

Hereford & Worcester Fire and Rescue Authority Statement of Accounts 2008/09

CONTENTS

	Page
Explanatory Foreword	2-5
Statement of Responsibilities	6
Annual Governance Statement	7- 8
Auditor's Report and Opinion	9-11
Statement of Accounting Policies	12-15
Core Financial Statements	
Income and Expenditure Account	16
Statement of the Movement on the General Fund Balance	16
Statement of Total Recognised Gains and Losses	17
Balance Sheet	18
Cash-flow Statement	19
Notes to the Core Financial Statements	20-37
Supplementary Financial Statements	
Firefighters Pension Fund Statements	38-39
Glossary of Terms	40-41

EXPLANATORY FOREWORD

1. Originally formed as an independent corporate body on 1 April 1998, as a result of Local Government Reorganisation, Hereford & Worcester Fire and Rescue Authority (the FRA) is now constituted under the Fire and Rescue Services Act 2004. The FRA sets its own budget requirement, receives a share of Non-Domestic Rates and Revenue Support Grant, and issues its own Council Tax Precept.
2. The Statement of Accounts that follows covers the FRA's financial year ending 31 March 2009. The accounts comprise a group of Core Financial Statements:
 - Income and Expenditure Account
 - Statement of the Movement on the General Fund Balance
 - Statement of Recognised Gains and Losses
 - Balance Sheet
 - Cash Flow Statement
 - Notes to the Core Statements
3. In addition there is a Supplementary Financial Statement in respect of the Firefighters Pension Scheme.
4. The Income and Expenditure Account summarises all the resources that the FRA has generated, consumed or set aside during 2008-09.
5. However, the FRA budget requirement, and therefore the Council Tax demand, is governed by statute and non-statutory proper practices which establish the net expenditure according to different rules. The impact of this is shown in the Statement of Movement in the General Fund Balance. This statement summarises how the surplus or deficit on the Income and Expenditure Account reconciles to the actual spending power carried forward to future years.
6. The Statement of Recognised Gains and Losses explains how the movement in the net worth in the Balance Sheet is made up of the surplus or deficit on the Income and Expenditure Account together with other unrealised gains and losses.
7. Expenditure on assets which benefit the FRA over a number of years is dealt with in the capital programme and the value of such assets is recorded in the Balance Sheet. The Balance Sheet shows the value of assets and liabilities at the end of each financial year.
8. The Cash-flow Statement shows the income and expenditure on a cash basis and is reconciled to the Income and Expenditure Account and to year on year movements in the Balance Sheet.
9. The accounting policies adopted by the FRA comply with the relevant recommended accounting practice. The FRA's policies are explained fully in the Statement of Accounting Policies which is set out on pages 12-15.
10. The FRA's spending is planned and controlled by a process which includes regular reporting to both the Service's management team and the FRA's Budget Committee.

Revenue Budget

11. Available resources for 2008-09 totalled £29.311m, funded as below:

Council Tax Precept	£18.853m
Non-Domestic Rates	£ 9.180m
Revenue Support Grant	£ 1.278m
	£29.311m

12. As a consequence of net over-spending in the final out-turn there is a small transfer from general balances £0.112m. The net overspending mainly arises from the national pay awards being higher than budgeted. This was anticipated as a budget risk when the FRA considered the 2008-09 budget in February 2008.

Exceptional Items

13. There are no exceptional items in 2007-08 or 2008-09.

Firefighters' Pensions

14. 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.

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

Capital Programme Budget

16. During 2008-09 £3.736m was spent on new assets or improvements to existing ones. This included completion of the new Logistics support building in Malvern, completion of the USAR training facility at Droitwich, the approved vehicle programme, and minor property schemes. The majority of the programme was, as planned, funded by net borrowing, with some of the works in relation to the Urban Search and Rescue (USAR) building being funded from specific capital grant and an earmarked reserve.

Balance Sheet

17. The Balance Sheet at 31 March 2008 has been restated at 1 April 2008 to take account of:
- the revised requirements of FRS 17 (as amended). An explanation of this change is given in Note 19.3 on page 28.
 - The separation of Intangible Assets (primarily software licences) from Equipment Fixed Assets
- 18.1 At 1 April 2008 the FRA held Fixed Assets with a net book value of £35.597m. In accordance with the Capital Accounting Code of Practice property assets were last re-valued at 31 March 2005, and are next due for revaluation at 31st March 2010.
- 18.2 In accordance with the Accounting Policy an annual impairment review has been carried out, and impairment identified by the Independent Valuer has been treated appropriately. The present economic climate has had a significant impact on the potential value of non-operational assets requiring a net impairment adjustment of £3.586m.
- 18.3 Adjusting for disposals, depreciation, impairment and capital expenditure, Fixed Assets are valued at £34.151m at 31 March 2009.
19. Long Term borrowing (excluding accrued interest shown as an addition to the long-term creditor in accordance with SORP 2007) has not increased in 2008/09. However as one specific PWLB loan falls due within 12 months this is shown as a short term creditor. The approved capital expenditure being funded by a reduction in cash balances, in response to

current money market conditions All existing borrowing is from the Public Works Loans Board (PWLB).

20. The Balance Sheet shows liabilities in respect of the four pension schemes provided for staff.

The £4.778m liability on the Local Government Scheme will be covered by the continued level of employer contributions.

The Firefighters' schemes are statutory un-funded ones and the significant total liability of £159.219m, 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 27-33.

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 2008/09 the FRA has reviewed the systems and processes it has in place to ensure sound corporate governance and to confirm that they are consistent with the principles outlined in the CIPFA/SOLACE Framework '*Corporate Governance in Local Government: A Keystone for Community Governance.*' The latest review of compliance with the code was approved by the FRA on 26 June 2009.
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 7-8.

The Euro

24. The FRA is continuing to consider the impact should the United Kingdom enter the European Monetary Union and adopt the Euro in the near future. During the year no financial commitments relating to European Monetary Union have been entered into.

Treasurer's Personal Assurance Statement

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

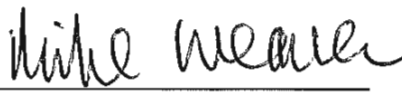
- I confirm that, to the best of my knowledge and belief and having made appropriate enquiries of other Senior Officers of the Authority, the following representation is given to you in connection with your audit of the Hereford & Worcester Fire and Rescue Authority's financial statement for the period ending 31 March 2009.
- **Accounting records**
All the accounting records have been made available to you in accordance with section 6 of the Audit Commission Act 1998 for the purposes of your audit and all the transactions undertaken have been properly reflected and recorded in the accounting records. To the best of my knowledge and belief, reasonable efforts have been made to ensure that records and related information which might materially affect the truth and fairness of, or necessary disclosure in, the financial statements, have been made available to you and no such information has been withheld.
- **Related Party Transactions**
Other than stated in the accounts, there are no related party transactions in the period which require adjustment of or disclosure to the financial statements or in the notes thereto.

Law and Regulations

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

- I am not aware of any irregularities, or allegations of irregularities including fraud, involving management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the financial statements.
- **Subsequent Events**
Other than stated in the accounts, there have been no circumstances or events subsequent to the period end which require adjustment to or disclosure in the financial statements or in the notes thereto.
- The last date at which changes could have been made to these audited accounts was 26 June 2009.

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


Signed
26/06/2009.
Date:

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

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

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

The Treasurer's Responsibilities

2. The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice').
3. In preparing this Statement of Accounts the Treasurer has:
 - selected suitable accounting policies and then applied them consistently;
 - made judgements and estimates that were reasonable and prudent; and
 - complied with the Code of Practice.
4. The Treasurer has also:
 - kept proper accounting records which were up to date; and
 - taken reasonable steps for the prevention and detection of fraud and other irregularities.

AUTHORITY APPROVAL

In accordance with Regulation 10 (3)b of the Accounts and Audit Regulations 2003 I certify that the Audit Committee of the Fire and Rescue Authority approved the Statement of Accounts 2008/09 on 26 June 2009.



Presiding Chairman of the Audit Committee meeting

26 June 2009
Date

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

- 1.1 The Fire and Rescue Authority (FRA) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The FRA also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the FRA is also responsible for ensuring that proper arrangements exist for the governance of its affairs and facilitating the exercise of its functions, which included ensuring a sound system of internal control is maintained throughout the year and that includes arrangements for the management of risk.
- 1.3 This statement explains how the FRA has complied with these requirements and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control
- 1.4 In considering its Governance Arrangements the FRA compares and evidences activity against best practice as contained within the CIPFA/SOLACE publication "*Corporate Governance in Local Government – A Keystone for Community Governance*". This was last reviewed by the FRA on 26th June 2009.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises of the systems and processes, and culture and values by which the FRA is directed and controlled and its activities through which it accounts to and engages with the community. It enables the FRA to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services, including achieving value for money.
- 2.2 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the FRA's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The FRA has always maintained a sound system to protect against risks and mitigate their impact upon the Authority. The systems are constantly being reviewed and updated.
- 2.3 The governance framework has been in place at the Authority for the year ended 31 March 2009 and up to the date of approval of the Statement of Account

3. The Governance Framework

- 3.1 The FRA's governance Framework comprises the many systems, policies, procedures, operations and reviews to:
- 3.2 **Establish Statutory and Organisational Obligations and Objectives**
The objectives of the FRA, which are informed by the views of the communities served, the Fire and Rescue Services Act, the National Framework Document and other relevant sources, are embodied in the Integrated Risk Management Plan (IRMP) and Corporate Plan.
The FRA has a robust process for establishing priorities using a risk based approach.
The FRA has an integrated and developing performance management process from individual Watch, Station and departmental plans, through to the overall corporate level.
- 3.3 **Identify Principal Risks to Achievement of Objectives**
During 2008/09, the FRA reviewed and amended the corporate Risk Register as necessary.

A similar exercise was carried out for each departmental risk register, in regard to lower level risk, which is linked to the Corporate Risk Register.

During 2008/09 significant progress was made in developing Business Continuity arrangements; strategically for the FRA and the wider community as well as at a departmental level.

The profile of risk management and business continuity has been raised further by the appointment of an FRA Member as risk champion.

3.4 Identify Key Controls to Manage Risk

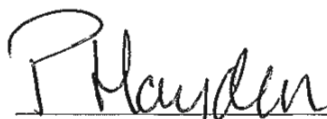
- The FRA has identified mitigation measures against all identified risk and has, in addition, well established and embedded controls to manage risk as follows;
- A Scheme of Delegation
- A Code of Corporate Governance
- A Code of Conduct for Members and Officers
- Financial Regulations
- Contract Standing Orders
- An Anti-Fraud and Corruption Policy
- An Anti-Money Laundering Policy
- A Whistle Blowing Policy

3.5 Obtain Assurance on the Effectiveness of Controls

- The FRA has carried out a review of the above mentioned processes to ensure that they are both working correctly and relevant to the current environment.
- The FRA has a clear and well established Performance Management regime that provides relevant information to Officers and Members on the achievement of Corporate Objectives on a regular basis throughout the year.
- The process of reviewing key financial systems by the Internal Audit provider is a continuous one, and no major weaknesses have been identified in the 2008/09 financial year.
- Budget Monitoring reports have been presented to Members throughout the financial year and have shown that the budget pressures are being controlled within the overall total, and final out-turn is consistent with those reports.
- The Chief Executive and Chair have received assurances from Principal Officers and Risk Owners, that controls are operating as expected.
- The S151 and Monitoring Officers have provided reassurances on their respective areas of statutory responsibility.
- Additionally during 2008/09 the FRA has been subject to an extensive external review of its performance and use of resources, by the Audit Commission. This included an assessment of risk management arrangements. The overall ratings given to the Authority were "Improving Strongly" and "Performing Well" respectively.
- The Charter Mark annual inspection process again confirmed that the FRA continued to be effective.

4.0 Significant Internal Control Issues

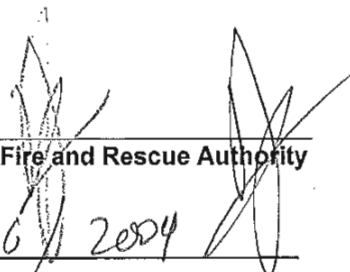
- 4.1 Based on the evidence identified in Section 3.5 there are no significant internal control weaknesses identified.



Chief Fire Officer/Chief Executive

26/06/2009

Date



Chairman of the Fire and Rescue Authority

26/06/2009

Date

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

Opinion on the financial statements

I have audited the accounting statements, the firefighters' pension fund accounting statements and related notes of Hereford and Worcester Fire and Rescue Authority for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The firefighters' pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial statements and firefighters' pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Hereford 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements, including the firefighters' pension fund accounting statements, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements, the firefighters' pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

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

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, the firefighters' pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the firefighters' pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the firefighters' pension fund accounting statements and related notes. My responsibilities do not extend to any other information

Basis of audit opinion

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

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

Opinion

In my opinion:

- The accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The firefighters' pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the firefighters' pension fund during the year ended 31 March 2009 and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for fire and rescue authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Hereford and Worcester Fire and Rescue Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

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

Grant Patterson

(Officer of the Audit Commission)

Opus House, Priestley Court, Stafford Technology Park, Beaconside, Stafford ST18 OLQ

7th August 2009

This is an electronic copy of the auditor's report without an electronic signature. The original was signed as dated above and a copy can be obtained from the Director of Finance.

STATEMENT OF ACCOUNTING POLICIES

Code of Practice

1. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting A Statement of Recommended Practice (SORP) 2008 and the Best Value Accounting Code of Practice 2008, both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and approved by the Accounting Standards Board. The Code defines proper accounting practices based on both statutory and professional accounting requirements. The accounts follow the guidance notes for practitioners, issued by CIPFA, on the application of accounting standards to Fire and Rescue Authorities.
2. The following sections set out the FRA's general accounting policies which have been followed in 2008/09.
3. The accounts of the FRA are maintained on an accruals basis, thus sums due to, or amounts owing by the FRA in respect of goods and services rendered but not paid for at 31 March are included in the accounts.
 - Creditors are included in the Balance Sheet and charged to the Income and Expenditure Account when goods or services have been received but not invoiced at the year end.
 - Debtors are included in the Balance Sheet and Income and Expenditure Account where services have been provided but not reimbursed at the year end.
4. Exceptions to this policy are as follows:
 - Utilities (gas, telephone, electricity etc) and other annual fees, where invoices will be accounted for in the year they fall, providing that only 1 annual, 4 quarterly or 12 monthly invoices are charged in any one year.
 - Existing contracts for aerial sites where income will be accounted for in the year it falls providing that only one 12 monthly invoice is charged in any one year. New contracts of a material nature will be treated in accordance with (3) above.
 - Employee expenses paid through payroll where the cut off date for claim is 20th of the month, but where 12 months' claims will be included in the Income and Expenditure Account.
 - Individual invoices of less than £500 are accounted for in the year they fall.
5. Depreciation is included within Net Cost of Service. This represents the value of the asset consumed in the delivery of the service.
6. Asset Disposal:
 - 6.1 From 1 April 2006 authorities are required to calculate gains and losses on disposal of fixed assets for disclosure in the Income and Expenditure Account. As the FRA carries its assets on the balance sheet at current value, gains and losses are measured against this value.
 - 6.2 The Statement of Recognised Gains and Losses (STRGL) requires any difference between the carrying value on the balance sheet and the sale proceeds (the newly evidenced current value) to be disclosed as a gain or loss
 - 6.3 The Income and Expenditure Account states the gain on the disposal of fixed assets in 2008-09 is £0.101m (2007-08 zero)

Capital Assets

7. All expenditure on the acquisition and/or improvement of fixed assets is capitalised provided that the asset yields a benefit to the FRA for a period of more than one year. However, some relatively immaterial items may be financed from revenue.
8. The Authority operates a *de minimis* level for the capitalisation of vehicles. Up to 2007/08 this was set at £20,000, but was reduced to £5,000 from 2008/09. As there was no such expenditure in 2007/08 there is no implication for the comparative figures. There is no *de minimis* level for land purchases or building works that enhance or extend the life of the asset.

9. Fixed assets are stated in the Balance Sheet at gross value, net of depreciation where appropriate, reflecting the capital accounting requirements of the Code of Practice.
10. Property assets have been valued using the independent professional services of the Chief Valuer of Worcestershire County Council, in accordance with the basis recommended by CIPFA and according to the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS). The latest valuation being at 31 March 2005, with the next scheduled for 31st March 2010. In each interim year the Valuer carries out an impairment review.
11. Fixed assets are classified as:
- Operational Assets - those presently used by the Authority to deliver services, or to support their delivery. These assets are further divided into land and buildings, vehicles, plant, furniture and equipment.
 - Non-Operational Assets – which cover 2 asset types:
 - Work in Progress – Assets on which expenditure has been incurred but which are not yet available for use.
 - Pending Disposal – Assets identified for disposal and not in use awaiting sale.
 - Intangible Assets – that do not have a physical existence but are identifiable and controlled by the FRA – in practice mainly software licences.
12. Assets have been valued at open market value for existing use (OMVEU), or where because of the specialised nature of the asset this could not be assessed, at depreciated replacement cost (DRC), subject to the exception that:
- Short-lived operational assets (ie vehicles, plant and equipment) are valued at historic cost (less depreciation where appropriate) as a proxy for current replacement cost.
 - Uncompleted building works, or those completed since the last valuation, are included in the Balance Sheet at historic cost.
13. Depreciation has been calculated on a straight-line basis over the estimated life of the asset, commencing in the year that the asset is brought into use. Although depreciation is calculated on the estimated life of the specific individual asset concerned, approximate average depreciation periods have been as follows:
- | | |
|----------------------|-------------|
| Buildings | 50 years |
| Operational Vehicles | 10/15 years |
| Ancillary Vehicles | 5 years |
| Equipment | 5 years |
- Depreciation is not charged on assets that are held pending completion of disposal.
Depreciation on Intangible assets is charged to the Income & Expenditure Account over 5 years.
14. In accordance with the SORP land and buildings are valued separately and only the latter should be depreciated. For a small number of buildings this split is not available and therefore the total value has been depreciated. The total amount of such depreciation charged in 2008/09 is £0.006m (2007/08 £0.022m).

Financing of Capital Expenditure

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

Redemption of Debt

16. The FRA finances a proportion of its capital investment by raising loans. In accordance with the Local Government and Housing Act 1989, the Income and Expenditure Account is charged annually with a sum to provide for the eventual repayment of those loans.
- Up to 2007/08 this charge was a specified statutory percentage of outstanding debt. This sum being known as the Minimum Revenue Provision (MRP). In addition, for shorter life assets such as operational vehicles the FRA made additional Voluntary Revenue Provision (VRP) to ensure that any related debt has been redeemed by the end of the useful life of the asset.

- Since 2008/09 the FRA has been required to determine an appropriate MRP policy, which has been broadly to set aside sufficient funds over the life of the assets funded from net borrowing. The policy below was approved by the FRA on 18th February 2009.
- All expenditure from 2008/09 onwards - MRP using an Asset life basis:-
 - Buildings over 50 years – per depreciation policy;
 - IT equipment over 5 years - reflecting average life
 - Other Equipment over 7 years – reflecting actual average usage within the FRS;
 - Vehicles – on actual estimated life of each vehicle
- Vehicle Expenditure before 2008/09 – MRP on a proxy Asset Life basis using original cost, less accumulative MRP, over the remaining useful life of the individual vehicle
- Expenditure before 2008/09, (other than vehicles) - MRP on a proxy Asset Life basis using original cost, less accumulative MRP over average asset life as above

Leases

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

Capital Receipts

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

Stocks

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

Provisions

20. The Authority has no provisions.

Reserves

21. The FRA has been permitted to hold general balances only since 1 April 2005, and at 31 March 2009 a small reserve is held to meet expenditure which may arise from unforeseen events.
22. In addition the FRA holds a variety of earmarked reserves to meet specific known future costs. The value and nature of the current reserves are disclosed in the Notes to the Core Financial Statements on pages 34-35.

Capital Accounting Reserves

23. Since 1 April 2007 there are two capital accounting reserves as part of the system of capital accounting. These are:
- **The Capital Adjustments Account**
This account records the consumption (of the historical cost) of a fixed asset over the life of the asset. It also records the amounts set aside from revenue resources or capital receipts to finance capital expenditure on fixed assets or for the repayment of external loans and other capital financing transactions.
 - **The Revaluation Reserve**
This reserve records the unrealised net gains and losses from revaluations made after 1 April 2007, with the proviso that losses are charged to the Income and Expenditure Account if the loss is attributable to impairment (the consumption of economic benefits). In the event of such a charge to the Income and Expenditure Account, accounting entries are made to ensure that there is no effect on the council tax requirement.

Grants and Contributions

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

Pensions

25. In accordance with FRS17 the Authority recognises the cost of retirement benefits in the Net Cost of Services, when they are earned, rather than when the benefits are actually paid as pensions.
26. However, the charge that is required to be made to the council tax is based on the amount payable in the year, i.e. the employer's contributions under the relevant scheme. The difference is shown in the Statement of Movement in the General Fund Balance on page 16 and detailed in Note 1 to the accounts on page 20.
27. Since the production of the 2007-08 Accounts the standard governing the accounting treatment of pensions (FRS 17) has been amended. This has necessitated a restatement of the 2007-08 Balance Sheet. The nature of the change is explained in Note 19.3 on page 28.

Non Distributed Costs

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

INCOME AND EXPENDITURE ACCOUNT FOR 12 MONTHS ENDING 31 MARCH 2009

	2007-08	2008-09		
	Net Expenditure £m	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
Operations and Rescues	25.934	28.959	(1.359)	27.600
Community Safety	2.513	2.940	(0.146)	2.794
Emergency Planning and Civil Defence	0.000	0.126	(0.006)	0.120
Corporate and Democratic Core				
Democratic Representation	0.209	0.239	(0.011)	0.228
Corporate Management	1.316	1.983	(0.092)	1.891
	1.525	2.222	(0.103)	2.119
Non Distributed Costs				
FFPS - Past Service Gain	(2.660)			0.000
FFPS - Past Service Cost - Injury Awards	0.180			0.000
LGPS - Past Service Gain	0.149			0.000
	(2.331)	0.000	0.000	0.000
NET COST OF SERVICE	27.641	34.247	(1.614)	32.633
Interest payable and similar charges	0.500	0.584		0.584
Interest and Investment Income	(0.325)		(0.226)	(0.226)
Gain on the disposal of fixed assets	0.000		(0.101)	(0.101)
Pensions Interest Cost and expected return on pensions assets	10.600	12.491	(0.562)	11.929
NET OPERATING EXPENDITURE	38.416	47.322	(2.503)	44.819
Revenue Support Grant	(1.488)		(1.278)	(1.278)
National Non-Domestic Rates	(8.867)		(9.180)	(9.180)
Council Tax Precept	(17.931)		(18.853)	(18.853)
(SURPLUS)/DEFICIT FOR THE YEAR	10.130	47.322	(31.814)	15.508

STATEMENT OF MOVEMENT IN GENERAL FUND BALANCE

	2007-08 £m	2008-09 £m
(Surplus)/Deficit for the year on the Income and Expenditure Account	10.130	15.508
Net additional amount required by statute and non-statutory proper practice to be debited or credited to the General Fund Balance for the year	(10.341)	(15.396)
(Increase)/Decrease in General Fund Balance for the year	(0.210)	0.112
General Fund Balance brought forward	(1.049)	(1.259)
General Fund Balance carried forward	(1.259)	(1.147)

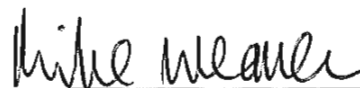
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2007-08 £m	2008-09 £m
(Surplus)/Deficit for the year on the Income and Expenditure Account	10.130	15.508
Loss arising from the revaluation of fixed assets	0.008	0.055
Gain arising from the re-statement of fixed assets	0.000	0.000
Actuarial (gains)/losses on pension fund asset and liabilities	(32.408)	(22.123)
Total Recognised (Gains)/losses for the year	(22.270)	(6.560)

BALANCE SHEET

	Note	31 Mar 2008 £m	Restate -ment £m	01 Apr 2008 £m	31 Mar 2009 £m
Operational Fixed Assets					
Land & Buildings	10-11	31.023		31.023	28.720
Vehicles Plant & Equipment	10-11	2.873	(0.219)	2.654	4.929
		33.896	(0.219)	33.677	33.649
Non-Operational Fixed Assets					
Assets under construction	10-11	1.701		1.701	0.322
		1.701	0.000	1.701	0.322
Intangible Assets					
Software Licences etc	10		0.219	0.219	0.180
		0.000	0.219	0.219	0.180
TOTAL FIXED ASSETS		35.597	0.000	35.597	34.151
Current Assets					
Cash In Hand		0.018		0.018	0.010
Short Term Investments	12-13	6.387		6.387	2.855
Stocks & Work in Progress	14	0.133		0.133	0.133
Debtors & Prepayments	15	1.553		1.553	1.851
		8.091	0.000	8.091	4.849
Current Liabilities					
Creditors	16	(2.490)		(2.490)	(2.257)
Short Term Borrowing	12	0.000		0.000	(1.094)
Deferred Income		(0.001)		(0.001)	(0.001)
		(2.491)	0.000	(2.491)	(3.352)
NET CURRENT ASSETS		5.600	0.000	5.600	1.497
Long Term Liabilities					
Long Term Borrowing	12	(13.138)		(13.138)	(12.053)
Capital Grants Unapplied	17	(0.689)		(0.689)	(0.369)
Government Grants Deferred	18	(0.038)		(0.038)	(0.362)
Liability related to Defined Benefit Pension Schemes	19	(175.010)	(0.015)	(175.025)	(163.997)
		(188.875)	(0.015)	(188.890)	(176.781)
NET ASSETS		(147.678)	(0.015)	(147.693)	(141.133)
REPRESENTED BY:					
Revaluation Reserve	20	0.000		0.000	0.000
Capital Adjustment Account	20	23.970		23.970	20.395
Pensions Reserve	19	(175.010)	(0.015)	(175.025)	(163.997)
Useable Capital Receipts Reserve	21	0.000		0.000	0.000
Earmarked Reserves	22	2.103		2.103	1.322
Revenue Reserve	22	1.259		1.259	1.147
		(147.678)	(0.015)	(147.693)	(141.133)

Treasurer to the Fire and Rescue Authority



Date

26/06/2009

CASH-FLOW STATEMENT FOR 12 MONTHS ENDING 31 MARCH 2009

	Notes	2007-08		2008-09	
		£m	£m	£m	£m
REVENUE ACTIVITIES					
Cash Outflow	Employees	23.853		25.854	
	Other	5.914	29.767	6.760	32.614
Cash Inflow	Council Tax Precept	(17.931)		(18.853)	
	Share of National Non-Domestic Rates	(8.867)		(9.180)	
	Revenue Support Grant	(1.488)		(1.278)	
	Other Government Grants	(3.412)		(2.831)	
	Goods & Services	(0.353)		(0.466)	
	Other Contributions	(0.025)	(32.076)	(0.048)	(32.656)
Net Cashflow from Revenue Activities			(2.309)		(0.042)
RETURNS ON INVESTMENT & SERVICING OF FINANCE					
Cash Outflow	Interest Paid	0.499		0.575	
Cash Inflow	Interest Received	(0.313)	0.186	(0.295)	0.280
CAPITAL ACTIVITIES					
Cash Outflow	Purchase of Fixed Assets	1.140		3.804	
Cash Inflow	Capital Receipts	(0.182)		(0.477)	
Cash Inflow	Capital Grants	0.000	0.958	(0.025)	3.302
Net Cash-flow Before Financing			(1.165)		3.540
FINANCING					
Cash Outflow	Loans Repaid	1.311		0.000	
Cash Inflow	Loans Raised	(3.050)	(1.739)	0.000	0.000
NET CHANGE IN CASH & CASH ALTERNATIVES			(2.904)		3.540

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

	2007-08 £m	2008-09 £m
Depreciation and impairment of fixed assets	(0.922)	(4.751)
Government Grants Deferred amortisation	0.001	0.021
Net Gain on Sale of Fixed Assets	0.000	0.101
Net charges made for retirement benefits in accordance with FRS17	(15.804)	(17.352)
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	(16.725)	(21.981)
Minimum revenue provision for capital financing	0.449	0.662
Capital Expenditure Charged to Revenue	0.196	0.447
Employer's contributions payable to the Worcestershire County Council Pension Fund and payment of retirement benefits direct to pensioners	5.960	6.257
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year	6.605	7.366
Voluntary revenue provision for capital financing	0.101	n/a
Net transfer to or from earmarked reserves	(0.322)	(0.781)
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	(0.221)	(0.781)
Net additional amount required to be credited to the General Fund balance for the year	(10.341)	(15.396)

2. Publicity

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

	2007-08 £	2008-09 £
Staff Advertising	35,325	46,139
General Advertising	6,948	7,203
	42,273	53,342

3. Members Allowances

- 3.1 The total amount paid to Members as Allowances under the adopted scheme was £50,155. (2007/08 £49,273)

4. Officers' Emoluments

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

£	2007-08 No. of Staff	2008-09 No. of Staff
50,000 - 59,999	16	20
60,000 - 69,999	4	2
70,000 - 79,999	1	2
80,000 - 89,999	3	1
90,000 - 99,999	0	2
100,000 - 109,999	0	0
110,000 - 119,999	1	1
	25	28

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

5. Related Party Transactions

- 5.1 The Clerk to the Fire and Rescue Authority for 2007-08 and 2008-09 was the Head of Legal and Democratic Services of Herefordshire Council, and the Treasurer to the Fire and Rescue Authority is the Director of Financial Services of Worcestershire County Council, (which also administers the Local Government Pension Scheme).
- 5.2 The FRA shares services with both these bodies and costs are included in the Income and Expenditure Account. The extent and value of these transactions is shown in the table below. Some of the Legal and Property Services costs associated with capital schemes or disposal of assets are not recorded in the Income and Expenditure Account but are charged against capital costs or capital receipts as appropriate.

Service	Related Party	2007-08 £m	2008-09 £m
Legal Services	Herefordshire Council	0.026	0.047
Committee Services	Herefordshire Council	0.032	0.004
		0.058	0.051
Financial Services	Worcestershire County Council	0.012	0.012
Internal Audit	Worcestershire County Council	0.026	0.023
Payroll and Pensions	Worcestershire County Council	0.053	0.060
Scientific Services	Worcestershire County Council	0.007	0.009
Personnel Services	Worcestershire County Council	0.002	0.000
Property Services	Worcestershire County Council	0.020	0.064
		0.120	0.168
		0.178	0.219

5.3 During the year transactions with related parties, not disclosed elsewhere in the Statement of Accounts, were as follows:

- Worcestershire County Council Pension Fund Employer's pension contributions paid by the Authority to the Worcestershire County Council Pension Fund totalled £0.532m. (2007/08 £0.497m)
- Fire Authority Members
No members of the Fire and Rescue Authority or members of their immediate family or household declared any positions of influence.
- Service Senior Officers
No Senior Officers within the Service or members of their immediate family or household declared any positions of influence.

6. External Audit Fees

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

6.2 During 2008-09 Hereford & Worcester Fire and Rescue Service incurred the fees below in respect of external audit and statutory inspection, in accordance with the Audit Commission Act 1998.

	2007-08 £m	2008-09 £m
Fees payable to PricewaterhouseCoopers:		
in respect of statutory inspections	0.016	n/a
	0.016	n/a
Fees payable to the Audit Commission:		
in respect of external audit services : 2007-08 Accounts	0.053	0.015
in respect of external audit services : 2008-09 Accounts	n/a	0.048
in respect of statutory inspections	n/a	0.021
	0.053	0.084
Total Audit and Inspection Fees	0.069	0.084

7. Leases

7.1 The FRA has entered into Operating Leases for the provision of emergency and ancillary vehicles. The total rentals paid to lessors on all leases in the year totalled £0.597m (2007-08 £0.589m).

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

	£m
2009/10	0.435
2010/11	0.326
2011/12	0.202
2012/13	0.142
2013/14	0.045
2014/15	0.024
2015/16	0.012
	1.186

8. Capital Expenditure

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

	2007-08 £m	2008-09 £m
New Buildings & Adaptations	0.667	1.928
Vehicles (including fitted equipment)	0.248	1.352
IT and Communication Equipment	0.334	0.344
Other Equipment	0.050	0.112
Total Capital Expenditure	1.299	3.736

8.2 Capital expenditure was financed as follows:

	2007-08 £m	2008-09 £m
Net Borrowing	0.921	2.468
Capital Receipts	0.182	0.477
Capital Grant	0.000	0.344
Revenue Contributions in year	0.049	0.000
Revenue Contributions from Earmarked Reserve	0.147	0.447
	1.299	3.736

8.3 Capital Financing Requirement

	2007-08 £m	2008-09 £m
Opening Capital Financing Requirement	11.221	11.592
Capital investment		
Operational assets	0.767	3.421
Non-operational assets	0.532	0.315
Sources of Finance		
Capital receipts	(0.182)	(0.477)
Government grants and other contributions	0.000	(0.344)
Sums set aside from revenue - Direct Revenue Financing	(0.196)	(0.447)
	0.921	2.468
Sums set aside from revenue - Minimum Revenue Provision	(0.550)	(0.662)
Change in Capital Financing Requirement	0.371	1.806
Closing Capital Financing Requirement	11.592	13.398
Explanation of movements in year		
Increase in underlying need to borrow (supported by government financial assistance)	0.371	0.701
Increase in underlying need to borrow (unsupported by government financial assistance)	0.000	1.105
Increase in Capital Financing Requirement	0.371	1.806

9 Capital Commitments

At 31st March 2009 the FRA had the following material commitments to capital schemes, for which budget has been provided.

Combined Aerial Rescue Pump	£0.350m
Smaller Specialist Appliances	£0.216m

10. Movement of Fixed Assets

	Land and Buildings £m	Vehicles Plant and Equipment £m	Non-Operational Assets £m	Intangible Assets £m	TOTAL £m
Cost or valuation					
at 31 March 2008	32.273	7.323	1.701		41.297
Identification of Intangible assets		(0.355)		0.355	0.000
At 1 April 2008	32.273	6.968	1.701	0.355	41.297
Additions	1.018	2.363	0.315	0.040	3.736
Disposals	(0.396)	(0.005)			(0.401)
Revaluation	0.068				0.068
Impairment	(3.654)				(3.654)
Reclassifications	1.089	0.605	(1.694)		0.000
Write Offs	(0.055)				(0.055)
At 31 March 2009	30.343	9.931	0.322	0.395	40.991
Depreciation					
at 31 March 2008	(1.250)	(4.450)			(5.700)
Identification of Intangible assets		0.136		(0.136)	0.000
At 1 April 2008	(1.250)	(4.314)	0.000	(0.136)	(5.700)
Depreciation Charge for 2008-09	(0.395)	(0.692)		(0.079)	(1.166)
Disposals	0.019	0.004			0.023
Write Offs	0.003				0.003
At 31 March 2009	(1.623)	(5.002)	0.000	(0.215)	(6.840)
Balance Sheet amount at 1 April 2008	31.023	2.654	1.701	0.219	35.597
Balance Sheet amount at 31 March 2009	28.720	4.929	0.322	0.180	34.151

Nature of asset holding	Land and Buildings £m	Vehicles Plant and Equipment £m	Non-Operational Assets £m	Intangible Assets £m	TOTAL £m
Owned	28.720	4.929	0.322	0.180	34.151
	28.720	4.929	0.322	0.180	34.151

- 10.1 Fixed assets are represented in the Balance Sheet at current value, with the exception of additions occurring since the last revaluation, which are held at historic cost, net of depreciation where appropriate. Assets disposed of have been written-out at their net book value.

11 Details of Assets Owned

	31-Mar-2008	31-Mar-2009
Buildings		
Fire Stations	27	27
Training and Development Centre	1	1
HQ Sites	1	1
Workshops	1	0
Supplies	1	0
Site Acquired for new Workshop	1	0
Logistics Facility (Workshop/Stores)	0	1
Houses - in use as offices	5	5
Houses - in use (residential)	4	3
HQ Buildings temporarily let pending disposal	1	1
Vehicles		
Operational Vehicles	55	62
Ancillary Vehicles	2	1

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

	31-Mar-2008	31-Mar-2009
Operational Vehicles - DCLG	8	9
Operational Vehicles - Leased	21	21
Ancillary Vehicles - Leased	110	113

12. Financial Instruments

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

Long and Short Term Borrowing:

	31-Mar-2008 £m	31-Mar-2009		
		Long Term £m	Short Term £m	TOTAL £m
Loan Source				
Public Works Loans Board	13.053	11.963	1.090	13.053
	13.053	11.963	1.090	13.053
Analysis by Maturity				
Less than 1 year	0.000	0.000	1.090	1.090
Between 1 and 2 years	1.090	0.525	0.000	0.525
Between 2 and 5 years	1.992	1.467	0.000	1.467
Between 5 and 10 years	0.334	0.334	0.000	0.334
Over 10 years	9.637	9.637	0.000	9.637
Total of Loans	13.053	11.963	1.090	13.053
Accrued Interest	0.085	0.090	0.004	0.094
Balance Sheet Total	13.138	12.053	1.094	13.147

12.2 Up to 2006-07 the relevant SORP allowed accrued interest to be treated as a short term creditor on the balance sheet as it falls due within 12 months. However the SORP now requires that this accrued interest is shown as an addition to the long term creditor.

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

12.3 The Fair Value of the loans at 31 March 2009 was £14.303m (£13.334m at 31 March 2008) as estimated by PWLB by reference to the "premature repayment" set of rates in force on 31 March 2009. (31 March 2008).

Short Term Investments:

	31-Mar-2008 £m	31-Mar-2009 £m
Loans to Worcestershire CC	6.387	2.855
	6.387	2.855

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

13 Financial Instruments – Exposure to Risk

13.1 The authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the authority
- Liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements

13.2 The CIPFA Code of Practice on Treasury Management has been adopted by the FRA, and under the Service Level Agreement with Worcestershire County Council the County Council is obliged and does adopt the Code also. In this way risks are actively managed.

Credit Risk

13.3 Under the Treasury Management SLA, the FRA invests surplus cash with WCC, but in return for receiving an average investment rate based on the Councils 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.

13.4 Amounts Invoiced to customers are of relatively low value and are actively pursued through an SLA with Herefordshire Council Legal Services.

13.5 The following analysis summarises the FRA's potential maximum exposure to credit risk based on actual experience in terms of deposits and percentage of debt which has been written off as unrecoverable in the last 3 years in terms of debtors (total £1,079.00)

	31-Mar-09 £m	written off in last 3 years £m	Historical Default £m
Investment with WCC	2.855		0.00%
Customers	0.170	0.001	0.59%
Total	3.025	0.001	

Of the £0.170m due from Customers at 31st March the following table analyses the due dates

	£m
not yet due	0.162
less than 1 month overdue	0.005
1 to 2 months overdue	0.003
more than 2 months overdue	0.000
	0.170

Liquidity Risk

13.6 The FRA is able to access borrowings from the Public Works Loans Board (PWLB) so there is no significant risk that it will be able 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 follows.

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

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

- 13.7 The FRA does not invest in equity shares and therefore has no exposure to loss arising from movements in share prices.

The FRA has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from exchange rate movements.

14. Stocks and Work in Progress

	31-Mar-2008 £m	31-Mar-2009 £m
Equipment, Uniforms & Supplies	0.051	0.059
Fuel	0.021	0.014
Vehicle Stores	0.061	0.060
	0.133	0.133

Part of the reduction in fuel stocks is due to the move to the new logistics facility at Malvern, which unlike the replaced vehicle workshop, does not have fuel bunkering

15. Debtors and Prepayments

	31-Mar-2008 £m	31-Mar-2009 £m
Sundry Debtors	1.160	1.470
Prepayments	0.393	0.381
	1.553	1.851

16. Creditors

	31-Mar-2008 £m	31-Mar-2009 £m
Government Departments	0.442	0.464
Sundry Creditors	2.048	1.793
	2.490	2.257

17. Capital Grants Unapplied

	LPSA1 (Worcs) Reward Grant (Capital) £m	USAR Capital Grants £m	Herefordshire Council Vehicles £m	TOTAL £m
Balance at 1 April 2008	0.419	0.270	0.000	0.689
Grant Received in Year	0.000	0.000	0.025	0.025
Used to Finance Capital Expenditure	(0.050)	(0.270)	(0.025)	(0.345)
Balance at 31 March 2009	0.369	0.000	0.000	0.369

18. Government Grants Deferred

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

	£m
Balance at 1 April 2008	0.038
Grant Received in year	0.344
Grant Applied in year	(0.020)
Balance at 31 March 2009	0.362

19. Pension Arrangements

- 19.1 As part of the terms and conditions of employment of its staff, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.
- 19.2 The Authority participates in four schemes:
- The Firefighters' Pension Scheme (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.

19.3 Change in Accounting Policy

Under SORP 2008 the FRA has adopted the amendment to FRS 17 *Retirement Benefits*. As a result quoted securities held as assets in the LGPS are now valued at bid prices rather than the mid-market value. As a result the net liability on the LGPS has increased by £0.015m, resulting in a corresponding increase in the pension deficit at 31 March 2008. Current and prior year surpluses have been unaffected by this change.

- 19.4 The retirement benefits are recognised in the Net Cost of Service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to made against council tax precept is based on the cash payable in the year, (as described in 19.5 below) so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.
- 19.5 Charges made to the Income & Expenditure Account for council tax precept purposes are as below:
- LGPS – the employers contribution payable to the Pension Fund
 - FFPS/NFPS – the notional employers contribution payable into the Pension Account as explained in Paragraph 15 of the Explanatory Forward.
 - FFCS – the actual injury pensions and any RDS ill-health pensions payable
- 19.6 Transactions made in the Income and Expenditure Account and the Statement of Movement in the General Fund Balance during the year are shown in the tables overleaf:

	LGPS		FFPS	
	2007-08 £m	2008-09 £m	2007-08 £m	2008-09 £m
Income and Expenditure Account				
Net Cost of Services:				
Current Service Cost	0.525	0.573	6.160	4.260
Past Service Cost	0.149	0.000	(2.660)	0.000
Net Operating Expenditure:				
Interest Cost	0.610	0.841	9.970	10.880
Expected Return on Assets in the Scheme	(0.570)	(0.562)	n/a	n/a
Net Charge to the Income and Expenditure Account	0.714	0.852	13.470	15.140
Statement of Movement in the General Fund Balance				
Removal of net charges made for retirement benefits in accordance with FRS17	(0.714)	(0.852)	(13.470)	(15.140)
Actual Amount charged against the General Fund Balance for pensions in the year:				
Employer's contribution payable to scheme	0.497	0.532	2.187	2.109
Retirement Benefits payable to Pensioners				0.000
	0.497	0.532	2.187	2.109

	NFPS		FFCS	
	2007-08 £m	2008-09 £m	2007-08 £m	2008-09 £m
Income and Expenditure Account				
Net Cost of Services:				
Current Service Cost	0.850	0.590	0.000	0.000
Past Service Cost	0.000	0.000	0.180	0.000
Net Operating Expenditure:				
Interest Cost	0.030	0.090	0.560	0.680
Expected Return on Assets in the Scheme	n/a	n/a	n/a	n/a
Net Charge to the Income and Expenditure Account	0.880	0.680	0.740	0.680
Statement of Movement in the General Fund Balance				
Removal of net charges made for retirement benefits in accordance with FRS17	(0.880)	(0.680)	(0.740)	(0.680)
Actual Amount charged against the General Fund Balance for pensions in the year:				
Retirement Benefits payable to Pensioners	0.238	0.236	0.567	0.611
	0.238	0.236	0.567	0.611

In addition to the recognized gains and losses included in the Income & Expenditure Account, net actuarial gains of £22.123m (2007-08 £32.408m) were included in the Statement of Total Realised Gains and Losses.

Assets and Liabilities in relation to retirement benefits

19.7 Reconciliation of the present value of scheme liabilities:

	Funded liabilities (LGPS)		Unfunded liabilities (FFPS)	
	2007-08	2008-09	2007-08	2008-09
	£m	£m	£m	£m
at 1st April	11.022	13.490	184.020	158.428
Current Service Cost	0.525	0.573	5.020	3.190
Interest Cost	0.610	0.841	9.970	10.880
Contributions by scheme participants	0.191	0.214	1.140	1.070
Actuarial gains and losses	1.150	(3.573)	(34.058)	(19.975)
Benefits paid	(0.157)	(0.204)	(5.004)	(5.935)
Past Service Costs	0.149	0.000	(2.660)	0.000
at 31st March	13.490	11.341	158.428	147.658

	Unfunded liabilities (NFPS)		Unfunded liabilities (FFCS)	
	2007-08	2008-09	2007-08	2008-09
	£m	£m	£m	£m
at 1st April	0.100	0.930	10.525	10.162
Current Service Cost	0.680	0.420		
Interest Cost	0.030	0.090	0.560	0.680
Contributions by scheme participants	0.170	0.170		
Transfers In	0.080	0.210		
Actuarial gains and losses	(0.130)	(0.330)	(0.570)	(0.160)
Benefits paid			(0.533)	(0.611)
Past Service Costs			0.180	0.000
at 31st March	0.930	1.490	10.162	10.071

19.8 Recognition of fair value of scheme assets:

Note that as the 3 Fire-fighter schemes are unfunded there are no assets to report upon, and this table refers to the LGPS only.

	LGPS	
	2007-08 restated £m	2008-09 £m
at 1st April	8.076	7.985
Expected rate of return	0.569	0.562
Actuarial gains and losses	(1.197)	(2.526)
Employer contributions	0.503	0.532
Contributions by scheme participants	0.191	0.214
Benefits paid	(0.157)	(0.204)
at 31st March	7.985	6.563

- 19.9 The expected return on the scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual return on schemes assets in the year was £1.964m (2007-08 £0.458m)

19.10 Scheme History:

	2004-05	2005-06	2006-07	2007-08	2008-09
	£m	£m	Restated £m	Restated £m	£m
Present value of liabilities:					
LGPS : Local Government Pension Scheme	8.667	10.605	11.022	13.490	11.341
FFPS : Firefighters 1992 Scheme	160.460	198.094	184.020	158.428	147.658
NFPS : Firefighters 2006 Scheme	n/a	n/a	0.100	0.930	1.490
FFCS : Firefighters Injury Scheme	n/a	n/a	10.525	10.162	10.071
Fair value of assets in the LGPS	5.389	7.137	8.076	7.985	6.563
Surplus/(deficit) in the scheme:					
LGPS : Local Government Pension Scheme	3.278	3.468	2.946	5.505	4.778
FFPS : Firefighters 1992 Scheme	160.460	198.094	184.020	158.428	147.658
NFPS : Firefighters 2006 Scheme	n/a	n/a	0.100	0.930	1.490
FFCS : Firefighters Injury Scheme	n/a	n/a	10.525	10.162	10.071
Total	163.738	201.562	197.591	175.025	163.997

- 19.11 The authority has elected not to restate the value of scheme assets in the Local Government Scheme for 2004/2005 and 2005/2006 as permitted by FRS 17 (as revised).

The liabilities show the underlying commitments that the FRA has in the long run to pay retirement benefits. The total liability of £163.997m, has a substantial impact on the net worth of the FRA as recorded in the Balance Sheet, resulting in a negative overall balance of £141.133m.

However, statutory arrangements for funding the deficit mean that the financial position of the FRA remains healthy:

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

The total contributions expected to be made to the LGPS by the FRA in 2009-10 is £0.558m, and to the firefighters schemes £3.053m. This includes the direct cost of injury pensions.

19.12 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Estimates for the LGPS have been made by Mercer Human Resource Consulting Ltd (an independent firm of actuaries), and for the firefighters schemes by GAD, the Government Actuaries Department.

The principal assumptions used by the actuaries are shown overleaf.

22 Movements in Revenue Reserves

	BALANCE 01-Apr-08 £m	NET MOVEMENT IN YEAR £m	BALANCE 31-Mar-09 £m
CAPITAL ADJUSTMENTS ACCOUNT	23.970	(3.575)	20.395
Purpose : to record consumption of fixed assets over their life and monies set aside to finance assets.			
REVALUATION RESERVE	0.000	0.000	0.000
Purpose : to hold unrealised gains and losses from revaluations since 1st April 2007.			
USABLE CAPITAL RECEIPTS	0.000	0.000	0.000
Purpose : Proceeds of fixed asst sales available to meet future capital investment			
PENSIONS RESERVE	(175.025)	11.028	(163.997)
Purpose Balancing account to allow inclusion of Pensions Liability in the Balance Sheet			
GENERAL FUND	1.259	(0.112)	1.147
Purpose : Resources available to meet future unforeseen costs			
OTHER RESERVES	2.103	(0.781)	1.322
Purpose : Resources set aside and earmarked for specific future spending			

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

	Balance at 31-Mar-08 £m	from I & E Acct £m	to I & E Acct £m	Balance at 31-Mar-09 £m
Earmarked Reserves				
RMB Costs Reserve	0.024		(0.024)	0.000
Pensions Reserve	0.237		(0.070)	0.167
Training Reserve	0.192		(0.103)	0.089
New Dimensions Training Reserve	0.070			0.070
Rank to Role Reserve	0.205		(0.147)	0.058
Urban Search & Rescue Reserve	0.518	0.213	(0.447)	0.284
LPSA Reward Grant Reserve	0.257		(0.101)	0.156
Environment Agency Grant Reserve	0.022			0.022
Fire Prevention Grant Reserve	0.028		(0.028)	0.000
HFSI Grant Reserve	0.037		(0.037)	0.000
IEG Reserve	0.019		(0.019)	0.000
New Burdens (FRC Transition) Reserve	0.270		(0.038)	0.232
Hereford CFS Grant Reserve	0.005		(0.005)	0.000
Mobilising Resilience Reserve	0.040			0.040
Relocation Reserve	0.045			0.045
New Dimensions HVP/ECU Reserve	0.054	0.096	(0.006)	0.144
Fuel Price Reserve	0.080		(0.080)	0.000
IRS Implementation Reserve	0.000	0.015		0.015
	2.103	0.324	(1.105)	1.322

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

- RMB Reserve – to meet the FRA’s share of possible initial costs, now not required.
- Pensions – To smooth the un-even effects of charges that still fall on the FRA Income and Expenditure Account, particularly in respect of any Ill Health retirements.

- Training Reserve – to meet the costs of planned training that has been delayed or deferred.
- New Dimensions Training Reserve – To provide for the future costs of Mass Decontamination continuation training.
- Rank to Role Reserve – The settlement of the Firefighters' pay dispute in 2003 included a commitment to move from payment by rank to payment by role. This process has been a long one and this requires the FRA to provide for the possible additional costs of back-dating of individual claims to 2004/05. This process was largely completed in 2007/08 and a transfer to the revenue account has been made. A further transfer is expected in 2008/09 and the small remaining balance held pending any future back-dating appeals.
- Urban Search and Rescue (USAR) Reserve – The FRA is one of only 19 to provide specialist Urban Search and Rescue facilities to the whole country, and because of this is funded by special grant. Some of this grant was paid in advance of the units being fully established and with CLG agreement was retained and is being used in 2008-09 and 2009-10 towards funding the capital costs of associated works at Droitwich Fire Station.
- LPSA Reward Grant Reserve – Following success in achieving targets under Worcestershire Local Public Service Agreement, the FRA has been awarded significant Reward Grant. The revenue element is held in this reserve, pending decisions on actual expenditure to be funded.
- Environment Agency Grant Reserve – funds provided at the very end of March 2008 to assist the FRA in improving Environmental Protection Capability, for which expenditure will be incurred in 2008/09.
- Fire Prevention Grant Reserve – the small balance represents cash grant received by 31 March 2008, but where expenditure was not made in 2007-08.
- HFSI Reserve – the small balance of grant represents cash grant received by 31 March 2008, but where expenditure was not made in 2007-08.
- IEG Reserve – a small balance of grant originally provided under the Government's now changed strategy on implementing E-government. Utilised in 2008-09
- New Burdens Fire Control Transition Reserve – The balance of various small grants paid by CLG towards the significant costs of transition to Regional Fire Control. The reserve exists because expenditure and grant income are phased differently. The FRA is not in a position to incur costs until grant has actually been confirmed.
- Herefordshire CFS Reserve – a small grant to fund fire-related crime reduction initiatives. Utilised in 2008-09
- Mobilising Resilience Reserve – the further delay to Regional Fire Control "go live" means that the FRS cannot defer expenditure to increase short term resilience of the existing arrangements. This reserve is provided to meet any future costs prior to RCC cutover.
- Relocation Reserve – National Firefighter terms and conditions require payment of relocation costs in certain circumstances. Budget is provided to cover the expected relocations in year; however the current Housing Market is delaying physical location in many cases.
- New Dimensions HVP/ECU Reserve - In very late 2008-09 CLG made payment of significant un-anticipated grant in respect of the Enhanced Command Unit and High Volume Pump vehicles training.
- Fuel Price Reserve – to provide cover in 2008/09 for the significant increase in fuel prices in the early part of the year, and utilised as planned.
- IRS Implementation Reserve – to complete the implementation of the £0.060m project to implement CLG chosen software to deliver data to CLG.

23. Contingent Liabilities

23.1 There are no contingent liabilities.

24. NOTES TO THE CASH-FLOW STATEMENT

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

	2007-08		2008-09	
	£m	£m	£m	£m
Movement on General Fund Balance	(0.210)		0.112	
less Transfer from Reserve	0.322	0.112	0.781	0.893
Less : Non-Cash Transactions				
Minimum Revenue Provision (MRP)	(0.550)		(0.662)	
Revenue Financing of Capital	(0.196)	(0.746)	(0.447)	(1.109)
Less : Items on an Accruals Basis				
change in debtors	(0.740)		0.287	
change in creditors	(0.742)		0.166	
change in stocks/WIP	(0.006)	(1.488)	0.000	0.453
Less : Servicing of Finance		(0.187)		(0.279)
Net Cash-Flow : Revenue Activities		(2.309)		(0.042)

24.2 Reconciliation of Movement in Cash

	Balance 31 March 2008 £m	Balance 31 March 2009 £m	Change in the year £m
Cash In Hand	0.018	0.010	0.008
Cash at Bank	6.387	2.855	3.532
Cash Overdrawn	0.000	0.000	0.000
	6.405	2.865	3.540

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

	2007-08 £m	2008-09 £m
Net Debt at Start of Year	(7.813)	(6.648)
Change in Cash	0.000	(0.008)
Change in Debt Financing	(1.739)	0.000
Change in Liquid Resources	2.904	(3.532)
Net Debt at End of Year	(6.648)	(10.188)

24.4 Analysis of Net Debt

	Balance 31 March 2008 £m	Balance 31 March 2009 £m	Change in the year £m
Cash in Hand	0.018	0.010	(0.008)
Short Term Investments	6.387	2.855	(3.532)
Short Term Debt	0.000	0.000	0.000
Long Term Debt	(13.053)	(13.053)	0.000
	(6.648)	(10.188)	(3.540)

24.5 Government Grants

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

Government Grant Received	2007-08 £m	2008-09 £m
New Dimensions IRU Training Grant	(0.070)	(0.071)
New Dimensions USAR Grant	(1.554)	(0.835)
New Dimensions ECU Grant	(0.061)	(0.041)
New Burdens (Fire Control) Grant	(0.443)	(0.123)
Home Fire Safety Initiatives Grant	(0.064)	0.000
Herefordshire Council Vehicle Grant	0.000	(0.005)
Fire Prevention Grant	(0.037)	0.000
Environment Agency Grant	(0.022)	0.000
Pensions Grant	(1.026)	(1.742)
Bellwin Grant	(0.135)	(0.014)
	(3.412)	(2.831)

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

- 25.1 The National Fire Control Project is working towards the migration of English Fire and Rescue Control functions into nine Regional Control Centres. One of these centres is located within the West Midlands region.
- 25.2 The Centre will be operated by a Local Authority Controlled Company (LACC) of which the 5 regional Fire and Rescue Services are Members. The company was incorporated on 19 February 2007
- 25.3 On current plans the Regional Control Centre will not be providing any services to Hereford & Worcester FRA until at least June 2011.
- 25.4 At 31 March 2009 the company held no material assets or liabilities and in 2008/09 incurred expenditure of £0.373m all of which was funded by Government grant paid to West Midlands Fire Service. None of these transactions are included in Hereford & Worcester Fire and Rescue Authority's accounts.

FIREFIGHTERS' PENSION FUND

1. Since 2006-2007 Firefighters' pensions are paid out of a separate account into which the employees contributions and an employers contribution are paid. Any deficit on this account is made up by direct government grant.
2. The employers contribution is borne by the Income and Expenditure Account for Council Tax Precept setting purposes.
3. In accordance with the requirements of FRS17 the employers contribution is replaced by the current service cost of pensions in the Income and Expenditure Account, and reversed out again in the Statement of the Movement in the General Fund Balance.
4. Although the scheme remains an un-funded one, Government has determined that this account is deemed a Pension Fund separate from the income and expenditure account and is thus reported on separately. As an un-funded scheme there are no assets and the difference between income and expenditure is met by the direct government grant.
5. The accounts are prepared in accordance with the same Code of Practice and accounting policies as outlined in the Statement of Accounting Policies set out on pages 12-15.
6. Any Government grant payable is paid in 2 instalments, 80% of the estimated annual amount at the start of the year, and the actual balance paid following completion of the accounts for the year.
7. The amount due at 31 March 2009 represents 37% (40% at 31 March 2008) of the actual grant for the year, significantly higher than was estimated. This arises from late changes in commutation rates advised by CLG after the end of each of the financial years. In addition in 2008-09 actual payments were higher than forecast, mainly as a result of retirements delayed from 2007-08.
8. The following pensions fund shows the income and expenditure for the year. It does not take account of liabilities to pay pensions and other benefits after the year end.

FIREFIGHTERS' PENSION FUND INCOME AND EXPENDITURE ACCOUNT

	2007-08 £m	2008-09 £m
Contributions receivable		
From employer		
Normal contributions	(2.422)	(2.348)
Additional contributions (early retirement)	0.000	0.000
Additional contributions (ill health charges)	(0.010)	(0.019)
From members	(2.432)	(2.367)
Normal contributions	(1.327)	(1.293)
Refund of Contributions	0.000	0.000
Transfers in	(1.327)	(1.293)
Individual transfers from other schemes	(0.085)	(0.206)
Other Transfers	0.000	0.000
	(0.085)	(0.206)
Income to the Fund	(3.844)	(3.866)
Expenditure		
Benefits Payable		
Pensions	3.932	4.232
Lump sum retirement benefits	1.033	1.651
Lump sum death benefits	0.000	0.000
	4.965	5.883
Transfers out		
Individual transfers to other schemes	0.000	0.051
	0.000	0.051
Expenditure by the Fund	4.965	5.934
Net Deficit on the Fund	1.121	2.068
Financed By:		
DCLG Pension Top up Grant - Received	(0.675)	(1.297)
DCLG Pension Top up Grant - Due	(0.446)	(0.771)
	(1.121)	(2.068)

FIREFIGHTERS' PENSION FUND STATEMENT OF NET ASSETS

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

	2007-08 £m	2008-09 £m
Current Assets		
Debtors		
Employer Contributions Due	0.066	0.072
Employee Contributions Due	0.038	0.038
DCLG Top Up Grant Due	0.446	0.771
Prepayments*	0.345	0.370
	0.895	1.251

* the prepayments figure for 2007-08 in the 2007-08 Accounts was £0.393m as it incorrectly included £0.048m relating to pensions paid out of the main Income and Expenditure Account.

GLOSSARY OF TERMS

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

BVACoP

This is an abbreviation given for the Best Value Accounting Code of Practice. This set out to modernise the system of local authority accounting and reporting to meet the demands of the Best Value legislation.

Capital Expenditure

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

Capital Receipts

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

The principal accountancy body dealing with local government finance.

Creditors

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

CLG

Communities and Local Government. The Government department that was responsible for aspects of Local Authority and Fire and Rescue Authority activity in 2007-08 and 2008-09.

Debtors

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

Depreciation

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

Fixed Assets

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

FRA

The Fire and Rescue Authority

FRS

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

GAAP

Generally Accepted Accounting Practice – the standards which are generally adopted across all sets of accounts. In some instances Local Government accounting has to comply with statutory requirements which are contrary to GAAP, but have precedence.

GAD

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

HFSI

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

IEG

Implementing Electronic Government. A name for the process devised by the former ODPM (Office of Deputy Prime Minister, now replaced by CLG) where Local Authorities were required to produce detailed plans identifying the costs of moving toward the government targets on e-government. This was to be funded by 3 annual grant payments. Having completed the 3 plans, there was a change of policy and ODPM determined that only 1 year's grant would be paid to Fire and Rescue Authorities.

Impairment

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

LASAAC

This is an abbreviation for the Local Authority (Scotland) Accounts Advisory Committee.

Long Term Borrowing

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

LPSA

Local Public Service Agreement. A partnership arrangement with Worcestershire County and Herefordshire Councils.

Operational Leasing

A method of financing the acquisition of assets, notably equipment, vehicles, plant, etc, which involves the payment of a rental by the user for a period which is normally substantially less than the useful economic life of the asset.

Provision

A liability or loss which is likely or certain to be incurred but uncertain as to the amount or date when it will arise.

Reserve

An amount set aside for purposes falling outside the definition of a provision.

Revenue Expenditure and Income

Expenditure and income arising from the day to day operation of the FRA.

RMB

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

SORP

This is an abbreviation given for the 'Statement of Recommended Practice' issued by CIPFA and LASAAC incorporating the Code of Practice on Local Authority Accounting in the United Kingdom.

Unapplied Capital Grant

Grants that have been received but not yet used to finance expenditure.

USAR (Urban Search and Rescue)

Specialist CLG Funded teams, hosted by 19 select FRA to provide support for major incidents involving building collapse.

