

**Hereford & Worcester Fire and Rescue Authority
Statement of Accounts
2011/12**

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EXPLANATORY FOREWORD

1. Originally formed as an independent corporate body on 1 April 1998, as a result of Local Government Reorganisation, Hereford & Worcester Fire and Rescue Authority (the FRA) is now constituted under the Fire and Rescue Services Act 2004. The FRA sets its own budget requirement, receives a share of Non-Domestic Rates and Revenue Support Grant, and issues its own Council Tax Precept.
2. The Statement of Accounts that follows covers the FRA's financial year ending 31 March 2012. 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 2011/12, comprise a group of Core Financial Statements:
 - Movement in Reserves Statement (MiRS)
 - Comprehensive Income & Expenditure Statement (CIES)
 - 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:

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.

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.

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 9-16.
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. Available resources for 2011/12 totalled £31.195m, funded as below:

Council Tax Precept	£20.788m
Non-Domestic Rates	£ 7.950m
Revenue Support Grant	£ 2.457m
	£31.195m

8. 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, and exclude the share of the Collection Fund Balances for 2011-12 that is included in the CIES on page 19.
9. In addition, the FRA received a Council Tax Freeze Grant of £0.520m, which for statutory accounting purposes in 2011/12 was treated as income. The figure is included in the Special Grants line in table 11 overleaf.
10. In setting the 2011/12 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.
11. A summary of the budget and out-turn is given overleaf:

	Budget	Actual	Variance
	£m	£m	£m
Employee Costs	22.700	22.615	(0.085)
Running Costs	7.861	7.150	(0.711)
Capital Financing Costs	2.400	2.236	(0.164)
	32.961	32.001	(0.960)
Special Grants	(1.695)	(1.858)	(0.163)
Transfer from Development Reserve	(0.071)	(0.071)	0.000
Core Budget	31.195	30.072	(1.123)
Training		0.098	0.098
Grants		0.185	0.185
Staff Relocation		0.047	0.047
	31.195	30.402	(0.793)
RDS P/T settlement - Tax/NIC		0.100	0.100
RDS P/T settlement - Pensions		0.255	0.255
	31.195	30.757	(0.438)
Provision - Legal Claim Settlement		0.250	0.250
Provision - Redundancy Costs		0.187	0.187
Provision reduction		(0.464)	(0.464)
	31.195	30.730	(0.465)

12. Of the Core Budget under-spending of £1.129m a portion relates to timing differences e.g. around training relocation and receipt of grant. These are transferred to earmarked reserves leaving a net figure of £0.793m. This differs slightly from the £0.826m figure reported to the Policy and Resources Committee in June 2012.
13. Compensation costs relating to the settlement of the national part-time workers claim in respect of unfair discrimination against Retained Duty personnel were accrued in 2010/11, with an expectation that the amounts would be paid in 2011/12. This national process has been severely delayed and it is a possibility that further costs may fall on the FRA. This is explained in more detail in the Contingent Liabilities note 102 on page 51, and £0.100m has been reserved for these costs.
14. The compensation referred to above is only one of two parts to this issue. The second relates to the un-lawful exclusion of Retained Duty personnel from the Firefighters' Pension Scheme before 2006. Over the last two years little detail has been provided on this, but it is beginning to emerge that considerable costs may fall on the Fire and Rescue Authority. Although a small sum is set aside to meet these costs an additional £0.255m is now added to this reserve.
15. Provision has also been made for the potential settlement of a legal claim against the FRA.
16. Whilst the cost of redundancies in 2012/13 has been provided for within the 2012/13 budget, accounting convention requires that the costs are charged to 2011/12 by way of provision.
17. The final settlement of the issue surrounding the retirement of the previous Chief Fire Officer, and the receipt of the expected compensatory payments from the Constituent Authorities means that the previously created Provision for these costs can now be significantly reduced as has been previously expected.

General Reserve

18. The general reserve stood at £0.934m at 31 March 2011 and the transfer of the net underspending in the year of £0.465m (essentially the provision reduction) will bring the closing balance to £1.399m in accordance with the approved Medium Term Financial Plan.

Exceptional Items

19. The exceptional item in 2010/11 relates to the government decision to change future indexing of pensions from the Retail Price Index (RPI) to the Consumer Price Index (CPI) and the consequential significant reduction of £26.570m in future liability. To allocate directly to the cost of service would have made year on year comparison difficult.

Firefighters' Pensions

20. 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.
21. The employer contribution and certain costs in relation to injury pensions still fall on the Income and Expenditure Account.

Capital Programme Budget

22. During 2011/12 £2.782m was spent on new assets or improvements to existing ones. Expenditure was incurred on the approved vehicle programme, the new Command and Control system, minor property works and small equipment and IT schemes. The majority of the programme was, as planned, funded by net borrowing. In late 2011/12 the Authority received £1.7m in capital grant towards the costs of the new Command and Control system.

Balance Sheet

23. At 31 March 2011 the FRA held Long Term Assets with a net book value of £40.017m. Professional advice has not identified any further impairment due to changes in the economic climate, and adjusting for disposals, depreciation, revaluation and capital expenditure, Fixed Assets are valued at £40.569m at 31 March 2012.
24. Long Term borrowing has increased slightly as a planned loan expiry was replaced and a small amount of new borrowing to fund capital expenditure was undertaken. All new and existing borrowing is from the Public Works Loans Board (PWLB). The total value of Long Term loans (excluding short term accrued interest) at £14.971m remains well below the value of Long Term Assets.
25. The Balance Sheet shows liabilities in respect of the four pension schemes provided for staff.
26. The £6.953m liability on the Local Government Scheme will be covered by the continued level of employer contributions.
27. The Firefighters' schemes are statutory un-funded ones and the significant total liability of £244.024m 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 38-45.

Corporate Governance Arrangements

28. 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.

29. During 2011/12 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 Committee on 28 September 2012.
30. 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 61-65.

Restatement

31. It has been necessary to restate the 2010/11 accounts for 3 reasons, neither of which has an impact on the General Fund Balance and the resources available for service delivery.
32. The first relates to the treatment of movements in the net liability of the Firefighters pension schemes, which is described more fully in Notes 55 to 58 of the Accounting Policies on page 15 and in Note 1 on page 22. This adjustment does not change the overall liability and therefore has no impact on the Balance Sheet.
33. The second adjustment is in 2 parts and relates to the Operational Logistics facility at Malvern, (the workshop):
 - a. The first part relates to the classification of equipment assets at the workshop when it was commissioned in 2008/09, which is described more fully in Note 2 on page 22. As a consequence fixed asset values were overstated and the depreciation charge in 2010/11 was also overstated.
 - b. The second part relates to a correction between the Revaluation Reserve and the Capital Adjustment Account arising from the 31st March 2010 re-valuation and the recorded split between the land and building asset. As an adjustment between Un-useable Reserves it has no impact on the Balance Sheet or the CIES.
34. The third relates to the allocation of costs within the net cost of service. Consistent with previous years practice some overhead costs that were previously apportioned to the Corporate and Democratic Core line have now been apportioned to other lines.

The Euro

35. 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.

Post Balance Sheet Events

36. 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 2012 and its income and expenditure for the year ended 31 March 2012.
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 2012 and its income and expenditure for the year ended 31 March 2012.
5. In accordance with the Accounts and Audit Regulations 2011 10(2) I certify that the Statement of Accounts 2011/12 provides a true and fair view of the financial position of the Authority at 31 March 2012 and its income and expenditure for the year 2011/12.

Signed on original document

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

Date

Issue Date

- 6. The date that these financial statements are authorised for issue is 28th September 2012. All known material events that have occurred up to and including this date which relate to 2011/12 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 2011/12 on 28th September 2012.

Signed on original document

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 2012, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and International Financial Reporting Standards (IFRS).

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 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 on a full accruals basis.
 - 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 Comprehensive Income and Expenditure Statement.
4. Individual invoices of less than £500 are accounted for in the year they fall.

VAT

5. 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.

Property, Plant and Equipment (PP&E)

6. 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.
7. 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). The last full valuation of Property assets was undertaken at 31 March 2010, using the independent professional services of the Chief Valuer of Worcestershire County Council.
8. 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.

9. The Authority has a de-minimus of £5,000 for vehicle purchases.
10. Assets are held in the Balance Sheet at gross value, net of depreciation and impairment where appropriate.

Component accounting

11. 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.
12. 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.
13. 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.
14. 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.
15. 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.

Heritage Assets

16. Heritage assets are those that are intended to be preserved in trust for future generations because of their cultural, environmental, educational or historical associations. They include historical buildings, civic regalia, orders and decorations (medals), military equipment and works of art.
17. Authorities are required to account for tangible heritage assets in accordance with FRS30 Heritage Assets
18. Heritage Assets are recognised and measured in accordance with the Authority’s policies on PP&E. However, where information on cost or value is not available, and the cost of obtaining reliable information outweighs the benefits to users of the financial statements, the Code does not require the asset to be recognised on the Balance Sheet.
19. The estimated value of such assets is less than £0.015m and the expected cost of an independent valuation is 10% of this figure.

Intangible Assets

20. 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

21. 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).
22. Specific exceptions to this policy relate to a small number of low value properties have been valued without land being split out, and therefore land is being depreciated contrary to IFRS. The sums however are small and immaterial; the total amount of depreciation on both land and buildings in 2011/12 is £19,000 (2010/11 £19,000).

Financing of Capital Expenditure

23. 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

24. 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 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.

Leasing Charges

25. 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.
26. During 2011/12 the Authority held both finance and operating leases under the definition of IAS 17 Leases. 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 are capitalised with transactions reflected on the Balance Sheet as fixed assets and deferred liabilities and through the CIES as interest payable and similar charges.

Non Current Assets held for Sale

27. 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.
28. 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

29. 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

30. 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

31. The disclosure requirements are included in the main financial statements as notes to the accounts in accordance with CIPFA recommended practice and IAS 19 – Employee Benefits.

Types of pension schemes

32. 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.
33. 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.
- 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

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

Government Grants and Contributions

35. Government grants and contributions are recognised in the CIES when conditions attached to the grant or contribution has been satisfied. Government grants and contributions that have not been satisfied are carried in the Balance Sheet as creditors.
36. 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

37. 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.
38. 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.
39. 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.
40. 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.

Financial Assets

41. The only Financial Asset held by the Authority is the overnight lending to Worcestershire County Council, there are no other investments.

Collection Fund Adjustment Account

42. The Council Tax 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.
43. 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.
44. 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

45. 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.

Provisions

46. In 2009/10 the Authority created a provision to meet the potential liability arising from the retirement of the previous Chief Fire Officer. The majority of these costs have been funded by compensatory contributions from the Constituent Authorities, which were received in 2011/12. As a consequence the balance on the provision can be significantly reduced and the balance is transferred back to the CIES in 2011/12.
47. In 2011/12 the Authority commenced a significant programme of redundancy amongst support staff. Although provision for these costs is made in the 2012/13 budget and payment was made after 31 March the Code requires that these costs are charged to 2011/12 by way of creation of a provision.
48. Additionally provision has been made for the costs of settling a potential legal claim against the Authority.

Reserves

49. At 31 March 2012 a general reserve is held to meet expenditure which may arise from unforeseen events.
50. 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 45-46.

Capital Accounting Reserves

51. 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

52. The CIPFA Code of Practice on Local Authority Accounting 2011/12 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.

53. 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.

Exceptional Items

54. Where an item of expenditure, which due to its size or significance, would have a distorting effect on the CIES, this will be shown separately with an explanatory note.

Actuarial Gains and Losses

55. 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.

56. Prior to 2011/12 it had been recognised (in common with most FRAs) that as the Firefighters' Pension Schemes had no assets, then there were no relevant disclosures in respect of movement in net assets.

57. It is now considered that employee and employer contributions should be considered as assets and the movement disclosed separately.

58. As a consequence of this, the Actuarial Gains and Losses figure shown in the CIES differs from the reported by the relevant Actuary. This has no impact on the overall net liability shown in the Balance Sheet, but has required a re-statement of the 2010/11 CIES comparables.

Accounting Standards that have been issued but not yet adopted

59. The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Authority.

60. The amendments to IFRS 7 – Financial Instruments: Disclosures (transfers of financial assets, issued October 2010), evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the Authority’s financial position. However, CIPFA/LASAAC is of the view that the transfers described by the standard do not occur frequently in local authorities. Relevant circumstances would arise where an authority retains ownership of a financial asset but contracts to reassign or otherwise pay over the cash flows generated by the instrument, at the same time as retaining substantially all the risks and rewards of ownership.
61. The amendment to this standard has no impact for the Authority.

MOVEMENT IN RESERVES STATEMENT FOR THE 12 MONTHS ENDING 31 MARCH 2012

Note	General Fund 86 £000	Ear-marked Rev Res 87-88 £000	Unapplied Grant 89 £000	Cap Rcpts Reserve 90 £000	Total Useable 85 £000	Revaln. Reserve 92-93 £000	Capital Adj Acct 94-97 £000	Pensions Reserve 98-99 £000	Coll Fund Adj Acct 100 £000	Acc. Abs. Adj Acct 101 £000	Total Un-useable 91 £000	All Reserves £000
Balance at 31-Mar-2011	934	2,130	368	0	3,432	5,071	19,159	(225,838)	42	(127)	(201,693)	(198,261)
Surplus/(Deficit) on Provision of Services	(11,812)				(11,812)						0	(11,812)
Other Comprehensive Income & Expenditure											0	(36)
Loss on Disposal of Fixed Assets	(36)				(36)						0	(36)
Movement in Pensions Reserve					0			(10,016)			(10,016)	(10,016)
Reversal of items in the CIES to be removed for determining movement in General Fund												
Relating to Depreciation/Amortisation	2,194				2,194		(2,194)				(2,194)	0
Relating to Depreciation on un-realised gains					0	(71)	71				0	0
Relating to Revaluation/Impairment Losses	0				0		0				0	0
Relating to Retirement Benefits	18,722				18,722			(18,722)			(18,722)	0
Relating to Non-current assets w/off on disposal	36				36		(36)				(36)	0
Relating to Capital Receipts	0			0	0						0	0
Relating to Unapplied Capital Grants/Contributions	(2,873)		2,873		0						0	0
Relating to Grants used to Finance Expd			(911)		(911)		911				911	0
Relating to Capital Receipts used to Finance Expd				0	0		0				0	0
Relating to Council Tax Income	15				15				(15)		(15)	0
Relating to Compensated absences	21				21					(21)	(21)	0
Insertion of items in the CIES to be included for determining movement in General Fund												
Employers Contribution to Pension Schemes	(3,599)				(3,599)			3,599			3,599	0
Statutory Provision for Debt Repayment	(1,241)				(1,241)		1,241				1,241	0
Revenue Financing of Capital	(348)				(348)		348				348	0
Transfers Between Earmarked Reserves	(614)	614			0						0	0
Balance at 31-Mar-2012	1,399	2,744	2,330	0	6,473	5,000	19,500	(250,977)	27	(148)	(226,598)	(220,125)

SUMMARY OF MOVEMENTS

Balance at 31-Mar-2011	934	2,130	368	0	3,432	5,071	19,159	(225,838)	42	(127)	(201,693)	(198,261)
Movement in Reserves during 2011/12												
Deficit/(Surplus) on Provision of Services	(11,812)	0	0	0	(11,812)	0	0	0	0	0	0	(11,812)
Other Comprehensive Income & Expenditure	(36)	0	0	0	(36)	0	0	(10,016)	0	0	(10,016)	(10,052)
Total Comprehensive Income & Expenditure	(11,848)	0	0	0	(11,848)	0	0	(10,016)	0	0	(10,016)	(21,864)
Adjustments between accounting basis and funding basis under regulations	12,927	0	1,962	0	14,889	(71)	341	(15,123)	(15)	(21)	(14,889)	0
Net change before Earmarked Reserve Transfers	1,079	0	1,962	0	3,041	(71)	341	(25,139)	(15)	(21)	(24,905)	(21,864)
Earmarked Reserves Transfers	(614)	614	0	0	0	0	0	0	0	0	0	0
Net Movement in Year	465	614	1,962	0	3,041	(71)	341	(25,139)	(15)	(21)	(24,905)	(21,864)
Balance at 31-Mar-2012 Carried Forward	1,399	2,744	2,330	0	6,473	5,000	19,500	(250,977)	27	(148)	(226,598)	(220,125)

RE-STATED MOVEMENT IN RESERVES STATEMENT FOR THE 12 MONTHS ENDING 31 MARCH 2011

The 2010/11 figures have been re-stated for the reasons outlined in paragraphs 31 to 34 on page 6

Note	General Fund 86 £000	Ear-marked Rev Res 87-88 £000	Unapplied Grant 89 £000	Cap Rcpts Reserve 90 £000	Total Useable 85 £000	Revaln. Reserve 92-93 £000	Capital Adj Acct 94-97 £000	Pensions Reserve 98-99 £000	Coll Fund Adj Acct 100 £000	Acc. Abs. Adj Acct 101 £000	Total Un-useable 91 £000	All Reserves £000
Balance at 31-Mar-2010	642	1,194	334	0	2,170	5,169	17,496	(248,102)	122	(186)	(225,501)	(223,331)
Surplus/(Deficit) on Provision of Services	13,544				13,544						0	13,544
Other Comprehensive Income & Expenditure					0			11,526			11,526	11,526
Reversal of items in the CIES to be removed for determining movement in General Fund												
Relating to Depreciation/Amortisation	2,108				2,108		(2,108)				(2,108)	0
Relating to Depreciation on un-realised gains					0	(98)	98				0	0
Relating to Revaluation/Impairment Losses	85				85		(85)				(85)	0
Relating to Retirement Benefits	(7,154)				(7,154)			7,154			7,154	0
Relating to Donated Assets at Fair Value	(1,536)				(1,536)		1,536				1,536	0
Relating to Non-current assets w/off on disposal	19				19		(19)				(19)	0
Relating to Capital Receipts	(12)			12	0						0	0
Relating to Unapplied Capital Grants/Contributions	(843)		843		0						0	0
Relating to Grants used to Finance Expd			(809)		(809)		809				809	0
Relating to Capital Receipts used to Finance Expd				(12)	(12)		12				12	0
Relating to Council Tax Income	80				80				(80)		(80)	0
Relating to Compensated absences	(59)				(59)					59	59	0
Insertion of items in the CIES to be included for determining movement in General Fund												
Employers Contribution to Pension Schemes	(3,584)				(3,584)			3,584			3,584	0
Statutory Provision for Debt Repayment	(1,210)				(1,210)		1,210				1,210	0
Revenue Financing of Capital	(210)				(210)		210				210	0
Transfers Between Earmarked Reserves	(936)	936			0						0	0
Balance at 31-Mar-2011	934	2,130	368	0	3,432	5,071	19,159	(225,838)	42	(127)	(201,693)	(198,261)

SUMMARY OF MOVEMENTS

Balance at 31-Mar-2010	642	1,194	334	0	2,170	5,169	17,496	(248,102)	122	(186)	(225,501)	(223,331)
Movement in Reserves during 2010/11												
Deficit/(Surplus) on Provision of Services	13,544	0	0	0	13,544	0	0	0	0	0	0	13,544
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	0	11,526	0	0	11,526	11,526
Total Comprehensive Income & Expenditure	13,544	0	0	0	13,544	0	0	11,526	0	0	11,526	25,070
Adjustments between accounting basis and funding basis under regulations	(12,316)	0	34	0	(12,282)	(98)	1,663	10,738	(80)	59	12,282	0
Net change before Earmarked Reserve Transfers	1,228	0	34	0	1,262	(98)	1,663	22,264	(80)	59	23,808	25,070
Earmarked Reserves Transfers	(936)	936	0	0	0	0	0	0	0	0	0	0
Net Movement in Year	292	936	34	0	1,262	(98)	1,663	22,264	(80)	59	23,808	25,070
Balance at 31-Mar-2011 Carried Forward	934	2,130	368	0	3,432	5,071	19,159	(225,838)	42	(127)	(201,693)	(198,261)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR 12 MONTHS ENDING 31 MARCH 2012

The 2010/11 figures have been re-stated for the reasons outlined in paragraphs 31 to 34 on page 6

	Notes	2010/11 Restated			2011/12		
		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		28,829	(1,379)	27,450	29,692	(1,966)	27,726
Community Safety		3,921	(70)	3,851	3,633	(122)	3,511
Emergency Planning		116	(2)	114	126	(4)	122
Corporate & Democratic Core		1,543	(28)	1,515	1,741	(65)	1,676
Other Operating Expenditure		19	(12)	7	0	0	0
Past Service Cost (Transfer Values FF Schemes)		34,428	(1,491)	32,937	35,192	(2,157)	33,035
		42		42	52	0	52
Exceptional Items							
Legislative Change - Pensions Increases	70	(26,570)		(26,570)			0
Cost of Services		7,900	(1,491)	6,409	35,244	(2,157)	33,087
Financing & Investment Income and Expenditure	4	14,461	(720)	13,741	14,107	(809)	13,298
Taxation & Non-Specific Grant Income	5		(33,694)	(33,694)		(34,573)	(34,573)
Deficit/(Surplus) on Provision of Services		22,361	(35,905)	(13,544)	49,351	(37,539)	11,812
Deficit/(Surplus) on revaluation of non-current assets	30-31			0			0
Loss on Disposal of Fixed Assets				0			36
Deficit/(Surplus) on revaluation of available-for-sale assets				0			0
Actuarial gains/losses on Pensions Assets/Liabilities	71-73			(11,526)			10,016
Other Comprehensive Income and Expenditure				(11,526)			10,052
Total Comprehensive Income and Expenditure				(25,070)			21,864

BALANCE SHEET

The 2010/11 figures have been re-stated for the reasons outlined in paragraphs 31 to 34 on page 6, and the re-stated 2009/10 figures included for comparison.

	Notes	01-Apr-2010 <i>Re-stated</i> £000	31-Mar-2011 <i>Re-stated</i> £000	31-Mar-2012 £000
Property Plant & Equipment	30-33	37,791	39,866	40,445
Intangible Assets	34-37	201	151	124
Long Term Assets		37,992	40,017	40,569
Inventories	60	147	184	202
Short Term Debtors	61	3,510	3,407	2,481
Cash & Cash Equivalents	62	1,763	1,708	6,722
Current Assets		5,420	5,299	9,405
Short Term Borrowing	41-49	(529)	(1,476)	0
Short Term Creditors	63	(2,753)	(2,792)	(3,561)
Current Liabilities		(3,282)	(4,268)	(3,561)
Long Term Creditors		(287)	(116)	(23)
Provisions	108-114	(538)	(294)	(474)
Long Term Borrowing	47	(14,534)	(13,061)	(15,064)
Other Long Term Liabilities	71-84	(248,102)	(225,838)	(250,977)
Long Term Liabilities		(263,461)	(239,309)	(266,538)
Net Assets		(223,331)	(198,261)	(220,125)
Useable Reserves	85-90	2,170	3,432	6,473
Un-useable Reserves	91-101	(225,501)	(201,693)	(226,598)
Total Reserves		(223,331)	(198,261)	(220,125)

The unaudited accounts were issued on 30 June 2012 and the audited accounts were authorised for issue on 28 September 2012.

CASH-FLOW STATEMENT FOR 12 MONTHS ENDING 31 MARCH 2012

	Notes	2010/11 £000	2011/12 £000
Net (surplus) or deficit on the provision of services		(13,544)	11,812
Adjustments to net surplus or deficit on the provision of services for non cash movements		10,235	(18,911)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	116	217	1,355
Net cash flows from operating activities		(3,092)	(5,744)
Investing Activities	117	1,714	427
Financing Activities	118	1,433	303
Net increase or decrease in cash and cash equivalents		55	(5,014)
Cash and cash equivalents at the beginning of the period		(1,763)	(1,708)
Net increase or decrease in cash and cash equivalents in the period		55	(5,014)
Cash and cash equivalents at the end of the reporting period		(1,708)	(6,722)

NOTES TO THE CORE FINANCIAL STATEMENTS

Restatement of Balance Sheet, CIES and MiRS

1. In 2011/12 there has been a revision to the interpretation of IAS19 in respect of the Firefighters' Pension Schemes. A detailed explanation is given in paragraphs 55 to 58 of the Statement of Accounting Policies on page 15. The result of this is that there is change to the make up of the movement in the net liabilities charged to the CIES and reversed out in the MiRS. The 2010/11 comparatives have been restated to reflect this change, which moves £4.096m between the Net Surplus on Provision of Services and the Actuarial gain on Pensions. There is no effect on the overall surplus on the CIES nor on the Balance Sheet.
2. As a result of a detailed review undertaken whilst implementing new Asset Management software it has been identified that expenditure incurred in providing the vehicle workshop had been misclassified as equipment in 2008/09. As a consequence of subsequent property revaluations this has meant that at 31 March 2011 fixed assets were overstated by £0.365m, (31 March 2010 £0.417m). This change also has the impact of reducing the amount of depreciation charged to the CIES so that the restated CIES now shows a net surplus of £25.070m compared to the £25.018m previously reported. This change has resulted in re-statement of the CIES, the MiRS and the Balance Sheet.
In addition there is an adjustment of £0.350m between the Capital Adjustment Account and the Revaluation Reserve to reflect a correction of the recorded split of land and buildings for this asset at the 31 March 2010 valuation. The change is to the brought forward figures at 01-Apr-2010, and as it is a movement between Un-useable Reserves it has no impact on the Balance Sheet.
3. Neither of these changes has an impact on the General Fund Balance or the resources available for future service delivery. Nor does the reallocation of costs (totalling £0.195m) within the Cost of Services as referred to in paragraph 34 of the Explanatory foreword on page 6.

4. Financing and Investment Income and Expenditure

	2010/11 £'000	2011/12 £'000
Interest payable and similar charges	657	628
Interest receivable and similar income	(10)	(17)
Pensions interest cost and expected return on pensions assets	13,094	12,687
	13,741	13,298

5. Taxation and non-specific Grant Income

	2010/11 £'000	2011/12 £'000
Council Tax income	20,647	20,773
2011/12 Council Tax Freeze Grant	0	520
Re-distributed National Non-Domestic Rates (NNDR)	9,315	7,950
Revenue Support Grant (RSG)	1,353	2,457
	31,315	31,700
Non-specific Capital Grant	809	1,173
Future Control Rooms Capital grant		1,700
Diversity Grant	34	0
Total Grants	32,158	34,573
Donated Assets	1,536	0
Total Grants	33,694	34,573

6. In 2010/11 the FRA took over New Dimensions Assets from DCLG. Although there was no cost to the FRA, the net cost of the transfer £1.536m (at fair value less consideration (£0)) was required to be treated as a grant under IFRS.

Members Allowances

7. The total amount paid to Members as Allowances and expenses under the adopted scheme was £53,435 (2010/11 £56,483). Details in respect of 2011/12 are given below:

			BASIC ALLOW.	SPEC. ALLOW.	EXPENSES	TOTAL
Mrs PA Andrews	to	05-Jun-11	210.08	-	36.38	246.46
Mr TJ Bean			1,163.52	1,354.68	-	2,518.20
Mr RAA Bullock	from	01-Jun-11	969.60	-	31.53	1,001.13
Mrs M Bunker			1,163.52	-	139.68	1,303.20
Mr JP Campion			1,163.52	-	-	1,163.52
Mr JM Cairns			1,163.52	-	-	1,163.52
Mr SJ Clee	to	31-May-11	193.92	903.16	299.25	1,396.33
Mrs L Duffy			1,163.52	1,046.11	113.49	2,323.12
Mrs EA Eyre			1,163.52	-	108.16	1,271.68
Mr JH Goodwin	to	05-Jun-11	210.08	-	91.18	301.26
Mr DW Greenow			1,163.52	-	101.85	1,265.37
Mr AI Hardman			1,163.52	308.57	52.38	1,524.47
Mrs LC Hodgson			1,163.52	-	87.12	1,250.64
Mrs GF Hopkins			1,163.52	-	333.74	1,497.26
Brigadier P Jones CBE			1,163.52	6,241.83	1,201.33	8,606.68
Mrs MD Lloyd-Hayes	from	06-Jun-11	953.44	-	225.53	1,178.97
Mr RI Matthews	from	06-Jun-11	953.44	-	135.80	1,089.24
Mrs FM Oborski			1,163.52	-	-	1,163.52
Mrs JA Potter			1,163.52	-	139.44	1,302.96
Mr D Prodger MBE			1,163.52	7,282.94	129.50	8,575.96
Mr CT Smith			1,163.52	-	-	1,163.52
Mr TA Spencer			1,163.52	-	116.17	1,279.69
Mr CB Taylor			1,163.52	1,046.11	184.79	2,394.42
Mr DC Taylor			1,163.52	1,354.68	622.74	3,140.94
Mr JW Thomas			1,163.52	-	98.94	1,262.46
Mr R Udall			1,163.52	-	-	1,163.52
Mr PJ Watts			1,163.52	-	30.56	1,194.08
Mr GC Yarranton			1,163.52	-	346.29	1,509.81
			29,088.00	19,538.08	4,625.85	53,251.93
Independent Members of Standards Committee						
Mr RJ Gething			-	-	183.34	183.34
			-	-	183.34	183.34
			29,088.00	19,538.08	4,809.19	53,435.27

8. Corresponding details in respect of 2010/11 are:

	BASIC ALLOW.	SPEC. ALLOW.	EXPENSES	TOTAL
Mrs PA Andrews	1,163.52	-	495.40	1,658.92
Mr TJ Bean	1,163.52	1,354.68	-	2,518.20
Mrs M Bunker	from 13-May-10	-	85.60	1,114.63
Mr JP Campion	1,163.52	346.20	-	1,509.72
Mr J Cairns	from 13-May-10	-	-	1,029.03
Mr SJ Clee	1,163.52	5,418.96	497.90	7,080.38
Mr A Ditta	to 13-May-10	-	-	137.62
Mrs M Drinkwater	to 13-May-10	160.23	25.20	323.05
Mrs L Duffy	1,163.52	-	50.40	1,213.92
Mrs EA Eyre	1,163.52	-	134.40	1,297.92
Mr JH Goodwin	1,163.52	-	665.50	1,829.02
Mr DW Greenow	1,163.52	-	56	1,219.52
Mr AI Hardman	1,163.52	1,354.68	190.40	2,708.60
Mrs LC Hodgson	1,163.52	-	83.90	1,247.42
Mrs GF Hopkins	1,163.52	-	164.24	1,327.76
Brigadier P Jones CBE	1,163.52	9,031.56	2,522.40	12,717.48
Mrs FM Oborski	1,163.52	-	-	1,163.52
Mrs JA Potter	1,163.52	-	173.80	1,337.32
Mr D Prodger MBE	1,163.52	1,354.68	-	2,518.20
Mr CT Smith	1,163.52	-	28	1,191.52
Mr TA Spencer	1,163.52	-	130.80	1,294.32
Mr CB Taylor	1,163.52	-	145.20	1,308.72
Mr DC Taylor	1,163.52	1,354.68	682	3,200.20
Mr JW Thomas	1,163.52	-	252.90	1,416.42
Mr GC Yarranton	1,163.52	-	441	1,604.52
Mr R Udall	1,163.52	-	-	1,163.52
Mr PJ Watts	1,163.52	-	71.60	1,235.12
	29,094.26	20,375.67	6,896.64	56,366.57
Independent Members of Standards Committee				
Mr RJ Gething	-	-	60.00	60.00
Mr M Mylechreest	-	-	23.20	23.20
Mr R Rogers	-	-	33.20	33.20
	-	-	116.40	116.40
	29,094.26	20,375.67	7,013.04	56,482.97

Officers' Emoluments

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

£	2010/11 No. of Staff	2011/12 No. of Staff
50,000 - 54,999	6	10
55,000 - 59,999	4	5
60,000 - 64,999	1	
65,000 - 69,999	2	1
70,000 - 74,999	1	3
75,000 - 79,999		1
80,000 - 84,999		
85,000 - 89,999		
90,000 - 94,999	1	0
95,000 - 99,999	1	2
100,000 - 104,999		
105,000 - 109,999		
110,000 - 114,999		
115,000 - 119,999		
120,000 - 124,999	1	1
	17	23

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

Senior Officers

2011/12 Post Title		Salary	Benefit in Kind	Sub-Total	Pension Contrib.	Total incl Pension
		£	£	£	£	£
Chief Fire Officer/Chief Executive	<i>U</i>	121,531	349	121,880	25,886	147,766
Deputy Chief Fire Officer	<i>U</i>	96,647	850	97,497	16,430	113,927
Assistant Chief Fire Officer	<i>U</i>	94,307	1,789	96,096	20,087	116,183
Acting Director of Corporate Services	<i>NU</i>	66,858	1,999	68,857	11,366	80,223
Director of Finance & Assets	<i>NU</i>	68,499	3,175	71,674	11,645	83,319
<i>U : Uniformed; NU : Non-Uniformed</i>		447,842	8,162	456,004	85,414	541,418
2010/11 Post Title		Salary	Benefit in Kind	Sub-Total	Pension Contrib.	Total incl Pension
		£	£	£	£	£
Chief Fire Officer/Chief Executive	<i>U</i>	121,199	8,349	129,548	25,815	155,363
Deputy Chief Fire Officer	<i>U</i>	96,382	847	97,229	16,385	113,614
Assistant Chief Fire Officer	<i>U</i>	90,261	1,786	92,047	19,226	111,273
Director of Finance	<i>NU</i>	66,020	2,082	68,102	11,223	79,325
<i>U : Uniformed; NU : Non-Uniformed</i>		373,862	13,064	386,926	72,649	459,575

11. Pension contributions in the above tables relate to average scheme contribution rates and not an individual pension pot. The Deputy Chief Fire Officer, Director of Finance and Assets and Acting Director of Corporate Services are in the Local Government Scheme (LGPS). The Chief Fire Officer and Assistant Chief Fire Officers are in the Firefighters' Pension Scheme (FFPS).
12. Due to the nature of the 4-weekly payment cycle and the leap year, the figures for uniform staff in 2011/12 represent 366 days, but only 365 days in 2010/11.
13. 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

14. 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.
15. **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 22.
16. **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 7 & 8 on pages 23-24. No Members of the FRA or members of their immediate family or household declared any positions of influence
17. **Officers** - No Senior Officers within the Service or members of their immediate family or household declared any positions of influence.

External Audit Fees

18. During 2011/12 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.

	2010/11 £'000	2011/12 £'000
Fees payable to the Audit Commission:		
in respect of external audit services : 2009/10 Accounts	2	
in respect of external audit services : 2010/11 Accounts	74	23
in respect of external audit services : 2011/12 Accounts		67
	76	90

Leases

19. The FRA has entered into Finance Leases for the provision of a number of Fire Appliances, 2 Water Carriers and an Incident Command Unit.
20. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	31-Mar-11 £'000	31-Mar-12 £'000
Vehicles, Plant, Furniture and Equipment	270	98
	270	98

21. The Authority is 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-11 £'000	31-Mar-12 £'000
Finance lease liabilities (net present value of minimum lease payments):		
Current	220	99
Non-current	123	24
Finance costs payable in future years	(25)	(7)
	318	116

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000
Not later than one year	220	99	202	93
Later than one year and not later than 5 years	123	24	116	23
Later than 5 years	0	0	0	0
	343	123	318	116

23. 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.
24. 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 £102,800 (2010/11 £169,100).

25. The future minimum lease payments due under non-cancellable operating leases in future years are:

	31-Mar-2011	31-Mar-2012
	£'000	£'000
Not later than one year	129	102
Later than one year and not later than 5 years	105	124
Later than 5 years	0	0
	234	226

Capital Expenditure

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

	2010/11	2011/12
	£'000	£'000
New Buildings & Adaptations	757	651
Vehicles (including fitted equipment)	1,745	1,246
IT and Communication Equipment	119	759
Other Equipment	82	126
Total Capital Expenditure	2,703	2,782

27. Capital expenditure was financed as follows:

	2010/11	2011/12
	£'000	£'000
Net Borrowing	1,673	1,522
Capital Receipts	11	0
Capital Grant	809	911
Revenue Contributions	210	349
	2,703	2,782

28. Capital Financing Requirement

	2010/11			2011/12		
	Owned £'000	Leased £'000	Total £'000	Owned £'000	Leased £'000	Total £'000
Opening CFR	14,761	568	15,329	15,475	318	15,793
Capital investment						
Operational assets	2,583	0	2,583	1,077		1,077
Assets not yet Operational	120	0	120	1,705		1,705
Sources of Finance						
Capital receipts	(11)	0	(11)			0
Government grants and other contributions	(809)	0	(809)	(911)		(911)
Sums set aside from Revenue - Direct Revenue Financing	(210)	0	(210)	(349)		(349)
	1,673	0	1,673	1,522	0	1,522
Sums set aside from Revenue - Minimum Revenue Provision	(959)	(250)	(1,209)	(1,039)	(202)	(1,241)
Change in CFR	714	(250)	464	483	(202)	281
Closing CFR	15,475	318	15,793	15,958	116	16,074
Explanation of movements in year						
Increase in underlying need to borrow: supported by government financial assistance	805	n/a		0	n/a	
unsupported by government financial assistance	(91)	n/a		483	n/a	
Increase in Capital Financing Requirement	714			483		

Capital Commitments

29. At 31 March 2012 the FRA had the following material commitments to capital schemes, for which budget provision has been provided:

- Replacement Fire Control £0.743m
- DEFRA funded flood rescue boats £0.044m
- Vehicle Replacement £0.511m

Property, Plant and Equipment

30. Movements in 2011/12

	Land and Buildings £'000	Vehicles Plant, Furniture and Equipment £'000	Surplus Assets £'000	Assets not yet Operational £'000	TOTAL Tangible Assets £'000
Restated Cost or Valuation at 01 April 2011	31,501	17,866	0	238	49,605
Additions	267	757		1,705	2,729
Derecognition - aborted capital project	(12)				(12)
Reclassifications	12	104		(116)	0
Reclassifications - vehicles to surplus assets		(673)	673		0
Reclassifications - to intangible assets				(10)	(10)
Disposals		(722)			(722)
At 31 March 2012	31,768	17,332	673	1,817	51,590
Restated Accumulated Depreciation and Impairment at 01 April 2011	(487)	(9,252)	0	0	(9,739)
Reclassification - vehicle transferred to surplus assets		90	(90)		0
Depreciation Charge for 2011-12	(493)	(1,566)	(45)		(2,104)
Derecognition - disposals		698			698
At 31 March 2012	(980)	(10,030)	(135)	0	(11,145)
Balance Sheet amount at 01 April 2011	31,014	8,614	0	238	39,866
Balance Sheet amount at 31 March 2012	30,788	7,302	538	1,817	40,445

31. Comparative Movements in 2010/11

	Land and Buildings £'000	Vehicles Plant, Furniture and Equipment <i>Re-stated</i> £'000	Assets not yet Operational £'000	TOTAL Tangible Assets <i>Re-stated</i> £'000
Cost or Valuation at 01 April 2010	30,776	15,300	590	46,666
Reclassification - workshops equipment		(521)		(521)
Restated Cost or Valuation at 01 April 2010	30,776	14,779	590	46,145
Additions	714	1,821	120	2,655
Donations		1,536		1,536
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services:	(86)			(86)
De-recognition - other				0
Reclassifications	97	375	(472)	0
Disposals	0	(645)		(645)
At 31 March 2011	31,501	17,866	238	49,605
Accumulated Depreciation/ Impairment at 01 April 2010	0	(8,458)	0	(8,458)
Reclassification - workshops equipment		104		104
Restated Accumulated Depreciation and Impairment at 01 April 2010	0	(8,354)	0	(8,354)
Depreciation Charge for 2010-11	(487)	(1,523)		(2,010)
De-recognition - disposals	0	625		625
At 31 March 2011	(487)	(9,252)	0	(9,739)
Balance Sheet amount at 01 April 2010	30,776	6,425	590	37,791
Balance Sheet amount at 31 March 2011	31,014	8,614	238	39,866

32. 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.

33. Details of Assets Owned

	31-Mar-11	31-Mar-12
Buildings		
Fire Stations	27	27
Training and Development Centre	1	1
Service Headquarters	1	1
Logistics Facility (Workshop/Stores)	1	1
Houses – in use as offices	5	5
Houses – in use (residential)	3	3
Vacant Fire Station - not yet marketed	1	1
Building temporarily let	1	1

Intangible Assets

34. 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.
35. 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.
36. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £90,000 charged to revenue in 2011/12 was charged to the IT cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.
37. The movement on Intangible Asset balances during the year is as follows:

	2010/11 £000	2011/12 £000
Balance at start of year:	201	151
- Gross carrying amount	526	574
- Accumulated amortisation	(325)	(423)
Net carrying amount at start of year	201	151
Additions	48	53
Reclassification		10
Amortisation for the period	(98)	(90)
Net carrying amount at end of year	151	124
Comprising:		
- Gross carrying amount	574	637
- Accumulated amortisation	(423)	(513)
	151	124

Heritage Assets

38. 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.

39. 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.
40. 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

41. 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 47-49):

	31-Mar-11			31-Mar-12		
	Long-term £000	Current £000	Total £000	Long-term £000	Current £000	Total £000
Short Term Deposits loans to WCC		1,691	1,691		6,705	6,705
	0	1,691	1,691	0	6,705	6,705
Loans & Receivables <i>(at amortised cost)</i> Trade Debtors		29	29		35	35
	0	29	29	0	35	35
	0	1,720	1,720	0	6,740	6,740
Financial Liabilities <i>(at amortised cost)</i> PWL B Borrowing	12,971	1,467	14,438	14,971	0	14,971
Trade Creditors		1,447	1,447		2,231	2,231
	12,971	2,914	15,885	14,971	2,231	17,202
Other Long Term Liabilities Finance Lease Liabilities	202	116	318	23	93	116
	202	116	318	23	93	116

Fair Value of Assets and Liabilities carried at amortised cost

42. 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.
43. 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.

44. The Fair Value of the loans at 31 March 2012 was £17.782m (£15.360m at 31 March 2011) as estimated by PWLB by reference to the "premature repayment" set of rates in force on 31 March 2012 (31 March 2011). For all other Financial Assets and Liabilities the Fair Value is equal to the Carrying Value.
45. 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

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

	Interest Expense 2010/11 £'000	Interest Income 2010/11 £'000	Interest Expense 2011/12 £'000	Interest Income 2011/12 £'000
Financial Liabilities				
PWLB Borrowing	625		611	
Finance Lease Interest	32		17	
Total	657	0	628	0
Short Term Deposits				
		10		17
	0	10	0	17

Long and Short Term Borrowing

47. Additional information in respect of Long Term loans shown in table 41 is given below.

	31-Mar-11			31-Mar-12		
	Long Term £'000	Short Term £'000	TOTAL £'000	Long Term £'000	Short Term £'000	TOTAL £'000
Loan Source						
Public Works Loans Board	12,971	1,467	14,438	14,971	0	14,971
	12,971	1,467	14,438	14,971	0	14,971
Analysis by Maturity						
Less than 1 year		1,467	1,467		0	0
Between 1 and 2 years	0		0	500		500
Between 2 and 5 years	1,834		1,834	1,834		1,834
Between 5 and 10 years	3,000		3,000	5,226		5,226
Over 10 years	8,137		8,137	7,411		7,411
Total of Loans	12,971	1,467	14,438	14,971	0	14,971
Accrued Interest	90	9	99	93	0	93
Balance Sheet Total	13,061	1,476	14,537	15,064	0	15,064

48. Since 2006/07 the CIPFA Code of Practice has required short term interest accruals on long term debt to be treated as an addition to the long term borrowing.
49. Other than the maturing Long Term loan, there are no short term borrowings.

Financial Instruments – Exposure to Risk

50. 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.
51. 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

52. 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.
53. Amounts invoiced to customers are of relatively low value and are actively pursued through an SLA with Herefordshire Council Legal Services.
54. 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 £114.00).

	31-Mar-12 £'000	Written off in last 3 years £'000	Historical Default £'000
Loans to WCC	6,705	0	0%
Customers	35	0	0%
Total	6,740	0	

55. Of the £35,000 due from customers at 31 March 2012 the following table analyses the due dates.

	£'000
not yet due	33
Less than 1 month overdue	0
1 to 2 months overdue	0
more than 2 months overdue	2
	35

Liquidity Risk

56. 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

57. 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

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

60. Inventories

	Equip & Uniform £'000	Fuel £'000	Vehicle Parts £'000	Total £'000
Balance outstanding at 31 March 2011	74	45	65	184
Purchases	102	183	34	319
Recognised as an expense in the year	(97)	(184)	(33)	(314)
Written off balances	0	0	(4)	(4)
Reversals of write-offs in previous years	2	8	7	17
Balance outstanding at 31 March 2012	81	52	69	202

61. Debtors

	31-Mar-11 £'000	31-Mar-12 £'000
Central Government Bodies	294	301
Other Local Authorities	488	547
NHS	0	0
Public Corporations and Trading Funds	2,417	1,184
Other entities and individuals	208	449
	3,407	2,481

Cash and Cash Equivalents

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

	31-Mar-11 £'000	31-Mar-12 £'000
Cash held by the Authority	17	17
Bank Current Accounts	0	0
Short term deposits - loans to WCC	1,691	6,705
	1,708	6,722

63. **Creditors**

	31-Mar-11 £'000	31-Mar-12 £'000
Central Government Bodies	462	537
Other Local Authorities	445	520
NHS	0	0
Public Corporations and Trading Funds	0	0
Other entities and individuals	1,885	2,504
	2,792	3,561

Pension Arrangements

64. 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.

65. 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.

66. 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 67 below) so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement (MiRS).
67. 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 20-21 on page 5 of the Explanatory Forward.
 - FFCS – the actual injury pensions and any RDS ill-health pensions payable.
68. It is estimated that the following contributions will be made to the schemes in 2012/13:

	Employers Contributions £'000	Employees Contributions £'000	TOTAL £'000
Firefighters' Pension Scheme (FFPS)	1,788	984	2,772
New Firefighters' Pension Scheme (NFPS)	496	398	894
	2,284	1,382	3,666
Local Government Pension Scheme (LGPS)	623	208	831
	2,907	1,590	4,497

69. Transactions made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement (MiRS) during the year are shown in the tables overleaf:

	LGPS 2011/12 £'000	FFPS 2011/12 £'000	NFPS 2011/12 £'000	FFCS 2011/12 £'000	TOTAL 2011/12 £'000
Income and Expenditure Account					
Net Cost of Services:					
Current Service Cost	617	3,770	1,150	470	6,007
Past Service Cost			6		6
Curtailment Cost	22				22
Net Operating Expenditure:					
Interest Cost	939	11,030	320	1,190	13,479
Expected Return on Assets in the Scheme	(792)	n/a	n/a	n/a	(792)
Net Charge to the CIES	786	14,800	1,476	1,660	18,722
Actual Amount charged against the General Fund Balance for pensions in the year:					
Employer's contribution payable to scheme	631	1,940	381		2,952
Retirement Benefits payable to Pensioners				646	646
Net Charge to General Fund	631	1,940	381	646	3,598

	LGPS 2010/11 £'000	FFPS 2010/11 <i>Re-stated</i> £'000	NFPS 2010/11 <i>Re-stated</i> £'000	FFCS 2010/11 <i>Re-stated</i> £'000	TOTAL 2010/11 <i>Re-stated</i> £'000
Income and Expenditure Account					
Net Cost of Services:					
Current Service Cost	679	4,020	1,030	550	6,279
Past Service Gain (<i>see note below</i>)	(1,060)	(22,325)	(432)	(2,710)	(26,527)
Net Operating Expenditure:					
Interest Cost	1,014	11,230	260	1,300	13,804
Expected Return on Assets in the Scheme	(710)	n/a	n/a	n/a	(710)
Net Charge to the CIES	(77)	(7,075)	858	(860)	(7,154)
Actual Amount charged against the General Fund Balance for pensions in the year:					
Employer's contribution payable to scheme	621	2,011	322		2,954
Retirement Benefits payable to Pensioners				630	630
Net Charge to General Fund	621	2,011	322	630	3,584

70. The Past Service Gain in 2010/11 relates to the Government's decision to change future indexing of pensions from the RPI index to the CPI index. As the latter usually runs at a lower rate future pensions' increases will be lower, and the future cost of any service earned in the past will be reduced. This figure, which due to its size and nature, is treated as an exceptional item in the CIES, represents an adjustment to the current service costs charged to the CIES (and its predecessors) in the past.

Assets and Liabilities in relation to post-employment benefits

71. Reconciliation of the present value of scheme liabilities:

	Funded Liabilities (LGPS) 2011/12 £'000	Un-funded Liabilities (FFPS) 2011/12 £'000	Un-funded Liabilities (NFPS) 2011/12 £'000	Un-funded Liabilities (FFCS) 2011/12 £'000	TOTAL 2011/12 £'000
at 1 April	16,879	194,462	4,850	20,758	236,949
Current Service Cost	617	3,770	1,150	470	6,007
Employee Contributions	237	973	289	0	1,499
Transfers In			6		6
Pensions Paid	(452)	(6,391)	(7)	(646)	(7,496)
Curtailments	22				22
Interest on Liabilities	939	11,030	320	1,190	13,479
Actuarial gains and losses	1	9,500	370	1,930	11,801
at 31 March	18,243	213,344	6,978	23,702	262,267

	Funded Liabilities (LGPS) 2010/11 £'000	Un-funded Liabilities (FFPS) 2010/11 <i>Re-stated</i> £'000	Un-funded Liabilities (NFPS) 2010/11 <i>Re-stated</i> £'000	Un-funded Liabilities (FFCS) 2010/11 <i>Re-stated</i> £'000	TOTAL 2010/11 <i>Re-stated</i> £'000
at 1 April	17,655	212,108	4,230	24,418	258,411
Current Service Cost	679	4,020	1,030	550	6,279
Employee Contributions	242	1,009	250		1,501
Past Service Gain	(1,060)	(22,330)	(470)	(2,710)	(26,570)
Transfers In		5	38		43
Pensions Paid	(664)	(7,610)	(78)	(630)	(8,982)
Interest on Liabilities	1,014	11,230	260	1,300	13,804
Actuarial gains and losses on liabilities	(987)	(3,970)	(410)	(2,170)	(7,537)
at 31 March	16,879	194,462	4,850	20,758	236,949

Reconciliation of fair value of scheme assets:

72. Although the three Firefighters' schemes are unfunded and hold no assets it is now considered that the employee and employer contributions should be treated as assets for the purpose of this disclosure.

	Funded Liabilities (LGPS) 2011/12 £'000	Un-funded Liabilities (FFPS) 2011/12 £'000	Un-funded Liabilities (NFPS) 2011/12 £'000	Un-funded Liabilities (FFCS) 2011/12 £'000	TOTAL 2011/12 £'000
at 1 April	11,111	0	0	0	11,111
Actuarial gains and losses on assets	(1,029)	3,478	(663)	0	1,786
Employer Contributions	631	1,940	381	646	3,598
Interest on Assets	792				792
Employee Contributions	237	973	289	0	1,499
Benefits Paid	(452)	(6,391)	(7)	(646)	(7,496)
at 31 March	11,290	0	0	0	11,290

	Funded Liabilities (LGPS) 2010/11	Un-funded Liabilities (FFPS) 2010/11	Un-funded Liabilities (NFPS) 2010/11	Un-funded Liabilities (FFCS) 2010/11	TOTAL 2010/11
	<i>£'000</i>	<i>Re-stated £'000</i>	<i>Re-stated £'000</i>	<i>Re-stated £'000</i>	<i>Re-stated £'000</i>
at 1 April	10,309	0	0	0	10,309
Actuarial gains and losses on assets	(107)	4,590	(494)		3,989
Employer Contributions	621	2,011	322	630	3,584
Interest on Assets	710				710
Employee Contributions	242	1,009	250		1,501
Benefits Paid	(664)	(7,610)	(78)	(630)	(8,982)
at 31 March	11,111	0	0	0	11,111

73. 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 81 appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class as shown in table 82. Note that rates quoted are gross of expenses. The actual return on schemes' assets in the year was £238,000 (2010/11 £865,000).

74. Reconciliation of Movements in Net Pensions Liability:

	Funded Liabilities (LGPS) 2011/12	Un-funded Liabilities (FFPS) 2011/12	Un-funded Liabilities (NFPS) 2011/12	Un-funded Liabilities (FFCS) 2011/12	TOTAL 2011/12
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
at 1 April	5,768	194,462	4,850	20,758	225,838
Current Service Cost	617	3,770	1,150	470	6,007
Employer Contributions	(631)	(1,940)	(381)	(646)	(3,598)
Transfers In			6		6
Curtailments	22				22
Interest on Liabilities	939	11,030	320	1,190	13,479
Interest on Assets	(792)				(792)
Net actuarial gains and losses	1,030	6,022	1,033	1,930	10,015
at 31 March	6,953	213,344	6,978	23,702	250,977

	Funded Liabilities (LGPS) 2010/11	Un-funded Liabilities (FFPS) 2010/11	Un-funded Liabilities (NFPS) 2010/11	Un-funded Liabilities (FFCS) 2010/11	TOTAL 2010/11
	<i>£'000</i>	<i>Re-stated £'000</i>	<i>Re-stated £'000</i>	<i>Re-stated £'000</i>	<i>Re-stated £'000</i>
at 1 April	7,346	212,108	4,230	24,418	248,102
Current Service Cost	679	4,020	1,030	550	6,279
Past Service Gain	(1,060)	(22,330)	(470)	(2,710)	(26,570)
Employer Contributions	(621)	(2,011)	(322)	(630)	(3,584)
Transfers In		5	38	0	43
Interest on Liabilities	1,014	11,230	260	1,300	13,804
Interest on Assets	(710)	0	0	0	(710)
Net actuarial gains and losses	(880)	(8,560)	84	(2,170)	(11,526)
at 31 March	5,768	194,462	4,850	20,758	225,838

75. Note that the revised treatment for this disclosure as detailed in Note 1 on page 22 and Notes 55 to 58 of the Statement of Accounting Policies on page 15 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.

76. Scheme History:

	31-Mar 2008 £'000	31-Mar 2009 £'000	31-Mar 2010 £'000	31-Mar 2011 £'000	31-Mar 2012 £'000
Present value of liabilities:					
LGPS : Local Government Pension Scheme	13,490	11,341	17,655	16,879	18,243
FFPS : Firefighters' 1992 Scheme	158,428	147,658	212,108	194,462	213,344
NFPS : Firefighters' 2006 Scheme	930	1,490	4,230	4,850	6,978
FFCS : Firefighters' Injury Scheme	10,162	16,711	24,418	20,758	23,702
	183,010	177,200	258,411	236,949	262,267
Fair value of assets in the LGPS	7,985	6,563	10,309	11,111	11,290
	7,985	6,563	10,309	11,111	11,290
Net Liabilities of the scheme:					
LGPS : Local Government Pension Scheme	5,505	4,778	7,346	5,768	6,953
FFPS : Firefighters' 1992 Scheme	158,428	147,658	212,108	194,462	213,344
NFPS : Firefighters' 2006 Scheme	930	1,490	4,230	4,850	6,978
FFCS : Firefighters' Injury Scheme	10,162	16,711	24,418	20,758	23,702
Total	175,025	170,637	248,102	225,838	250,977

77. The liabilities show the underlying commitments that the FRA has in the long run to pay retirement benefits. The total liability of £250.977m has a substantial impact on the net worth of the FRA as recorded in the Balance Sheet, resulting in a negative overall balance of £220.125m.

78. 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.

79. The total contributions expected to be made to the LGPS by the FRA in 2012/13 is £0.623m, and to the Firefighters' schemes £2.285m This includes the direct cost of injury pensions, and ill health charges.

Basis for Estimating Liabilities

80. 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 Actuary's Department.

81. The principal assumptions used by the Actuaries are shown overleaf:

	LGPS 2011/12	FFPS 2011/12	NFPS 2011/12	FFCS 2011/12
Long-term expected rate of return on assets in the scheme				
Equity investments	7.00%	n/a	n/a	n/a
Government Bonds	3.10%	n/a	n/a	n/a
Other Bonds	4.10%	n/a	n/a	n/a
Property	n/a	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	22.1	23.4	23.4	23.4
Female	24.6	25.3	25.3	25.3
Longevity at 65 for future pensioners				
Male	23.5	26.5	26.5	26.5
Female	26.1	28.3	28.3	28.3
Rate of inflation (RPI)	3.60%	3.60%	3.60%	3.60%
Rate of inflation (CPI)	2.60%	2.50%	2.50%	2.50%
Rate of increase in salaries	4.10%	4.70%	4.70%	4.70%
Rate of increase in pensions	2.60%	2.50%	2.50%	2.50%
Rate for discounting scheme liabilities	5.10%	4.90%	4.90%	4.90%
Take-up of option to convert annual pension into retirement lump sum:				
take maximum cash	50%	n/a	75%	n/a
take 3/80ths cash	50%	n/a	25%	n/a

	LGPS 2010/11	FFPS 2010/11	NFPS 2010/11	FFCS 2010/11
Long-term expected rate of return on assets in the scheme				
Equity investments	7.50%	n/a	n/a	n/a
Government Bonds	4.40%	n/a	n/a	n/a
Other Bonds	5.10%	n/a	n/a	n/a
Property	n/a	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	22.0	23.4	23.4	23.4
Female	24.5	25.3	25.3	25.3
Longevity at 65 for future pensioners				
Male	23.4	26.3	26.3	26.3
Female	26.1	28.0	28.0	28.0
Rate of inflation (RPI)	3.50%	3.80%	3.80%	3.80%
Rate of inflation (CPI)	3.00%	3.00%	3.00%	3.00%
Rate of increase in salaries	4.50%	5.30%	5.30%	5.30%
Rate of increase in pensions	3.00%	3.00%	3.00%	3.00%
Rate for discounting scheme liabilities	5.50%	5.70%	5.70%	5.70%
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

82. 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.

	31-Mar-11	31-Mar-12
Equities	92.7%	88.9%
Government Bonds	2.6%	3.2%
Other Bonds	3.8%	4.0%
Other Assets	0.9%	3.9%
	100.0%	100.0%

Injury Awards

83. 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.

History of experience gains and losses

84. The actuarial gains identified as movements in the Pension Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012, and are shown in the table below:

Local Government Scheme					
	2007/08 Restated	2008/09	2009/10	2010/11	2011/12
Difference between the expected and actual return on assets	-15.00%	-38.50%	-26.40%	-1.00%	-9.10%
Experience gains and losses on liabilities	-5.00%	0.00%	0.00%	3.70%	0.00%

1992 Firefighters' Pension Scheme					
	2007/08	2008/09	2009/10	2010/11	2011/12
Experience gains and losses on liabilities	1.80%	1.60%	3.20%	0.70%	0.50%

2006 Firefighters' Pension Scheme					
	2007/08	2008/09	2009/10	2010/11	2011/12
Experience gains and losses on liabilities	-25.80%	11.40%	1.70%	5.60%	-0.90%

Firefighters' Injury Scheme					
	2007/08	2008/09	2009/10	2010/11	2011/12
Experience gains and losses on liabilities	-2.70%	2.90%	-9.80%	6.50%	-4.10%

Usable Reserves

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

	31-Mar-11 £'000	31-Mar-12 £'000
General Fund	934	1,399
Earmarked Reserves	2,130	2,744
Unapplied Grants	368	2,330
Capital Receipts Reserve	0	0
	3,432	6,473

86. General Fund Balance

	2010/11 £'000	2011/12 £'000
Balance at 01 April	642	934
Transfers from CIES	292	465
Transfers to CIES		
Balance at 31 Mar	934	1,399

Earmarked Reserves

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

- **New Dimensions Reserve** – a consolidation of 3 previous reserves relating to New Dimensions funding which are planned to be used to create additional training facilities and fund exercises.
- **Pensions Reserve** – To meet the potential cost of the Retained Firefighters' national settlement in relation to Unfair Treatment of Part-time Workers.
- **Training Reserve** – To meet the costs of planned training that has been delayed or deferred.
- **RDS Implementation Reserve** – To assist in completing implementation of the approved three year RDS Review. To be utilised in 2012/13.
- **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.
- **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.
- **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).
- **Development Reserve** – To provide funding for capacity building or “invest to save” type initiatives to prepare for future grant reductions.
- **Operational Activity Reserve** – To fund exceptional activity costs arising from spate conditions e.g. prolonged fires in the Malvern Hills or flooding.
- **Tax/NI Settlement Reserve** – Uncertainty over the tax position regarding the compensation payment for to the Retained Firefighters national settlement in relation to Unfair Treatment of Part-time Workers, has led to the creation of this reserve to meet these potential costs should they arise.
- **Miscellaneous Grants Reserve** – to hold small grants received too late in the year for expenditure to be incurred until the following year.

In 2010/11 the following reserves were held and closed

- **Environment Agency Grant Reserve** – funds provided to assist in improving environmental protection capability, for which expenditure was incurred in 2010/11.
- **LPSA Revenue Reward Grant Reserve** – Following successful achievement of targets under the original Worcestershire Local Public Service Agreement the FRA was awarded significant reward grant. This was used to fund additional educational and preventative activities over time and was fully used in 2010/11.

88. A summary of movements is shown below.

	Balance at 31-Mar-11 £000	Consolid- ation £000	from CIES £000	(to) CIES £000	Balance at 31-Mar-12 £000
New Dimensions Training Reserve	30	(30)			0
Urban Search & Rescue Reserve	432	(432)			0
New Dimensions HVP/ECU Reserve	248	(248)			0
New Dimensions Reserve		710			710
Pensions Reserve	167		255		422
Training Reserve	133		98		231
RDS Implementation Reserve	18				18
New Fire Control Reserve	147		120		267
Relocation Reserve	45		47		92
ICP-Workwear Reserve	60				60
Operational Activity Reserve	300				300
Development Reserve	550			(71)	479
Tax/NI Settlement Reserve	0		100		100
Miscellaneous Grants Reserve	0		65		65
	2,130	0	685	(71)	2,744
			Net	614	

The comparative movements for 2010/11 are summarised below:

	Balance at 01-Apr-10 £000	from CIES £000	(to) CIES £000	Balance at 31-Mar-11 £000
New Dimensions Training Reserve	30			30
Urban Search & Rescue Reserve	358	74		432
New Dimensions HVP/ECU Reserve	248			248
Pensions Reserve	167			167
Training Reserve	83	50		133
RDS Implementation Reserve	18			18
New Fire Control Reserve	130	17		147
Relocation Reserve	45			45
ICP-Workwear Reserve	60			60
Operational Activity Reserve		300		300
Development Reserve		550		550
LPSA Revenue Reward Grant Reserve	33		(33)	0
Environment Agency Grant Reserve	22		(22)	0
	1,194	991	(55)	2,130
		Net	936	

89. Unapplied Grant

	LPSA1 (Worcs) Reward Grant (Capital) £'000	Formula Capital Grant £'000	Control Rooms Funding £'000	CLG E&D Grant £'000	TOTAL £'000
Balance at 31 March 2011	332	0	0	36	368
Grant Received in Year		1,173	1,700		2,873
Financing Capital Expenditure		0	(911)		(911)
Balance at 31 March 2012	332	1,173	789	36	2,330

90. Capital Receipts

	2010/11 £'000	2011/12 £'000
Balance at 01 April	0	0
Net Proceeds from sale of fixed assets	12	0
Used to Finance capital expenditure	(12)	0
Balance at 31 Mar	0	0

91. Unusable Reserves

	01-Apr-10 <i>Re-stated</i> £000	31-Mar-11 <i>Re-stated</i> £000	31-Mar-12 £000
Revaluation Reserve	5,169	5,071	5,000
Capital Adjustment Account	17,496	19,159	19,500
Pensions Reserve	(248,102)	(225,838)	(250,977)
Collection Fund Adjustment Account	122	42	27
Accumulated Absences Adjustment Account	(186)	(127)	(148)
	(225,501)	(201,693)	(226,598)

Revaluation Reserve

92. 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.

93. 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.

	2010/11 <i>Re-stated</i> £'000	2011/12 £'000
Balance at 1 April	5,169	5,071
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	0	
Difference between fair value depreciation and historical cost depreciation	(98)	(71)
Balance at 31 March	5,071	5,000

Capital Adjustment Account

94. 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.
95. 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.
96. 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.
97. The table overleaf provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2010/11 <i>Re-stated</i> £'000	2011/12 £'000
Balance at 1 April	17,496	19,159
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	0	0
Charges for depreciation and impairment of non-current assets	(2,095)	(2,104)
Revaluation (gains)/losses on Property, Plant and Equipment	0	0
Amortisation of intangible assets	(98)	(90)
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	(19)	(36)
	15,284	16,929
Adjusting amounts written out to the Revaluation Reserve - <i>difference in depreciation on historical & current cost basis</i>	98	71
	15,382	17,000
<u>Capital financing applied in the year:</u>		
Use of the Capital Receipts Reserve to finance new capital expenditure	12	0
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to to capital financing	809	911
Donated Assets fair value	1,536	0
Statutory provision for the financing of capital investment charged against the General Fund balance.	1,210	1241
Capital expenditure charged against the General Fund balance	210	348
Balance at 31 March	19,159	19,500

Pensions Reserve

98. 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.
99. 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.

	2010/11 <i>Re-stated</i> £'000	2011/12 £'000
Balance at 1 April	248,102	225,838
Actuarial gains or losses on pensions assets & liabilities	(11,526)	10,015
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services the CIES	(7,154)	18,722
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,584)	(3,598)
Balance at 31 March	225,838	250,977

Collection Fund Adjustment Account

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

	2010/11 £'000	2011/12 £'000
Balance at 1 April	122	42
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	(80)	(15)
Balance at 31 March	42	27

Accumulated Absences Account

101. 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.

	2010/11 £'000	2011/12 £'000
Balance at 1 April	(186)	(127)
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	59	(21)
Balance at 31 March	(127)	(148)

Contingent Liabilities

102. On 17 June 2010 FRA's were informed by the NJC that negotiations with representatives of RDS personnel in respect of the Unfair Treatment of Part-Time workers ruling were almost (but are not yet finally) completed. As part of this agreement details of the compensation payment proposed were sufficiently certain for £209,000 to be accrued in the CIES in 2010/11.
103. Since then the process has been contracted and payment had not been made at 31 March 2012. An issue has now arisen regarding the relationship between the Agreement and the tax status of the payment. The position is not clear and could involve the FRA in additional costs of between £0.050m and £0.100m, but this is not certain. An earmarked reserve has been created for any actual costs that do arise.
104. The second part of the Settlement relates to the un-lawful exclusion of RDS personnel from the Firefighters' Pension Scheme before 2006. No details of this element of the settlement have been given but the costs could be very significant. An earmarked reserve has been created for any actual costs that do arise.

West Midlands Fire and Rescue Services Regional Control Centre Company

105. The National Fire Control Project was a central Government project, working towards the migration of English Fire and Rescue Control functions into nine Regional Control Centres, and was to have been operated by a Local Authority Controlled Company (LACC) of which the 5 regional Fire and Rescue Services were Members in accordance with central Government direction.
106. The National Fire Control Project was cancelled by central Government in December 2010 and as a consequence the LACC has been wound up.
107. The company held no material assets or liabilities at 31 March 2011 and all expenditure incurred in 2010-11 was funded by Government grant paid to West Midlands Fire Service. None of these transactions were included in Hereford & Worcester Fire and Rescue Authority's accounts.

Provisions

108. The FRA now has 3 provisions and these are detailed below:

Retirement Costs Provision

109. The provision was created in 2009/10 to reflect the potential liability arising from the circumstances surrounding the retirement of the previous Chief Fire Officer.
110. The additional costs arising from this provision were potentially to be compensated by contributions from the Constituent Authorities, with the intention that they would be taken to general balances to restore their level, which was diminished by the creation of the provision.
111. The movement in the year represents the costs that have been incurred this year, the Constituent Authorities contributions and a transfer back to general reserves through the CIES.
112. The remaining balance will meet the known future costs until they cease in 2015/16.

	2010/11 £'000	2011/12 £'000
Balance at 1 April	538	294
Expenditure incurred in year	(244)	(29)
Contributions from Constituent Authorities		236
Transfer back to CIES		(464)
Balance at 31 March	294	37

Redundancy Provision

113. In 2011/12 the FRA commenced a process of redundancy amongst support staff. Although the costs of redundancy were budgeted in 2012/13 and costs incurred after 2012/13, it is a requirement of the Code that these costs are accrued to 2011/12 by means of a provision. This will be utilised in 2012/13.

	2011/12 £'000
Balance at 1 April	0
Transfer from CIES	187
Balance at 31 March	187

Settlement Provision

114. The FRA has provided for the potential settlement of a legal claim against the Authority.

	2011/12 £'000
Balance at 1 April	0
Transfer from CIES	250
Balance at 31 March	250

Specific Government Grants

115. The following grants are included as income within the CIES on page 19.

	2010/11 £'000	2011/12 £'000
New Dimensions - Insurance	4	
New Dimensions - USAR	868	
New Dimensions - IRU	74	
New Dimensions - HVP/ECU	42	
Flood Rescue National Enhancement Project		50
New Burdens - Fire Control	141	
Fire Revenue Grant - New Dimensions		1,001
Fire Revenue Grant - Future Control Rooms		20
Fire Revenue Grant - Firelink		168
Future Control Rooms Funding		100
New Burdens - Fire Control (ISP)	57	
	1,186	1,339

Cashflow Statement – Operating Activities

116. The cashflows for operating activities include the following items:

	2010/11 £'000	2011/12 £'000
Interest Paid	(658)	(635)
Interest Received	10	17
Capital Grants	843	1,962
Proceeds of Sale of Capital Items	22	11
	217	1,355

117. Cashflow Statement – Investing Activities

	2010/11 £'000	2011/12 £'000
Purchase of Property, Plant & Equipment	2,589	2,417
Capital Grants received	(843)	(1,962)
Interest Received	(10)	(17)
Proceeds of sales of Property Plant & Equipment - Capital Receipts	(12)	0
Proceeds of sales of Property Plant & Equipment - Other	(10)	(11)
	1,714	427

118. Cashflow Statement – Financing Activities

	2010/11 £'000	2011/12 £'000
Interest Paid	658	635
Principal Payments on Finance Leases	250	201
Long Term Loans Raised	0	(2,000)
Long Term Loans Repaid	525	1,467
	1,433	303

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

119. 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.
120. The items in the balance sheet at 31 March 2012 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.
121. Firefighters on the Retained Duty System have claimed access to the Firefighters' Pension Scheme, and in January 2006, the House of Lords granted a re-hearing at the Firefighters' Employment Tribunal, which declared that retained firefighters were engaged in broadly similar work as wholetime firefighters. There will be potential pension costs to the Fire Authority relating to the financial periods between July 2000 and April 2006, as a large proportion of the Fire Authority's employees are retained firefighters, the number of retained firefighters and cost involved is not yet certain.

122. 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 2012. 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.

123. **Approximate increase in Net Liability**

Change in financial assumptions 2011/2: Firefighters’ Schemes		
	£’000	%
0.5% Decrease in rate of return in excess of earnings	6,101	2.50%
0.5 % Decrease in rate of return in excess of pensions	18,302	7.50%
2 years Increase in Member Life Expectancy	9,761	4.00%

Change in financial assumptions 2011/12 : LGPS		
	£’000	%
0.1% Increase in real discount rate	(367)	-5.28%
0.1% Increase in rate of increase in salaries	374	5.38%
0.1% Increase in expected return on equities	0	0.00%
1 Year Increase in Member Life Expectancy	338	4.86%

Property, Plant and Equipment

124. 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.

125. 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 £16,300 for every year that useful lives had to be reduced.

Critical Judgements in Applying Accounting Policies

126. 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:
127. 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.

Termination Benefits and Exit Packages

128. As a result of a redundancy process the FRA terminated the contracts of 14 employees, incurring liabilities of £0.218m, including provisions of £0.187m.
129. 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 Agreements £	Actuarial Strain £	Pay in lieu of Notice £	Total £
£0 to £20,000	11	36,395	2,000	1,491	13,684	53,570
£20,000 to £40,000	1	4,774		19,358	1,185	25,317
£40,000 to £60,000	0					0
£60,000 to £80,000	2	46,944	500	82,556	8,754	138,754
		88,113	2,500	103,405	23,623	217,641

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 37, 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 9-16.
9. 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.
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 20 and detailed in the Notes to the Core Financial Statements on pages 37-44.

Firefighters' Pension Fund Account

	2010/11 £000	2011/12 £000
Contributions receivable		
Fire and Rescue Authority		
Contributions in relation to pensionable pay	(2,235)	(2,224)
Other	(100)	(98)
Firefighters' Contributions	(1,259)	(1,262)
	(3,594)	(3,584)
Transfers in from other schemes	(43)	(6)
Benefits Payable		
Pensions	5,126	5,499
Commutations and lump sum retirement benefits	2,490	899
Lump sum death benefits	72	1
Payments to and on account of leavers		
Transfers out to other schemes	2	0
Net amount payable for the year	4,053	2,809
Top-up grant payable by government	(4,053)	(2,809)
	0	0

Firefighters' Pension Fund Statement of Net Assets

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

	31-Mar-11 £000	31-Mar-12 £000
Current Assets		
Debtors		
Employer Contributions Due	78	92
Employee Contributions Due	45	53
Other	0	4
Top Up receivable from the government	1,932	563
Prepayments	453	471
Creditor		
Overpaid prior years grant	(91)	0
Amounts due to General Fund	(2,417)	(1,183)
	0	0

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

Opinion on the Authority and Pension Fund financial statements

I have audited the financial statements and the firefighters' pension fund financial statements of Hereford and Worcester Fire and Rescue Authority for the year ended 31 March 2012 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. The firefighters' pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. 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 2011/12.

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.

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 Authority's Statement of Accounts, which includes the financial statements and the firefighters' pension fund 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. My 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 me 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 and Pension Fund'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, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my 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 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the firefighters' pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my 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 I report by exception

I report to you if:

- in my 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;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I 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
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

Conclusion on 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.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself 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 me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

I have undertaken my 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 2011, 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 me to consider under the Code of Audit Practice in satisfying myself 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 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I 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 my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am 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 2012.

Certificate

I certify that I have completed the audit of the accounts of Hereford and Worcester Fire 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.

Grant Patterson

District Auditor

Audit Commission
Opus House
Priestley Court
Stafford Technology Park
Beaconside
Stafford
ST18 0LQ

28 September 2012

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 Treasurer.

DRAFT ANNUAL GOVERNANCE STATEMENT 2011/12

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 includes 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) (3) and (4) of the Accounts and Audit Regulations 2011
- 1.4 The FRA has approved and adopted a Code of Corporate Governance, which is consistent of the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the code is available at our website www.hwfire.org.uk or may be obtained from Hereford & Worcester Fire and Rescue Service Headquarters, 2 Kings Court, Charles Hastings Way, Worcester.WR5 1JR.

2. The Purpose of the Governance Framework

- 2.1 The Governance Framework comprises the systems and processes, and culture and values by which the FRA is directed and controlled. It includes the 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) 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 on-going process designed to identify and prioritise the risks to the achievement of the FRA's policies, aims and objectives. It evaluates the likelihood of those risks being realised and the subsequent impact should they be realised and to ensure they are managed efficiently, effectively and economically. The FRA has always maintained a sound system to protect against risks and mitigate their impact upon the FRA. 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 2012 and up to the date of approval of the Statement of Accounts.
- 2.4 The Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

3. Key Elements of the Governance Framework

- 3.1 This section of the Statement describes the key elements of the systems and processes that comprise the FRA's Governance arrangements.

Corporate Governance Framework

- 3.2 The FRA has adopted an Authority Plan which is reviewed annually and sets out the FRA's vision and intended outcomes along with an annual Integrated Risk Management Plan (IRMP) which reviews the Authority's aspirations and implications for its governance arrangements. The FRA has a robust process for establishing priorities using a risk based approach.
- 3.3 A Performance Management Framework is in place which measures the quality of service for users ensuring that it is delivered in accordance with the FRA's objectives and best use of resources. Performance against the objectives set out in the FRA Plan is reported to the Senior Management Board and Policy & Resources Committee on a quarterly basis, together with regular financial reporting.
- 3.4 The FRA's constitution defines and documents roles and responsibilities of the FRA's committees and incorporates:
- Standing orders for the conduct of business
 - Scheme of delegations to Officers
 - Financial Regulations
 - Standing Orders for the Regulation of Contracts
 - Anti-Fraud and Corruption Policy
 - Protocol for Member / Officer Relations
 - Protocol on the Use of resources by members
- 3.5 The constitution is overseen by the Monitoring Officer and reviewed through the Governance Review Working Group, which recommends any changes for consideration by the Audit Committee prior to Authority approval.
- 3.6 As part of our decision making process procedures are in place for ensuring that technical advice is required from professional officers ensuring compliance with relevant laws, regulations, internal policies and procedures and that expenditure is lawful.

Internal Control Framework

- 3.7 An Audit Committee is in place as identified in CIPFA's Audit Committees Practical Guidance for Local Authorities. The functions of the Committee in relation to internal control include the review of arrangements for identifying and managing the Authority's business risks, consideration of the Authority's governance framework and the approval of policies in respect of Anti-Fraud and Corruption. In addition, the Authority has appointed an FRA Member as the Authority's Risk Champion and Members have received training on Strategic Risk.
- 3.8 A Risk Management Strategy is in place to ensure that the Authority identifies strategic risks and applies the most cost effective control mechanisms to manage those risks. A Business Continuity Plan is in place which incorporates the risk management system.
- 3.9 The Strategic Risk Register identifies controls to mitigate the inherent identified risks. The Audit Committee reviews the Strategic Risk Register on an annual basis which is then approved by the full Authority. The Strategic Risk Register is monitored and updated on an on-going basis with exception reporting to the Senior Management Board and the Audit Committee. Departmental Risk Registers are also reviewed on a regular basis throughout the year.
- 3.10 The Authority is responsible for maintaining or procuring an adequate and effective internal audit of the activities of the Authority under the Accounts and Audit (England) Regulations 2011. In 2011/12 Internal Audit was provided partly by Worcestershire

Internal Audit Shared Service Audit Team and partly by Worcestershire County Council.

- 3.11 The Treasurer has a delegated duty to review the Authority's controls to prevent and detect fraudulent activity and reports to the Audit Committee on an annual basis with regards to the National Fraud Initiative.
- 3.12 A Confidential Reporting (Whistle Blowing) Policy and a Complaints Procedure are in place for receiving and investigating complaints from the public and staff.
- 3.13 A Code of Conduct for Members is in place which promotes high standards of ethics and behaviour. Members receive training on the Code of Conduct as part of their Induction, which all new FRA Members have attended. A Standards Committee is in place to ensure that high standards of ethical conduct are maintained by Members. In 2011/12, the Committee included five independent non-councillors and was chaired by an independent person. The Standards Committee received no complaints regarding member conduct in 2011/12.
- 3.14 An Ethical Framework and Code of Conduct are in place for all staff and familiarisation on the framework is included in the local induction for staff.
- 3.15 An Integrated Personal Development Review, allied to the Performance Management Framework is in place and designed to identify the development of senior officers in relation to their strategic roles supported by appropriate training.
- 3.16 Members are supported through a range of seminars, events and information sharing to enable them to fulfil their role as effective decision-makers. A training programme for Members is in place and Members are surveyed on an annual basis to establish their training needs. A Member Development Group and three Member Development Champions are in place to provide a steer on the annual training programme.
- 3.17 The Authority is compliant with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). From 1 April 2011 to 15 February 2012 the Authority appointed an Interim Treasurer and since 15 February 2012 this role has been undertaken by the Director of Finance and Assets.
- 3.18 The Treasurer ensures the sound administration of the financial affairs of the Authority, as required by the statutory duties associated with s.151 of the Local Government Act 1972, the Local Government Finance Act 1988 and the Accounts and Audit Regulations 2011.
- 3.19 The Chief Financial Officer's role is discharged through:
 - Provision of advice and support on application of accounting policies and procedures and adherence to International Financial Reporting Standards
 - Attendance by the Treasurer at the following statutory meetings held with Fire Authority Members:
 - Fire and Rescue Authority;
 - Policy & Resources Committee;
 - Audit Committee
 - Independent meetings with the Chair of Audit Committee
- 3.20 The Treasurer sits on the Senior Management Board and has direct control over the Authority's Finance Team.

Identifying and Communicating the Authority's Vision

- 3.21 The Authority has published its corporate plan (The Authority Plan) which incorporates the future outlook and objectives for the forthcoming year in addition to performance over the previous year. The Annual IRMP Action Plan sets out the annual priorities to identify initiatives to reduce risk within the community and improve community safety. The IRMP process involves consultation with the public, partners and staff.
- 3.22 Full details of these plans are published on the website www.hwfire.org.uk
- 3.23 The annual performance of the Authority and the future objectives of the organisation are set out in the Council Tax Leaflet which is distributed to all households within the two counties.

4. Review of Effectiveness

- 4.1 The FRA has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control. The review of effectiveness is informed by the work of senior managers in the FRA who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and also by comments made by the external auditors, other review agencies and inspectorates.
- 4.2 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 outputs of any review are fed routinely into the Senior Management Board to ensure that there is managerial responsibility and accountability. These are reported to the FRA's Committees and main FRA meeting, as appropriate. The annual IRMP is formulated by the Policy & Resources Committee and approved by the full Authority.
- 4.3 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 throughout the year.
- 4.4 The process of reviewing key financial systems by the Internal Audit provider is a continuous one. This review was further enhanced as the service provider was changed in 2011/12 from Worcestershire County Council Internal Audit to Worcester Internal Audit Shared Services (WIASS) permitting a fresh view of process and controls. None of the work WIASS carried out in support of the 2011/12 audit plan identified any fundamental weaknesses in the area WIASS audited and no issues were identified by Worcestershire County Council Internal Audit that would be classed as significant control weaknesses.
- 4.5 Although no major weaknesses have been identified in the 2011/12 financial year, the WIASS Acting Service Manager concluded that the Authority's governance framework arrangements during 2011/12 did not always provide full assurance but outstanding issues were being addressed as part of the process of continuous improvement. WIASS concluded that no system of control could provide absolute assurance against material misstatement or loss, nor could Internal Audit give that assurance, however the statement intended to provide reasonable assurance.
- 4.6 In 2011/12, all new Members attended an Induction Session, which includes the role of the Authority Members and the Code of Conduct. In addition as part of the Member Development Programme, Members were provided the opportunity to attend development seminars on Financial Statements (facilitated by the External Auditors), Strategic Risk and Financial Planning.
- 4.7 Budget Monitoring reports have been presented to Members of the Policy and Resources Committee 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.

- 4.8 The Chief Executive and Chairman have received assurances from Principal Officers that controls are operating as expected.
- 4.9 The S151 and Monitoring Officer have provided assurances on their respective areas of statutory responsibility. All Members of the Senior Management Board have also provided assurances on their areas of responsibility.
- 4.10 The Authority carried out an internal review of operational assurance for the management of Health and Safety based around the national Health and Safety Executive consolidated report. All the recommendations made were accepted by the SMB and have been implemented or commenced during 2011/12
- 4.11 The FRA has implemented the improvements to governance arrangements recommended and contained in the final report of the District Auditor on his investigation into the retirement of the outgoing Chief Fire Officer.

5. Significant Governance Issues

- 5.1 Based on the information provided above there are no significant governance issues identified at this time. The Governance Review Working Group has produced and will continue to produce recommendations over the coming year to address and further enhance our governance arrangements. We are satisfied that the need for improvements will be addressed and we will thereafter monitor the implementation and operation of any agreed recommendations as part of our next annual review

Signed on original document

.....
Chief Fire Officer/Chief Executive

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

Date: 28 September 2012

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 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 in 2010/11 and 2011/12.

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.

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.