supporting evidence.
- 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 2006/07 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 2006/07 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 rating given to the Authority was “Good”.
- 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.

4.2 However the following areas will be subject to additional review during 2007/08.

- Further integration of the Statement with the Code of Corporate Governance
- The role of Internal Audit in the review of Officers' assurances.
- Continued review of Service Policy Instructions.
- Review of the Employee Code of Conduct.
- Review of Contract Standing Orders, in line with the National Procurement Strategy.
- Continued refinement and testing of Business Continuity arrangements.
- Further improvement in and embedding of risk management arrangements.

.....
Chief Fire Officer/Chief Executive

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

Date:

Independent Auditors' Report to the Members of Hereford & Worcester Fire and Rescue Authority

Opinion on the Financial Statements

We have audited the financial statements of Hereford & Worcester Fire and Rescue Authority for the year ended 31 March 2006 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Statement of Recognised Gains and Losses, the Consolidated Balance Sheet, the Cashflow Statement, the Firefighters Pension Fund Statements and the related notes. The financial statements have been prepared under the accounting policies set out within them.

Respective Responsibilities of the Treasurer and Auditors

The Treasurer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities for the Financial Statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Auditing Standards (United Kingdom and Ireland).

This report, including the opinion, has been prepared for and only for Hereford & Worcester Fire and Rescue Authority's Members as a body in accordance with 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. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority and its income and expenditure for the year.

We review whether the Statement on Internal Control reflects the Authority's compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the Statement on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword, Introduction by the Treasurer and Statement of Responsibilities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with International Auditing Standards (United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of Hereford & Worcester Fire and Rescue Authority as at 31 March 2006 and its income and expenditure and cash flows for the year then ended.

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Date XX September 2007

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 to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the Authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditors' Responsibilities

We are 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 us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the Authority's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for local authorities specified by the Audit Commission and published in August 2005, 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 ended 31 March 2006.

Best Value Performance Plan

We issued our statutory report on the audit of the Authority's best value performance plan for the financial year 2005/06 in December 2005. We did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

Certificate

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

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Date XX September 2007

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

STATEMENT OF ACCOUNTING POLICIES

Code of Practice

1. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting A Statement of Recommended Practice (SORP) 2006 and the Best Value Accounting Code of Practice 2006, 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 Authorities.
2. In 2006/07 the SORP requirements have changed and as a consequence of this the FRA has made a number of changes in accounting policy which have an impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts. These are detailed in Note 1 to the Core Financial Statements.
3. The following sections set out the FRA's general accounting policies which have been followed in 2006/07.
4. 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.
5. Exceptions to this policy are as follows:
 - Utilities (gas, telephone, electricity etc) and other annual fees, where invoices will be accounted for in the year they fall, providing that only 1 annual, 4 quarterly or 12 monthly invoices are charged in any one year.
 - Existing contracts for aerial sites where income will be accounted for in the year it falls providing that only one 12 monthly invoice is charged in any one year. New contracts of a material nature will be treated in accordance with (3) above.
 - Employee expenses paid through payroll where the cut off date for claim is 20th of the month, but where 12 months' claims will be included in the Income and Expenditure Account.
 - Individual invoices of less than £500 are accounted for in the year they fall.
6. Depreciation is included within Net Cost of Service. This represents the value of the asset consumed in the delivery of the service.
7. In 2006/07 there have been changes in accounting policy due to a change in the mandatory requirements of the SORP.
 - 7.1 The requirement to include notional interest, representing the cost of having resources tied up in an asset, has been removed and the 'capital charges' made in 2005/06 have been replaced with a charge for depreciation only. The costs to service areas have been reduced by the amount attributed to

them in 2005/06 for notional interest. Total notional interest for 2005/06 amounted to £1.036m.

- 7.2 Where assets used by the Service were originally financed by government capital grant the Income and Expenditure Account receives a credit for the amortisation of the government grant. Prior to 2006/07 this credit was applied in such a way that net operating expenditure was reduced by a single corporate credit but the costs of individual service divisions were unaffected.
- 7.3 The SORP now makes it mandatory to apply the credit to the net cost of services so that grants can be linked to the service division benefiting from the asset. This constitutes a change in accounting policy. The amount for the FRA at £1.400m for 2005/06 is not material and has been applied to the Firefighting and Rescues service division.
- 7.4 From 2006/07 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.
- 7.5 The new 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.
- 7.6 The Income and Expenditure Account states the gain or loss on the disposal of fixed assets to be zero in 2005/06 and 2006/07.

Capital Assets

8. 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.
9. 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.
10. 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.
11. Property assets have been valued by the Chief Valuer of Worcestershire County Council, in accordance with the basis recommended by CIPFA and according to the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS). The latest valuation being at 1 April 2005.
12. 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.
13. Assets have been valued at open market for existing use, or where because of the specialised nature of the asset this could not be assessed, at depreciated replacement cost, subject to the exception that:
- Short-lived operational assets (ie vehicles, plant and equipment) are valued at historic cost (less depreciation where appropriate) as a proxy for current replacement cost.
 - Uncompleted building works, or those completed since the last valuation, are included in the Balance Sheet at historic cost.
14. 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.
15. 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 2006/07 is £0.025m (2005/06 £0.034m).

Financing of Capital Expenditure

16. 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 Financing Account.

Redemption of Debt

17. 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

18. 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

19. 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

20. 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

21. At the end of 2005/06 the FRA held two provisions to finance future expenditure, in respect of known liabilities, both of which are now closed. Details are as below:
 - **56 Week Uniformed Pay Year**

Uniformed staff are paid every four weeks, however, every 28 years this results in an additional payment during the financial year. This provision ensured that 365 days' pay was charged in each financial year, so that funds were available for when this next happened. This will be in 2022/23.

As a consequence of the new financial arrangements for Firefighters' pensions, and the creation of the notional Firefighters' Pension Fund, it has been necessary to align accrual policy between that required nationally for the pension fund and that adopted locally by the FRA. As a result this provision has now been closed and the balance returned to the Income and Expenditure Account. Provision for the impact of the 14th pay day is now made through a pay creditor accrual.
 - **Pension Charges**

Under the new financial arrangements for Firefighters' pensions, the FRA was liable to make a contribution to the new Pensions Account in respect of ill health retirements in 2005/06. Although this liability related to 2005/06, it could not be paid until the new arrangements come into force on 1 April 2006. The amount was therefore held as a provision, and used to fund the expenditure made in 2006/07.

Reserves

22. Since 1 April 2005 the FRA has been permitted to hold general balances, and the Medium Term Financial Plan includes provision to build these up to a prudent level over the next five years. At 31 March 2007 a small reserve is held to meet expenditure which may arise from unforeseen events.
23. 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 page 39.

Capital Accounting Reserves

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

- **The Fixed Asset Restatement Account**

This represents the balance of surpluses or deficits arising on the periodic revaluation of fixed assets.

- **The Capital Financing Account**

This represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and other capital financing transactions.

Grants and Contributions

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 employers contributions under the relevant scheme. The difference is shown in the Statement of Movement in the General Fund Balance on page 20 and detailed in Note 2 to the accounts on page 27

INCOME AND EXPENDITURE ACCOUNT FOR 12 MONTHS ENDING 31 MARCH 2007

	2005/06 Net Expenditure £m	2006/07		
		Gross Expenditure £m	Gross Income £m	Net Expenditure £m
Operations and Rescues				
Fire-fighting and Rescues	22.241	24.791	(1.280)	23.511
Fire Control	0.894	1.056	(0.049)	1.007
Water Supplies	0.168	0.167	(0.008)	0.159
	23.303	26.014	(1.337)	24.677
Community Fire Safety				
Fire Safety Management	0.798	1.067	(0.241)	0.826
Prevention and Education	0.542	0.630	(0.055)	0.575
Legislative and Certification	1.061	0.913	(0.050)	0.863
	2.401	2.610	(0.346)	2.264
Corporate and Democratic Core				
Democratic Representation	0.343	0.250	(0.012)	0.238
Corporate Management	0.593	1.061	(0.052)	1.009
	0.936	1.311	(0.064)	1.247
NET COST OF SERVICE	26.640	29.935	(1.747)	28.188
FFPS - Past Service Cost	0.110	0.000	0.000	0.000
FFPS - Past Service Cost - Injury Awards	0.000	0.310	0.000	0.310
LGPS - Past Service Gain	(0.210)	0.000	0.000	0.000
Exceptional Items:				
Closure of Rank to Role Provision	(0.161)	0.000	0.000	0.000
04/05 & 05/06 Grant Amendments	0.000	0.203	0.000	0.203
Change to Pay Accrual Policy	0.000	(0.147)	0.000	(0.147)
FRAHQ Lease Acquisition Premium	(0.410)	0.000	0.000	0.000
	(0.671)	0.366	0.000	0.366
SUB TOTAL	25.969	30.301	(1.747)	28.554
Gain on the disposal of fixed assets	0.000	0.000	0.000	0.000
Interest payable and similar charges	0.382	0.467	0.000	0.467
Interest and Investment Income	(0.197)	0.000	(0.281)	(0.281)
Pensions Interest Cost and expected return on pensions assets	8.759	9.818	0.000	9.818
NET OPERATING EXPENDITURE	34.913	40.586	(2.028)	38.558
Revenue Support Grant	(2.873)			(8.418)
National Non-Domestic Rates	(8.390)			(1.624)
Council Tax Precept	(16.026)			(17.019)
DEFICIT FOR THE YEAR	7.624			11.497

STATEMENT OF MOVEMENT IN THE GENERAL FUND BALANCE

	2005/06 £m	2006/07 £m
Deficit for the year on the Income and Expenditure Account	7.624	11.497
Net additional amount required by statute and non-statutory proper practice to be credited to the General Fund Balance for the year	(7.838)	(11.681)
(Increase in General Fund Balance for the year	(0.214)	(0.184)
General Fund Balance brought forward	(0.651)	(0.865)
General Fund Balance carried forward	(0.865)	(1.049)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2005/06 £m	2006/07 £m
Deficit for the year on the Income and Expenditure Account	7.624	11.497
Loss arising from the revaluation of fixed assets	0.267	0.019
Gain arising from the re-statement of fixed assets	0.000	(0.017)
Actuarial (gains)/losses on pension fund asset and liabilities	29.609	(15.798)
Total Recognised (Gains)/losses for the year	37.500	(4.299)

BALANCE SHEET AS AT 31 MARCH 2007

	Note	2005/06 £m	2006/07 £m
Operational Fixed Assets			
Land & Buildings	11-12	30.884	31.252
Vehicles Plant & Equipment	11-12	2.163	2.990
		33.047	34.242
Non-Operational Fixed Assets			
Assets under construction	11-12	0.000	1.169
Assets awaiting disposal	11-12	0.936	0.000
		0.936	1.169
TOTAL FIXED ASSETS		33.983	35.411
Current Assets			
Cash In Hand		0.007	0.018
Cash at Bank	13	4.422	3.483
Stocks & Work in Progress	14	0.136	0.138
Debtors & Prepayments	15	1.356	1.564
		5.921	5.203
Current Liabilities			
Creditors	16	(2.682)	(0.940)
Deferred Income		(0.209)	(0.005)
		(2.891)	(0.945)
NET CURRENT ASSETS		3.030	4.258
Long Term Liabilities			
Long Term Borrowing	18	(9.169)	(11.314)
Capital Grants Unapplied	17	(0.209)	(0.689)
Government Grants Deferred	22	(0.041)	(0.039)
Provisions	19	(0.488)	0.000
Liability related to Defined Benefit Pension Schemes	20	(201.562)	(197.575)
		(211.469)	(209.617)
		(174.456)	(169.948)
NET ASSETS		(174.456)	(169.948)
REPRESENTED BY:			
Fixed Asset Restatement Account	21	26.951	26.663
Capital Financing Account	21	(2.393)	(2.510)
		(201.562)	(197.575)
Pensions Reserve	20))
Useable Capital Receipts Reserve	23	0.000	0.000
Earmarked Reserves	24	1.892	2.425
Revenue Reserve	24	0.865	1.049
		(174.247)	(169.948)

Treasurer to the Fire and Rescue Authority *Mike Weaver*

Date *18 June 2007*

CASH-FLOW STATEMENT FOR 12 MONTHS ENDING 31 MARCH 2007

	Notes	2005/06		2006/07	
		£000	£000	£000	£000
REVENUE ACTIVITIES					
Cash Outflow	Employees	21.932		22.020	
	Other	4.727	26.659	6.725	28.745
		(16.026)		(17.019)	
Cash Inflow	Council Tax Precept	(8.390)		(8.398)	
	Share of National Non-Domestic Rates	(2.873)		(1.441)	
	Revenue Support Grant	(0.927)		(0.590)	
	Other Government Grants	(0.741)		(0.330)	
	Goods & Services		(28.991)		(27.803)
	Other Contributions	(0.034)		(0.025)	
Net Cashflow from Revenue Activities			(2.332)		0.942
RETURNS ON INVESTMENT & SERVICING OF FINANCE					
Cash Outflow	Interest Paid	0.346		0.452	
Cash Inflow	Interest Received	(0.231)	0.115	(0.257)	0.195
CAPITAL ACTIVITIES					
Cash Outflow	Purchase of Fixed Assets	8.652		2.714	
Cash Inflow	Capital Receipts	(0.608)		(0.299)	
Cash Inflow	Capital Grants	(0.253)	7.791	(0.479)	1.936
Net Cash-flow Before Financing			5.574		3.073
FINANCING					
Cash Outflow	Loans Repaid	0.100		0.000	
Cash Inflow	Loans Raised	(4.600)	(4.500)	(2.145)	(2.145)
NET CHANGE IN CASH & CASH ALTERNATIVES			1.074		0.928

NOTES TO THE CORE FINANCIAL STATEMENTS

1 Restatement of 2005/06 Accounts

The 2005/06 Accounts were prepared and published in accordance with SORP 2005. The 2005/06 figures now shown in the Income & Expenditure Account and the Balance Sheet have been restated in accordance with SORP 2006.

The tables below show the impact of the changes in respect of the Balance Sheet and Income and Expenditure Account

1.1 Balance Sheet

	Bal Sheet in 2005/06 Statement of Accounts £m	Re-definition of Unapplied Grants £m	Re-definition of Govt Grants Deferred £m	2005/06 comparatives in Balance Sheet £m
Operational Fixed Assets				
Land & Buildings	30.884			30.884
Vehicles Plant & Equipment	2.163			2.163
	33.047	0.000	0.000	33.047
Non-Operational Fixed Assets				
Assets under construction	0.000			0.000
Assets awaiting disposal	0.936			0.936
	0.936	0.000	0.000	0.936
TOTAL FIXED ASSETS	33.983	0.000	0.000	33.983
Current Assets				
Cash In Hand	0.007			0.007
Cash at Bank	4.422			4.422
Stocks & Work in Progress	0.136			0.136
Debtors & Prepayments	1.356			1.356
	5.921	0.000	0.000	5.921
Current Liabilities				
Creditors	(2.682)			(2.682)
Deferred Income	0.000			0.000
	(2.682)	0.000	0.000	(2.682)
NET CURRENT ASSETS	3.239	0.000	0.000	3.239
Long Term Liabilities				
Long Term Borrowing	(9.169)			(9.169)
Capital Grants Unapplied	0.000	(0.209)		(0.209)
Government Grants Deferred	0.000		(0.041)	(0.041)
Provisions	(0.488)			(0.488)
Liability related to Defined	0.000			

Benefit Pension Schemes	(201.562)			(201.562)
	(211.219)	(0.209)	(0.041)	(211.469)
NET ASSETS	(173.997)	(0.209)	(0.041)	(174.247)

	Bal Sheet in 2005/06 Statement of Accounts £m	Re-definition of Unapplied Grants £m	GAD rounding of Pension Lump Sums £m	2005/06 comparatives in Balance Sheet £m
REPRESENTED BY:				
Fixed Asset Restatement Account	26.951			26.951
Capital Financing Account	(2.393)			(2.393)
Pensions Reserve	(201.562)			(201.562)
Government Grants Deferred	0.041		(0.041)	0.000
Useable Capital Receipts Reserve	0.000			0.000
Unapplied Government Grants	0.233	(0.233)		0.000
Earmarked Reserves	1.868	0.024		1.892
Revenue Reserve	0.865			0.865
	(173.997)	(0.209)	(0.041)	(174.247)

1.2 Income and Expenditure Account

Changes to convert the Revenue Account to Income and Expenditure format for the 2005/06 figures, are shown on the next page.

	Revenue Account in 2005/06 Statement of Accounts £m	Removal of Capital Financing Charges £m	Relocation of Government Grants Deferred credit £m	Change in Accounting treatment of unused grant £m	Change in Accounting treatment of provision closure £m	Change in Accounting treatment of pension costs £m	Format Changes £m	2005/06 Comparatives in Income and Expenditure Account £m
Operations and Rescues								
Firefighting and Rescues	24.017	(0.887)	(0.001)			(0.856)		22.273
Fire Control	0.918	(0.036)						0.882
Water Supplies	0.172	(0.007)						0.165
Community Fire Safety								0.000
Fire Safety Management	0.804	(0.032)		0.027		(0.015)		0.784
Prevention and Education	0.567	(0.022)				(0.057)		0.488
Legislation and Certification	1.167	(0.042)				(0.007)		1.118
Corporate and Democratic Core								0.000
Democratic Representation	0.352	(0.014)						0.338
Corporate Management	0.631	(0.023)				(0.016)		0.592
Net Cost of Services	28.628	(1.063)	(0.001)	0.027	0.000	(0.951)	0.000	26.640
Firefighters Pension Scheme - Past Service Cost	0.110							0.110
LGPS - Settlement gain	(0.210)							(0.210)
Exceptional Items - closure of provision						(0.161)		(0.161)
Exceptional Items - HQ lease premium	(0.410)							(0.410)
SubTotal	28.118	(1.063)	(0.001)	0.027	(0.161)	(0.951)	0.000	25.969
Asset Management revenue account / Interest Payable and similar charges	(0.682)	1.063	0.001					0.382
Interest receivable and investment income	(0.197)							(0.197)
Pensions Interest Cost and expected return on pension assets	8.759							8.759
Net Operating Expenditure	35.998	0.000	0.000	0.027	(0.161)	(0.951)	0.000	34.913
Provision for the repayment of loans	(0.705)						0.705	0.000
Transfer to(from) Earmarked Reserves	0.944			(0.027)	0.161		(1.078)	0.000
Contribution to/from Pension Reserve	(9.162)					0.951	8.211	0.000
To Be Met by Grants and Taxation	27.075	0.000	0.000	0.000	0.000	0.000	7.838	
Revenue Support Grant	(2.873)							(2.873)
National Non-Domestic Rates	(8.390)							(8.390)
Council Tax Precept	(16.026)							(16.026)
(SURPLUS)/DEFICIT FOR THE YEAR	(0.214)	0.000	0.000	0.000	0.000	0.000	7.838	7.624
Net additional amount required by statute and non-statutory proper practice to be debited or credited to the General Fund Balance for the year							(7.838)	(7.838)
(Increase)/Decrease in General Fund Balance for the year							0.000	(0.214)

2 Reconciliation of the Statement of Movement in the General Fund

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.

	2005/06 £m	2006/07 £m
Depreciation and impairment of fixed assets	(0.907)	(0.896)
Government Grants Deferred amortisation	0.001	0.001
Net charges made for retirement benefits in accordance with FRS17	(12.938)	(17.295)
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	(13.844)	(18.190)
Minimum revenue provision for capital financing	0.100	0.381
Employer's contributions payable to the Worcestershire County Council Pension Fund and payment of retirement benefits direct to pensioners	4.727	5.483
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	4.827	5.864
Voluntary revenue provision for capital financing	0.101	0.112
Net transfer to or from earmarked reserves	1.078	0.533
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	1.179	0.645
Net additional amount required to be credited to the General Fund balance for the year	(7.838)	(11.681)

3 Publicity

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

	2005/06 £	2006/07 £
Staff Advertising	56,280	35,125
General Advertising	9,277	8,694
	65,557	43,819

4 Members Allowances

The total amount paid to Members as Allowances under the adopted scheme was £47,227. (2005/06 £43,727).

5 Officers' Emoluments

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

£	2005/06 No. of Staff	2006/07 No. of Staff
50,000 - 59,999	3	5
60,000 - 69,999	2	1
70,000 - 79,999	0	4
80,000 - 89,999	1	0
90,000 - 99,999	0	1
100,000 - 109,999	0	0

6 Related Party Transactions

6.1 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).

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	2005/06 £m	2006/07 £m
Legal Services	Herefordshire Council	0.051	0.033
Committee Services	Herefordshire Council	0.032	0.030
Cleaning Management	Herefordshire Council	0.014	0.000
		0.097	0.063
Financial Services	Worcestershire County Council	0.011	0.012
Internal Audit	Worcestershire County Council	0.012	0.016
Payroll and Pensions	Worcestershire County Council	0.059	0.049
Scientific Services	Worcestershire County Council	0.009	0.009
Personnel Services	Worcestershire County Council	0.000	0.005
Property Services	Worcestershire County Council	0.012	0.024
		0.103	0.115
		0.200	0.178

6.2 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 £0.448m. (05/06 £0.363m)
- Fire Authority Members
No members of the Fire and Rescue Authority or members of their immediate family or household declared any positions of influence.
- Service Senior Officers
No Senior Officers within the Service or members of their immediate family or household declared any positions of influence.

7 External Audit Fees

The Audit Commission has appointed PricewaterhouseCoopers LLP to be the Fire and Rescue Authority's External Auditors, and for 2006/07 the following fees were incurred in respect of external audit, statutory inspection and other services.

	2005/06 £m	2006/07 £m
Accrued Fees payable to PricewaterhouseCoopers:		
in respect of external audit services	0.050	0.053
in respect of consultancy services	0.032	0.000
	0.082	0.053

8 Leases

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 £0.563m (2005/06 £0.582m).

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

	£m
2007/08	0.539
2008/09	0.501
2009/10	0.345
2010/11	0.241
2011/12	0.164
2012/13	0.116
2013/14	0.024
2014/15	0.024
2015/16	0.012
	1.966

9 Agency Services

Up to September 2005 the FRA carried out work as an agent to a number of local authority departments for the provision of fire extinguisher maintenance services, for which it was reimbursed. The total income from these sources in 2005/06 was £32,353 and associated material costs were £12,714.

10 Capital Expenditure

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

	2005/06 £m	2006/07 £m
New Buildings & Adaptations	6.842	1.289
Vehicles (including fitted equipment)	1.523	0.960
IT and Communication Equipment	0.323	0.321
Other Equipment	0.058	0.041
Total Capital Expenditure	8.746	2.611

10.2 Capital expenditure was financed as follows:

	2004/05 £m	2005/06 £m
Long Term Borrowing	7.230	2.611
Capital Receipts	1.516	0.000
Specific Government Grant	0.000	0.000
	8.746	2.611

11 Movement of Fixed Assets

	Land and Buildings £m	Vehicles Plant and Equipment £m	Non- Operational Assets £m	TOTAL £m
Gross Book Value at 31 March 2006	31.307	6.348	0.936	38.591
Cumulative Depreciation to 31 March 2006	(0.423)	(4.185)	0.000	(4.608)
Net Book Value at 31 March 2006	30.884	2.163	0.936	33.983
Re-statements & Adjustments	0.017			0.017
Reclassification of Assets	0.936		(0.936)	0.000
Additions in year	0.124	1.318	1.169	2.611
Depreciation for year	(0.418)	(0.478)		(0.896)
Net Book Value of Disposals	(0.291)	(0.013)		(0.304)
Net Book Value at 31 March 2007	31.252	2.990	1.169	35.411

Summary

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)		(5.229)
Net Book Value at 31 March 2007	31.252	2.990	1.169	35.411

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.

12 Details of Assets Owned

	31-Mar-2006	31-Mar-2007
Buildings		
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)	7	5
Site Acquired for new Workshop	n/a	1
HQ Buildings temporarily let pending disposal	0	1
Vehicles		
Operational Vehicles	55	58
Ancillary Vehicles	15	2

- 12.1 Due to the de-minimise 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-2006	31-Mar-2007
Operational Vehicles - DCLG	4	8
Operational Vehicles - Leased	21	21
Ancillary Vehicles - Leased	84	98

13 Cash at Bank

- 13.1 Any surplus or overdrawn cash balances remaining on a daily basis are included as part of Worcestershire County Council's (WCC) treasury management activities. Funds are invested in short-term deposits with a range of banks and other financial institutions in accordance with the Treasury Management Policy of the FRA. At 31 March 2007 £3.483m. (31 March 2006 £4.422m) was invested with WCC.

14 Stocks and Work in Progress

	31-Mar-2006 £m	31-Mar-2007 £m
Uniforms	0.054	0.060
Fuel	0.016	0.023
Vehicle Stores	0.066	0.055
	0.136	0.138

- 14.1 Vehicle Stores are reduced by the write off of obsolescent stocks previously held for fire appliances which have now been disposed of.

15 Debtors

	31-Mar-2006 £m	31-Mar-2007 £m
Sundry Debtors	0.986	1.467
Prepayments	0.370	0.097
	1.356	1.564

16 Creditors

	31-Mar-2006 £m	31-Mar-2007 £m
Government Departments	0.416	0.578
Sundry Creditors	2.266	0.362
	2.682	0.940

17 Unapplied Capital Grants

	LPSA1 (Worcs) Reward Grant (Capital) £m	USAR Capital Grants £m	TOTAL £m
Balance at 1 April 2006	0.209	0.000	0.209
Grant Received in Year	0.210	0.270	0.480
Used to Finance Capital Expenditure	0.000	0.000	0.000
Balance at 31 March 2007	0.419	0.270	0.689

17.1 Un-spent balances in relation to Worcestershire LPSA1 Reward Grant – Capital Element and USAR building works grants.

18 Long Term Borrowing

	31-Mar-2006 £m	31-Mar-2007 £m
Loan Source		
Public Works Loans Board	9.169	11.314
	9.169	11.314
Analysis by Maturity		
Between 1 and 2 years	1.311	1.311
Between 2 and 5 years	0.525	0.970
Between 5 and 10 years	0.434	0.334
Over 10 years	6.899	8.699
	9.169	11.314

19 Movement in Provisions

	56 Week Pay £m	Pension Charges £m	Total £m
Balance at 1 April 2006	0.375	0.113	0.488
Transfers to Income & Expenditure Account	(0.375)	(0.113)	(0.488)
Balance at 31 March 2007	0.000	0.000	0.000

19.1 The closure of these provisions is explained in paragraph 21 of the Statement of Accounting Policies on page 18.

20 Pension Arrangements

20.1 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.

20.2 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 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 Firefighter 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.

20.3 For the two Firefighter Pension Schemes (1992 and 2006) the actual charge to the Income and Expenditure Account from 2006/07 is the employer contribution, whereas in 2005/06 it was the net difference between pension payments and employee contributions. For the Compensation Scheme the charge is the gross pension payable in both years.

20.4 We recognise the cost of retirement benefits in the Net Cost of Service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax precept is based on the cash payable in the year, (as described in 20.3 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 overleaf:

	Local Government Pension Scheme		1992 Firefighters Pension Scheme	
	2005/06 £m	2006/07 £m	2005/06 £m	2006/07 £m
Income and Expenditure Account				
Net Cost of Services:				
Current Service Cost	0.379	0.537	3.900	6.520
Past Service Cost	(0.210)	0.000	0.110	0.000
Net Operating Expenditure:				
Interest Cost	0.477	0.534	8.650	9.220
Expected Return on Assets in the Scheme	(0.368)	(0.456)	0.000	0.000
Net Charge to the Income and Expenditure Account	0.278	0.615	12.660	15.740
Statement of Movement in the General Fund Balance				
Removal of net charges made for retirement benefits in accordance with FRS17	(0.278)	(0.615)	(12.660)	(15.740)
Actual Amount charged against the General Fund Balance for pensions in the year:				
Retirement Benefits payable to pensioners in Firefighters schemes			5.684	n/a
Employer's contribution to benefits accruing in Firefighters pension schemes			n/a	2.109
Employees contributions to Firefighters schemes			(1.050)	n/a
Net Transfer Values etc. Firefighters schemes	0.367	0.455	(0.274)	n/a
	0.367	0.455	4.360	2.109

	Firefighters 2006 Scheme 2006/07 £m	Firefighters Injury Scheme 2006/07 £m
Income and Expenditure Account		
Net Cost of Services:		
Current Service Cost	0.090	0.000
Past Service Cost	0.000	0.310
Net Operating Expenditure:		
Interest Cost	0.020	0.520
Expected Return on Assets in the Scheme	0.000	0.000
Net Charge to the Income and Expenditure Account	0.110	0.830
Statement of Movement in the General Fund Balance		
Removal of net charges made for retirement benefits in accordance with FRS17	(0.110)	(0.830)
Actual Amount charged against the General Fund Balance for pensions in the year:		
Retirement Benefits payable to pensioners in Firefighters schemes	n/a	n/a
Employer's contribution to benefits accruing in Firefighters pension schemes	0.032	0.564
Employees contributions to Firefighters schemes	n/a	n/a
Net Transfer Values etc. Firefighters schemes	n/a	n/a
	0.032	0.564

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

at 31 March 2006	Firefighters' 1992 £m	Firefighters' 2006 £m	Firefighters' Injury £m	LGPS £m	TOTAL £m
Estimated Scheme Liabilities	(198.094)	0.000	0.000	(10.605)	(208.699)
Estimated Scheme Assets	0.000	0.000	0.000	7.137	7.137
Net Asset/(Liability)	(198.094)	0.000	0.000	(3.468)	(201.562)

at 31 March 2007	Firefighters' 1992 £m	Firefighters' 2006 £m	Firefighters' Injury £m	LGPS £m	TOTAL £m
Estimated Scheme Liabilities	(184.020)	(0.100)	(10.525)	(11.028)	(205.673)
Estimated Scheme Assets	0.000	0.000	0.000	8.098	8.098
Net Asset/(Liability)	(184.020)	(0.100)	(10.525)	(2.930)	(197.575)

change	Firefighters' 1992 £m	Firefighters' 2006 £m	Firefighters' Injury £m	LGPS £m	TOTAL £m
Estimated Scheme Liabilities	14.074	(0.100)	(10.525)	(0.423)	3.026
Estimated Scheme Assets	0.000	0.000	0.000	0.961	0.961
Net Asset/(Liability)	14.074	(0.100)	(10.525)	0.538	3.987

20.6 The liabilities show the underlying commitments that the Authority has in the long-run to pay retirement benefits. The total net liability of £197.575m has a substantial impact on the net worth of the Authority as recorded in the balance sheet, resulting in a negative overall balance of £169.948m. 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 new financial arrangements from 2006/07 onwards mean that any actual expenditure in excess of the current employee and employer contributions will be met by direct government grant.

Basis for Estimation

20.7 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.

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

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

	Firefighters' Pension Scheme 1992		Local Government Pension Scheme		Firefighters'	Firefighters'
			2006/07		2006	Injury
	2005/06	2006/07	2005/06	2006/07	2006/07	2006/07
Rate of Inflation	3.2%	3.4%	2.9%	3.1%	3.4%	3.4%
Rate of Increase in Salaries	4.7%	4.9%	4.4%	4.6%	4.9%	4.9%
Rate of Increase in Pensions	3.2%	3.4%	2.9%	3.1%	3.4%	3.4%
Rate for Discounting Liabilities	4.9%	5.4%	4.9%	5.4%	5.4%	5.4%

20.10 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:

	Average Return 2005/06	Average Return 2006/07	Proportion 31 March 2006	Proportion 31 March 2007
Equities	7.0%	7.5%	82%	90%
Government Bonds	4.3%	4.7%	12%	5%
Other Bonds	4.9%	5.4%	5%	4%
Other Assets	4.5%	5.3%	1%	1%
			100%	100%

Actuarial Gains and Losses

20.11 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.

20.12 As the Firefighters' Schemes are un-funded they have no assets to report upon, and the 2006 and Injury schemes did not exist prior to 2006/07, and so the relevant information is only shown in the table of movements for the year.

20.13 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)

Firefighters' (1992) Pension Scheme

	A		B		C		TOTAL £m
	£m	%	£m	%	£m	%	
2002/03	n/a	n/a	1.000	1.3%	0.000	0.0%	1.000
2003/04	n/a	n/a	1.015	0.9%	1.671	1.5%	2.686
2004/05	n/a	n/a	7.060	4.4%	34.640	21.6%	41.700
2005/06	n/a	n/a	0.820	0.4%	28.510	14.4%	29.330
2006/07	n/a	n/a	(2.650)	-1.4%	(11.994)	-6.4%	(14.644)

Local Government Pension Scheme

	A		B		C		TOTAL
	£m	%	£m	%	£m	%	£m
2002/03	1.223	37.8%	0.000	0.0%	0.000	0.0%	1.223
2003/04	0.614	14.0%	0.000	0.0%	0.000	0.0%	0.000
2004/05	(0.176)	-3.0%	0.234	3.0%	1.742	20.0%	1.976
2005/06	1.043	14.8%	0.315	-3.0%	(1.007)	-9.5%	(0.692)
2006/07	0.019	0.2%	0.019	0.2%	0.685	6.2%	0.704

Movement in Pensions Reserve

20.14 An analysis of the movement on the Pension Reserve referred to in Note 24 is shown below.

	Firefighters' 1992 £m	Firefighters' 2006 £m	Firefighters' Injury £m	LGPS £m	TOTAL £m
Balance at 31 March 2006	(198.094)	0.000	0.000	(3.468)	(201.562)
Re-classification of Injury Awards	10.700	0.000	(10.700)	0.000	0.000
	(187.394)	0.000	(10.700)	(3.468)	(201.562)
Current Service Cost	(5.410)	(0.090)	0.000	(0.537)	(6.037)
Employee Contributions	(1.110)	(0.020)	0.000	0.000	(1.130)
Past Service Cost - Injury Awards	0.000	0.000	(0.310)	0.000	(0.310)
Employer Contributions	0.000	0.000	0.000	0.449	0.449
Pensions Paid	4.470	0.000	0.565	0.000	5.035
Interest on Liabilities	(9.220)	0.000	(0.520)	(0.534)	(10.274)
Interest on Assets	0.000	0.000	0.000	0.456	0.456
	(198.664)	(0.110)	(10.965)	(3.634)	(213.373)
Actuarial Loss/Gain:					
Asset Gain	n/a	n/a	n/a	0.019	0.019
Liability Gain/Loss	2.650	0.000	0.020	0.000	2.670
Change in Assumptions	11.750	0.010	0.420	0.685	12.865
Removal of 05/06 accrued net Transfers	0.244	0.000	0.000	0.000	0.244
	14.644	0.010	0.440	0.704	15.798
Balance at 31 March 2007	(184.020)	(0.100)	(10.525)	(2.930)	(197.575)

21 Movements in Capital Accounting Reserves

	Fixed Asset Restatement Account £m	Capital Financing Account £m
Balance at 1 April 2006	26.951	(2.393)
Revaluation & Restatement	0.017	
Use of Capital Receipts		0.285
Write out of assets disposed	(0.304)	

Transfer from Govt Grants Deferred		0.001
Provision for repayment of loans		(0.403)
Balance at 31 March 2007	26.664	(2.510)

22 Government Grants Deferred

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

	£m
Balance at 1 April 2006	0.041
Grant Received in year	0.000
Grant Applied in year	(0.001)
Balance at 31 March 2007	0.040

23 Movements in Useable Capital Receipts

	£m
Balance at 1 April 2006	0.000
Net Proceeds from sale of Fixed Assets	0.285
Used to Finance Capital Expenditure	(0.285)
Balance at 31 March 2007	0.000

24 Movements in Revenue Reserves

	BALANCE 1 APRIL 2006 £m	NET MOVEMENT IN YEAR £m	BALANCE 31 MARCH 2007 £m
FIXED ASSET RESTATEMENT ACCOUNT	26.951	(0.288)	26.663
Purpose : Store of gains on revaluation of fixed assets			
CAPITAL FINANCING ACCOUNT	(2.393)	(0.117)	(2.510)
Purpose : Store of Capital resources set aside to meet past expenditure			
USABLE CAPITAL RECEIPTS	0.000	0.000	0.000
Purpose : Proceeds of fixed asst sales available to meet future capital investment			
PENSIONS RESERVE	(201.562)	3.987	(197.575)
Purpose Balancing account to allow inclusion of Pensions Liability in the Balance Sheet			
GENERAL FUND	0.865	0.184	1.049
Purpose : Resources available to meet future unforeseen costs *			
OTHER RESERVES	1.892	0.533	2.425
Purpose : Resources set aside and earmarked for specific future spending			

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

	Balance at 31-Mar-2006 £m	from I & E Acct £m	to I & E Acct £m	Balance at 31-Mar-2007 £m
Earmarked Reserves				
Pensions Reserve	0.200	0.094		0.294
RMB Costs Reserve	0.031	0.017		0.048
Training Reserve	0.023	0.048	(0.023)	0.048
Transitional Grant Repayment Reserve	0.327		(0.163)	0.164
Grant Amending Report Reserve	0.203		(0.203)	0.000
LPSA Reward Grant Reserve	0.209	0.209	(0.047)	0.371
New Dimensions Training Reserve	0.070	0.070		0.140
Rank to Role Reserve	0.330	0.087		0.417
Hereford CFS Grant Reserve	0.000	0.005		0.005
Environment Agency Grant Reserve	0.000	0.022		0.022
New Burdens (FRC Transition) Reserve	0.000	0.095		0.095
Fire Prevention Grant Reserve	0.000	0.028		0.028
HFSI Grant Reserve	0.005		(0.005)	0.000
IEG Reserve	0.019			0.019
Mobilising Resilience Reserve	0.000	0.040		0.040
Urban Search & Rescue Reserve	0.475	0.259		0.734
	1.892	0.974	(0.441)	2.425

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 will be brought back into the Income and Expenditure account in 2006/07 and 2007/08 to compensate for that artificial reduction in formula grant.
- Grant Amending Reports Reserve - In 2005/06 the government advised the FRA that it would retrospectively be reducing 2004/05 and 2005/06 grant payments already made. This reserve is to cover the claw-back, and was utilised in 2006/07.
- New Dimensions Training Reserve - In late 2005/06, the government announced additional funding for 2005/06 and 2006/07 in respect of training in mass decontamination. The timing of the announcement made it too late to incur expenditure in 2005/06 and late availability of new protective equipment meant that no training was done in 2006/07. The reserve will be used to fund planned activity in 2007/08.
- 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.
- Urban Search and Rescue (USAR) Reserve – During 2005/06 the FRA became one of only 19 that the government agreed to provide an Urban Search and Rescue facility. Significant funding was provided in advance of agreement being made with the FRA. This reserve is held to meet agreed costs in respect of building works to be incurred in 2007/08.

- LPSA Reward Grant Reserve – Following success in achieving targets under Worcestershire Local Public Service Agreement, the FRA has been awarded significant Reward Grant. This is payable over two years (at the end of 2005/06 and of 2006/07) and is part revenue and part capital. 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 2007 to assist the FRA in improving Environmental Protection Capability, for which expenditure will be incurred in 2007/08.
- Fire Prevention Grant Reserve – the as yet unspent part of this grant which will be utilised in 2007/08.
- HFSI Reserve – the small balance of grant received in 2005/06 which was not spent until 2006/07.
- IEG Reserve – a small balance of grant originally provided under the government’s original strategy on implementing E-government.
- New Burdens Fire Control Transition Reserve – a small sum of grant paid by DCLG at the end of 2006/07 in respect of the transition process to Regional Control. Expenditure was not incurred in 2006/07 due to the late notification and uncertainty over the exact purpose of the grant. It will be utilised in 2007/08.
- 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 the expected costs in 2007/08.

25 Contingent Liabilities

The new Firefighters’ pension scheme was opened to Retained Firefighters with effect from 6 April 2006. The scheme, however, was not actually open in time for staff to make a decision on back-dating to 6 April or to make contributions in respect of 2006/07 before the end of the year. If staff decide to back-date their contributions there will be a related notional employers contribution chargeable to the Income and Expenditure Account. The exact sum is not known but it will be no greater than the £0.135m held in the Pensions Reserve for this purpose.

26 Associated Companies

In accordance with government policy the five FRA’s in the government’s West Midlands Region have formed a Local Authority Company to be responsible for the Regional Control Centre when it becomes operational. This company was incorporated on 19 February 2007, but is not yet operational, has no assets or liabilities and no income or expenditure. There are therefore no material transactions to report.

27 NOTES TO THE CASH-FLOW STATEMENT

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

	2005/06		2006/07	
	£m	£m	£m	£m
Movement on General Fund Balance	(0.214)		(0.184)	
less Transfer from Reserve	(0.944)	(1.158)	(0.533)	(0.717)
Less : Non-Cash Transactions				
Minimum Revenue Provision (MRP)	0.201		0.494	
change in provisions	0.205	0.406	(0.488)	0.006
Less : Items on an Accruals Basis				
change in debtors	(0.476)		(0.189)	
change in creditors	1.116		(1.669)	
change in stocks/WIP	0.013	0.653	(0.002)	(1.860)
Less : Servicing of Finance		0.115		0.195
Net Cash-Flow : Revenue Activities		(2.332)		0.942

27.2 Reconciliation of Movement in Cash

	Balance 31 March 2006 £m	Balance 31 March 2007 £m	Change in the year £m
Cash In Hand	0.007	0.018	(0.011)
Cash at Bank	4.422	3.483	0.939
Cash Overdrawn	0.000	0.000	0.000
	4.429	3.501	0.928

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

	2005/06 £m	2006/07 £m
Net Debt at Start of Year	0.834	(4.740)
Change in Cash	(4.500)	(0.939)
Change in Debt Financing	(1.075)	(2.145)
Change in Liquid Resources	0.001	0.011
Net Debt at End of Year	(4.740)	(7.813)

27.4 Analysis of Net Debt

	Balance 31 March 2006 £m	Balance 31 March 2007 £m	Change in the year £m
Cash in Hand	0.007	0.018	0.011
Short Term Investments	4.422	3.483	(0.939)
Short Term Debt	0.000	0.000	0.000
Long Term Debt	(9.169)	(11.314)	(2.145)
	(4.740)	(7.813)	(3.073)

27.5 Government Grants

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

Government Grant Received	2005/06 £m	2006/07 £m
New Dimensions Training Grant	(0.070)	(0.070)
New Dimensions Reimbursement	(0.029)	(0.027)
New Dimensions USAR Grant	(0.514)	(0.040)
New Burdens (Fire Control) Grant	(0.071)	(0.173)
Home Fire Safety Initiatives Grant	(0.032)	(0.032)
LPSA Reward Grant	(0.209)	(0.209)
Learning & Skills Council Grants	(0.002)	0.000
USAR Industrial Relations Training	0.000	(0.001)
Fire Prevention Grant	0.000	(0.038)
	(0.927)	(0.590)

FIREFIGHTERS PENSION FUND

1. At the beginning of 2006/07 government changed the way in which Firefighters' pensions were financed. Prior to 2006/07 out-going pension costs (as expenditure) and employee contributions (as income) were charged directly to the then Revenue Account (now the Income and Expenditure Account). The difference, being the net cost of the scheme, was borne on that Account for Council tax setting purposes.
2. In accordance with the requirements of FRS17 the actual cost of pensions (required for Council Tax setting purposes) 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.
3. In 2006/07 the arrangement was changed whereby the employees contributions, and a new employers contribution are paid into a separate account out of which pensions are paid. Any deficit on this account is made up by direct government grant.
4. In 2006/07 it is these employer contributions (rather than the net cost of pensions) that are now replaced in the Income and Expenditure Account.
5. 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.
6. 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 15-19.
7. 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. The amount due at 31 March 2007 represents 32% of the actual grant for the year. This is mainly due to the fact that DCLG changed the arrangements in respect of FRA charges for 2005/06 ill health retirements after the date on which information, to estimate any grant due, was required to be submitted to DCLG.
8. As the arrangements were only introduced in 2006/07 there are no corresponding entries in respect of 2005/06.

FIREFIGHTERS' PENSION FUND INCOME AND EXPENDITURE ACCOUNT

	2006/2007 £m
Contributions receivable	
From employer	
Normal contributions	(2.141)
Additional contributions (early retirement)	0.000
Additional contributions (ill health charges)	(0.113)
From members	(2.254)
Normal contributions	(1.124)
Additional voluntary contributions	0.000
Transfers in	(1.124)
Individual transfers from other schemes	0.000
Other Transfers	0.000
	0.000
	0.000
Income to the Fund	(3.378)
Expenditure	
Benefits Payable	
Pensions	3.645
Lump sum retirement benefits	0.720
Lump sum death benefits	0.105
	4.470
Payments to and on account of leavers	
Refunds of contributions	0.000
Individual transfers out to other schemes	0.000
Other payments	0.000
	0.000
	0.000
Expenditure by the Fund	4.470
Net Deficit on the Fund	1.092
DCLG Pension Top up Grant - Received	(0.741)
DCLG Pension Top up Grant - Due	(0.351)
	(1.092)
Net Deficit on the Fund	0.000

FIREFIGHTERS' PENSION FUND STATEMENT OF NET ASSETS

The following balances in relation to the Pensions Fund are included in the Balance Sheet on page 23.

	2006/2007 £m
Current Assets	
Debtor	
s Employer Contributions Due	0.041
Employee Contributions Due	0.021
DCLG Top Up Grant Due	0.351
Prepayments	0.320
	0.733

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

DCLG

Department of Communities and Local Government. The Government department that was responsible for aspects of Local Authority and Fire and Rescue Authority activity in 2005/06 and 2006/07.

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. A 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 ODPM where Local Authorities were required to produce detailed plans identifying the costs of moving toward the government targets on e-government. This was to be funded by 3 annual grant payments. Having completed the 3 plans, there was a change of policy and ODPM determined that only 1 year's grant would be paid to Fire and Rescue Authorities.

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 4 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.