

Hereford & Worcester Fire Authority

Statement of Accounts

2014/15

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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 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 Retained Business 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 2015. The accounts, which are prepared in accordance with International Financial Reporting Standards (IFRS) as guided by the CIPFA Code of Practice on Local Authority Accounting 2014/15, comprise a group of Core Financial Statements:
 - Comprehensive Income & Expenditure Statement (CIES)
 - Movement in Reserves Statement (MiRS)
 - Balance Sheet
 - Cash Flow Statement
 - Notes to the Core Statements
3. In addition there is a Supplementary Financial Statement in respect of the Firefighters Pension Account.
4. The purpose of the Core Financial Statements is as below:

Comprehensive Income and Expenditure Statement (CIES)

- This shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
- The FRA raises taxation to cover expenditure in accordance with statutory regulation; this may be different to the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Movement in Reserves Statement (MiRS)

- This shows the movement in the year on the different reserves held by the FRA, analysed into "useable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.
- The Surplus (or Deficit) on the Provision of Services Line shows the true economic cost of providing the FRA's services, more details of which are shown in the Comprehensive Income & Expenditure Statement (CIES).
- These are different to the statutory amounts required to be charged to the General Fund Balance for grant and Council Tax setting purposes.
- The Net Increase/Decrease before Transfers to Ear-marked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves.

Balance Sheet

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

the Movement in Reserves statement line “Adjustments between accounting basis and funding basis under regulations”.

Cash-flow Statement

- This shows the changes in cash and cash equivalents of the FRA during the reporting period.
 - The Statement shows how the FRA generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
 - The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the FRA are funded by current taxation and grant income.
 - Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the FRA's future service delivery.
 - Cash flows arising from financing activities are useful in predicting claims on future cash flows, by providers of capital to the FRA (i.e. those from whom long term borrowing is taken).
5. The accounting policies adopted by the FRA comply with the relevant recommended accounting practice. The FRA's policies are explained fully in the Statement of Accounting Policies which is set out on pages 9 – 17.
6. The FRA's spending is planned and controlled by a process which includes regular reporting to the Service's management team and the FRA's Policy and Resources Committee.

Revenue Budget

7. The approved budget for 2014/15 was £32.637m to which additional agreed expenditure of £0.062m funded from earmarked reserves has been added, bringing the total budget to £32.699m. These resources are those available for the FRA to spend on provision of services under the statutory accounting regime, within which the FRA is required to manage resources.
8. In setting the 2014/15 budget the FRA was aware of (and has planned for) significant reductions in future grant, and spending during the year has been subject to severe restraint as a preparation for the future financial position. There has been a planned under spending which has been reported to the Policy and Resources Committee throughout the year, and finally to the full FRA in June 2015.
9. A summary of the budget and out-turn is given overleaf:

	Revised Budget	Actual	Variance
	£m	£m	£m
Employee Costs	22.670	21.536	(1.134)
Running Costs	7.364	6.192	(1.172)
Capital Financing Costs	2.665	2.454	(0.211)
Gross Budget	32.699	30.182	(2.517)
<u>Resources</u>			
Fire Revenue Grant	(1.271)	(1.239)	0.032
Business Rate Income	(2.287)	(2.287)	0.000
Revenue Support Grant	(9.443)	(9.443)	0.000
Net Council Tax Precept	(19.455)	(19.455)	0.000
S31 Grant	(0.181)	(0.195)	(0.014)
Additional S31 Grant		(0.008)	(0.008)
	0.062	(2.445)	(2.507)
<u>Budgeted Use of Reserves:</u>			
Development Reserve	(0.062)	(0.062)	0.000
New Dimensions		(0.027)	(0.027)
Total before Final Transfer to Reserves	0.000	(2.534)	(2.534)
<u>Final Transfer to Reserves</u>			
Transfer to Operational Activity Reserve		0.300	0.300
Transfer to Earmarked Reserve			
- Additional Operational Equipment		0.300	0.300
- Temporary Budget Reserve		1.229	1.229
Transfer to Budget Reduction Reserve		0.705	0.705
		0.000	0.000

10. Of the Core Budget under-spending of £2.517m, this relates to managed savings by budget holders and the phasing of capital finance. The resources received by the Authority in 2014/15 are lower than originally budgeted for this is mainly due to lower Fire Revenue Grant being received than anticipated but the impact of this has been partly offset by the receipted of higher levels of section 31 Grant.
11. During financial year 2014/15, £2.534m has been added to earmarked reserves, a sum of £0.705m has been added to the Budget Reduction Reserve, to ensure the ongoing funding of uniformed staffing. Following the success of the Authority in obtaining transformations funding bids for the ongoing development of the service, a transformation reserve of £1.229m is to be set up to ensure match funding is available to assist with the development of these programmes. A further £0.300m is to be transferred to an Equipment Budget for the purchase of new equipment following the transformation of the service and its working methodologies. Finally £0.300m will be transferred into the Operational Activity Reserve, following the changes to operational staffing structures there is an anticipated increase in costs due to the potential increase in the use of retained staff at prolonged incidents.

General Reserve

12. The general reserve stood at £1.838m at 31 March 2014 (5.6% of core budget), and although at the lower end of the spectrum of stand-alone fire authorities, the level is considered adequate and not requiring further significant increase throughout the MTFP period. At the end of this financial year the reserve will remain at £1.838m (5.6% of core budget), the authority has approved the use of £0.300m of general balances at its meeting

of 18th February 2015 to provide a higher number of firefighters on duty as often as possible for a two year period.

Firefighters' Pensions

13. 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.
14. The employer contribution and certain costs in relation to injury pensions still fall on the General Fund Balance.

Capital Programme Budget

15. During 2014/15 £4.853m was spent on new assets or improvements to existing ones. Expenditure was incurred on the approved vehicle programme, the new Command and Control IT system, minor property works and small equipment and IT schemes. The majority of the programme was, as planned, funded by borrowing.

Balance Sheet

16. At 31 March 2014 the FRA held Long Term Assets with a net book value of £41.389m. Professional advice has not identified any further impairment due to changes in the economic climate, and adjusting for disposals, depreciation, revaluation and capital expenditure, Long Term Assets are valued at £47.719m at 31 March 2015.
17. Long Term borrowing has remained unchanged, although some individual loans now fall due with 12 months. All borrowing is from the Public Works Loans Board (PWLB). The total value of Long Term loans at £13.971m remains well below the value of Long Term Assets.
18. The Balance Sheet includes liabilities in respect of the four pension schemes provided for staff.
19. The £10.017m liability on the Local Government Scheme will be covered by the continued level of employer contributions.
20. The Firefighters' schemes are statutory un-funded ones and the significant total liability of £319.768m is a result of this position. There is no requirement, or legal powers, for the FRA to fund this deficit, and any costs not financed by employee or employer contributions are met by direct government grant. More details on pensions can be found on pages 37 – 45.

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 2013/14 the FRA has reviewed the systems and processes it has in place to ensure sound corporate governance and to confirm that they are consistent with the principles outlined in the CIPFA/SOLACE Framework '*Corporate Governance in Local Government: A Keystone for Community Governance.*' The latest review of compliance with the code was approved by the FRA Audit and Standards Committee on 28 September 2015.
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 which have been strengthened as referred to in the Annual Governance Statement on pages 80-82.

Restatement

24. It has been necessary to restate the 2013/14 accounts, due to a change in the accounting policy relating to the application of International Accounting Standard 19, as it relates to the Firefighter Pension Scheme, and to comply with Guidance given in the Accounting Code of Practice rather than continue to apply the technical advice given by the Audit Commission for Financial Year 2011/12 onwards.
25. Whilst undertaking this restatement the decision has been made to restate other immaterial items, that would not normally have been adjusted for, these include the following:
 - Long Term Borrowing Adjustment – the authority has agreed with the external auditors (Grant Thornton) to follow the accounting guidance given within the Accounting Code of Practice rather than continue to follow the Audit Commission suggested methodology.
 - Council Tax/NNDR Adjustment – Accounting entries have been amended for previous years, to ensure compliance with additional accounting guidance in the 2014/15 Accounting Code of Practice.
 - Depreciation Adjustment – The depreciation rate used for equipment in the previous financial year has been corrected following a clerical error which led to an undercharge.
 - Pension Adjustment – Late notification, received after closure of the accounts of adjustments relating to financial year 2013/14.
26. The restatement information has been included in a separate appendix to these accounts, and details the amount and reason for the restatement. The appendix also reconciles the restated figure to the 2014/15 published accounts.

Memorandum of Understanding (MoU)

27. A formal Memorandum of Understanding (MoU) has been entered into with Shropshire and Wrekin Fire Authority, to signify the ratification by both Fire Authorities to work towards the creation of a single resilient command and control function, operated from two remote locations, Worcester and Shrewsbury.
28. A separate tri partite Memorandum of Understanding has been entered into with Shropshire and Wrekin Fire Authority and Cleveland Fire Authority. The three authorities are now well advanced with plans to align their command & Control systems. This will create a resilient network of systems capable of being operated from control rooms in Worcester, Shrewsbury and Hartlepool. Common operating procedures and ways of working continue to be further refined to enable each Fire Authority to take calls and mobilise the other's resources seamlessly at any time. The Authorities will have immediate and fully operational fallback arrangements. The programme benefits are currently on track to be delivered by December 2015, however this facility is already in place between Hereford and Worcester Fire Authority and Shropshire and Wrekin Fire Authority.

Post Balance Sheet Events

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

A STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

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

The Treasurer's Responsibilities

2. The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code') is required to provide a true and fair view of the financial position of the Authority at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.
3. In preparing this Statement of Accounts the Treasurer has:
 - selected suitable accounting policies and then applied them consistently;
 - made judgements and estimates that were reasonable and prudent; and
 - complied with the Code of Practice.
4. The Treasurer has also:
 - kept proper accounting records which were up to date;
 - taken reasonable steps for the prevention and detection of fraud and other irregularities; and
 - ensured the Statement of Accounts provides a true and fair view of the financial position of the Authority at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.
5. In accordance with the Accounts and Audit Regulations 2011 10(2) I certify that the Statement of Accounts 2014/15 provides a true and fair view of the financial position of the Authority at 31 March 2015 and its income and expenditure for the year 2014/15.

Signature on original copy

Martin Rehorn CPFA B.Comm (Acc)
Treasurer to the Fire Authority

Date

Issue Date

- 6. The date that these financial statements are authorised for issue is 28th September 2015. All known material events that have occurred up to and including this date which relate to 2014/15 or before have been reflected in the accounts.

AUTHORITY APPROVAL

- 7. In accordance with Regulation 10 (3)b of the Accounts and Audit Regulations 2011 I certify that the Audit Committee of the Fire and Rescue Authority approved the Statement of Accounts 2014/15 on 28th September 2015.

Signature on original copy

Presiding Chairman of the
Audit Committee meeting

Date

STATEMENT OF ACCOUNTING POLICIES

General Principles

1. The Statement of Accounts has been prepared in accordance with proper accounting principles contained within the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and International Financial Reporting Standards (IFRS).

Accrual of Income and Expenditure (Debtors and Creditors)

2. The accounts of the FRA are maintained on an accruals basis, thus sums due to, or amounts owing by the FRA in respect of goods and services rendered but not paid for at 31 March are included in the accounts.
 - Creditors are included in the Balance Sheet and charged to the Comprehensive Income and Expenditure Statement (CIES) when goods or services have been received but not invoiced at the year end.
 - Debtors are included in the Balance Sheet and CIES where services have been provided but not reimbursed at the year end.
3. 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 one annual, four quarterly or twelve 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 twelve monthly invoice is charged in any one year. New contracts of a material nature will be treated on a full accruals basis.
 - Employee expenses paid through payroll where the cut-off date for claim is 20th of the month, but where twelve months' claims will be included in the Comprehensive Income and Expenditure Statement.
4. Individual invoices of less than £500 are accounted for in the year they fall.

Cash and Cash Equivalents

5. Cash is represented by cash in hand and deposits with financial institutions (through Worcestershire County Council) repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in a period of not more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

6. Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.
7. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

8. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Events After the Reporting Period

9. Events after the Balance Sheet date are those events, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
 - those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

VAT

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

Overheads and Support Services

11. The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of practice 2013/14 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:
- Corporate and Democratic Core – costs relating to the Authority's status as a single function democratic organisation.
 - Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early, and benefits arising from transfers into the Fire-fighters pension schemes.
12. These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Property, Plant and Equipment (PP&E)

13. Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment (PP&E) has been capitalised provided it yields benefit to the Authority for more than one year. Capital expenditure enhances the value, usage or life of an asset. Some relatively immaterial items may be financed from revenue.
14. PP&E valued at fair value on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). A full valuation of Property assets has been carried out this financial year, as at 31 March 2015, using the independent professional services of Worcestershire County Council. The Authority's valuation service has confirmed that the carrying value of these assets is not materially different to their fair value and complies with the requirements of the accounting code and IAS16.
15. PP&E are classified into the groupings required by the Code of Practice on Local Authority Accounting and valued on the following basis:

- Land is included in the balance sheet at net current replacement cost.
 - Properties, where there is evidence of Market Value, are valued at Open Market Value for Existing Use. Specialised properties, where there is no evidence of market value, are valued at Depreciated Replacement Cost.
 - Plant and Equipment is measured at the purchase price and any attributable costs, less depreciation, as a proxy for current value.
16. The Authority has a de-minimus of £5,000 for vehicle purchases.
17. Assets are held in the Balance Sheet at gross value, net of depreciation and impairment where appropriate.

Impairment

18. Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.
19. Where impairment losses are identified, they are accounted for as follows:
- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
 - Where there is no balance in the Revaluation Reserve, or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.
20. Where an impairment loss is reversed subsequently, the reversal is credited to the relevant lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.
21. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Component accounting

22. From 1 April 2010 Component Accounting, as set out in IAS 16 – Property, Plant & Equipment, requires the Authority to componentise all Property, Plant and Equipment where the components have a distinctly different economic life to enable PP&E to be accurately and fairly included in the Authority's Comprehensive Income and Expenditure Statement (CIES) so that the depreciation charge properly reflects the consumption of the asset.
23. The requirement, however, is prospective and not retrospective, and will therefore be introduced as and when properties are re-valued. It is applied only where an item of PP&E has components whose value makes up more than 25% of the asset value.
24. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped together.
25. Where a component of an existing asset is to be de-recognised and the component amount is not known, then an estimate using a reasonable basis will be used. The component calculation will be established using the replacement cost of the component, indexed back to the original component's inception and adjusted for any subsequent depreciation and impairment.

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

Intangible Assets

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

Basis of Charge for the use of Assets

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

Financing of Capital Expenditure

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

Redemption of Debt

30. The FRA finances a proportion of its capital investment by raising loans. In accordance with the Local Government and Housing Act 1989, the Income and Expenditure Account is charged annually with a sum to provide for the eventual repayment of those loans. This sum is known as the Minimum Revenue Provision (MRP).
- Since 2008/09, under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, the FRA has been required to determine an appropriate MRP policy, which has been broadly to set aside sufficient funds over the life of the assets funded from net borrowing.

- All expenditure from 2008/09 onwards - MRP using an approximate Asset life basis:
 - Buildings over 50 years – per depreciation policy.
 - IT equipment over 5 years - reflecting average life.
 - Other equipment over 7 years – reflecting actual average usage within the FRS.
 - Vehicles – on actual estimated life of each vehicle.
- Vehicle expenditure before 2008/09 – MRP on a proxy Asset Life basis using original cost, less accumulative MRP, over the remaining useful life of the individual vehicle.
- Expenditure before 2008/09, (other than vehicles) - MRP on a proxy Asset Life basis using original cost, less accumulative MRP over average asset life as above.

Leases

31. Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.
32. During 2014/15 the Authority held both finance and operating leases under the definition of IAS 17 Leases. The authority Finance leases are accounted for in accordance with IAS 17, operating leases are not capitalised and rentals are charged directly to the CIES in the year to which they relate.

Finance Leases

33. Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease inception. The asset is matched by an obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred.
34. Lease payments are apportioned between:
 - a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
 - a finance charge which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
35. Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term as this is shorter than the asset's estimated useful life.
36. The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funding towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account and the Movement in Reserves Statement for the difference between the two.

Operating leases

37. Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

Non Current Assets held for Sale

38. A non-current asset is reclassified as an Asset Held for Sale where it is probable that the carrying amount of the asset will be recovered through a sale transaction rather than through its continual use.
39. The asset is re-valued and carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

Capital Receipts

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

Inventories

41. Stocks, where material, are shown in the Balance Sheet valued at the average purchase price, except that:
- Vehicle fuel is valued at latest invoice price, which is considered appropriate for this type of stock.
 - Other immaterial stocks, e.g. stationery, are treated as current expenditure and charged directly to the CIES.

Pension Arrangements

42. The disclosure requirements are included in the main financial statements as notes to the accounts in accordance with IAS 19 – Employee Benefits and CIPFA recommended practice as interpreted and advised by our previous external auditors the Audit Commission in 2011/12. This is further explained in paragraphs 63 below.

Types of pension schemes

43. 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.
44. Up until 31st March 2015 the Authority participated in four schemes:
- The Firefighters' Pension Scheme (FFPS) (the "1992 Scheme"). This is a statutory un-funded defined benefit final salary scheme and has been closed to new entrants since 6 April 2006.
 - The New Firefighters' Pension Scheme (NFPS) (the "2006 Scheme") – is open to all uniformed staff (except Fire Control) and is also a statutory un-funded defined benefit final salary scheme, with differing benefits.
 - The Firefighters' Compensation Scheme (FFCS) (the Injury Scheme) – another statutory un-funded defined benefit scheme covering existing and new injury pensions.

- The three Firefighters' schemes are unfunded meaning that there are no investment assets built up to meet the pensions' liabilities and cash has to be generated to meet the actual pensions' payments as they eventually fall due. The arrangements are determined by the Department of Communities and Local Government.
- The Local Government Pension Scheme (LGPS) – subject to qualifying criteria, open to staff not covered by the Firefighters' schemes. This scheme is administered by Worcestershire County Council and is a funded defined benefit final salary scheme. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- At 1st April 2015 some members of the the Firefighters Pension Scheme (FFPS) and the New Firefighters Pension Scheme (NFPS) were transferred to a new Firefighter Pension Scheme – the 2015 Scheme.
- In accordance with IAS 19 the Authority recognises the cost of retirement benefits within the Net Cost of Services, in the CIES, when they are earned, rather than when benefits are actually paid as pensions. However the charge to be made to the Council Tax, via the precepts, is based on the amount payable in the year. The difference is reversed out in the General Fund.

Interest on Balances

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

Government Grants and Contributions

46. Government grants and contributions are recognised in the CIES when conditions attached to the grant or contribution have been satisfied. Government grants and contributions that have not been satisfied are carried in the Balance Sheet as creditors.
47. Where capital grants are credited to the CIES they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant is yet to be used to finance capital, it is held on the Capital Grant Unapplied Reserve. When it has been used, it is transferred to the Capital Adjustment Account.

Financial Liabilities

48. Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The amount of borrowings presented in the Balance Sheet is the outstanding principal repayable, and interest charged to the CIES is the amount payable for the year in the loan agreement.
49. Gains and losses on the repurchase or early settlement of borrowing would be credited and debited to Net Operating Expenditure in the CIES in the year of repurchase/settlement.
50. However, if repurchase had taken place as part of restructuring of the loan portfolio that involved the modification or exchange of existing instruments, the premium or discount would be deducted from or added to (respectively) the amortised cost of the new or modified loan and the write down to the CIES would be spread over the life of the loan by an adjustment to the effective interest rate.
51. Where premiums and discounts are charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The FRA has not yet undertaken such a restructuring of debt and has therefore not yet adopted a policy for its treatment.

Collection Fund Adjustment Account

52. The Council Tax and the non-domestic rates income included in the CIES will show the accrued income for the year. The difference between the income included in the CIES and

the amount required by regulation to be credited to the General Fund is held in the Collection Fund Adjustment Account and included as a reconciling item in the 'Adjustments between accounting basis and funding basis under regulations' reconciliation.

53. The Authority's Balance Sheet shows the proportion of surplus/deficit of the Billing Authorities' Collection Fund in the Debtors/Creditors balance. The Authority also shows the attributable share of the impairment allowance for doubtful debts and a provision for non-domestic rates appeals.
54. The IFRS treatment differs from the statutory accounting arrangement, where the FRA precepts directly on the Billing Authority and has no direct debtor or creditor relationship with individual council tax-payers.

Employee Benefits

Accumulating Compensating Absences

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

Termination Benefits

56. Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or where applicable to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Provisions

57. Provisions are made when an event has taken place that gives the Fire Authority an obligation that probably requires payment, but where the timing of the payment is uncertain. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Fire Authority becomes aware of the obligation, based on the best estimate of the likely payment. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of the financial year, and where it is likely that payment does not need to be made, the provision is reversed and credited back to the relevant service.

Reserves

58. At 31 March 2015 a general reserve is held to meet expenditure which may arise from unforeseen events.
59. 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 46 - 48.

Capital Accounting Reserves

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

- **The Capital Adjustment Account**

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

- **The Revaluation Reserve**

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

Operating Segments

61. The CIPFA Code of Practice on Local Authority Accounting 2013/14 guidance on applying IFRS, requires that where an organisation considers and manages financial, operating and performance information in material segments, then additional financial information must be provided on these segments.
62. Due to the nature of its operation, as a single purpose Authority, the FRA and the Service management team manage the organisation as an entity, and do not have relevant operating segments to report upon.

Post Employment Benefits

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		2013/14 restated			2014/15		
	Notes	Gross Expd £000	Gross Income £000	Net Expd £000	Gross Expd £000	Gross Income £000	Net Expd £000
Gross Expenditure, Gross Income and Net Expenditure on Continuing Operations							
Operations & Rescues		29,769	(1,675)	28,094	27,675	(1,925)	25,750
Community Safety		4,667	(70)	4,597	4,262	(111)	4,151
Emergency Planning		92	(1)	91	75	(2)	73
Corporate & Democratic Core		1,300	(22)	1,278	1,235	(32)	1,203
		35,828	(1,768)	34,060	33,247	(2,070)	31,177
Past Service Cost							
<i>Curtailment Costs (LGPS)</i>		23	0	23	3	0	3
Cost of Services		35,851	(1,768)	34,083	33,250	(2,070)	31,180
Other Operating Expenditure		1,652	(4,101)	(2,449)	1,406	(3,391)	(1,985)
Financing & Investment Income and Expenditure	3	14,201	(638)	13,563	14,310	(756)	13,554
Taxation & Non-Specific Grant Income	4		(32,381)	(32,381)		(32,416)	(32,416)
Deficit/(Surplus) on Provision of Services		51,704	(38,888)	12,816	48,966	(38,633)	10,333
Deficit/(Surplus) on revaluation of non-current assets	25-27			(1,046)			(2,062)
Actuarial (gains)/losses on Pensions Assets/Liabilities	64-68			(19,809)			21,323
Other Comprehensive Income and Expenditure				(20,855)			19,261
Total Comprehensive Income and Expenditure – Deficit/(Surplus)				(8,039)			29,594

The 2013/14 figures have been restated for the reasons outlined in Appendix 1 to these accounts

MOVEMENT IN RESERVES STATEMENT FOR THE 12 MONTHS ENDING 31 MARCH 2015

	Note	General Fund 79 £000	Ear-marked Rev Res 80-82 £000	Unapplied Grant 83 £000	Cap Rcpts Reserve 84 £000	Total Useable 78 £000	Revaln. Reserve 86-87 £000	Capital Adj Acct 88-91 £000	Pensions Reserve 92-93 £000	Coll Fund Adj Acct 94 £000	Acc. Abs. Adj Acct 95 £000	Total Unusable 85 £000	All Reserves £000
Balance at 31-Mar-2014		1,838	5,696	2,008	135	9,677	5,717	19,291	(295,562)	34	(87)	(270,607)	(260,930)
Surplus/(Deficit) on Provision of Services	(10,333)					(10,333)						0	(10,333)
Other Comprehensive Income & Expenditure						0	2,062					2,062	2,062
Surplus on revaluation of non-current assets						0						(21,323)	(21,323)
Movement in Pensions Reserve						0			(21,323)				
Reversal of items in the CIES to be removed for determining movement in General Fund													
Relating to Depreciation/Amortisation		2,074				2,074		(2,074)				(2,074)	0
Relating to Depreciation on un-realised gains						0	(95)	95				0	0
Relating to Revaluation/Impairment gains/losses		(671)				(671)		671				671	0
Relating to Revaluation Losses on assets held for sale		697				697		(697)				(697)	0
Relating to Retirement Benefits		16,501				16,501			(16,501)			(16,501)	0
Relating to assets held for sale w/off on disposal						0						0	0
Relating to Non-current assets w/off on disposal		743				743	(49)	(694)				(743)	0
Relating to Capital Receipts		(159)			159	0						0	0
Relating to Unapplied Capital Grants/Contributions		(920)				0						0	0
Relating to Grants used to Finance Expd				920		(1,917)		1,917				1,917	0
Relating to Capital Receipts used to Finance Expd						0						0	0
Relating to Council Tax Income		(148)				(148)				148		148	0
Relating to Non-domestic rates income		41				41				(41)		(41)	0
Relating to Compensated absences		10				10					(10)	(10)	0
Insertion of items in the CIES to be included for determining movement in General Fund													
Employers Contribution to Pension Schemes		(3,602)				(3,602)			3,602			3,602	0
Statutory Provision for Debt Repayment		(1,340)				(1,340)		1,340				1,340	0
Revenue Financing of Capital		(448)				(448)		448				448	0
Transfers Between Earmarked Reserves		(2,445)	2,445			0						0	0
Balance at 31-Mar-2015		1,838	8,141	1,011	294	11,284	7,635	20,297	(329,784)	141	(97)	(301,808)	(290,524)

SUMMARY OF MOVEMENTS

Balance at 31-Mar-2014	1,838	5,696	2,008	135	9,677	5,717	19,291	(295,562)	34	(87)	(270,607)	(260,930)	
Movement in Reserves during 2014/15													
Deficit/(Surplus) on Provision of Services	(10,333)	0	0	0	(10,333)	0	0	0	0	0	0	(10,333)	
Other Comprehensive Income & Expenditure	0	0	0	0	0	2,062	0	(21,323)	0	0	(19,261)	(19,261)	
Total Comprehensive Income & Expenditure	(10,333)	0	0	0	(10,333)	2,062	0	(21,323)	0	0	(19,261)	(29,594)	
Adjustments between accounting basis and funding basis under regulations	12,778	0	(997)	159	11,940	(144)	1,006	(12,899)	107	(10)	(11,940)	0	
Net change before Earmarked Reserve Transfers	2,445	0	(997)	159	1,607	1,918	1,006	(34,222)	107	(10)	(31,201)	(29,594)	
Earmarked Reserves Transfers	(2,445)	2,445	0	0	0	0	0	0	0	0	0	0	
Net Movement in Year	0	2,445	(997)	159	1,607	1,918	1,006	(34,222)	107	(10)	(31,201)	(29,594)	
Balance at 31-Mar-2015 Carried Forward		1,838	8,141	1,011	294	11,284	7,635	20,297	(329,784)	141	(97)	(301,808)	(290,524)

MOVEMENT IN RESERVES STATEMENT FOR THE 12 MONTHS ENDING 31 MARCH 2014 (Restated)

Note	General Fund 79 £000	Ear-marked Rev Res 80-82 £000	Unapplied Grant 83 £000	Cap Rcpts Reserve 84 £000	Total Useable 78 £000	Revaln. Reserve 86-87 £000	Capital Adj Acct 88-91 £000	Pensions Reserve 92-93 £000	Coll Fund Adj Acct 94 £000	Acc. Abs. Adj Acct 95 £000	Total Un-useable 85 £000	All Reserves £000
Balance at 31-Mar-2013	1,485	4,561	2,709	0	8,755	5,084	19,377	(302,053)	28	(160)	(277,724)	(268,969)
Surplus/(Deficit) on Provision of Services	(12,816)				(12,816)						0	(12,816)
Other Comprehensive Income & Expenditure												
Surplus on revaluation of non-current assets					0	1,046					1,046	1,046
Movement in Pensions Reserve					0			19,809			19,809	19,809
Reversal of items in the CIES to be removed for determining movement in General Fund												
Relating to Depreciation/Amortisation	2,129				2,129		(2,129)				(2,129)	0
Relating to Depreciation on un-realised gains					0	(100)	100				0	0
Relating to Revaluation/Impairment Losses	69				69		(69)				(69)	0
Relating to Retirement Benefits	16,907				16,907			(16,907)			(16,907)	0
Relating to assets held for sale w/off on disposal	133				133	(37)	(96)				(133)	0
Relating to Non-current assets w/off on disposal	1,520				1,520	(276)	(1,244)				(1,520)	0
Relating to Capital Receipts	(135)			135	0						0	0
Relating to Unapplied Capital Grants/Contributions	(904)		904		0						0	0
Relating to Grants used to Finance Expd			(1,605)		(1,605)		1,605				1,605	0
Relating to Capital Receipts used to Finance Expd					0						0	0
Relating to Council Tax Income	(172)				(172)				172		172	0
Relating to Non-domestic rates income	166				166			(166)			(166)	0
Relating to Compensated absences	(73)				(73)					73	73	0
Insertion of items in the CIES to be included for determining movement in General Fund												
Employers Contribution to Pension Schemes	(3,589)				(3,589)			3,589			3,589	0
Statutory Provision for Debt Repayment	(1,071)				(1,071)		1,071				1,071	0
Revenue Financing of Capital	(676)				(676)		676				676	0
Transfers Between Earmarked Reserves	(1,135)	1,135			0	0					0	0
Balance at 31-Mar-2014	1,838	5,696	2,008	135	9,677	5,717	19,291	(295,562)	34	(87)	(270,607)	(260,930)

SUMMARY OF MOVEMENTS

Balance at 31-Mar-2013	1,485	4,561	2,709	0	8,755	5,084	19,377	(302,053)	28	(160)	(277,724)	(268,969)
<u>Movement in Reserves during 2013/14</u>												
Deficit/(Surplus) on Provision of Services	(12,816)	0	0	0	(16,910)	0	0	0	0	0	0	(12,816)
Other Comprehensive Income & Expenditure	0	0	0	0	0	1,046	0	19,809	0	0	20,855	20,855
Total Comprehensive Income & Expenditure	12,816	0	0	0	(16,910)	1,046	0	19,809	0	0	20,855	8,039
Adjustments between accounting basis and funding basis under regulations	14,304	0	(701)	135	17,832	(413)	(86)	(13,318)	6	73	(13,738)	0
Net change before Earmarked Reserve Transfers	1,488	0	(701)	135	920	633	(86)	6,491	6	73	7,117	8,039
Earmarked Reserves Transfers	(1,135)	1,135	0	0	0	0	0	0	0	0	0	0
Net Movement in Year	353	1,135	(701)	135	920	633	(86)	6,491	6	73	7,117	8,039
Balance at 31-Mar-2014 Carried Forward	1,838	5,696	2,008	135	9,677	5,717	19,291	(295,562)	34	(87)	(270,607)	(260,930)

The 2013/14 figures have been restated for the reasons outlined in Appendix 1 to these accounts

BALANCE SHEET

-	<u>Notes</u>	<u>1-Apr-2014</u> <i>(restated)</i> £000	<u>31-Mar-2014</u> <i>(restated)</i> £000	<u>31-Mar-2015</u> £000
Property Plant & Equipment	25-27	40,996	41,019	47,270
Intangible Assets	28-31	413	370	449
Long Term Assets		41,409	41,389	47,719
Inventories		200	147	172
Short Term Debtors	53	2,159	2,619	3,247
Assets Held for Sale	56	133	0	985
Cash & Cash Equivalents	54-55	7,509	8,477	8,268
Current Assets		10,001	11,243	12,672
Short Term Borrowing	35-42	(500)	(500)	(834)
Short Term Creditors	57	(3,309)	(3,408)	(3,941)
Current Liabilities		(3,809)	(3,908)	(4,775)
Provisions	99-104	(46)	(121)	(148)
Long Term Borrowing	42	(14,471)	(13,971)	(13,137)
Other Long Term Liabilities	60-77,16	(302,053)	(295,563)	(332,855)
Long Term Liabilities		(316,570)	(309,655)	(346,140)
Net Assets		(268,969)	(260,931)	(290,524)
Useable Reserves	78-84	8,755	9,677	11,284
Un-useable Reserves	85-95	(277,724)	(270,608)	(301,808)
Total Reserves		(268,969)	(260,931)	(290,524)

The 2013/14 figures have been restated for the reasons outlined in Appendix 1 to these accounts

The unaudited accounts were issued on 30th June 2015 and the audited accounts were authorised for issue on *(to be inserted following audit)*

CASH-FLOW STATEMENT FOR 12 MONTHS ENDING 31 MARCH 2015

	Notes	Restated 2013/14 £000	2014/15 £000
Net (surplus) or deficit on the provision of services		12,816	10,333
Adjustments to net surplus or deficit on the provision of services for non cash movements	106.1	(17,324)	(15,470)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	106.2	1,062	1,080
Net cash flows from operating activities		(3,446)	(4,057)
Investing Activities	107	1,955	3,766
Financing Activities	108	523	500
Net increase or decrease in cash and cash equivalents		(968)	209
Cash and cash equivalents at the beginning of the period		(7,509)	(8,477)
Net increase or decrease in cash and cash equivalents in the Period		(968)	209
Cash and cash equivalents at the end of the reporting period		(8,477)	(8,268)

The 2013/14 figures have been restated for the reasons outlined in Appendix 1 to these accounts

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Standards that have been issued but not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code:

- IFRS 13 Fair Value Measurements – IFRS 13 defines fair value and sets out a framework for measuring fair value. It also identifies new disclosures in respect of fair value measurements. It provides a fair value hierarchy to be used in the valuation of assets and liabilities which will enable users to assess the valuation method used and its impact on the Balance Sheet and Comprehensive Income and Expenditure Statement. The changes will be presentational.

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

2. Re-statement of the Core Financial Statements

A restatement has been made to the core financial statement which relates to a change in the accounting treatment adopted for pensions.

Whilst this restatement has been undertaken, some additional immaterial changes have also been made.

The effect of these changes are summarised at Appendix 1 to these accounts.

3. Financing and Investment Income and Expenditure

	2013/14 £'000	2014/15 £'000
Interest payable and similar charges	608	594
Interest receivable and similar income	(36)	(41)
Pensions net interest cost and expected return on pensions assets	12,991	13,001
	13,563	13,554

4. Taxation and non-specific Grant Income

	2013/14 £'000	2014/15 £'000
Council Tax income	18,749	19,603
National Non-Domestic Rates (NNDR) income and expenditure	4,934	5,209
Council Tax Transition Grant	61	
Capitalisation Provision Redistribution Grant	39	
Transparency Code Set Up Grant	2	5
Rural Service Grant	13	3
2014/15 Council Tax Freeze Grant	210	
Revenue Support Grant (RSG)	7,469	6,675
	31,477	31,495
Non-specific Capital Grant	904	904
Grant from Wychavon District Council		17
Total Grants	32,381	32,416

Members Allowances

5. The Authority paid the following amounts to Members as Allowances and expenses during the year.

	2013/14 £'000	2014/15 £'000
Basic Allowances	28	29
Special Allowances	21	21
Expenses	3	3
	52	53

A breakdown of the amounts paid to individual Members is available on the Authority's website, this can be accessed using the following link.
<https://hwfire.cmis.uk.com/hwfire/documents/documentLibrary.aspx>

Officers' Emoluments

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

£	2013/14 No. of Staff	2014/15 No. of Staff
50,000 - 54,999	22	21
55,000 - 59,999	5	9
60,000 - 64,999		1
65,000 - 69,999		
70,000 - 74,999	3	3
75,000 - 79,999		
80,000 - 84,999	1	1
85,000 - 89,999		
90,000 - 94,999	1	1
95,000 - 99,999	1	1
100,000 - 104,999		
105,000 - 109,999		
110,000 - 114,999		
115,000 - 119,999		
120,000 - 124,999	1	1
	34	38

7. The table represents payments to individual staff members during the year.

Senior Officers

2014/15			Benefit		Pension	Total
Post Title		Salary	in Kind	Sub-Total	Contrib.	incl Pension
		£	£	£	£	£
Chief Fire Officer/Chief Executive	<i>U</i>	122,445	300	122,745	26,081	148,826
Deputy Chief Fire Officer	<i>U</i>	98,168	1,661	99,829	20,910	120,739
Assistant Chief Fire Officer	<i>U</i>	92,032	2,280	94,312	19,603	113,915
Director of Finance & Assets	<i>NU</i>	76,661	4,768	81,429	11,116	92,545
Head of Legal Services	<i>NU</i>	54,185		54,185	7,857	62,042
<i>U : Uniformed; NU : Non-Uniformed</i>		443,491	9,009	452,500	85,567	538,067
2013/14			Benefit		Pension	Total
Post Title		Salary	in Kind	Sub-Total	Contrib.	incl Pension
		£	£	£	£	£
Chief Fire Officer/Chief Executive	<i>U</i>	121,199	824	122,023	25,815	147,838
Deputy Chief Fire Officer	<i>U</i>	96,959	1,113	98,072	20,652	118,724
Assistant Chief Fire Officer	<i>U</i>	90,899	1,003	91,902	19,361	111,263
Director of Finance & Assets	<i>NU</i>	75,752	4,730	80,482	13,938	94,420
Head of Legal Services	<i>NU</i>	53,789	-	53,789	9,897	63,686
<i>U : Uniformed; NU : Non-Uniformed</i>		438,598	7,670	446,268	89,663	535,931

- Pension contributions in the above tables relate to average scheme contribution rates and not an individual pension pot. Uniformed staff are members of the Firefighters Pension scheme (FFPS), all other senior officers are members of the Local Government Scheme (LGPS).
8. Uniformed staff enjoy a preferential tax status (relating to their continuous duty system and requirement to respond to emergencies) in respect of cars, which means that the measured benefit in kind is substantially less than for non-uniform staff. The actual cost to the FRA of cars provided to each officer is not dissimilar.

Related Party Transactions

9. The FRA is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the FRA or be controlled or influenced by the FRA. Disclosure of these transactions allows readers to assess the extent to which the FRA might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the FRA.
10. **Central Government** has a significant influence over the general operations of the FRA – it is responsible for setting the statutory framework within which the FRA operates, provides a proportion of funding in the form of grants and prescribes the terms of many of the transactions that the FRA has with other parties (e.g. Council Tax bills). Grants received from Government are set out in the table on page 24.
11. **Members** of the FRA have direct control over the FRA's financial and operating policies. The total of Members' allowances paid is shown in Notes 5 on page 24. No Members of the FRA or members of their immediate family or household declared any positions of influence
12. **Officers** – During 2014/15, the Area Commander - Head of Operations Support declared an interest in accordance with section 117 of the Local Government Act 1972 with regard to payments made to a supplier totalling £6,929.06 (excl VAT). The Officer did not take part in the decision to use this supplier.

External Audit Fees

13. During 2014/15 Hereford & Worcester Fire Authority incurred the fees below in respect of external audit and statutory inspection, in accordance with the Audit Commission Act 1998.

	2013/14 £'000	2014/15 £'000
Fees rebates from the Audit Commission:		
In respect of external audit services : 2013/14 Accounts	(6)	(4)
In respect of external audit services : Other services provided		1
Fees payable to Grant Thornton:		
in respect of external audit services : 2013/14 Accounts	44	
in respect of external audit services : 2014/15 Accounts		44
	38	41

The fees for other services payable in 2014/15 relate to the Authority's participation in the Audit Commission's National Fraud Initiative.

Leases: Authority as a Lessee

Finance Leases

14. The FRA has entered into a lease agreement; which for IFRS purposes is a finance lease; with the Police & Crime Commissioner for West Mercia, on 3rd April 2014 for the use of the Emergency Services Centre, Slideslow Drive, Bromsgrove. The lease is for a term of 30 years with an option for the FRA to renew for a further 30 years.
15. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	31-Mar-15 £'000
Other Land and Buildings	3,244

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

	31-Mar-14 £'000	31-Mar-15 £'000
Finance lease liabilities (net present value of minimum lease payments):		
Current	0	36
Non-current	0	3,070
Finance costs payable in future years	0	4,129
	0	7,235

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-14	31-Mar-15	31-Mar-14	31-Mar-15
	£'000	£'000	£'000	£'000
Not later than one year	0	249	0	36
Later than one year and not later than 5 years	0	998	0	167
Later than 5 years	0	5,988	0	2,903
	0	7,235	0	3,106

18. The minimum lease payments would not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. However, the FRA has no such leases.

Operating Leases

19. The FRA has entered into Operating Leases for the provision of emergency and ancillary vehicles. The total rentals paid to lessors on Operating leases in the year totalled £106,430 (2013/14 £55,470).
20. The future minimum lease payments due under non-cancellable operating leases in future years are:

	31-Mar-2014	31-Mar-2015
	£'000	£'000
Not later than one year	24	75
Later than one year and not later than 5 years	49	201
	73	276

Capital Expenditure

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

	2013/14	2014/15
	£'000	£'000
New Buildings & Adaptations	2,281	4,184
Vehicles (including fitted equipment)	185	11
IT and Communication Equipment	186	167
Other Equipment	120	491
Total Capital Expenditure	2,772	4,853

22. Capital expenditure was financed as follows:

	2013/14	2014/15
	£'000	£'000
Net Borrowing	491	2,488
Capital Grant	1,605	1,917
Revenue Contributions	676	448
	2,772	4,853

Property, Plant and Equipment

25. Movements in 2014/15

	Land and Buildings	Vehicles Plant, Furniture and Equipment	Surplus Assets	Assets not yet Operational	TOTAL Tangible Assets
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at 01 April 2014	32,769	19,932	773	1,642	55,116
Additions	4,269	564		3,270	8,103
Revaluation increases/(decreases) recognised in the Revaluation Reserve	749	0	0	0	749
Revaluation increases/(decreases) recognised in the					
Surplus/Deficit on the Provision of Services	79	0	0	0	79
Reclassifications	1,114	1	0	(1,115)	0
Reclassifications - to current assets held for sale	(1,682)	0	0	0	(1,682)
Reclassifications - to intangible assets	0	0	0	(65)	(65)
Disposals/derecognition	(263)	(51)	(773)	(113)	(1,200)
At 31 March 2015	37,035	20,446	0	3,619	61,100
Accumulated Depreciation and Impairment at 01 April 2014	(1,447)	(12,418)	(232)	0	(14,097)
Reclassifications					
Depreciation Charge for 2014-15	(637)	(1,346)	0	0	(1,983)
Depreciation written out to Revaluation Reserve	1,313	0	0	0	1,313
Depreciation written out to the Surplus/Deficit on Provision of Services	592	0	0	0	592
Disposals/derecognition	66	47	232	0	345
At 31 March 2015	(113)	(13,717)	0	0	(13,830)
Balance Sheet amount at 01 April 2014	31,322	7,514	541	1,642	41,019
Balance Sheet amount at 31 March 2015	36,922	6,729	0	3,619	47,270

26. Comparative Movements in 2013/14

	Land and Buildings (restated) £'000	Vehicles Plant, Furniture and Equipment (restated) £'000	Surplus Assets £'000	Assets not yet Operational £'000	TOTAL Tangible Assets (restated) £'000
Cost or Valuation at 01 April 2013	32,192	20,060	673	766	53,691
Additions	792	402		1,554	2,748
Revaluation increases/(decreases) recognised in the Revaluation Reserve	855				855
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services:	(79)				(79)
Reclassifications	390	68	100	(558)	0
Reclassifications - to current assets held for sale					
Reclassifications - to intangible assets					
Disposals	(1,381)	(598)		(120)	(2,099)
At 31 March 2014	32,769	19,932	773	1,642	55,116
Accumulated Depreciation and Impairment at 01 April 2013	(1,195)	(11,320)	(180)	0	(12,695)
Reclassifications	5		(5)		0
Depreciation Charge for 2013-14	(534)	(1,482)	(47)		(2,063)
Depreciation written out to Revaluation Reserve	192				192
Depreciation written out to the Surplus/Deficit on Provision of Services	10				10
Derecognition – disposals	75	384			459
At 31 March 2014	(1,447)	(12,418)	(232)	0	(14,097)
Balance Sheet amount at 01 April 2013	30,997	8,740	493	766	40,996
Balance Sheet amount at 31 March 2014	31,322	7,514	541	1,642	41,019

A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

27. 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.

Intangible Assets

28. The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item or Property, Plant and Equipment.
29. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are 5 years.

30. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £91,000 charged to revenue in 2014/15 was charged to the IT cost centre and then absorbed as an overhead in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	2013/14 £000	2014/15 £000
Balance at start of year:	413	370
- Gross carrying amount	1,016	1,036
- Accumulated amortisation	(603)	(666)
Net carrying amount at start of year	413	370
Additions	24	106
Reclassification	0	65
Disposals	(2)	(1)
Accumulated amortisation on disposal	2	0
Amortisation for the period	(67)	(91)
Net carrying amount at end of year	370	449
Comprising:		
- Gross carrying amount	1,036	1,207
- Accumulated amortisation	(666)	(758)
	370	449

Heritage Assets

32. The Authority has a number of items which can be classed as heritage assets, due to their cultural and historical associations to the Fire Service. These assets have been held within the FRA and its predecessors for a number of years having been originally donated. The Authority does not seek to acquire assets of this nature and has no intention of disposing of the assets held.

33. These assets are held at FRA fire stations and other buildings throughout the two counties. The estimated value of these assets is not material to the financial statements.

34. As there are no valuations held for these assets and valuations could not be obtained at a cost which is commensurate with the benefits to the users of the financial statements, the assets are not recognised in accordance with the Code.

Financial Instruments

35. The classification of financial instruments included in the Balance Sheet and their carrying amounts are shown overleaf. (Additional information in respect of the Long Term Loans is given at notes 41 - 42):

	31-Mar-14			31-Mar-15		
	Long-term £000	Current £000	Total £000	Long-term £000	Current £000	Total £000
Short Term Deposits						
Deposits with WCC		7,750	7,750		8,000	8,000
		7,750	7,750		8,000	8,000
Loans & Receivables <i>(at amortized cost)</i>						
Trade Debtors		117	117		85	85
		117	117		85	85
		7,867	7,867		8,085	8,085
Financial Liabilities <i>(at amortized cost)</i>						
PWLB Borrowing	13,971	500	14,471	13,137	834	13,971
Trade Creditors		1,044	1,044		715	715
	13,971	1,544	15,515	13,137	1,549	14,686
Other Long Term Liabilities						
Finance Lease Liabilities	0	0	0	3,070	36	3,106
	0	0	0	3,070	36	3,106

Fair Value of Assets and Liabilities carried at amortised cost

36. Financial liabilities, financial assets represented by loans and receivable and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.
37. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.
38. The Fair Value of the loans at 31 March 2015 was £17,399m (£16.486m at 31 March 2014) as estimated by PWLB by reference to the “premature repayment” set of rates in force on 31 March 2015 (31 March 2014). For all other Financial Assets and Liabilities the Fair Value is equal to the Carrying Value.
39. The fair value of the liabilities is higher than the carrying amount because the Authority’s portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the balance sheet date (new loan rates).

Financial Instruments Gains and Losses

40. The gains and losses recognised in the CIES in relation to financial instruments are shown overleaf:

	Interest Expense 2013/14 £'000	Interest Income 2013/14 £'000	Interest Expense 2014/15 £'000	Interest Income 2014/15 £'000
Financial Liabilities				
PWLB Borrowing	607		594	
Finance Lease Interest	1		0	
Total	608	0	594	0
Short Term Deposits		36		41
	0	36	0	41

Long and Short Term Borrowing

41. A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

	31-Mar-14 restated			31-Mar-15		
	Long Term £'000	Short Term £'000	TOTAL £'000	Long Term £'000	Short Term £'000	TOTAL £'000
Loan Source						
Public Works Loans Board	13,971	500	14,471	13,137	834	13,971
	13,971	500	14,471	13,137	834	13,971
Analysis by Maturity						
Less than 1 year		500	500		834	834
Between 1 and 2 years	834		834	500		500
Between 2 and 5 years	2,500		2,500	2,000		2,000
Between 5 and 10 years	4,802		4,802	5,149		5,149
Over 10 years	5,835		5,835	5,488		5,488
Total of Loans	13,971	500	14,471	13,137	834	13,971

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

Financial Instruments – Exposure to Risk

43. The Authority's activities expose it to a variety of financial risks:
- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.
 - Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
 - Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.
44. The CIPFA Code of Practice on Treasury Management has been adopted by the FRA, and under the Service Level Agreement with Worcestershire County Council the County Council is obliged to, and does, adopt the Code also. In this way risks are actively managed.

Credit Risk

45. Under the Treasury Management SLA, the FRA invests surplus cash with WCC, but in return for receiving an average investment rate based on the Council's portfolio of investments the FRA shares risk in proportion to its value of the total portfolio. Credit risk also arises from credit exposures to the Authority's customers.
46. Amounts invoiced to customers are of relatively low value and are actively pursued by the in-house legal service.
47. The following analysis summarises the FRA's potential maximum exposure to credit risk based on actual experience in terms of deposits and percentage of debt which has been written off as unrecoverable in the last three years in terms of debtors (total £0.008m).

	31-Mar-15 £'000	Written off in last 3 years £'000	Historical Default
Short Term deposits with WCC			
Customers	85	8	3%
Total	85	8	

48. Of the £0.085m due from customers at 31 March 2015 the following table analyses the due dates.

	£'000
Not yet due	79
Less than 1 month overdue	
1 to 2 months overdue	6
more than 2 months overdue	
	85

Liquidity Risk

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

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

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

Market Risk

51. The FRA does not invest in equity shares and therefore has no exposure to loss arising from movements in share prices.
52. The FRA has no financial assets or liabilities, denominated in foreign currencies and therefore has no exposure to loss arising from exchange rate movements.

53. Debtors

	31-Mar-14 restated £'000	31-Mar-15 £'000
Central Government Bodies	405	792
Other Local Authorities	856	258
Public Corporations and Trading Funds	834	964
Other entities and individuals	524	1,233
	2,619	3,247

A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

Cash and Cash Equivalents

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

	31-Mar-14 £'000	31-Mar-15 £'000
Cash held by the Authority	5	5
Bank Current Accounts	722	263
Short term deposits with WCC	7,750	8,000
	8,477	8,268

55. The only financial asset held by the Authority is the short term deposit with Worcestershire County Council, there are no other investments.

56. Assets Held for Sale

	Current	
	201-14	2014-15
	£000	£000
Balance outstanding at start of year	133	0
Assets newly classified as held for sale:		
Property Plant and Equipment	0	1,682
Revaluation Losses	0	(697)
Assets Sold	(133)	0
Balance outstanding at year-end	0	985

57. Creditors

	31-Mar-14 restated £'000	31-Mar-15 £'000
Central Government Bodies	791	801
Other Local Authorities	638	770
NHS	0	15
Other entities and individuals	1,979	2355
	3,408	3,941

A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

Termination Benefits and Packages

58. As a result of a redundancy process the FRA terminated the contracts of 7 employees, incurring liabilities of £0.081m.
59. The numbers of exit packages with the total cost per band are set out in the table below. The FRA did not pay any other exit packages.

	No. of Staff	Redundancy Payments £	Compromise Agreement £	Pay in lieu of Notice £	Total £
£0 to £20,000	6	49,822	1,500	4,372	55,694
£20,000 to £40,000	1	25,397	250	0	25,647
		75,219	1,750	4,372	81,341

Pension Arrangements

60. 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.
61. The Authority participates in four schemes:
- The Firefighters' Pension Scheme (FFPS) (the "1992 Scheme"). This is a statutory un-funded defined benefit final salary scheme and has been closed to new entrants since 6 April 2006.
 - The New Firefighters' Pension Scheme (NFPS) (the "2006 Scheme") – is open to all uniformed staff (except Fire Control) and is also a statutory un-funded defined benefit final salary scheme, with differing benefits.
 - The Firefighters' Compensation Scheme (FFCS) (the Injury Scheme) – another statutory un-funded defined benefit scheme covering existing and new injury pensions.
 - The three Firefighters' schemes are unfunded meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet the actual pensions payments as they eventually fall due. The arrangements are determined by the Department of Communities and Local Government.
 - The Local Government Pension Scheme (LGPS) – subject to qualifying criteria, open to staff not covered by the Firefighters' schemes. This scheme

is administered by Worcestershire County Council and is a funded defined benefit final salary scheme. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

62. The retirement benefits are recognised in the Net Cost of Service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax precept is based on the cash payable in the year, (as described in paragraph 67 below) so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement (MiRS).
63. Charges made to the Income and Expenditure Account for council tax precept purposes are as below:
- LGPS – the employer’s contribution payable to the Pension Fund.
 - FFPS/NFPS – the notional employer’s contribution payable into the Pension Account as explained in Paragraphs 13-14 on page 5 of the Explanatory Forward.
 - FFCS – the actual injury pensions and any RDS ill-health pensions payable.
64. Transactions made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement (MiRS) during the year are shown in the tables below:

	LGPS 2014/15 £'000	FFPS 2014/15 £'000	NFPS 2014/15 £'000	FFCS 2014/15 £'000	TOTAL 2014/15 £'000
Income and Expenditure Account					
Net Cost of Services:					
Current Service Cost	595	4,140	1,540	600	6,875
Curtailment Cost	3				3
Other Operating Expenditure comprising					
Administration Expenses	13				13
Pensions Grant		(4,315)	924		(3,391)
Financing and Investment Income and Expenditure					
Net Interest Expense	261	10,970	620	1,150	13,001
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	872	10,795	3,084	1,750	16,501
Remeasurement of the net defined benefit liability comprising:					
Actuarial (gains)/losses arising on changes in financial assumptions (retained settlement)			8,780		8,780
Experience (gains)/losses	0	(6,760)	(260)	(220)	(7,240)
Return on plan assets (excluding the amount included in the net interest expense)	(1,244)				(1,244)
Actuarial (gains) and losses arising on changes in demographic assumptions	0	(14,230)	(4,630)	(12,200)	(31,060)
Actuarial (gains) and losses arising in financial assumptions	4,897	40,450	4,810	1,930	52,087
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	4,525	30,255	11,784	(8,740)	37,824

Movement in Reserves Statement Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(872)	(10,795)	(3,084)	(1,750)	(16,501)
Actual Amount charged against the General Fund Balance for pensions in the year:					
Employer's contribution payable to scheme	684	1,764	449		2,897
Retirement Benefits payable to Pensioners				705	705
Net Charge to General Fund	684	1,764	449	705	3602

	LGPS 2013/14 (restated)	FFPS 2013/14 (restated)	NFPS 2013/14 (restated)	FFCS 2013/14 (restated)	TOTAL 2013/14 (restated)
	£'000	£'000	£'000	£'000	£'000
Income and Expenditure Account					
Net Cost of Services:					
Current Service Cost	741	4,860	1,690	690	7,981
Curtailment Cost	23				23
Other Operating Expenditure comprising					
Administration Expenses	13				13
Pensions Grant		(4,916)	815		(4,101)
Financing and Investment Income and Expenditure					
Net Interest Expense	361	10,830	540	1,260	12,991
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	1,138	10,774	3,045	1,950	16,907
Remeasurement of the net defined benefit liability comprising:					
Experience (gains)/losses	304	(4,870)	(80)	(2,630)	(7,276)
Return on plan assets (excluding the amount included in the net interest expense)	(1,157)				(1,157)
Actuarial (gains) and losses arising on changes in demographic assumptions	160				160
Actuarial (gains) and losses arising in financial assumptions	(2,276)	(6,490)	(990)	(1,780)	(11,536)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(1,831)	(586)	1,975	(2,460)	(2,902)
Movement in Reserves Statement Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(1,138)	(10,774)	(3,045)	(1,950)	(16,907)
Actual Amount charged against the General Fund Balance for pensions in the year:					

Employer's contribution payable to scheme	621	1,843	433		2,897
Retirement Benefits payable to Pensioners				692	692
Net Charge to General Fund	621	1843	433	692	3589

A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

Pensions Assets and Liabilities Recognised in the Balance Sheet

	Funded Liability LGPS 2014/15 £'000	Un-funded Liability FFPS 2014/15 £'000	Un-funded Liability NFPS 2014/15 £'000	Un-funded Liability FFCS 2014/15 £'000	TOTAL 2014/15 £'000
Present value of the defined benefit obligation	27,387	278,842	24,466	16,458	347,153
Fair Value of Plan assets	(17,369)				(17,369)
Net liability arising from defined benefit obligation	10,018	278,842	24,466	16,458	329,784

	Funded Liability LGPS 2013/14 (restated) £'000	Un-funded Liability FFPS 2013/14 (restated) £'000	Un-funded Liability NFPS 2013/14 (restated) £'000	Un-funded Liability FFCS 2013/14 (restated) £'000	TOTAL 2013/14 (restated) £'000
Present value of the defined benefit obligation	21,561	250,351	13,131	25,903	310,946
Fair Value of Plan assets	(15,384)	0	0	0	(15,384)
Net liability arising from defined benefit obligation	6,177	250,351	13,131	25,903	295,562

A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

Assets and Liabilities in relation to post-employment benefits

65. Reconciliation of the present value of scheme liabilities:

	Funded Liabilities (LGPS) 2014/15 £'000	Un-funded Liabilities (FFPS) 2014/15 £'000	Un-funded Liabilities (NFPS) 2014/15 £'000	Un-funded Liabilities (FFCS) 2014/15 £'000	TOTAL 2014/15 £'000
at 1 April	21,561	250,351	13,131	25,903	310,946
Current Service Cost	595	4,140	1,540	600	6,875
Interest Cost	976	10,970	620	1,150	13,716
Employee Contributions	214				214
Remeasurement Gains and Losses					
Experience (Gains) and Losses	0	(6,760)	(260)	(220)	(7,240)
Actuarial (Gains) and Losses arising on changes in demographic assumptions		(14,230)	(4,630)	(12,200)	(31,060)
Actuarial (Gains) and Losses arising on changes in financial assumptions	4,897	40,450	4,810	1,930	52,087
Actuarial (Gains) and Losses arising on changes in financial assumptions – retained settlement			8,780		8,780
Losses/(Gains) on curtailments	3				3
Pensions Grant		(4,315)	924		(3,391)
Employer contributions firefighter scheme/benefits paid LGPS scheme	(859)	(1,764)	(449)	(705)	(3,777)
at 31 March	27,387	278,842	24,466	16,458	347,153
	Funded Liabilities (LGPS) 2013/14 (restated) £'000	Un-funded Liabilities (FFPS) 2013/14 (restated) £'000	Un-funded Liabilities (NFPS) 2013/14 (restated) £'000	Un-funded Liabilities (FFCS) 2013/14 (restated) £'000	TOTAL 2013/14 (restated) £'000
at 1 April	22,103	252,780	11,589	29,055	315,527
Current Service Cost	741	4,860	1,690	690	7,981
Interest Cost	963	10,830	540	1,260	13,593
Employee Contributions	220				220
Remeasurement Gains and Losses					
Experience (Gains) and Losses	304	(4,870)	(80)	(2,630)	(7,276)
Actuarial (Gains) and Losses arising on changes in demographic assumptions	160				160
Actuarial (Gains) and Losses arising on changes in financial assumptions	(2,276)	(6,490)	(990)	(1,780)	(11,536)
Losses/(Gains) on curtailments	24				24
Pensions Grant		(4,916)	815		(4,101)
Employer contributions firefighter scheme/benefits paid LGPS scheme	(678)	(1,843)	(433)	(692)	(3,646)
at 31 March	21,561	250,351	13,131	25,903	310,946

A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

66. Reconciliation of fair value of scheme assets:

	Funded Assets (LGPS) 2013/14 (restated) £'000	Funded Assets (LGPS) 2014/15 £'000
Fair value at 1 April	13,474	15,384
Interest Income	602	715
Remeasurement gain/loss		
Return on plan assets (excluding the amount included in the net interest expense)	1,157	1,244
Other (administration expenses)	(13)	(13)
Employer Contributions	622	684
Employee Contributions	220	214
Benefits Paid	(678)	(859)
at 31 March	15,384	17,369

A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

67. The expected rate of return on assets (LGPS only) is based on market expectations, at the beginning of the period, for investment returns over the life of the entire life of the related obligation. The assumption used is the average of the assumptions shown in table 75 appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class as shown in table 80. Note that rates quoted are gross of expenses. The actual return on schemes' assets in the year was £1.959m (2013/14 £0.690m).

68. Reconciliation of Movements in Net Pensions Liability:

	Funded Liabilities (LGPS) 2014/15 £'000	Un-funded Liabilities (FFPS) 2014/15 £'000	Un-funded Liabilities (NFPS) 2014/15 £'000	Un-funded Liabilities (FFCS) 2014/15 £'000	TOTAL 2014/15 £'000
at 1 April	6,177	250,351	13,131	25,903	295,562
Current Service Cost	595	4,140	1,540	600	6,875
Employer Contributions	(684)	(1,764)	(449)	(705)	(3,602)
Pensions Grant		(4,315)	924		(3,391)
Administration Expenses	13				13
(Gain)/Loss from Curtailments	3				3
Interest on Liabilities	976	10,970	620	1,150	13,716
Interest on Assets	(715)				(715)
Net remeasurement gains and losses	3,653	19,460	8,700	(10,490)	21,323
at 31 March	10,018	278,842	24,466	16,458	329,784

	Funded Liabilities (LGPS) 2013/14 (restated) £'000	Un-funded Liabilities (FFPS) 2013/14 (restated) £'000	Un-funded Liabilities (NFPS) 2013/14 (restated) £'000	Un-funded Liabilities (FFCS) 2013/14 (restated) £'000	TOTAL 2013/14 (restated) £'000
at 1 April	8,629	252,780	11,589	29,055	302,053
Current Service Cost	741	4,860	1,690	690	7,981
Employer Contributions	(621)	(1,843)	(433)	(692)	(3,589)
Pensions Grant		(4,916)	815		(4,101)
Administration Expenses	13	0	0	0	13
Gain)/Loss from Curtailments	23	0	0	0	23
Interest on Liabilities	963	10,830	540	1,260	13,593
Interest on Assets	(602)	0	0	0	(602)
Net remeasurement gains and losses	(2,969)	(11,360)	(1,070)	(4,410)	(19,809)
at 31 March	6,177	250,351	13,131	25,903	295,562

69. Note treatment for this disclosure as detailed in Notes 63 of the Statement of Accounting Policies on page 16 means that the figure disclosed in this Statement of Accounts for net actuarial gains and losses differs significantly from that shown in the Actuaries report.

70. Scheme History

	31-Mar 2010	31-Mar 2011	31-Mar 2012	31-Mar 2013	31-Mar 2014 (restated)	31-Mar 2015
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of liabilities:						
LGPS : Local Government Pension Scheme	17,655	16,879	18,243	22,103	21,561	27,387
FFPS : Firefighters' 1992 Scheme	212,108	194,462	213,344	252,780	250,351	278,842
NFPS : Firefighters' 2006 Scheme	4,230	4,850	6,978	11,589	13,131	24,466
FFCS : Firefighters' Injury Scheme	24,418	20,758	23,702	29,055	25,903	16,458
	258,411	236,949	262,267	315,527	310,946	347,153
Fair value of assets in the LGPS	10,309	11,111	11,290	13,474	15,384	17,369
	10,309	11,111	11,290	13,474	15,384	17,369
Net Liabilities of the scheme:						
LGPS : Local Government Pension Scheme	7,346	5,768	6,953	8,629	6,177	10,018
FFPS : Firefighters' 1992 Scheme	212,108	194,462	213,344	252,780	250,351	278,842
NFPS : Firefighters' 2006 Scheme	4,230	4,850	6,978	11,589	13,131	24,466
FFCS : Firefighters' Injury Scheme	24,418	20,758	23,702	29,055	25,903	16,458
Total	248,102	225,838	250,977	302,053	295,562	329,784

71. The liabilities show the underlying commitments that the FRA has in the long run to pay retirement benefits. The total liability of £329,784m has a substantial impact on the net worth of the FRA as recorded in the Balance Sheet, resulting in a negative overall balance of £290,524m.
72. However, statutory arrangements for funding the deficit mean that the financial position of the FRA remains healthy:
- The deficit on the LGPS will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
 - Finance is only required to be raised to cover Firefighters' pensions when the pension is actually paid.

Basis for Estimating Liabilities

73. 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.
74. Estimates for the LGPS have been made by Mercer Human Resource Consulting Ltd (an independent firm of actuaries), and for the firefighters' schemes by GAD, the Government Actuary's Department.
75. The principal assumptions used by the Actuaries are shown overleaf:

	LGPS 2014/15	FFPS 2014/15	NFPS 2014/15	FFCS 2014/15
Long-term expected rate of return on assets in the scheme				
Equity investments	6.50%	n/a	n/a	n/a
Government Bonds	2.20%	n/a	n/a	n/a
Other Bonds	2.90%	n/a	n/a	n/a
Property	5.90%	n/a	n/a	n/a
Cash/liquidity	0.50%	n/a	n/a	n/a
Mortality assumptions:				
Longevity at 65 for current pensioners				
Male	23.4	22.5	22.5	22.5
Female	25.8	22.5	22.5	22.5
Longevity at 65 for future pensioners				
Male	25.6	24.8	24.8	24.8
Female	28.1	24.8	24.8	24.8
Rate of inflation (RPI)		3.35%	3.35%	3.35%
Rate of inflation (CPI)	2.10%	2.20%	2.20%	2.20%
Rate of increase in salaries	3.60%	4.20%	4.20%	4.20%
Rate of increase in pensions	2.10%	2.20%	2.20%	2.2%
Rate for discounting scheme liabilities	3.40%	3.30%	3.30%	3.30%
Take-up of option to convert annual pension into retirement lump sum:				
take maximum cash	50%	n/a	n/a	n/a
take 3/80ths cash	50%	n/a	n/a	n/a

	LGPS 2013/14	FFPS 2013/14	NFPS 2013/14	FFCS 2013/14
Long-term expected rate of return on assets in the scheme				
Equity investments	7.00%	n/a	n/a	n/a
Government Bonds	3.40%	n/a	n/a	n/a
Other Bonds	4.30%	n/a	n/a	n/a
Property	6.20%	n/a	n/a	n/a
Cash/liquidity	0.50%	n/a	n/a	n/a
Mortality assumptions:				
Longevity at 65 for current pensioners				
Male	23.3	23.5	23.5	23.5
Female	25.7	25.5	25.5	25.5
Longevity at 65 for future pensioners				
Male	25.5	26.6	26.6	26.6
Female	28.0	28.6	28.6	28.6
Rate of inflation (RPI)		3.65%	3.65%	3.65%
Rate of inflation (CPI)	2.40%	2.50%	2.50%	2.50%
Rate of increase in salaries	3.90%	4.50%	4.50%	4.50%
Rate of increase in pensions	2.40%	2.50%	2.50%	2.50%
Rate for discounting scheme liabilities	4.60%	4.40%	4.40%	4.40%
Take-up of option to convert annual pension into retirement lump sum:				
take maximum cash	50%	n/a	n/a	n/a
take 3/80ths cash	50%	n/a	n/a	n/a

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

Asset Category	Sub Category	31-Mar-14	31-Mar-15
Equities	UK Quoted	25.9%	22.2%
	Overseas Quoted	36.0%	38.3%
	UK Managed Funds	11.7%	10.2%
	UK Managed Funds – Overseas Equities)	17.1%	20.4%
	Overseas Managed Funds	0.6%	0.8%
	Bonds	UK Corporate	0.7%
	Overseas Corporate	5.6%	5.8%
Cash	Cash Instruments	0.8%	0.5%
	Cash Accounts	0.6%	0.1%
	Net Current Assets	1.0%	1.0%
	Total	100.0%	100.0%

Injury Awards

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

Usable Reserves

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

	31-Mar-14 £'000	31-Mar-15 £'000
General Fund	1,838	1,838
Earmarked Reserves	5,696	8,141
Unapplied Grants	2,008	1,011
Capital Receipts Reserve	135	294
	9,677	11,284

79. General Fund Balance

	2013/14 £'000	2014/15 £'000
Balance at 01 April	1,485	1,838
Transfers from CIES	353	
Balance at 31 Mar	1,838	1,838

Earmarked Reserves

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

- **Pensions Reserve** – To meet the potential cost of the Retained Firefighters' national settlement in relation to Unfair Treatment of Part-time Workers.
- **New Fire Control Reserve** – Government has allocated significant capital grant to this project as well as a small revenue grant. The revenue grant will be used to offset specific annual revenue costs over a number of years once the new system is operational.
- **Operational Activity Reserve** – To fund exceptional activity costs arising from spate conditions e.g. prolonged fires in the Malvern Hills or flooding.
- **New Dimensions Reserve** – planned to be used to create additional training facilities and fund exercises in respect of New Dimensions.
- **Equipment Reserve** – To fund additional equipment required within the service.
- **ICP Work-wear Reserve** – To match the budgeted routine replacement of non-PPE work-wear with the charging profile under the national Integrated Clothing Project (ICP). – The majority of this was utilised in 2012/13.
- **YFA Reserve** – Held for the Young Firefighters' Association to smooth annual expenditure.
- **Development Reserve** – To provide funding for capacity building or "invest to save" type initiatives to prepare for future grant reductions.
- **Capital Finance Phasing Reserve** – this arises from savings in capital financing costs as a result of re-phasing of the Major Buildings programme due to delays outside the control of the FRA.
- **Property Maintenance Reserve** – to be utilised in future years to ensure the completion of planned station maintenance.
- **Transformation Reserve** – to match funding for service transformation projects following the successful bidding undertaken during 2014/15.
- **Budget Reduction Reserve** - in expectation of significant future pressures and the restructuring necessary to meet them, a reserve has been created to help smooth the transformation over the next few years.
- **Collection Fund Loss Reserve** – to meet the potential deficit arising at billing authorities following the increase in the anticipated arrears position, which has resulted in lower NNDR receipts in financial year 2015/16.

- **Pension Tribunal Reserve** – to meet the potential costs of employing fire Fighters who retired before reaching the age of 55, on the retained fire fighter duty system

81. A summary of movements is shown below.

	Balance at 31-Mar-14 £000	From/(to) Rev 14/15 £000	14/15 Savings £000	Balance at 31-Mar-15 £000
Pensions Reserve	422			422
New Fire Control Reserve	267			267
Operational Activity Reserve	300		300	600
New Dimensions Reserve	472	(27)		445
Equipment Reserve	0		300	300
ICP Workwear Reserve	4			4
YFA Reserve	17			17
	1,482	(27)	600	2,055
Development Reserve	385	(62)		323
Capital Finance Phasing Reserve	575			575
Property Maintenance Reserve	213			213
Transformation Reserve	0		1,229	1,229
Collection Fund Loss Reserve	130			130
Pension Tribunal Reserve	400			400
	1,703	(62)	1,229	2,870
Budget Reduction Reserve	2,511		705	3,216
	2,511		705	3,216
	5,696	(89)	2,534	8,141

82. The comparative movements for 2013/14 are summarised below:

	Balance at 31-Mar-13 £000	From/(to) Rev 13/14 £000	13/14 Savings £000	Balance at 31-Mar-14 £000
Pensions Reserve	422			422
New Fire Control Reserve	267			267
Operational Activity Reserve	300			300
New Dimensions Reserve	576	(104)		472
ICP Workwear Reserve	4			4
YFA Reserve	17			17
	1,586	(104)		1,482
Development Reserve	409	(24)		385
Capital Finance Phasing Reserve	575			575
Property Maintenance Reserve	213			213
Collection Fund Loss Reserve	0	130		130
Pension Tribunal Reserve	0		400	400
	1,197	106	400	1,703
Budget Reduction Reserve	1,778		733	2,511
	1,778	0	733	2,511
	4,561	2	1,133	5,696

83. Unapplied Grant

	LPSA1 (Worcs) Reward Grant (Capital) £'000	Formula Capital Grant £'000	Control Rooms Funding £'000	Evesham Station Contributio n	CLG E&D Gran t £'000	TOTA L £'000
Balance at 31 March 2013	83	2,342	275	0	9	2,709
Grant Received in year		904				904
Used to Finance Capital Expenditure in 2013/14	(83)	(1,461)	(53)		(9)	(1,605)
Balance at 31 March 2014	0	1,785	222	0	0	2,007
Grant Received in year		904				904
Used to Finance Capital Expenditure in 2014/15		(1,785)	(131)			(1,916)
Balance at 31 March 2015		904	91	16	0	1,011

84. Capital Receipts

	2013/14 £'000	2014/15 £'000
Balance at 01 April	0	135
Net Proceeds from sale of fixed assets	135	159
Balance at 31 March	135	294

85. Unusable Reserves

	31-Mar-14 <i>Restated</i> £000	31-Mar-15 £'000
Revaluation Reserve	5,717	7,635
Capital Adjustment Account	19,291	20,297
Pensions Reserve	(295,562)	(329,784)
Collection Fund Adjustment Account	34	141
Accumulated Absences Adjustment Account	(87)	(97)
	(270,607)	(301,808)

A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

Revaluation Reserve

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

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

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

	2013/14 (restated) £'000	2014/15 £'000
Balance at 1 April	5,084	5,717
Upward revaluation of assets	1,071	4,341
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(25)	(2,279)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	6130	7,779
Difference between fair value depreciation and historical cost depreciation	(100)	(95)
Accumulated gains on assets sold	(37)	
Accumulated gains on assets derecognised	(276)	(49)
Amounts written off to the Capital Adjustment Account		
Balance at 31 March	5,717	7,635

A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

Capital Adjustment Account

88. The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.
89. The Account contains accumulated gains and losses on Investment Properties and gains recognised as donated assets that have yet to be consumed by the Authority.
90. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.
91. The table below provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2013/14 (restated) £'000	2014/15 £'000
Balance at 1 April	19,377	19,291
Charges for depreciation and impairment of non-current assets	(2,062)	(1,983)
Revaluation gains/(losses) on Property, Plant and Equipment	(69)	671
Revaluation gains/(losses) on current assets held for sale	0	(697)
Amortisation of intangible assets	(67)	(91)
Amounts of current assets (assets held for sale) written off on Disposal or sale as part of the gain/loss on disposal in the Comprehensive Income and Expenditure Statement	(97)	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal in the Comprehensive Income and Expenditure Statement	(1,244)	(694)
	15,838	16,497
Adjusting amounts written out to the Revaluation Reserve <i>- difference in depreciation on historical & current cost basis</i>	100	95
	15,938	16,592
<u>Capital financing applied in the year:</u>		
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to to capital financing	1,606	1,917
Statutory provision for the financing of capital investment charged against the General Fund balance.	1,071	1,340
Capital expenditure charged against the General Fund balance	676	448
Balance at 31 March	19,291	20,297

A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

Pensions Reserve

92. The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.
93. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing for years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to

pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2013/14 <i>Restated</i> £'000	2014/15 £'000
Balance at 1 April	302,053	295,562
Actuarial gains or losses on pensions assets & liabilities	(19,809)	21,323
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services the CIES	16,907	16,501
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,589)	(3,602)
Balance at 31 March	295,562	329,784

A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

Collection Fund Adjustment Account

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

	2013/14 £'000	2014/15 £'000
Balance at 1 April	28	34
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements:		
Council Tax	172	148
Non-Domestic Rates	(166)	(41)
Balance at 31 March	34	141

Accumulated Absences Account

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

	2013/14 £'000	2014/15 £'000
Balance at 1 April	(160)	(87)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory provisions	73	(10)
Balance at 31 March	(87)	(97)

Contingent Liabilities

96. A Pension Tribunal Reserve has been set up following a dispute between HMRC and several Fire Authorities. The interpretation of continued RDS service as re-engagement of Fire fighters following retirement, and the decision to take a pensions before reaching the age of 55, without taking a break in service.
97. Following guidance obtained from the Authority's Pension Advisors, it had been determined that the Authority faces no additional liability for taxation liability for these pensions, as the Fire fighters cannot have not been re-employed by the Authority, as they were already contractually employed as retained Fire fighters. As the Fire Authority believes that there is no liability, no accrual has been included with the financial statements. However, a reserve has been set up to cover potential claims if HMRC are proved to be correct, and to meet the costs of any potential tribunal challenge if they are not.
98. As a result of the "Norman vs Cheshire" case there is a possibility that some allowances paid to Day Crew staff maybe pensionable. It is not yet clear if this ruling applies to our Day Crew staff nor how the calculation would be made. There is a potential for costs to arise from this.

Provisions

99. The FRA held three provisions at 31st March 2015.

Retirement Costs Provision

100. The provision was created in 2009/10 to reflect the liability arising from the circumstances surrounding the retirement of the then Chief Fire Officer.
101. The movement in the year represents the costs that have been incurred this year.
102. The remaining balance will meet the known future costs until they cease in 2015/16.

	2013/14 £'000	2014/15 £'000
Balance at 1 April	25	13
Expenditure incurred in year	(12)	(12)
Contributions from Constituent Authorities		
Transfer back to CIES		
Balance at 31 March	13	1

NNDR Appeals Provision

103. This is a new provision to reflect the authority's share of the appeals made by NNDR payers at billing authorities.

	2013/14 restated £'000	2014/15 £'000
Balance at 1 April	0	87
Transfer from CIES	87	39
Balance at 31 March	87	126

A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

Clerk Costs Provision

104. The provision of £0.021m was created during 2013/14 to reflect the potential liability arising from the employment of the Temporary Clerk and Monitoring Officer, (for the period prior to the current in-house service provision) for which invoices have not yet been received.

Specific Government Grants

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

	2013/14 £'000	2014/15 £'000
Flood Rescue National Enhancement Project		
Fire Revenue Grant - New Dimensions	1,006	1,239
Fire Revenue Grant - Future Control Rooms		
Fire Revenue Grant - Firelink	240	
Future Control Rooms Funding		
New Burdens - Council Tax Reform		
	1,246	1,239

Cashflow Statement – Operating Activities

- 106.1 The surplus or deficit on the provision of services has been adjusted for the following non-cash movements

	2013/14 £'000	2014/15 £'000
Depreciation	(2,063)	(1,983)
Downward revaluations	(69)	(26)
Amortisations	(67)	(91)
Increase/decrease in creditors	(349)	(255)
Increase/decrease in debtors	444	642
Increase/decrease in inventories	(53)	25
Movement in pensions liability	(13,318)	(12,899)
Carrying amount of non-current assets sold or derecognised	(1,774)	(856)
Other non-cash items charged to the net surplus or deficit on the provision of services	(75)	(27)
	(17,324)	(15,470)

106.2 The net surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

	2013/14 £'000	2014/15 £'000
Receipt of Capital grant	904	921
Proceeds of sales of Property, Plant & Equipment – Capital Receipts	135	159
Proceeds of sales of Property, Plant & Equipment – Other	23	0
	1,062	1,080

106.3 The cashflows for operating activities include the following items:

	2013/14 £'000	2014/15 £'000
Interest Paid	(610)	(596)
Interest Received	34	41
	(576)	(555)

107. Cashflow Statement – Investing Activities

	2013/14 £'000	2014/15 £'000
Purchase of Property, Plant & Equipment	3,017	4,845
Capital Grants received	(904)	(920)
Proceeds of sales of Property Plant & Equipment - Capital Receipts	(135)	(159)
Proceeds of sales of Property Plant & Equipment - Other	(23)	0
	1,955	3,766

108. Cashflow Statement – Financing Activities

	2013/14 £'000	2014/15 £'000
Principal Payments on Finance Leases	23	0
Long Term Loans Repaid	500	500
	523	500

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

109. The Statement of Accounts contains estimated figures that are based on assumptions made by the FRA about the future or that are otherwise uncertain. Estimates are made based on past experience, current trends and other relevant factors. As some balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

110. The items in the balance sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are set out below. The list does not include items which are carried at fair value based on recently observed market prices, such as land and buildings, for which the FRA relies on independent advice from specialist valuers.

111. Action has been taken by HMRC in other Fire Authorities, which relates to the retirement of whole time firefighters before reaching the age of 55, if they remain employed as Firefighters on the Retained Duty System. HMRC are stating that the individual losses their protected status for tax exemption as they have been re-employed. However, guidance has been sought from the Authority's Pension Advisors who have determined that the employee has not broken their service and so have not been re-employed. A reserve has been set up to cover any potential losses or costs that could arise in relation to this.
112. The Actuaries have provided an assessment of the effect of changes in the assumptions used in estimating the pension and assets included in the Accounts according to the requirements of IAS19.
- There are a range of actuarial assumptions which is acceptable under IAS19, particularly in respect of expected salary increases and demographic factors. The assumptions made are the responsibility of the FRA, after taking advice of the Actuaries. There are risks and uncertainties associated with whatever assumptions are adopted, as the assumptions are effectively projections of future investment returns and demographic experience many years into the future. Inevitably this involves a great deal of uncertainty about what constitutes a "best estimate" under IAS19. The Actuaries interpret this as meaning that the proposed assumptions are neutral, i.e. there is an equal chance of actual experience being better or worse than the assumptions used.
 - The assumptions used are largely prescribed and reflect market conditions at 31 March 2015. Changes in market conditions can have a significant effect on the value of liabilities reported. For example, a reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. The effect of changes in financial assumptions made by the relevant Actuary is shown in the table.
 - With regard to the LGPS, it is also relevant to note that IAS19 requires the discount to be set with reference to the yields on high quality corporate bonds irrespective of the actual investment strategy of the Fund. Therefore the balance sheet position may change significantly due to relative changes in the equity and AA corporate bond markets at the reporting date.
113. Approximate increase in Net Liability

Change in financial assumptions 2014/15 : 1992 Firefighters' Scheme		
	£'000	%
0.5% Decrease in rate of discounting scheme liabilities	31,000	11.0%
0.5 % Increase in rate of salaries	4,000	1.4%
0.5% increase in rate of pensions/deferred revaluation	25,000	9.1%
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed	7,000	2.5%
Early retirement each member assumed to retire 1 year earlier than expected	(2,000)	0.8%

Change in financial assumptions 2014/15 : 2006 Firefighters' Schemes		
	£'000	%
0.5% Decrease in rate of discounting scheme liabilities	3,800	15.4%
0.5 % Increase in rate of salaries	1,300	5.2%
0.5% increase in rate of pensions/deferred revaluation	2,300	9.4%
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed	500	2.1%
Early retirement each member assumed to retire 1 year earlier than expected	300	1.2%

Change in financial assumptions 2014/15 : LGPS		
	£'000	%
0.1% Increase in real discount rate	(577)	-5.8%
0.1% Increase in rate of increase in salaries	590	6.0%
1 Year Increase in Member Life Expectancy	501	5.0%

Property, Plant and Equipment

114. Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the FRA will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.
115. If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £12,000 for every year that useful lives had to be reduced.

Critical Judgements in Applying Accounting Policies

116. In applying the accounting policies set out previously in this document, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:
117. There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be significantly impaired as a result of a need to close facilities and reduce levels of service provision.

Kings Court EMC Ltd

118. The FRA is a member of Kings Court EMC Ltd, which manages ground maintenance on the common areas of the office site where the Headquarters building is located. The company is one that is limited by guarantee, for which the maximum liability to the FRA is £1. The turnover of the company for 2014/15 was £x (2013/14 £13,091), and the FRA has appointed the Director of Finance and Assets as its (unpaid) director.

SUPPLEMENTARY FINANCIAL STATEMENT

Firefighters' Pension Fund

1. Since 2006/07 Firefighters' pensions are paid out of a separate account into which the employee's contributions and an employer's contribution are paid. Any deficit on this account is made up by direct government grant.
2. A detailed explanation of the schemes can be found on page 39, but although they are all statutory, national un-funded defined benefit schemes, they are administered locally by each FRA.
3. The Schemes are currently established under the Firefighters' Pension Scheme (Amendment) (England) Order 2006.
4. The employer's contribution is borne by the CIES for Council Tax Precept setting purposes.
5. Employees' and employers' contribution levels are based on percentages of pensionable pay set nationally by DCLG/WAG and subject to triennial revaluation by the Government Actuary's Department.
6. In accordance with the requirements of IAS19 the employer's contribution is replaced by the current service cost of pensions in the CIES, and reversed out again in the MiRS.
7. 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.
8. The accounts are prepared in accordance with the same Code of Practice and accounting policies as outlined in the Statement of Accounting Policies set out on pages 9 - 17.
9. Any Government grant payable is paid in two 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.
10. The following Statement shows the income and expenditure for the year. It does not take account of liabilities to pay pensions and other benefits after the year end. These are calculated in accordance with IAS 19 and are included in the Balance Sheet on page 21 and detailed in the Notes to the Core Financial Statements on pages 38 – 45.

Firefighters' Pension Fund Account

	2013/14 £000	2014/15 £000
Contributions receivable		
Fire & Rescue Authority		
Contributions in relation to pensionable pay	(2,189)	(2,145)
Other	(87)	(69)
Firefighters' Contributions	(1,464)	(1,641)
	(3,740)	(3,855)
Transfers in from other schemes	(29)	(20)
Benefits Payable		
Pensions	6,053	6,372
Commutations & lump sum retirement benefits	1,751	894
Lump sum death benefits	63	0
Payments to and on account of leavers		
Transfers out to other schemes	3	0
Net amount payable for the year	4,101	3391
Top-up grant payable by government	(4,101)	(3391)
	0	0

Firefighters' Pension Fund Statement of Net Assets

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

	31-Mar-14 £000	31-Mar-15 £000
Current Assets		
Debtors		
Employer Contributions Due	105	106
Employee Contributions Due	72	81
Top Up receivable from the government	136	241
Prepayments		
Pensions paid in advance	522	536
Creditor		
Amounts due to General Fund	(835)	(964)
	0	0

Restatement of Accounts

1. This appendix contains details of the restatements required within the accounts, and includes a reconciliation from the information as published in the 2013/14 Accounts to the restated prior year figure.
2. The appendix details all statements and notes to the accounts that are subject to restatement and includes a reconciliation from the information as published in the 2013/14 Statement of Accounts to the restated figure as included in Statement to the 31st March 2015.

The reason for the restatement of each individual accounting statement or note to the accounts has been included with the restatement.

The Restatement has impacted the following statements and notes

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Core Financial Statements	
<ul style="list-style-type: none"> • Comprehensive Income & Expenditure Statement 	60-61
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Reserves	
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Comprehensive Income and Expenditure Statement Restatement Adjustments

3. The Comprehensive Income and Expenditure Statement (for the financial year ended 31st March 2014) has been restated for the following items:
- Depreciation Adjustment – The depreciation rate used for equipment in the previous financial year has been corrected following a clerical error which led to an undercharge.
 - Pension Adjustments
 - Late notification, received after closure of the accounts of adjustments relating to financial year 2013/14.
 - Pension grant, which following the change to the accounting practice adopted for the treatment of pensions is now included within other operational expenses.
 - Transfers in/out of the scheme, this is included with grant income and is included with the pension grant within other operational expenses.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2013/14 as published			re-statement effect				2013/14 as restated		
	Gross Expd £000	Gross Income £000	Net Expd £000	Depn Gross Expd £000	Pensio n Gross Expd £000	Pensio n Gross Income £000	Net Expd £000	Gross Expd £000	Gross Income £000	Net Expd £000
Gross Expenditure, Gross Income and Net Expenditure on Continuing Operations										
Operations & Rescues	29,739	(1,675)	28,064	41	(11)		30	29,769	(1,675)	28,094
Community Safety	4,662	(70)	4,592	7	(2)		5	4,667	(70)	4,597
Emergency Planning	92	(1)	91				0	92	(1)	91
Corporate & Democratic Core	1,299	(22)	1,277	2	(1)		1	1,300	(22)	1,278
<i>sub-total</i>	<i>35,792</i>	<i>(1,768)</i>	<i>34,024</i>	<i>50</i>	<i>(14)</i>	<i>0</i>	<i>36</i>	<i>35,828</i>	<i>(1,768)</i>	<i>34,060</i>
Non-distributed Costs										
Past Service Cost:										
Curtailment Costs (LGPS)	23		23				0	23		23
Transfer Benefits (NFPS)	29		29		(29)		(29)	0		0
Cost of Services	35,844	(1,768)	34,076	50	(43)	0	7	35,851		34,083
Other Operating Expenditure	1,652	0	1,652			(4,101)	(4,101)	1,652		(2,449)
Financing & Investment Income and Expenditure	14,201	(638)	13,563					14,201		13,563
Taxation & Non-Specific Grant Income		(32,381)	(32,381)							(32,381)
Deficit/(Surplus) on Provision of Services	51,697	(34,787)	16,910	50	(43)	(4,101)	(4,094)	51,704		12,816
Loss on disposal of fixed assets			(1,046)							(1,046)
Actuarial gains/losses on Pensions Assets/Liabilities			(23,936)		4,127		4,127			(19,809)
Other Comprehensive Income and Expenditure			(24,982)				4,127			(20,855)
Total Comprehensive Income and Expenditure			(8,072)				33			(8,039)

4. Details of the Restatement adjustments are included within the note to the Comprehensive Income & Expenditure restatement

MOVEMENT IN RESERVES STATEMENT FOR THE 12 MONTHS ENDING 31 MARCH 2014

Note	General Fund	Ear-marked Rev Res	Unapplied Grant	Cap Rcpts Reserve	Total Useable	Revaln. Reserve	Capital Adj Acct	Pensions Reserve	Coll Fund Adj Acct	Acc. Abs. Adj Acct	Total Un-useable	All Reserves
	83	84-87	88	89	82	91-92	93-96	97-98	99	100	90	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000

SUMMARY OF MOVEMENTS

Balance at 31-Mar-2014	1,838	5,696	2,008	135	9,677	5,701	19,357	(295,579)	34	(87)	(270,574)	(260,897)
Amendments Due to Restatement												
Movement in Reserves relating to prior years												
Reversal of items in the CIES												
To be removed for determining movement in the General Fund												
Relating to Depreciation on un-realised gains					0	13	(13)				0	0
Restated Balance at 31-Mar-2014	1,838	5,696	2,008	135	9,677	5,714	19,344	(295,579)	34	(87)	(270,574)	(260,897)
Amendments Due to Restatement												
Surplus/(Deficit) on Provision of Services	4,094				4,094						0	4,094
Other Comprehensive Income & Expenditure												
Movement in Pensions Reserve					0			(4,127)			(4,127)	(4,127)
Reversal of items in the CIES												
To be removed for determining movement in the General Fund												
Relating to Depreciation/ Amortisation	50				50		(50)				(50)	0
Relating to Depreciation on un-realised gains					0	3	(3)				0	0
Relating to Retirement Benefits	(4,130)				(4,130)			4,130			4,130	0
Insertion of items in the CIES												
To be included for determining movement in the General Fund												
Employers Contribution to Pension Schemes	(14)				(14)			14			14	0
Restated Balance at 31-Mar-2014 Carried Forward	1,838	5,696	2,008	135	9,677	5,717	19,291	(295,562)	34	(87)	(270,607)	(260,930)

5. Balance Sheet Adjustments

The Opening (1/4/2013) and Closing (31/03/2014) prior year Balance Sheets have been adjusted to amend the entries that have required restating. The reasons for these are detailed below:

- Long Term Borrowing Adjustment – the authority has agreed with the external auditors (Grant Thornton) to follow the accounting guidance given within the Accounting Code of Practice rather than continue to follow the Audit Commission suggested methodology.
- Council Tax/NNDR Adjustment – Accounting entries have been amended for previous years, to ensure compliance with additional accounting guidance in the 2014/15 Accounting Code of Practice.
- Depreciation Adjustment – The depreciation rate used for equipment in the previous financial year has been corrected following a clerical error which led to an undercharge.
- Pension Adjustment – Late notification, received after closure of the accounts of adjustments relating to financial year 2013/14.

BALANCE SHEET as at 1st April 2013

-	<u>31-Mar-13</u>	<u>Loan Term Borrowing Adjustment</u>	<u>Council Tax Adjustment</u>	<u>01-Apr-2013</u>
	£000	£000	£000	(Restated) £000
Property Plant & Equipment	40,996			40,966
Intangible Assets	413			413
Long Term Assets	41,409			41,409
Inventories	200			200
Short Term Debtors	2,203		(44)	2,159
Assets Held for Sale	133			133
Cash & Cash Equivalents	7,509			7,509
Current Assets	10,045		(44)	10,001
Short Term Borrowing	(502)	2		(500)
Short Term Creditors	(3,255)	(98)	44	(3,309)
Current Liabilities	(3,757)	(96)	44	(3,809)
Long Term Creditors	0			0
Provisions	(46)			(46)
Long Term Borrowing	(14,567)	96		(14,471)
Other Long Term Liabilities	(302,053)			(302,053)
Long Term Liabilities	(316,666)	96	0	(316,570)
Net Assets	(268,969)	0	0	(268,969)
Useable Reserves	8,755			8,755
Un-useable Reserves	(277,724)			(277,724)
Total Reserves	(268,969)	0	0	(268,969)

BALANCE SHEET as at 31st March 2014

	<u>31-Mar-2014</u>	<u>Depreciation Adjustment</u>	<u>Pension Adjustment</u>	<u>Loan Term Borrowing Adjustment</u>	<u>NNDR Adjustment</u>	<u>Council Tax Adjustment</u>	<u>31-Mar-2014 (restated)</u>
	£000	£000	£000	£000	£000	£000	£000
Property Plant & Equipment	41,069	(50)					41,019
Intangible Assets	370						370
Long Term Assets	41,439	(50)	0	0	0	0	41,389
Inventories	147						147
Short Term Debtors	2,639				90	(110)	2,619
Assets Held for Sale	0						0
Cash & Cash Equivalents	8,477						8,477
Current Assets	11,263	0	0	0	90	(110)	11,243
Short Term Borrowing	(502)			2			(500)
Short Term Creditors	(3,419)			(96)	(3)	110	(3,408)
Current Liabilities	(3,921)	0	0	(94)	(3)	110	(3,508)
Long Term Creditors	0						0
Provisions	(34)				(87)		(121)
Long Term Borrowing	(14,065)			94			(13,971)
Other Long Term Liabilities	(295,579)		16				(295,563)
Long Term Liabilities	(309,678)	0	16	94	(87)	0	(309,655)
Net Assets	(260,897)	(50)	16	0	0	0	(260,931)
Useable Reserves	9,677						9,677
Un-useable Reserves	(270,574)	50	(16)				(270,608)
Total Reserves	(260,897)	50	(16)	0	0	0	(260,931)

6. Details of the Restatement adjustments are included within the note to the Comprehensive Income & Expenditure restatement

CASH-FLOW STATEMENT FOR 12 MONTHS ENDING 31 MARCH 2014

	Notes	2013/14 £000	Depn Gross Expd £000	Pension Gross Expd £000	Pension Gross Income £000	Restated 2013/14 £000
Net (surplus) or deficit on the provision of services		16,910	50	(43)	(4,101)	12,816
Adjustments to net surplus or deficit on the provision of services for non cash movements	106.1	(21,418)	(50)	43	4,101	(17,324)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	106.2	1,062				1,062
Net cash flows from operating activities		(3,446)	0	0	0	(3446)
Investing Activities	107	1,955				1,955
Financing Activities	108	523				500
Net increase or decrease in cash and cash equivalents		(968)				209
Cash and cash equivalents at the beginning of the period		(7,509)				(8,477)
Net increase or decrease in cash and cash equivalents in the Period		(968)				209
Cash and cash equivalents at the end of the reporting period		(8,477)				(8,268)

7. Property, Plant and Equipment

	Land and Buildings	Vehicles Plant, Furniture and Equipment	Surplus Assets	Assets not yet Operational	TOTAL Tangible Assets
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at 01 April 2014	32,199	20,060	673	766	53,698
Additions	792	402		1,554	2,748
Revaluation increases/(decreases) recognised in the Revaluation Reserve	855				855
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services:	(79)				(79)
Reclassifications	390	68	100	(558)	0
Reclassifications - to current assets held for sale					
Reclassifications - to intangible assets					
Disposals	(1,381)	(598)		(120)	(2,099)
At 31 March 2014	32,776	19,932	773	1,642	55,123
Amendments due to restatement					
Opening Valuation Adjustment	(7)				(7)
At 31 March 2014 (restated)	32,769	19,932	773	1,642	55,116
Accumulated Depreciation and Impairment at 01 April 2013	(1,202)	(11,320)	(180)	0	(12,702)
Reclassifications	5		(5)		0
Depreciation Charge for 2013-14	(534)	(1,432)	(47)		(2,012)
Depreciation written out to Revaluation Reserve	192				192
Depreciation written out to the Surplus/Deficit on Provision of Services	10				10
Derecognition – disposals	75	384			459
At 31 March 2014	(1,454)	(12,368)	(232)	0	(14,054)
Amendments due to restatement					
Opening Valuation Adjustment	7				7
Depreciation Adjustment		(50)			(50)
At 31 March 2014 (restated)	(1,447)	(12,418)	(232)	0	(14,097)
Balance Sheet amount at 01 April 2013	30,997	8,740	493	766	40,996
Balance Sheet amount at 31 March 2014	31,322	7,514	541	1,642	41,019

The restatement has been required for the following reasons:

- Opening asset valuation and corresponding depreciation charge - An on-going error on Land and Buildings has been corrected for the valuation of an asset this does not impact the overall asset valuation in the balance sheet.

- Depreciation – The depreciation rate used for equipment in the previous financial year has been corrected following a clerical error which led to an undercharge.

Pension Tables

- Application of International Accounting Standard 19 to the un-funded, part grant funded Fire Fighter pension schemes has always been complex, and the Accounting Code of Practice (the code) has been amended several times.
- For the 2011/12 financial year, the Audit Commission offered technical advice on its interpretation of the code and indicated that this would be how its Audit Teams would be auditing. This Authority took the view that this was the correct method of accounting. Although, as an unfunded scheme, there are no assets, this methodology required that a movement in net assets was created and reported in the balance sheet movement disclosures.
- Following subsequent amendments to the Code it is now considered that this approach is incorrect, and this restatement adjusts the 2013/14 disclosures to match the new treatment.
- The revised methodology does not change the pensions liability or pensions reserve figure on the Balance Sheet, not does it impact on the overall CIES position or the General Fund Balance. It does, however, impact on the detail of the CIES and the MiRS and simplifies the disclosure notes.
- Where a restatement has been required for a different reason than that identified above, it has been detailed with the relevant note
- Transactions made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement (MiRS) during the year are shown in the tables below:

	LGPS 2013/14 £'000	FFPS 2013/14 £'000	NFPS 2013/14 £'000	FFCS 2013/14 £'000	TOTAL 2013/14 £'000
Income and Expenditure Account					
Net Cost of Services:					
Current Service Cost	741	4,860	1,690	690	7,981
Transfers In			28		28
Curtailment Cost	23				23
Other Operating Expenditure comprising Administration Expenses	13				13
Financing and Investment Income and Expenditure					
Net Interest Expense	361	10,830	540	1,260	12,991
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	1,138	15,690	2,258	1,950	21,036
Remeasurement of the net defined benefit liability comprising:					
Actuarial (gains)/losses on assets in the Firefighter Schemes (employee and employer contributions)		(4,916)	790		(4,126)
Experience (gains)/losses	304	(4,870)	(80)	(2,630)	(7,276)
Return on plan assets (excluding the amount included in the net interest expense)	(1,157)				(1,157)
Actuarial (gains) and losses arising on changes in demographic assumptions	160				160
Actuarial (gains) and losses arising in financial assumptions	(2,276)	(6,490)	(990)	(1,780)	(11,536)

Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(1,831)	(586)	1,978	(2,460)	(2,899)
Amendments due to restatement					
Transfers In			(28)		(28)
Pensions Grant		(4,916)	815		(4,101)
Actuarial (gains)/losses on assets in the Firefighter Schemes (employee and employer contributions)		4,916	(790)		4,126
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement (restated)	(1,831)	(586)	1,975	(2,460)	(2,902)

Movement in Reserves Statement					
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(1,138)	(15,690)	(2,258)	(1,950)	(21,036)
Net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	1,138	15,690	2,258	1,950	21,036
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(872)	(10,795)	(3,084)	(1,750)	(16,501)
Actual Amount charged against the General Fund Balance for pensions in the year:					
Employer's contribution payable to scheme	621	1,829	433		2,883
Retirement Benefits payable to Pensioners				692	692
Net Charge to General Fund	621	1,829	433	692	3,575
Amendments due to restatement					
Additional charge to the General Fund for Pension Abatement		14			14
Net Charge to General Fund (restated)	621	1,843	433	692	3,589

12. The additional restatement to the amount charged to the General Fund is for a Pension abatement which was not notified to the Authority until after final accounts closure in the previous year

13. Reconciliation of the present value of scheme liabilities

	Funded Liabilities (LGPS) 2013/14 £'000	Un-funded Liabilities (FFPS) 2013/14 £'000	Un-funded Liabilities (NFPS) 2013/14 £'000	Un-funded Liabilities (FFCS) 2013/14 £'000	TOTAL 2013/14 £'000
at 1 April	22,103	252,780	11,589	29,055	315,527
Current Service Cost	741	4,860	1,690	690	7,981
Interest Cost	963	10,830	540	1,260	13,593
Employee Contributions	220	1,097	367		1,684
Remeasurement Gains and Losses					
Experience (Gains) and Losses	304	(4,870)	(80)	(2,630)	(7,276)
Actuarial (Gains) and Losses arising on changes in demographic assumptions	160				160
Actuarial (Gains) and Losses arising on changes in financial assumptions	(2,276)	(6,490)	(990)	(1,780)	(11,536)
Past Service Costs (transfers in)			29		29
Losses/(Gains) on curtailments	24				24
Pension Contributions firefighter scheme/benefit paid LGPS scheme	(678)	(7,841)	(11)	(692)	(9,222)
at 31 March	21,561	250,366	13,134	25,903	310,964
Amendments due to restatement					
Employee Contributions		(1,097)	(367)		(1,464)
Past Service Costs (transfers in)			(29)		(29)
Pensions Paid	678	7,841	11	692	9,222
Pensions Grant		(4,916)	815		(4,101)
Employer Contributions firefighter scheme/benefit paid LGPS scheme	(678)	(1,843)	(433)	(692)	(3,646)
Restated at 31st March	21,561	250,351	13,131	25,903	310,946

14. Reconciliation of Fair Value of assets in scheme

	Funded Liabilities (LGPS) 2013/14 £'000	Un-funded Liabilities (FFPS) 2013/14 £'000	Un-funded Liabilities (NFPS) 2013/14 £'000	Un-funded Liabilities (FFCS) 2013/14 £'000	TOTAL 2013/14 £'000
Fair value at 1 April	13,474	0	0	0	13,474
Interest Income	602				602
Remeasurement gain/loss					
Return on plan assets (excluding the amount included in the net interest expense)	1,157				1,157
Remeasurements gains/(losses) Firefighter schemes (employees and employers contributions)		4,917	(789)		4,128
Other (administration expenses)	(13)				(13)
Employer Contributions	622	1,829	433	692	3,576
Employee Contributions	220	1,096	367		1,683
Benefits Paid	(678)	(7,842)	(11)	(692)	(9,223)
at 31 March	15,384	0	0	0	15,384
Amendments due to restatement					
Remeasurements gains/(losses) Firefighter schemes (employees and employers contributions)		(4,917)	789		(4,128)
Employer Contributions		(1,829)	(433)	(692)	(2,954)
Employee Contributions		(1,096)	(367)		(1,463)
Benefits Paid		7,842	11	692	8,545
Restated at 31st March	15,384	0	0	0	15,384

15. Reconciliation of Movements in Net Pensions Liability:

	Funded Liabilities (LGPS) 2013/14 £'000	Un-funded Liabilities (FFPS) 2013/14 £'000	Un-funded Liabilities (NFPS) 2013/14 £'000	Un-funded Liabilities (FFCS) 2013/14 £'000	TOTAL 2013/14 £'000
at 1 April	8,629	252,780	11,589	29,055	302,053
Current Service Cost	741	4,860	1,690	690	7,981
Employer Contributions	(621)	(1,829)	(433)	(692)	(3,575)
Past Service Costs (Transfers In)	0	0	28	0	28
Administration Expenses	13	0	0	0	13
Gain)/Loss from Curtailments	23	0	0	0	23
Interest on Liabilities	963	10,830	540	1,260	13,593
Interest on Assets	(602)	0	0	0	(602)
Net remeasurement gains and losses	(2,969)	(16,276)	(280)	(4,410)	(23,935)
at 31 March	6,177	250,365	13,134	25,903	295,579
Amendments due to restatement					
Employer Contributions		(14)			(14)
Past Service Costs (Transfers In)	0	0	(28)	0	(28)
Pensions Grant		(4,916)	815		(4,101)
Net remeasurement gains and losses	2,969	16,276	280	4,410	23,935
Net remeasurement gains and losses	(2,969)	(11,360)	(1,070)	(4,410)	(19,809)
Restated at 31st March	6,177	250,351	13,131	25,903	295,562

16. An additional restatement has been undertaken in this note to the ones required for the adjustment to the accounting code of practise method, this relates to a pension abatement contribution notification that was received too late to adjust in the year.

17. Pensions Assets and Liabilities Recognised in the Balance Sheet

	Funded Liability LGPS 2013/14 £'000	Un-funded Liability FFPS 2013/14 £'000	Un-funded Liability NFPS 2013/14 £'000	Un-funded Liability FFCS 2013/14 £'000	TOTAL 2013/14 £'000
Present value of the defined benefit obligation	21,560	250,366	13,134	25,903	310,963
Fair Value of Plan assets	(15,384)	0	0	0	(15,384)
Net liability arising from defined benefit obligation	6,176	250,366	13,134	25,903	295,579
Amendments due to restatement					
Present value of the defined benefit obligation	(21,560)	(250,366)	(13,134)	(25,903)	(310,963)
Restated present value of the defined benefit obligation	21,560	250,351	13,131	25,903	310,946
Restated at 31st March	6,176	250,351	13,131	25,903	295,562

18. Scheme History

	2014			2014
	£'000	£'000	£'000	(restated)
	£'000	£'000	£'000	£'000
Present value of liabilities:				
LGPS : Local Government Pension Scheme	21,561			21,561
FFPS : Firefighters' 1992 Scheme	250,366	(15)		250,351
NFPS : Firefighters' 2006 Scheme	13,134		(3)	13,131
FFCS : Firefighters' Injury Scheme	25,903			25,903
	310,963	(15)	(3)	310,946
Fair value of assets in the LGPS	15,384			15,384
	15,384	0	0	15,384
Net Liabilities of the scheme:				
LGPS : Local Government Pension Scheme	6,177			6,177
FFPS : Firefighters' 1992 Scheme	250,365	(14)		250,351
NFPS : Firefighters' 2006 Scheme	13,134		(3)	13,131
FFCS : Firefighters' Injury Scheme	25,903			25,903
Total	295,579	(14)	(3)	295,562

19. The restatements in the scheme history relate to the previously detailed pension abatement and a transfer out of the fund which had been incorrectly treated as a pension paid.

Reserves

Revaluation Reserve

20. This depreciation adjustment relates to a correction to the rate of depreciation on historical assets, which relates back to the 2010 revaluation. It has been split between the opening balance and the amount relevant to 2013/14.

	2013/14 £'000	Depreciation Adjustment £'000	2013/14 (restated) £'000
Balance at 1 April	5,071	13	5,084
Upward revaluation of assets	1,071		1,071
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(25)		(25)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	6117		6,130
Difference between fair value depreciation and historical cost depreciation	(103)	3	(100)
Accumulated gains on assets sold	(37)		(37)
Accumulated gains on assets derecognised	(276)		(276)
Amounts written off to the Capital Adjustment Account	0		0
Balance at 31 March	5,701	16	5,717

21. Capital Adjustment Account

	2013/14 £'000	Valuation Adjustment £'000	Depreciation Adjustment £'000	2013/14 (restated) £'000
Balance at 1 April	19,390	(13)		19,377
Charges for depreciation and impairment of non-current assets	(2,012)		(50)	(2,062)
Revaluation gains/(losses) on Property, Plant and Equipment	(69)			(69)
Amortisation of intangible assets	(67)			(67)
Amounts of current assets (assets held for sale) written off on Disposal or sale as part of the gain/loss on disposal in the Comprehensive Income and Expenditure Statement	(97)			(97)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal in the Comprehensive Income and Expenditure Statement	(1,244)			(1,244)
Adjusting amounts written out to the Revaluation Reserve - difference in depreciation on historical & current cost basis	15,901	(13)	(50)	15,838
	103	(3)		100
Capital financing applied in the year:	16,004	(16)		15,938
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,606			1,606
Statutory provision for the financing of capital investment charged against the General Fund balance.	1,071			1,071
Capital expenditure charged against the General Fund balance	676			676
Restated Balance at 31 March	19,357	(16)	(50)	19,291

22. Pension Reserve

	2013/14 £'000	2013/14 (restated) £'000
Balance at 1 April	302,053	302,053
Actuarial gains or losses on pensions assets & liabilities	(23,936)	(19,809)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services the CIES	21,037	16,907
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,575)	(3,589)
Balance at 31 March	295,579	295,562

23. Unusable Reserves

	31-Mar-14 £000	Depreciation Revaluation Adjustment £000	Pension Adjustment £000	31-Mar-14 (restated) £000
Revaluation Reserve	5,701	16		5,717
Capital Adjustment Account	19,357	66		19,291
Pensions Reserve	(295,579)		17	(295,562)
Collection Fund Adjustment Account	34			34
Accumulated Absences Adjustment Account	(87)			(87)
Restatement	(270,574)	82	17	(270,607)

24. Debtors

This restatement relates to previously detailed changes relating to the collection fund and additional advice that has now been included in the Accounting Code for practice for the methodology used to account for this.

	31-Mar-14 £'000	Council Tax Adjustment £'000	NNDR Adjustment £'000	31-Mar-15 <i>restated</i> £'000
Central Government Bodies	405			405
Other Local Authorities	876	(110)	90	856
Public Corporations and Trading Funds	834			834
Other entities and individuals	524			524
	2,639	(110)	90	2,619

25. Creditors

This restatement relates to previously detailed changes relating to the collection fund and additional advice that has now been included in the Accounting Code for practice for the methodology used to account for this, and a change in the accounting policy for long term borrowing to reflect the Code of practice rather than Audit Commission advice.

	31-Mar-14	Council Tax Adjustmen t	NNDR Adjustment	Long Term Borrowing	31-Mar-14 <i>restated</i>
	£'000	£'000	£'000	£'000	£'000
Central Government Bodies	791				791
Other Local Authorities	745	(110)	3		638
NHS					0
Other entities and individuals	1,883			96	1,979
	3,419	(110)	3	96	3,408

26. Long and Short Term Borrowing

	31-Mar-14		
	Long Term £'000	Short Term £'000	TOTAL £'000
Loan Source			
Public Works Loans Board	13,971	500	14,471
	13,971	500	14,471
Analysis by Maturity			
Less than 1 year		500	500
Between 1 and 2 years	834		834
Between 2 and 5 years	2,500		2,500
Between 5 and 10 years	4,802		4,802
Over 10 years	5,835		5,835
Total of Loans	13,971	500	14,471
Accrued Interest	94	2	96
Balance Sheet Total	14,065	502	14,567
Amendments due to restatement			
Movement to Short Term Borrowing	94	2	96
Restated as at 31st March	13,971	500	14,471

27. NNDR Provision

	2013/14	Appeals Provision	2013/14 <i>restated</i>
	£'000	£'000	£'000
Balance at 1 April	0		0
Transfer from CIES	0	87	87
Balance at 31 March	0	87	87

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEREFORD AND WORCESTER FIRE AND RESCUE AUTHORITY

Opinion on the Authority financial statements

We have audited the financial statements of Hereford and Worcester Fire and Rescue Authority for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Hereford and Worcester Fire and Rescue Authority as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;

we issue a report in the public interest under section 8 of the Audit Commission Act 1998;

we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or

we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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 review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

securing financial resilience; and
challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on

whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Hereford and Worcester Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

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

Signature on Original Copy

Grant Patterson

Director

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

ANNUAL GOVERNANCE STATEMENT 2014/15

To be inserted

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To be inserted

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To be inserted

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.

Capital Adjustment Account

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

Capital Expenditure

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

Capital Receipts

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

The principal accountancy body dealing with local government finance.

Creditors

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

DCLG/CLG

Department of Communities and Local Government. The Government department that was responsible for aspects of Local Authority and Fire and Rescue Authority activity.

Debtors

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

Depreciation

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

Fair Value

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

Fixed Assets

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

FRA

The Fire and Rescue Authority

FRS

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

GAD

Government Actuary's Department – the government body that provides information in respect of pensions costs particularly in respect of compliance with IAS19.

ICP – Integrated Clothing Project

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

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

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

Impairment

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

Intangible Assets

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

LASAAC

The Local Authority (Scotland) Accounts Advisory Committee.

Long Term Borrowing

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

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.

SeRCOP

This is an abbreviation given for the Service Reporting 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.

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.