

Hereford & Worcester Fire Authority Statement of Accounts (Unaudited) 2016/17

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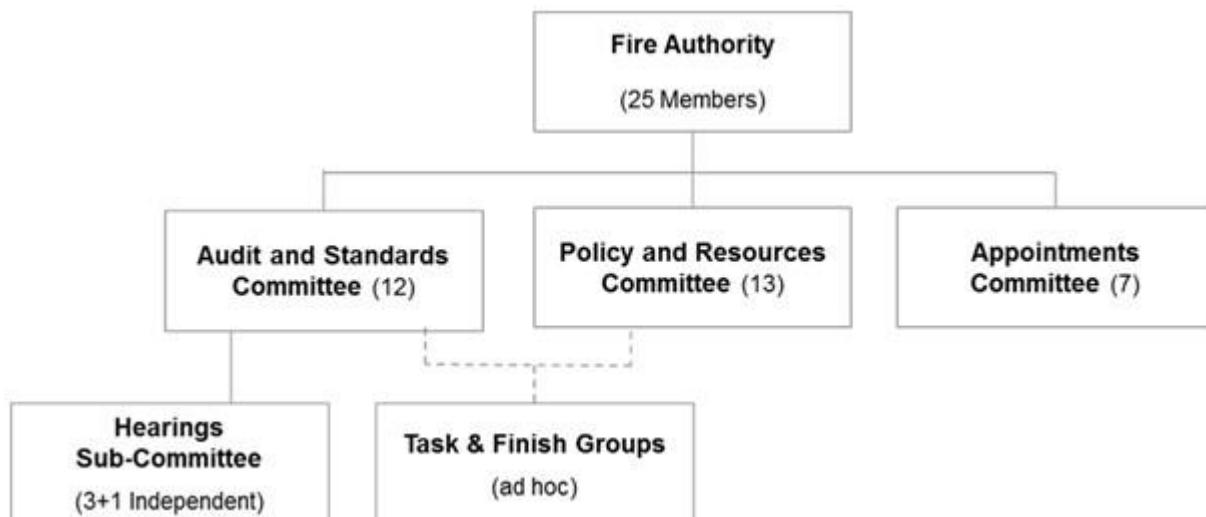
NARRATIVE REPORT

1. Originally formed as an independent corporate body, as a result of Local Government Reorganisation, on 1 April 1998, Hereford & Worcester Fire Authority (the Authority) is now constituted under the Fire and Rescue Services Act 2004. The Authority sets its own budget requirement, receives a share of Retained Business Rates, Business Rate Support Grant and Revenue Support Grant, and issues its own Council Tax Precept.
2. The Service covers the whole of Herefordshire and Worcestershire, an area of around 1,500 square miles (390,000 hectares) and a resident population of about three-quarters of a million people (753,700 – ONS mid-2014 population estimate). Of these, three in four live in Worcestershire, with around 100,000 people living in the city of Worcester. Herefordshire is more sparsely populated with a largely rural population, about a third of whom (60,000 people) live in the city of Hereford.
3. Our Strategy is the Service's overall statement of intent. With safety firmly at its heart, the statement has a clear core purpose built on strong foundations linked by three driving principles: firefighter safety, community safety and delivery of quality services. It relies on all parts of the service – from frontline firefighting to support staff and community safety volunteers – working together to deliver services and plans.



The Fire Authority

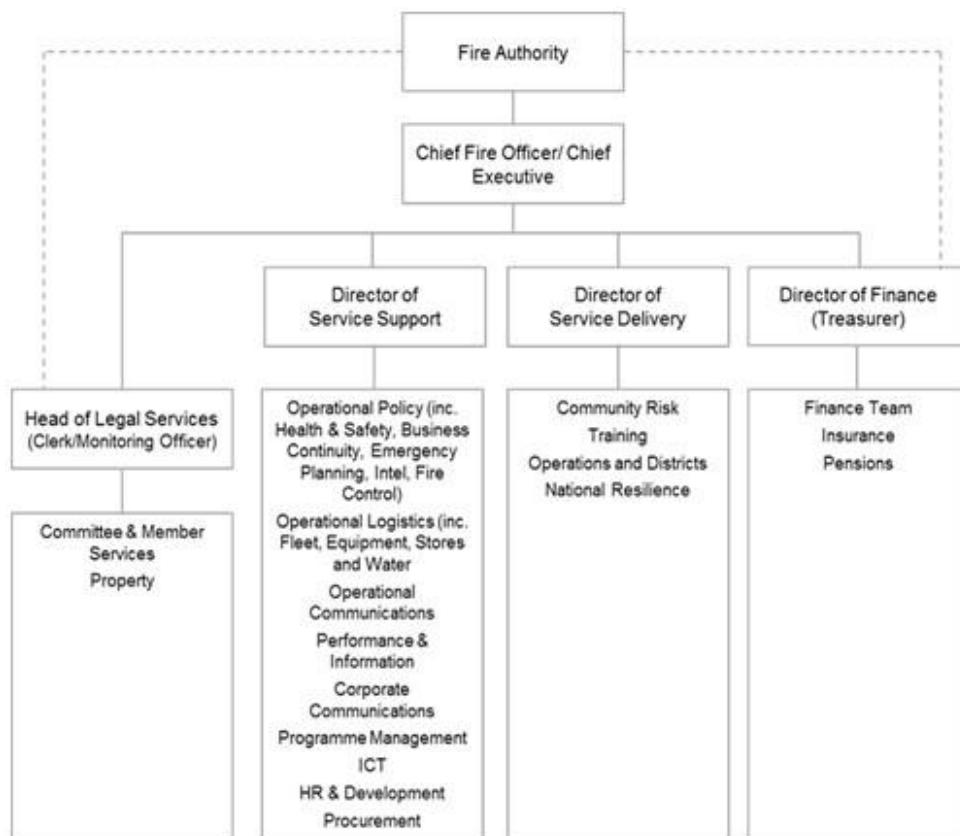
4. Hereford & Worcester Fire Authority is the governing body of the Fire and Rescue Service and is the legal entity responsible for carrying out duties as set out in the Fire and Rescue Services Act 2004, in relation to fire prevention, fire safety, firefighting and rescues (including from road traffic collisions and other emergencies such as flooding). It is made up of 25 local councillors, six appointed by Herefordshire Council and 19 by Worcestershire County Council.
5. The Authority currently carries out its duties by directly employing operational and other staff as Hereford and Worcester Fire and Rescue Service.
6. The Authority sets the budget and approves the overall direction for the Service. It also appoints the Chief Fire Officer, Treasurer, Monitoring Officer and Deputy Chief Fire Officer and makes sure the Service has the right people, equipment and training to deliver their services effectively and efficiently in the best interests of the communities of Herefordshire and Worcestershire.
7. The Fire Authority meets four times a year and is supported by three committees as shown in the structure chart below. All meetings are open to the public, unless there is a reason that any individual matters under discussion need to remain confidential. Members of the Authority are also kept up to date on fire and rescue matters through an annual programme of seminars, workshops and visits to fire stations and other facilities.



The Fire and Rescue Service

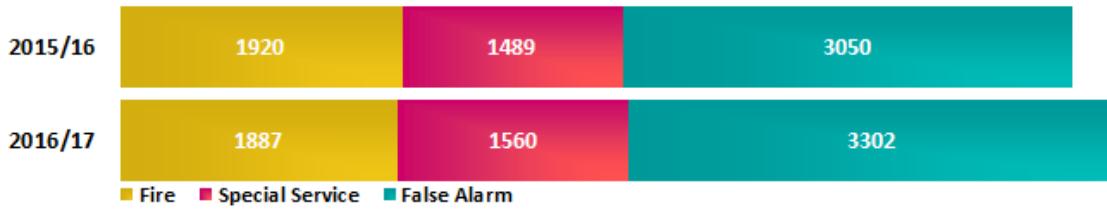
8. The Service is led by the Chief Fire Officer/Chief Executive with the support of the Senior Management Board. The Service employs just over 750 full-time and part-time staff, most of whom are highly trained firefighters (approximately 80 per cent of the total workforce).
9. In addition to Service Headquarters in Worcester, there are 27 fire stations across the two counties, a training centre, stores/workshops and a number of locally based training facilities.
10. The Service is structured into three directorates – Service Delivery, Service Support, and Finance. Most staff are directly involved in providing prevention, protection, response and resilience services. These services are designed to keep the communities of Herefordshire and Worcestershire as safe as possible by working with local people, organisations and business to try to make sure emergency incidents don't happen in the first place, as well as by being able to respond quickly and effectively to any emergencies that do happen. These essential services are supported by a wide range of organisational support services

such as financial, personnel and legal management functions. The full range of services is shown in chart below



Our Performance

11. The Service attended 6,749 incidents in 2016-17. This was 290 or just over 4% more than last year. Although we expect there to be fluctuations up and down in the number of incidents from year to year, we still analyse the underlying causes, with the aim of improving our targeted prevention activities. Despite the increase, the trend over the last 4 years is consistent.
12. There has been an increase in the number of incidents in each of the three main categories. False Alarms continue to be the largest proportion of incidents, representing almost one in every two incidents (49%) and the Service is working with businesses as well as call challenging to reduce this. We continue to work with occupiers to identify where false alarm activations by repeat offenders could be reduced.
13. We attended 12 less accidental dwelling fires and 45 less road traffic collisions, (this includes attendance where we assisted in making the vehicle safe) than we did last year. We will ensure our prevention activities and our work with partners continues to target these potentially life-risk incidents.



Collaboration and the Policing and Crime Act 2017

14. The Policing and Crime Act 2017 received Royal Assent on 31st January. The 2017 Act contains a wide range of measures, including a statutory duty on the fire and rescue service to work collaboratively with their local Police and Ambulance Services. The introduction of this statutory duty aims to improve efficiency and effectiveness through better local accountability and an improved service for communities as well as savings for taxpayers.
15. It should be noted that there was already a high degree of collaboration between this authority and West Mercia Police.
16. Within the Bill, there are further specific provisions covering collaboration between police and fire services. These provisions relate to the role of the Police and Crime Commissioner (PCC), who would be enabled to take on more responsibility for fire and rescue services, if there is local support and demonstrated benefit. The PCC is an elected official responsible for ensuring efficient and effective policing of this police area. The PCC for West Mercia has engaged consultants to determine whether there are benefits to be gained from the PCC taking over responsibility for the Fire Authority.

The Accounting Statements

17. The Statement of Accounts that follows covers the Authority's financial year ending 31 March 2017. 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 2016/17, comprise a group of Core Financial Statements:
 - Comprehensive Income & Expenditure Statement (CIES)
 - Movement in Reserves Statement (MiRS)
 - Balance Sheet
 - Cash Flow Statement

- Notes to the Core Statements

18. In addition there is a Supplementary Financial Statement in respect of the Firefighters Pension Account.

19. The purpose of the Core Financial Statements is as below:

Comprehensive Income and Expenditure Statement (CIES)

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

Movement in Reserves Statement (MiRS)

- This shows the movement in the year on the different reserves held by the Authority, 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 Authority's services, more details of which are shown in the Comprehensive Income & Expenditure Statement (CIES).
- These are different to the statutory amounts required to be charged to the General Fund Balance for grant and Council Tax setting purposes.
- The Net Increase/Decrease before Transfers to Ear-marked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves.

Balance Sheet

- This shows the value as at the balance sheet date of assets and liabilities recognised by the Authority.
- The net assets of the Authority (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 Authority 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 Authority 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 Authority during the reporting period.
- The Statement shows how the Authority 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 Authority 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 Authority'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 Authority (i.e. those from whom long term borrowing is taken).

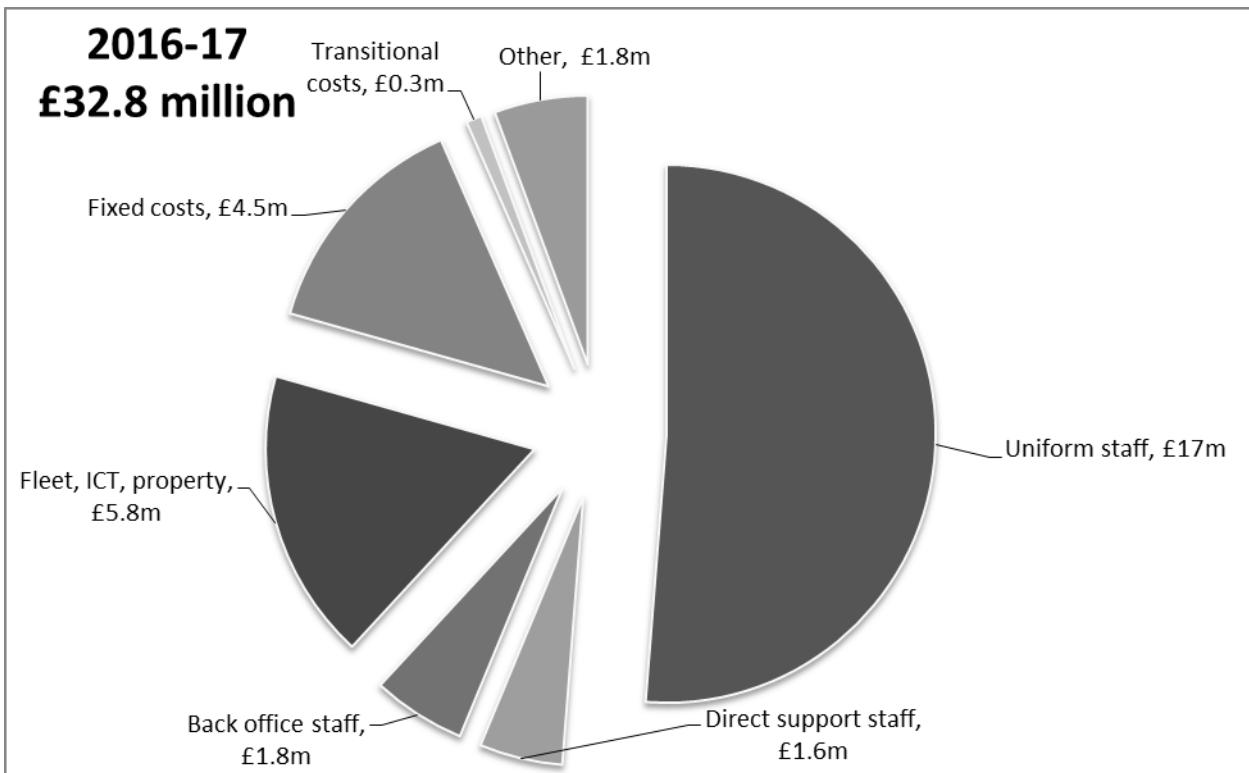
20. The accounting policies adopted by the Authority comply with the relevant recommended accounting practice. The Authority's policies are explained fully in the Statement of Accounting Policies which is set out on pages 14-22.
21. The Authority's spending is planned and controlled by a process which includes regular reporting to the Service's management team and the Authority's Policy and Resources Committee.

Budget Savings

22. Since the start of the 'austerity' period in 2010-11, the Authority's annual revenue budget has reduced by 16 per cent in real terms. In simple terms this means that the budget is now 16% lower than it would have been had the Authority been able to increase the budget to cover the additional costs of inflation, national pay rises, tax increases and the necessary replacement of equipment and buildings.
23. In order to meet these pressures, we have made reductions in our workforce, including managers and support staff, made changes to crewing at fire stations, cut our spending budgets and removed two fire engines from the fleet. By 2019-20 the full implementation of these measures will be saving over £6.7 million per year.
24. Over the next four years based on government plans before the June 2017 General Election, Grant is expected to fall by a further 33%, although there will be continued growth in the council tax-base. This income will not meet the planned level of expenditure in the short term and a budget gap of £1.6m is expected from 2021/22. However, the Authority has significant and deliverable plans to achieve significant budget savings by that time, including the already planned re-location of Headquarters to the Police Headquarters site. In the interim the MTFP makes use of reserves that have been prudently built up to smooth transformation, to avoid the need for unnecessary short term service reductions.

2016/17 Revenue Budget

25. The approved budget for 2016/17 was set at £31.825m, including contingency for pay awards and inflation. (Shown as "Sub-total" in the table at paragraph 27 below). This was the resource available under the statutory accounting regime, which the Authority has to manage to deliver services. Resources



26. In setting the 2016/17 budget the Authority was aware of (and has planned for) significant reductions in future grant, and spending during the year has been subject to severe restraint as a preparation for the future financial position. There has been a planned under spending which has been reported to the Policy and Resources Committee throughout the year, and finally to the full Authority in June 2017.

27. A summary of the budget and out-turn is given overleaf:

	Revised Budget £m	Actual £m	Gross Variation £m	Reserves Impact £m	Net Variation £m
Employee Costs	20.544	20.359	(0.185)		(0.185)
Running Costs	7.641	6.894	(0.747)	0.235	(0.512)
Capital Financing Costs	3.189	2.981	(0.208)	(0.042)	(0.250)
Excess Staff (Net)	0.930	0.801	(0.129)		(0.129)
Gross Budget	32.304	31.035	(1.269)	0.193	(1.076)
Contingencies	0.521	0.000	(0.521)		(0.521)
Sub-Total	32.825	31.035	(1.790)	0.193	(1.597)
Special Grants	(1.194)	(2.021)	(0.827)	1.291	0.464
Funding Grants	(30.798)	(30.857)	(0.059)		(0.059)
<u>Budgeted use of Reserves</u>					
Budget Reduction Reserve	(0.631)	(0.502)	0.129		0.129
Property Reserve	(0.202)	0.000	0.202	(0.202)	0.000
<u>Other use of Reserves</u>					
Fleet Funding Reserve	0.000	(0.042)	(0.042)	0.042	0.000
ICT Reserve	0.000	0.033	0.033	(0.033)	0.000
ESMCP Reserve	0.000	1.291	1.291	(1.291)	0.000
	0.000	(1.063)	(1.063)	0.000	(1.063)
Final Transfer to Reserves		1.063	1.063		1.063
	0.000	(0.000)	0.000	(0.000)	

28. Against the Gross Budget of £32.304m, expenditure of £31,035m, an under-spending of £1.269m, was incurred. Allowing for the changed use of ear-marked reserves a net under-spending of £1.076m results.

29. This has 3 main sources:

- Under-spending on Retained Fire-fighter Pay, largely due to reduced operational activity, but also reflecting recruitment difficulties in some areas
- Capital financing savings resulting from Capital Programme delays
- Lower costs of excess staff and slightly higher income from staff seconded to other services. In line with the agreed budget reduction plan

30. The balance reflects managed savings by budget-holders as they continue to ensure that no un-necessary expenditure is incurred.

31. In addition, there have been savings from the contingencies made for pay awards and inflation, which have been reflected in the latest Medium Term Financial Plan (MTFP).

32. Finally, in the last week of the financial year the Authority received £0.791m of additional special grant to fund future costs of the new national Emergency Services Mobile Communications Project (ESMCP) which had not been budgeted for.

33. The net result of this is that £1.291m has been used to create an ESMCP Reserve, to meet both the known costs (funded by the grant) and an estimate of the potential costs.

34. The balance of £1.063m has been taken to the budget reduction reserve and the total has been reallocated as below:

- To support the future MTFP as planned £3.063m
- To provide for the replacement of Respiratory Protective Equipment £1.000m, and Command and Control Replacement £1.267m. The time-scale for these falls just outside the current MTFP period, but use of grant will save significant future capital financing cost pressures.
- A balance of £1.373m to cover the planned replacement of Cutting Gear and hand-held radios and to provide £0.400m of investment in new technology equipment to produce future savings in repair and maintenance costs.

35. A reconciliation between the summary management accounts, shown in the table above, and the CIES, prepared on an IFRS basis, is shown in Note 3 on page 30.

General Reserve

36. The general reserve actually stood at £1.838m at 31st March 2016, this figure remains unchanged at 31st March 2017. Although the level is towards the lower end of reserves held by standalone Fire Authorities, the figure is considered adequate and not requiring increase throughout the MTFP period.

Going Concern

37. Hereford and Worcester Fire Authority continue to closely monitor the impact of the wider economy on its operations by reacting to reducing finance settlements in recent years and reviewing the levels of operational workforce to ensure it is in line with the Community Risk Management Plan.

38. The Authority's Auditors, Grant Thornton, have reported that they are satisfied with the Management's assessment that the going concern basis was appropriate for the 2015/16 financial statements, and the Director of Finance's expectation is that this will continue for the foreseeable future. Using reserves the Authority has a balanced budget for the whole of the Medium Financial Plan Period and robust and deliverable plans for a balanced

budget going forward. The legislative potential for a replacement of the Fire Authority by a Police, Fire and Crime Commissioner does not affect this assumption as in that there would be a successor body taking on all the assets and liabilities of the Fire Authority.

Firefighters' Pensions

39. 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.
40. The employer contribution and certain costs in relation to injury pensions still fall on the General Fund Balance.

Capital Programme Budget

41. During 2016/17 £5.278m was spent on new assets or improvements to existing ones. Expenditure was incurred on the approved vehicle programme, minor property works, small equipment and IT schemes. The majority of the programme was, as planned, funded by capital grants and net borrowing.
42. During financial year 2016/17, the new Fire Station in Evesham has been commissioned for use.

Balance Sheet

43. At 31 March 2016 the Authority held Long Term Assets with a net book value of £41.415m. Professional advice has not identified any further impairment due to changes in the economic climate, and adjusting for disposals, depreciation, revaluation and capital expenditure, Long Term Assets are valued at £44.584m at 31 March 2017.
44. Long Term borrowing has reduced during this financial year following the repayment of loans, there are now some individual loans that fall due within 12 months. All borrowing is from the Public Works Loans Board (PWLB). The total value of Long Term loans at £11.137m remains well below the value of Long Term Assets.
45. The Balance Sheet includes liabilities in respect of the five pension schemes provided for staff.
46. The £13.370m liability on the Local Government Scheme will be covered by the continued level of employer contributions.
47. The Firefighters' schemes are statutory un-funded ones and the significant total liability of £342.349m is a result of this position. There is no requirement, or legal powers, for the Authority 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 46-5.

Corporate Governance Arrangements

48. The Authority 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 Authority's affairs and the stewardship of the resources at its disposal.
49. During 2016/17 the Authority 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 Delivering Good Governance in Local Government

Framework 2016 Edition. The latest review of compliance with the code was approved by the Authority Audit and Standards Committee on 5 July 2017.

50. Many of the elements of the code had been in place since the creation of the Authority 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 **xx-xx**.

Restatement

51. It has been necessary to restate the 2016/17 Accounts, following a change relating to the Presentation of the Financial Statements. The changes are purely presentational and relate to the format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement following the introduction of the new Expenditure and Funding Analysis, note to the accounts.

Memorandum of Understanding (MoU)

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

Post Balance Sheet Events

54. There have been no post balance sheet events

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 2017 and its income and expenditure for the year ended 31 March 2017.

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 2017 and its income and expenditure for the year ended 31 March 2017.

5. I certify that this Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and of its income and expenditure for the year ended 31 March 2017.

Signature on original copy

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

Date

Issue Date

6. The date that these financial statements are authorised for issue is 30th September 2017. All known material events that have occurred up to and including this date which relate to 2016/17 or before have been reflected in the accounts.

AUTHORITY APPROVAL

7. The statement of Accounts was approved at a meeting of the Audit and Standards Committee on 27th September 2017.

Signature on original copy

Presiding Chairman of the
Audit Committee meeting

Date

STATEMENT OF ACCOUNTING POLICIES

General Principles

1. The Statement of Accounts has been prepared in accordance with proper accounting principles contained within the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and International Financial Reporting Standards (IFRS).

Accrual of Income and Expenditure

2. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:
 - Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
 - Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
 - Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
 - Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
 - Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Exceptions to this policy are as follows:

- Utilities (gas, telephone, electricity etc) and other annual fees, where invoices will be accounted for in the year they fall, providing that only one annual, four quarterly or twelve monthly invoices are charged in any one year.
- Existing contracts for aerial sites where income will be accounted for in the year it falls providing that only one twelve monthly invoice is charged in any one year. New contracts of a material nature will be treated on a full accruals basis.
- Employee expenses paid through payroll where the cut-off date for claim is 20th of the month, but where twelve months' claims will be included in the Comprehensive Income and Expenditure Statement.

4. Individual invoices of less than £500 are accounted for in the year they fall.

Cash and Cash Equivalents

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

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

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

Events After the Reporting Period

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

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

VAT

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

Overheads and Support Services

11. The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of practice 2016/17 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:
 - Corporate and Democratic Core – costs relating to the Authority's status as a single function democratic organisation.
 - Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early, and benefits arising from transfers into the Fire-fighters pension schemes.
12. These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Property, Plant and Equipment (PP&E)

13. Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment

(PP&E) has been capitalised provided it yields benefit to the Authority for more than one year. Capital expenditure enhances the value, usage or life of an asset. Some relatively immaterial items may be financed directly from revenue.

14. PP&E valued at fair value on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). A full valuation of Property assets has been carried out this financial year, as at 31 March 2017, using the independent professional services of Place Partnership Ltd. The Authority's valuation service has confirmed that the carrying value of these assets is not materially different to their fair value and complies with the requirements of the accounting code and IAS16.
15. PP&E are classified into the groupings required by the Code of Practice on Local Authority Accounting and valued on the following basis:
 - Land is included in the balance sheet at net current replacement cost.
 - Properties, where there is evidence of Market Value, are valued at Open Market Value for Existing Use. Specialised properties, where there is no evidence of market value, are valued at Depreciated Replacement Cost.
 - Plant and Equipment is measured at the purchase price and any attributable costs, less depreciation, as a proxy for current value.
16. The Authority has a de-minimus of £5,000 for vehicle purchases.
17. Assets are held in the Balance Sheet at gross value, net of depreciation and impairment where appropriate.

Impairment

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

Component accounting

22. From 1 April 2010 Component Accounting, as set out in IAS 16 – Property, Plant & Equipment, requires the Authority to componentise all Property, Plant and Equipment where the components have a distinctly different economic life to enable PP&E to be accurately and fairly included in the Authority's Comprehensive Income and Expenditure Statement

(CIES) so that the depreciation charge properly reflects the consumption of the asset.

23. The requirement, however, is prospective and not retrospective, and will therefore be introduced as and when properties are re-valued. It is applied only where an item of PP&E has components whose value makes up more than 25% of the asset value.
24. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped together.
25. Where a component of an existing asset is to be de-recognised and the component amount is not known, then an estimate using a reasonable basis will be used. The component calculation will be established using the replacement cost of the component, indexed back to the original component's inception and adjusted for any subsequent depreciation and impairment.
26. Any surpluses arising on the initial valuation of fixed assets have been credited to the Capital Adjustment Account. Surpluses arising on revaluation are credited to the Revaluation Reserve.

Heritage Assets

27. Heritage assets are those that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They include historical buildings, civic regalia, orders and decorations (medals), military equipment and works of art.
28. Authorities are required to account for tangible assets in accordance with FRS30 Heritage Assets.
29. 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.
30. 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

31. 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

32. 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 type, 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 the year that they are brought into use.
- Intangible assets are amortised over their average economic life (5 years).

Financing of Capital Expenditure

33. Capital expenditure is funded by government grants, capital receipts, revenue contributions and in the long term borrowing. 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

34. The Authority 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, the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, has required the Authority to determine an appropriate MRP policy, which has been broadly to set aside sufficient funds over the life of the assets funded from net borrowing.
- All expenditure from 2008/09 onwards - MRP using an approximate Asset life basis:
 - Buildings over 50 years – per depreciation policy.
 - IT equipment over 5 years - reflecting average life.
 - Other equipment over 7 years – reflecting actual average usage within the FRS.
 - Vehicles – on actual estimated life of each vehicle.
- Vehicle expenditure before 2008/09 – MRP on a proxy Asset Life basis using original cost, less accumulative MRP, over the remaining useful life of the individual vehicle.
- Expenditure before 2008/09, (other than vehicles) - MRP on a proxy Asset Life basis using original cost, less accumulative MRP over average asset life as above.

Joint Operation

35. A Joint Operation involves the parties that have joint control of the arrangement and have rights to the assets and obligations for the liabilities relating to the arrangement. All parties have joint control of decisions and use of the assets and obligations for the liabilities relating to the arrangement. The Fire Authority recognises, if material, on its Balance Sheet the assets that it controls and the liabilities that it incurs, and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Leases

36. 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.
37. During 2016/17 the Authority held only operating leases under the definition of IAS 17 Leases. The authority's operating leases are not capitalised and rentals are charged directly to the CIES in the year to which they relate.

Operating leases

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

Non Current Assets held for Sale

39. 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.
40. 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

41. 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

42. 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

43. The disclosure requirements are included in the main financial statements as notes to the accounts in accordance with IAS 19 – Employee Benefits and CIPFA recommended practice. This is further explained in paragraphs 45 below.

Types of pension schemes

44. 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.
45. Up until 31st March 2015 the Authority participated in four schemes, following the commencement of the new Firefighters' Care Scheme (the 2015 scheme) on 1st April 2015, the Authority now participates in five 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") – this is also a statutory un-funded defined benefit final salary scheme.
- The Firefighters' Care Scheme (FF CARE) (the "2015 scheme") – is open to all uniformed staff (except Fire Control) and is a statutory un-funded defined benefit Career Average Revalued Earnings Scheme. Members starting after the 1st April 2015, and members of the 1992 and 2006 Final Salary Schemes will move into the 2015 scheme, unless protection applies.
- The Firefighters' Compensation Scheme (FFCS) (the Injury Scheme) – another statutory un-funded defined benefit scheme covering existing and new injury pensions.
- The 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 Home Office.
- 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

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

Government Grants and Contributions

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

48. 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

49. 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.

50. 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.

51. 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.

52. 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 Authority has not yet undertaken such a restructuring of debt and has therefore not yet adopted a policy for its treatment.

Council Tax and Non-Domestic Rates

53. The Council Tax and the non-domestic rates income included in the CIES will show the accrued income for the year. The difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is held in the Collection Fund Adjustment Account and included as a reconciling item in the 'Adjustments between accounting basis and funding basis under regulations' reconciliation.
54. The Authority's Balance Sheet shows the proportion of surplus/deficit of the Billing Authorities' Collection Fund in the Debtors/Creditors balance. The Authority also shows the attributable share of the impairment allowance for doubtful debts and a provision for non-domestic rates appeals.
55. The IFRS treatment differs from the statutory accounting arrangement, where the Authority precepts directly on the Billing Authority and has no direct debtor or creditor relationship with individual council tax-payers.

Employee Benefits

Accumulating Compensating Absences

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

Termination Benefits

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

Post Employment Benefits

58. 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.

Provisions

59. Provisions are made when an event has taken place that gives the Authority an obligation that probably requires payment, but where the timing of the payment is uncertain. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely payment. When payments are eventually made,

they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of the financial year, and where it is likely that payment does not need to be made, the provision is reversed and credited back to the relevant service.

Reserves

60. At 31 March 2017 a general reserve is held to meet expenditure which may arise from unforeseen events.
61. In addition the Authority 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 55-58.

Capital Accounting Reserves

62. Since 1 April 2007 there are two capital accounting reserves as part of the system of capital accounting, these reserves are not available to spend. 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

63. The CIPFA Code of Practice on Local Authority Accounting 2016/17 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.
64. Due to the nature of its operation, as a single purpose Authority, the Authority and the Service management team manage the organisation as an entity, and do not have relevant operating segments to report upon.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		2015/16 restated			2016/17		
	Notes	Gross Expd £000	Gross Income £000	Net Expd £000	Gross Expd £000	Gross Income £000	Net Expd £000
Gross Expenditure, Gross Income and Net Expenditure on Continuing Operations							
Employee Costs		26,167	(2,419)	23,748	24,728	(2,040)	22,688
Running Costs		6,319	(542)	5,777	5,795	(771)	5,024
Capital Financing		3,732		3,732	2,917		2,917
Cost of Services		36,218	(2,961)	33,257	33,440	(2,811)	30,629
Other Operating Expenditure	123	689	(4,320)	(3,631)	21	(6,080)	(6,059)
Financing & Investment Income and Expenditure	9	12,020	(653)	11,367	11,457	(733)	10,724
Taxation & Non-Specific Grant Income	10		(36,086)	(36,086)		(33,690)	(33,690)
Deficit/(Surplus) on Provision of Services		48,927	(44,020)	4,907	44,918	(43,314)	1,604
Deficit/(Surplus) on revaluation of non-current assets	29-30			(373)			(700)
Remeasurement of the net defined benefit liability(asset)	68-77			(48,835)			59,554
Other Comprehensive Income and Expenditure				(49,208)			58,854
Total Comprehensive Income and Expenditure – Deficit/(Surplus)				(44,301)			60,458

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MOVEMENT IN RESERVES STATEMENT FOR THE 12 MONTHS ENDING 31 MARCH 2017

	General Fund	Ear-marked Rev Res	Sub Total	Unapplied Grant	Cap Rcpts Reserve	Total Useable	Revaln. Reserve	Capital Adj Acct	Pensions Reserve	Coll Fund Adj Acct	Acc. Abs. Adj Acct	Total Unusable	All Reserves
Note	86	87-89	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31-Mar-2016	1,838	9,664	11,502	5,238	2,532	19,272	7,227	17,272	(290,445)	(48)	(187)	(266,181)	(246,909)
Surplus/(Deficit) on Provision of Services	(60,458)		(60,458)			(60,458)						0	(60,458)
Other Comprehensive Income & Expenditure													
Surplus on revaluation of non-current assets	(700)		(700)			(700)	700					700	0
Movement in Pensions Reserve	59,554		59,554			59,554			(59,554)			(59,554)	0
Reversal of items in the CIES													
<i>to be removed for determining movement in General Fund</i>													
Relating to Depreciation/Amortisation	2,081		2,081			2,081		(2,081)				(2,081)	0
Relating to Depreciation on un-realised gains			0			0	(146)	146				0	0
Revaluation/Impairment gains/losses	418		418			418		(418)				(418)	0
Relating to Revaluation Losses on assets held for sale	6		6			6		(6)				(6)	0
Relating to Retirement Benefits	9,061		9,061			9,061		(9,061)				(9,061)	0
Relating to assets held for sale w/off on disposal	171		171			171	(50)	(121)				(171)	0
Relating to Non-current assets w/off on disposal	132		132			132		(132)				(132)	0
Relating to Capital Receipts	(301)		(301)		301	0						0	0
Relating to Unapplied Capital Grants/Contributions	(2,346)		(2,346)	2,346		0						0	0
Relating to Grants used to Finance Expd			0	(2,383)		(2,383)		2,383				2,383	0
Relating to Capital Receipts used to Finance Expd			0		(773)	(773)		773				773	0
Relating to Council Tax Income	22		22			22			(22)			(22)	0
Relating to Non-domestic rates income	(400)		(400)			(400)			400			400	0
Relating to Compensated absences	7		7			7				(7)		(7)	0
Insertion of items in the CIES													
<i>to be included for determining movement in General Fund</i>													
Employers Contribution to Pension Schemes	(3,341)		(3,341)			(3,341)		3,341				3,341	0
Statutory Provision for Debt Repayment	(1,152)		(1,152)			(1,152)		1,152				1,152	0
Revenue Financing of Capital	(911)		(911)			(911)		911				911	0
Transfers Between Earmarked Reserves	(1,843)	1,843	0			0						0	0
Balance at 31-Mar-2017	1,838	11,507	13,345	5,201	2,060	20,606	7,731	19,879	(355,719)	330	(194)	(327,973)	(307,367)

SUMMARY OF MOVEMENTS

Balance at 31-Mar-2016	1,838	9,664	11,502	5,238	2,532	19,272	7,227	17,272	(290,445)	(49)	(187)	(266,181)	(246,909)
Movement in Reserves during 2016/17													
Deficit/(Surplus) on Provision of Services	(60,458)	0	(60,458)	0	0	(60,458)	0	0	0	0	0	0	(60,458)
Other Comprehensive Income & Expenditure	58,854	0	58,854	0	0	58,854	700	0	59,554	0	0	58,854	0
Total Comprehensive Income & Expenditure	(1,604)	0	(1,604)	0	0	(1,604)	700	0	(59,554)	0	0	(58,584)	(60,458)
Adjustments between accounting basis and funding basis under regulations	3,447	0	3,447	(37)	(472)	2,938	(196)	2,607	(5,720)	378	(7)	(2,938)	0
Net change before Earmarked Reserve Transfers	1,843	0	1,843	(37)	(472)	1334	504	2,607	65,274	378	(7)	(61,792)	(60,458)
Earmarked Reserves Transfers	(1,843)	1,843	0	0	0	0	0	0	0	0	0	0	0
Net Movement in Year	0	1,843	1,843	(37)	(472)	1,334	504	2,607	65,274	378	(7)	(61,792)	(60,458)
Balance at 31-Mar-2017 Carried Forward	1,838	11,507	13,345	5,201	2,060	20,606	7,731	19,879	(355,719)	330	(194)	(327,973)	(307,367)

MOVEMENT IN RESERVES STATEMENT FOR THE 12 MONTHS ENDING 31 MARCH 2016

	General Fund Note 86	Ear-marked Rev Res 87-89	Sub Total £000	Unapplied Grant £000	Cap Rcpts Reserve £000	Total Useable £000	Revaln. Reserve 93-94	Capital Adj Acct 95-98	Pensions Reserve 99-100	Coll Fund Adj Acct 101	Acc. Abs. Adj Acct 102	Total Un-useable £000	All Reserves £000
Balance at 31-Mar-2014	1,838	8,097	9,935	1,011	294	11,240	7,538	19,888	(329,784)	5	(97)	(302,450)	(291,210)
Surplus/(Deficit) on Provision of Services		(4,907)		(4,907)		(4,907)						0	(4,907)
Other Comprehensive Income & Expenditure				0		0							
Surplus on revaluation of non-current assets				0		0		373				373	373
Movement in Pensions Reserve				0		0			48,835			48,835	48,835
Reversal of items in the CIES													
Relating to Depreciation/Amortisation	2,026		2,026			2,026		(2,026)				(2,026)	0
Relating to Depreciation on un-realised gains			0			0	(147)	147				0	0
Relating to Revaluation/Impairment Losses	1,382		1,382			1,382		(1,382)				(1,382)	0
Relating to Revaluation Losses on assets held for sale	812		812			812		(812)				(812)	0
Relating to Retirement Benefits	12,958		12,958			12,958			(12,958)			(12,958)	0
Relating to assets held for sale w/off on disposal	2,062		2,062			2,062	(537)	(1,525)				(2,062)	0
Relating to Non-current assets w/off on disposal	50		50			50		(50)				(50)	0
Relating to Capital Receipts	(2,251)		(2,251)		2,251	0						0	0
Relating to Unapplied Capital Grants/Contributions	(5,067)		(5,067)	5,067		0						0	0
Relating to Grants used to Finance Expd				(840)		(840)		840				840	0
Relating to Capital Receipts used to Finance Expd			0		(13)	(13)		13				13	0
Relating to Council Tax Income	(8)		(8)			(8)				8		8	0
Relating to Non-domestic rates income	61		61			61			(61)			(61)	0
Relating to Compensated absences	90		90			90				(90)		(90)	0
Insertion of items in the CIES													
Employers Contribution to Pension Schemes	(3,462)		(3,462)			(3,462)			3,462			3,462	0
Statutory Provision for Debt Repayment	(1,132)		(1,132)			(1,132)		1,132				1,132	0
Revenue Financing of Capital	(1,047)		(1,047)			(1,047)		1,047				1,047	0
Transfers Between Earmarked Reserves	(1,567)	1,567	0			0						0	0
Balance at 31-Mar-2015	1,838	9,664	11,502	5,238	2,532	19,272	7,227	17,272	(290,445)	(48)	(187)	(266,181)	(246,909)

SUMMARY OF MOVEMENTS

Balance at 31-Mar-2014	1,838	8,097	9,935	1,011	294	11,240	7,538	19,888	(329,784)	5	(97)	(302,450)	(291,210)
<u>Movement in Reserves during 2014/15</u>													
Deficit/(Surplus) on Provision of Services	(4,938)	0	(4,938)	0	0	(4,938)	0	0	0	0	0	0	(4,938)
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	373	0	48,866	0	0	49,239	(19,358)
Total Comprehensive Income & Expenditure	(4,938)	0	(4,938)	0	0	(4,938)	373	0	48,866	0	0	49,239	44,301
Adjustments between accounting basis and funding basis under regulations	6505	0	6,505	4,227	2,238	12,970	(684)	(2,616)	(9,527)	(53)	(90)	(12,970)	0
Net change before Earmarked Reserve Transfers	1,567	0	1,567	4,227	2,238	8,032	(311)	(2,616)	39,339	(53)	(90)	36,269	44,301
Earmarked Reserves Transfers	(1,567)	1,567	0	0	0	0	0	0	0	0	0	0	0
Net Movement in Year	0	2,401	2,401	(997)	2,238	8,032	(311)	(2,616)	39,339	(53)	(90)	36,269	44,301
Balance at 31-Mar-2015 Carried Forward	1,838	9,664	11,502	5,238	2,532	19,272	7,227	17,272	(290,445)	5	(187)	(266,181)	(246,909)

BALANCE SHEET

-	Notes	31-Mar-2016	31-Mar-2017
		£000	£000
Property Plant & Equipment	29-30	41,022	44,261
Intangible Assets		393	323
Long Term Assets		41,415	44,584
Inventories	57	175	201
Short Term Debtors	58	3,641	5,698
Assets Held for Sale	59-60	985	985
Cash & Cash Equivalents		15,209	14,146
Current Assets		20,010	21,030
Short Term Borrowing	39-48	(500)	(1,500)
Short Term Creditors		(4,375)	(4,382)
Current Liabilities		(4,875)	(5,882)
Provisions	106	(377)	(243)
Long Term Borrowing		(12,637)	(11,137)
Other Long Term Liabilities		(290,445)	(355,719)
Long Term Liabilities		(303,459)	(367,099)
Net Liabilities		(246,909)	(307,367)
Useable Reserves	85-91	19,272	20,606
Un-useable Reserves		(266,181)	(327,973)
Total Reserves		(246,909)	(307,367)

The unaudited accounts were issued on 26th May 2017 and the audited accounts were authorised for issue on 30th September 2017.

CASH-FLOW STATEMENT

	Notes	2015/16 £000	2016/17 £000
Net (surplus) or deficit on the provision of services		4,907	1,604
Adjustments to net surplus or deficit on the provision of services for non cash movements	108	(16,254)	(6,364)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	109	6,938	2,812
Net cash flows from operating activities		(4,409)	(1,948)
Investing Activities	111	(3,366)	2,511
Financing Activities	112	834	500
Net increase or decrease in cash and cash equivalents		(6,941)	1,063
Cash and cash equivalents at the beginning of the period		(8,268)	(15,209)
Net increase or decrease in cash and cash equivalents in the Period		(6,941)	1,063
Cash and cash equivalents at the end of the reporting period		(15,209)	(14,146)

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Code of Practice on Local Authority Accounting in the United Kingdom requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2017/18 Code:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions) – The objective of this amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If employee contributions are not linked to length of service, contributions can be deducted from the cost of benefits earned in the period. This is unlikely to have a material impact on the Statement of Accounts.

The Code requires implementation from 1 April 2017 and there is therefore no impact on the 2016/17 Statement of Accounts.

2. Re-statement of the Core Financial Statements

A restatement has been made to the core financial statements which relates the new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

3. Expenditure and Funding Analysis – 2016/17

	Net Expd on General Fund Mngt Accts £m	Re- Allocation Note 4 £m	Net Expd on General Fund CIES Format £m	Adjustments Between Funding and Accounting Note 5 £m	Net Expd in the CIES £m
Employee Costs	20.359	0.762	21.121	1.567	22.688
Running Costs	6.894	(1.870)	5.024	0.000	5.024
Capital Financing	2.981	(0.500)	2.481	0.436	2.917
Excess Staff (net)	0.801	(0.801)	0.000	0.000	0.000
Net Cost of Services	31.035	(2.409)	28.626	2.003	30.629
Funding	(32.878)	32.878	0.000		
Other Income and Expenditure	0.000	(30.469)	(30.469)	1.444	(29.025)
Surplus or deficit on provision of services	(1.843)	0.000	(1.843)	3.447	1.604
Transfer to Ear-marked reserve		1.843			
Net movement on General fund	0.000	0.000	(1.843)		
Deficit/(Surplus) on revaluation of non-current assets				(0.700)	(0.700)
Remeasurement of the net defined benefit/(liability)				59.554	59.554
Other Comprehensive Income and Expenditure				58.854	58.854
Deficit/(Surplus) Comprehensive Income and Expenditure				62.301	60.458
Opening General Fund and Earmarked Reserve Balance at 31 March 2016	(11.502)				
Plus Surplus on General Fund in year	(1.843)				
Closing General Fund and Earmarked Reserve Balance at 31 March 2016	(13,345)				

4. Note to the Expenditure and Funding Analysis

Budget allocations for management purposes do not exactly follow the Code in respect of the distinction between the Net Cost of Services and the total Cost for the provision of services. This table analyses the difference

	Excess Staff (Net) £m	Other Employee Costs £m	Interests £m	Special Grants £m	Total Adj £m
Employee Costs	0.801	(0.039)			0.762
Running Costs		0.039	0.004	(1.913)	(1.870)
Capital Financing			(0.500)		(0.500)
Excess Staff (net)	(0.801)				(0.801)
Income	0.000	0.000	(0.496)	(1.913)	(2.409)
			0.496	1,913	2.409
	0.000	0.000	0.000	0.000	0.000

5. Adjustments relating to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amount

	Adj for Capital Purpose £m	Net Pension Adj £m	Capital Grant Adj £m	Other Difference £m	Total Adj £m
Employee Costs		1.560		0.007	1.567
Running Costs					0.000
Capital Financing	0.436				0.436
Net Cost of Services		0.436	0.000	0.007	2.003
Other Income and expenditure	0.008	4.160	(2.346)	(0.378)	1.444
Surplus or deficit on provision of services	0.444	5.720	(2.346)	(0.371)	3.447
Other Comprehensive Income and Expenditure	(0.700)	59.554			58.854
Difference between General Fund surplus and Comprehensive Income and Expenditure Statement Deficit	(0.256)	65.274	(2.346)	(0.371)	62.301

6. Expenditure and Funding Analysis – 2015/16

	Net Expd on General Fund Mngt Accts £m	Re- Allocation Note 7 £m	Net Expd on General Fund CIES Format £m	Adjustments Between Funding and Accounting Note 8 £m	Net Expd in the CIES £m
Employee Costs	20.109	0.599	20.708	3.040	23.748
Running Costs	6.869	(1.092)	5.777	0.000	5.777
Capital Financing	3.022	(0.519)	2.503	1.229	3.732
Excess Staff (net)	0.649	(0.649)	0.000	0.000	0.000
Net Cost of Services	30.649	(1.661)	28.988	4.269	33.257
Funding	(32.217)	32.217			0.000
Other Income and Expenditure	0.000	(30.556)	(30.556)	2.206	(28.350)
Surplus or deficit on provision of services	(1.568)	0.000	(1.568)	6.475	4.907
Transfer to Ear-marked reserve		1.568			
Net movement on General fund	0.000	0.000	(1.568)		
Deficit/(Surplus) on revaluation of non-current assets				(0.374)	(0.374)
Remeasurement of the net defined benefit/(liability)				(48.835)	(48.835)
Other Comprehensive Income and Expenditure				(49.209)	(49.209)
Deficit/(Surplus) Comprehensive Income and Expenditure				(42.734)	(44.302)
Opening General Fund and Earmarked Reserve Balance at 31 March 2016	(9.935)				
Plus Surplus on General Fund in year	(1.567)				
Closing General Fund and Earmarked Reserve Balance at 31 March 2016	(11.502)				

7. Note to the Expenditure and Funding Analysis

Budget allocations for management purposes do not exactly follow the Code in respect of the distinction between the Net Cost of Services and the total Cost for the provision of services. This table analyses the difference between the 2016/17 management account format and the CIES format.

	Excess Staff (Net) £m	Other Employee Costs £m	Interests £m	Special Grants £m	Total Adj £m
Employee Costs	0.649	(0.050)			0.599
Running Costs		0.050	0.006	(1.148)	(1.092)
Capital Financing			(0.519)		(0.519)
Excess Staff	(0.649)				(0.649)
Income	0.000	0.000	(0.513)	(1.148)	(1.661)
			0.513	1.148	1.661
	0.000	0.000	0.000	0.000	0.000

8. Adjustments relating to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

	Adj for Capital Purpose £m	Net Pension Adj £m	Capital Grant Adj £m	Other Difference £m	Total Adj £m
Employee Costs		2.950		0.090	3.040
Running Costs					0.000
Capital Financing	1.229				1.229
Net Cost of Services	1.229	2.950	0.000	0.090	4.269
Other Income and expenditure	0.674	6.546	(5.067)	0.053	2.206
Surplus or deficit on provision of services	1.903	9.496	(5.067)	0.143	6.475
Other Comprehensive Income and Expenditure	(0.374)	(48.835)			(49.209)
Difference between General Fund surplus and Comprehensive Income and Expenditure Statement Deficit	1.529	(39.339)	(5.067)	0.143	(42.734)

9. Financing and Investment Income and Expenditure

	2015/16 £'000	2016/17 £'000
Interest payable and similar charges	568	546
Interest receivable and similar income	(55)	(50)
Pensions net interest cost and expected return on pensions assets	10,854	10,228
	11,367	10,724

10. **Taxation and non-specific Grant Income**

	2015/16 £'000	2016/17 £'000
Council Tax income	20,292	21,115
National Non-Domestic Rates (NNDR) income and expenditure	5,172	2,680
Council Tax Transition Grant		2,845
Rural Service Grant		109
Transition Grant		113
Miscellaneous Other Grants		18
Revenue Support Grant (RSG)	5,555	4,464
	31,019	31,344
Non-specific Capital Grant – Fire Transformation Grant	4,270	
Grant from Wychavon District Council	380	2,346
Grant for Joint Property Vehicle	417	
Total Grants	36,086	33,690

Members Allowances

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

	2015/16 £'000	2016/17 £'000
Basic Allowances	29	29
Special Allowances	20	21
Expenses	3	3
	52	53

A breakdown of the amounts paid to individual Members is available on the Authority's website, this can be accessed using the following link.

<https://hwfire.cmis.uk.com/hwfire/documents/documentLibrary.aspx>

Officers' Emoluments

12. During the year the number of Staff who received remuneration in excess of £50,000 (excluding employers pension contributions) is as detailed in the table. This table includes Senior Officers for which there is also an additional, enhanced disclosure. The table represents payments to individual staff members during the year.

£	2015/16 No. of Staff	2016/17 No. of Staff
50,000 - 54,999	21	23
55,000 - 59,999	12	9
60,000 - 64,999	1	5
65,000 - 69,999		1
70,000 - 74,999	1	1
75,000 - 79,999	2	3
80,000 - 84,999	1	1
85,000 - 89,999		
90,000 - 94,999	1	
95,000 - 99,999		1
100,000 - 104,999	1	1
105,000 - 109,999		
110,000 - 114,999		
115,000 - 119,999		
120,000 - 124,999	1	
	41	45

Senior Officers

Post Title	2016/17	Salary	Benefit in Kind	Sub-Total	Pension Contrib.	Total incl Pension
Chief Fire Officer/Chief Executive <i>Commenced Employment 01-08-16</i>	<i>U</i>	76,241	382	76,623	16,527	93,150
Deputy Chief Fire Officer	<i>U</i>	99,952	1,262	101,214	21,661	122,875
Assistant Chief Fire Officer	<i>U</i>	93,712	1,467	95,179	20,307	115,486
Director of Finance & Assets	<i>NU</i>	78,142	5,546	83,688	11,330	95,018
Head of Legal Services	<i>NU</i>	60,545	1,239	61,784	8,779	70,563
<i>U : Uniformed; NU : Non-Uniformed</i>		408,592	9,896	418,488	78,604	497,092

Post Title	2015/16	Salary	Benefit in Kind	Sub-Total	Pension Contrib.	Total incl Pension
Chief Fire Officer/Chief Executive	<i>U</i>	123,460	420	123,880	26,724	150,604
Deputy Chief Fire Officer	<i>U</i>	98,966	986	99,952	21,417	121,369
Assistant Chief Fire Officer	<i>U</i>	92,788	1,650	94,438	20,078	114,516
Director of Finance & Assets	<i>NU</i>	77,398	6,555	83,953	11,223	95,176
Head of Legal Services	<i>NU</i>	57,874	619	58,493	8,392	66,885
<i>U : Uniformed; NU : Non-Uniformed</i>		450,486	10,230	460,716	87,834	548,550

13. Pension contributions in the above tables relate to average scheme contribution rates and not an individual pension pot. Uniformed staff are members of the Firefighters Pension scheme (FFPS), all other senior officers are members of the Local Government Scheme (LGPS).
14. The Chief Fire Officer/Chief Executive costs are only included for part of the financial year, this is because until 31 July 2016 he was employed by Oxfordshire County Council and seconded to Hereford and Worcester Fire Authority.

15. The majority of the Benefit in Kind relates to the provision of cars. Due to their continuous duty system (and the requirement to be able to respond to emergencies) the taxable benefit is significantly lower for uniformed staff than for non-uniformed staff. The extra cost to the Authority is very similar.

Related Party Transactions

16. The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority 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 Authority.
17. **Central Government** has a significant influence over the general operations of the Authority – it is responsible for setting the statutory framework within which the Authority operates, provides a proportion of funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills). Grants received from Government are set out in the table on page 34.
18. **Members** of the Authority have direct control over the Authority's financial and operating policies. The total of Members' allowances paid is shown in Notes 11 on page 34. No Members of the Authority or members of their immediate family or household declared any positions of influence
19. **Officers** – No Senior Officers within the Service or members or their immediate family or household declared any positions of influence.
20. **Place Partnership Ltd** is a facilities management company co-owned by Hereford & Worcester Fire Authority, Worcestershire County Council, Redditch Borough Council, Warwickshire Police, West Mercia Police and Worcester City Council, each party has equal shares and equal voting rights. Place Partnership has been classed as a Joint Operation because there is joint control and the activity of the arrangement is primarily to provide services to the parties within the party's boundaries. In 2016/17, the operating costs for the Authority were £1,249,839 (2015/16 £709,623) paid as principal costs to the company, with an additional sum of £4,769,862 (2015/16 £761,465) paid as agency costs, the Authority has received income of £188,947 (2015/16 £69,509) as income and this is reflected in the Comprehensive Income and Expenditure Statement. Place Partnership Ltd has not been fully consolidated into the Fire Authority's accounts as a Joint Operation, because there is no material difference between the costs already reflected. The 2015/16 comparison was for a period of 7 months.

External Audit Fees

21. During 2016/17 Hereford & Worcester Fire Authority incurred the fees below in respect of external audit and statutory inspection services, to auditors appointed under the Local Audit and Accountability Act 2014.

	2015/16 £'000	2016/17 £'000
Fees payable to Grant Thornton:		
in respect of external audit services : 2015/16 Accounts	33	
in respect of external audit services : 2016/17 Accounts		33
	33	33

Leases

22. The Authority does not have any leases that meet the accounting requirement to be treated as Finance Leases.

Operating Leases

23. The Authority has entered into operational leases for the provision of ancillary vehicles. The total rentals paid to lessors on these operating leases in the year totalled £106,074 (2015/16 £74,614).

24. The Authority entered into a lease agreement with the Police & Crime Commissioner for West Mercia, on 3rd April 2014 for the provision of a joint Fire/Police Station in Bromsgrove. The lease is for a term of 30 years with the option for the Authority to extend for a further 30 years. The total rental payable in 2016/17 was £249,485 (2015/16 was £249,485).

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

	31-Mar-2016 £'000	31-Mar-2017 £'000
Not later than one year	332	347
Later than one year and not later than 5 years	1,152	1,141
Later than 5 years	5,745	5,506
	7,229	6,994

Capital Expenditure

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

	2015/16 £'000	2016/17 £'000
New Buildings & Adaptations	2,568	4,219
Vehicles (including fitted equipment)	457	736
IT and Communication Equipment	135	128
Other Equipment	155	195
Total Capital Expenditure	3,315	5,278

27. Capital expenditure was financed as follows:

	2015/16 £'000	2016/17 £'000
Net Borrowing	1,415	1,210
Capital Receipts	13	774
Capital Grant	840	2,383
Revenue Contributions	1,047	911
	3,315	5,278

28. Capital Financing Requirement

	2015/16			2016/17		
	Owned £'000	Leased £'000	Total £'000	Owned £'000	Leased £'000	Total £'000
Opening CFR	17,859		17,859	18,142		18,142
Capital investment						
Operational assets	2,177		2,177	5,270		5,270
Assets not yet Operational	1,138		1,138	8		8
Sources of Finance						
Capital receipts	(13)		(13)	(774)		(774)
Government grants and other contributions	(840)		(840)	(2,383)		(2,383)
Sums set aside from Revenue						
- Direct Revenue Financing	(1,047)		(1,047)	(911)		(911)
	1,415	0	1,415	1,210	0	1,210
Sums set aside from Revenue						
- Minimum Revenue Provision	(1,132)	0	(1,132)	(1,152)		(1,152)
Change in CFR	283	0	283	58		58
Closing CFR	18,142	0	18,142	18,200	0	18,200
Explanation of movements in year						
Increase/(Decrease) in underlying need to borrow: unsupported by government financial assistance	283	n/a		58	n/a	
Increase in Capital Financing Requirement	283	0	0	58	0	0

Property, Plant and Equipment

29. Movements in 2016/17

	Land and Buildings £'000	Vehicles Plant, Furniture and Equipment £'000	Assets not yet Operational £'000	TOTAL Tangible Assets £'000
Cost or Valuation at 01 April 2015	33,841	20,751	1,201	55,793
Additions	4,211	1,059	8	5,278
Revaluation increases/(decreases) recognised in the Revaluation Reserve	314			314
Revaluation increases/(decreases) recognised in the				
Surplus/Deficit on the Provision of Services	(676)			(676)
Reclassifications	539	602	(1,141)	0
Reclassifications - to current assets held for sale	(177)			(177)
Reclassifications - to intangible assets				0
Disposals/derecognition		(1,193)		(1,193)
At 31 March 2016	38,052	21,219	68	59,339
Accumulated Depreciation and Impairment at 01 April 2015	0	(14,771)	0	(14,771)
Reclassifications				
Depreciation Charge for 2016-17	(644)	(1,368)		(2,012)
Depreciation written out to Revaluation Reserve	386			386
Depreciation written out to the Surplus/Deficit on Provision of Services	258			258
Disposals/derecognition		1,061		1,061
At 31 March 2016	0	(15,078)	0	(15,078)
Balance Sheet amount at 01 April 2016	33,841	5,980	1,201	41,022
Balance Sheet amount at 31 March 2017	38,052	6,141	68	44,261

30. Comparative Movements in 2015/16

	Land and Buildings (restated) £'000	Vehicles Plant, Furniture and Equipment £'000	Assets not yet Operational £'000	TOTAL Tangible Assets (restated) £'000
Cost or Valuation at 01 April 2015	33,267	20,445	3,619	57,331
Additions	1,493	657	1,138	3,288
Revaluation increases/(decreases) recognised in the Revaluation Reserve	30			30
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,627)			(1,627)
Reclassifications	3,553		(3,553)	0
Reclassifications - to current assets held for sale	(2,875)			(2,875)
Reclassifications - to intangible assets				0
Disposals/ derecognition		(351)	(3)	(354)
At 31 March 2016	33,841	20,751	1,201	55,793
Accumulated Depreciation and Impairment at 01 April 2015	0	(13,717)		(13,717)
Reclassifications				
Depreciation Charge for 2015-16	(588)	(1,356)		(1,944)
Depreciation written out to Revaluation Reserve	343			343
Depreciation written out to the Surplus/Deficit on Provision of Services	245			245
Derecognition/ disposals		302		302
At 31 March 2016	0	(14,771)	0	(14,771)
Balance Sheet amount at 01 April 2014	33,267	6,728	3,619	43,614
Balance Sheet amount at 31 March 2015	33,841	5,980	1,201	41,022

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

Intangible Assets

32. 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.
33. 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.
34. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £70,000 charged to revenue in 2016/17 was charged to the capital financing line.
35. The movement on Intangible Asset balances during the year is as follows:

	2015/16 £000	2016/17 £000
Balance at start of year:	449	393
- Gross carrying amount	1,207	1,016
- Accumulated amortisation	(758)	(623)
Net carrying amount at start of year	449	393
Additions	26	0
Reclassification		
Disposals	(217)	(100)
Accumulated amortisation on disposal	217	100
Amortisation for the period	(82)	(70)
Net carrying amount at end of year	393	323
Comprising:		
- Gross carrying amount	1,233	916
- Accumulated amortisation	(840)	(593)
	393	323

Heritage Assets

36. 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 Authority 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.
37. These assets are held at Authority fire stations and other buildings throughout the two counties. The estimated value of these assets is not material to the financial statements.
38. 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

39. 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 45-46):

	31-Mar-16			31-Mar-17		
	Long-term £000	Current £000	Total £000	Long-term £000	Current £000	Total £000
Short Term Deposits						
Deposits with WCC		13,400	13,400		11,900	11,900
	13,400	13,400		11,900	11,900	
Loans & Receivables <i>(at amortized cost)</i>						
Trade Debtors		376	376		461	461
	376	376		461	461	
	13,776	13,776		12,361	12,361	
Financial Liabilities <i>(at amortized cost)</i>						
PWLB Borrowing	12,637	500	13,137	11,137	1,500	12,637
Trade Creditors		1,160	1,160		471	471
	12,637	1,660	14,297	11,137	1,971	13,108

Fair Value of Assets and Liabilities carried at amortised cost

40. 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.

41. 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.

42. The Fair Value of the loans at 31 March 2017 was £16,160m (£16.430m at 31 March 2016) as estimated by PWLB by reference to the “premature repayment” set of rates in force on 31 March 2017 (31 March 2016) – Level 2. For all other Financial Assets and Liabilities the Fair Value is equal to the Carrying Value.

43. 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

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

	Interest Expense 2015/16 £'000	Interest Income 2015/16 £'000	Interest Expense 2016/17 £'000	Interest Income 2016/17 £'000
Financial Liabilities				
PWLB Borrowing	568		546	
Total	568	0	546	0
Short Term Deposits		(55)		(50)
Total	0	(55)	0	(50)

Long and Short Term Borrowing

45. Additional information in respect of Long Term Loans shown in the table below is given in paragraph 37 on page 37.

	31-Mar-16			31-Mar-17		
	Long Term £'000	Short Term £'000	TOTAL £'000	Long Term £'000	Short Term £'000	TOTAL £'000
Loan Source						
Public Works Loans Board	12,637	500	13,137	11,137	1,500	12,637
	12,637	500	13,137	11,137	1,500	12,637
Analysis by Maturity						
Less than 1 year		500	500		1,500	1,500
Between 1 and 2 years	1,500		1,500	500		
Between 2 and 5 years	2,000		2,000	3,226		
Between 5 and 10 years	3,649		3,649	1,923		
Over 10 years	5,488		5,488	5,488		
Total of Loans	12,637	500	13,137	11,137	1,500	12,637

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

Financial Instruments – Exposure to Risk

47. 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.

48. The CIPFA Code of Practice on Treasury Management has been adopted by the Authority, 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

49. Under the Treasury Management SLA, the Authority invests surplus cash with WCC, but in return for receiving an average investment rate based on the Council's portfolio of investments the Authority shares risk in proportion to its value of the total portfolio. Credit risk also arises from credit exposures to the Authority's customers.

50. Amounts invoiced to customers are of relatively low value and are actively pursued by the in-house legal service.

51. The following analysis summarises the Authority's potential maximum exposure to credit risk based on actual experience in terms of deposits and percentage of debt which has been written off as unrecoverable in the last three years in terms of debtors (total £0.001m).

	31-Mar-17 £'000	Written off in last 3 years £'000	Historical Default
Short Term deposits with WCC	11,900	0	
Customers	461	1	0.1%
Total	12,361	1	

52. Of the £0.461m due from customers at 31 March 2017 the following table analyses the due dates.

	£'000
Not yet due	9
Less than 1 month overdue	58
1 to 2 months overdue	0
more than 2 months overdue	394
	461

Liquidity Risk

53. The Authority 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 Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority 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

54. This strategy allows the Authority 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

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

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

57. Debtors

	31-Mar-16 restated £'000	31-Mar-17 £'000
Central Government Bodies	283	240
Other Local Authorities	719	774
Public Corporations and Trading Funds	1,406	3,269
Other entities and individuals	1,233	1,415
	3,641	5,698

58. Assets Held for Sale

	Current	
	2015-16	2016-17
	£'000	£'000
Balance outstanding at start of year	985	985
Assets newly classified as held for sale:		
Property Plant and Equipment	2,875	177
Revaluation Losses	(812)	(6)
Assets Sold	(2,063)	(171)
Balance outstanding at year-end	985	985

Cash and Cash Equivalents

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

	31-Mar-16 £'000	31-Mar-17 £'000
Cash held by the Authority	5	6
Bank Current Accounts	1,804	2,240
Short term deposits with WCC	13,400	11,900
	15,209	14,146

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

61. Creditors

	31-Mar-16 (restated) £'000	31-Mar-17 £'000
Central Government Bodies	497	1,110
Other Local Authorities	1,198	980
Other entities and individuals	2,680	2,292
	4,375	4,382

Termination Benefits and Packages

62. As a result of a redundancy process the Authority terminated the contracts of 17 employees, incurring liabilities of £0.495m.

63. The numbers of exit packages with the total cost per band are set out in the table below. The Authority did not pay any other exit packages.

2016/17

	No. of Staff	Redundancy Payments £	Compromise Agreement £	Total £
£0 to £20,000	3	37,591	750	38,341
£20,001 to £40,000	12	363,290	3,000	366,290
£40,001 to £60,000	2	90,254	500	90,754
		491,135	4,250	495,385

The total cost of £495,385 in the table above includes £25,931 for exit packages charged to the Authority's Comprehensive Income and Expenditure Account for 2017/18, the authority was committed to these exit packages at the end of the financial year.

2015/16

	No. of Staff	Redundancy Payments £	Compromise Agreement £	Total £
£0 to £20,000	10	89,887	2,500	92,387
£20,001 to £40,000	5	136,495	1,250	137,745
£40,001 to £60,000	2	90,254	500	90,754
		316,636	4,250	320,886

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 five 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 2006 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 2015 Firefighters' Pension Scheme (FFCARE) – this is a career average scheme, and is available to operational firefighters appointed on or after 1 April 2015. Serving firefighters will also have been transferred into the scheme unless they have protected status under one of the existing schemes.
- The Firefighters' Compensation Scheme (FFCS) (the Injury Scheme) – another statutory un-funded defined benefit scheme covering existing and new injury pensions.
- The four 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 Home Office.
- 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.
- The Local Government Pension Scheme (LGPS – Place Partnership Ltd) – The Fire Authority has transferred all of its Property Section staff to Place Partnership Ltd, as part of the agreement between the partners of this company, the Fire Authority has guaranteed any pension fund liability will be met based on the proportion of staff transferred into the scheme. Prior to the transfer the liability relating to these staff was included in the Fire Authority liability. At the Balance Sheet date this liability was zero.

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 paragraph 76 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 39-40 on page 10 of the Narrative Report.
- FFCS – the actual injury pensions and any RDS ill-health pensions payable.

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

	LGPS 2016/17 £'000	FFPS 2016/17 £'000	NFPS 2016/17 £'000	FF CARE 2016/17 £'000	FFCS 2016/17 £'000	TOTAL 2016/17 £'000
Income and Expenditure Account						
Net Cost of Services:						
Current Service Cost	735	1,570	220	2,090	110	4,725
Curtailment Cost	16	160				176
Other Operating Expenditure comprising						
Business Combinations						
Administration Expenses	12	(8,044)	(5)	1,968		12
Pensions Grant						(6,081)
Financing and Investment Income and Expenditure						
Net Interest Expense	328	8,670	520	150	560	10,228
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	1,091	2,356	735	4,208	670	9,060
Remeasurement of the net defined benefit liability comprising:						
Actuarial (gains)/losses arising on changes in financial assumptions (retained settlement)						
Experience (gains)/losses	(1,847)	(870)	520	(290)	(400)	(2,887)
Return on plan assets (excluding the amount included in the net interest expense)	(1,883)					(1,883)
Actuarial (gains) and losses arising on changes in demographic assumptions	(435)	(4,480)	10		(1,100)	(6,005)
Actuarial (gains) and losses arising in financial assumptions	7,548	52,020	6,010	2,450	2,300	70,328
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	4,474	49,026	7,275	6,368	1,470	68,613

Movement in Reserves Statement						
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(1,091)	(2,356)	(735)	(4,208)	(670)	(9,060)
Reversal of remeasurements of the net defined benefit liability/asset charged to Other Comprehensive Income and Expenditure	(3,383)	(46,670)	(6,540)	(2,160)	(800)	(59,553)
Actual Amount charged against the General Fund Balance for pensions in the year:						
Employer's contribution payable to scheme	717	737	121	1,055		2,630
Retirement Benefits payable to Pensioners					710	710
Net Charge to General Fund	717	737	121	1,055	710	3,340

	LGPS 2015/16 £'000	FFPS 2015/16 £'000	NFPS 2015/16 £'000	FF CARE 2015/16 £'000	FFCS 2015/16 £'000	TOTAL 2015/16 £'000
Income and Expenditure Account						
Net Cost of Services:						
Current Service Cost	722	2,390	230	2,480	580	6,402
Curtailment Cost	0				10	10
Other Operating Expenditure comprising						
Business Combinations	0					0
Administration Expenses	12					12
Pensions Grant		(6,052)	(94)	1,826		(4,320)
Financing and Investment Income and Expenditure						
Net Interest Expense	324	9,120	810	50	550	10,854
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	1,058	5,458	946	4,356	1,140	12,958
Remeasurement of the net defined benefit liability comprising:						
Actuarial (gains)/losses arising on changes in financial assumptions (retained settlement)			(8,000)			(8,000)
Experience (gains)/losses		(8,400)	340	(320)	(40)	(8,420)
Return on plan assets (excluding the amount included in the net interest expense)	920					920
Actuarial (gains) and losses arising on changes in demographic assumptions		(3,730)	(210)	(40)	(180)	(4,160)
Actuarial (gains) and losses arising in financial assumptions	(1,735)	(23,330)	(2,920)	(240)	(950)	(29,175)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	243	(30,002)	(9,844)	3,756	(30)	(35,877)

Movement in Reserves Statement Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(1,058)	(5,458)	(946)	(4,356)	(1,140)	(12,958)
Actual Amount charged against the General Fund Balance for pensions in the year:						
Employer's contribution payable to scheme Retirement Benefits payable to Pensioners	649	935	160	987	731	2,732 731
Net Charge to General Fund	649	935	160	987	731	3,463

Pensions Assets and Liabilities Recognised in the Balance Sheet

	Funded Liability LGPS 2016/17 £'000	Un-funded Liability FFPS 2016/17 £'000	Un-funded Liability NFPS 2016/17 £'000	Un-funded Liability FFCARE 2016/17 £'000	Un-funded Liability FFCS 2016/17 £'000	TOTAL 2016/17 £'000
Present value of the defined benefit obligation	33,196	296,194	21,616	8,082	16,457	375,545
Fair Value of Plan assets	(19,826)					(19,826)
Net liability arising from defined benefit obligation	13,370	296,194	21,616	8,082	16,457	355,719

	Funded Liability LGPS 2015/16 £'000	Un-funded Liability FFPS 2015/16 £'000	Un-funded Liability NFPS 2015/16 £'000	Un-funded Liability FFCARE 2015/16 £'000	Un-funded Liability FFCS 2015/16 £'000	TOTAL 2015/16 £'000
Present value of the defined benefit obligation	26,805	247,905	14,462	2,769	15,697	307,638
Fair Value of Plan assets	(17,193)					(17,193)
Net liability arising from defined benefit obligation	9,612	247,905	14,462	2,769	15,697	290,445

Assets and Liabilities in relation to post-employment benefits

69. Reconciliation of the present value of scheme liabilities:

	Funded Liabilities (LGPS) 2016/17 £'000	Un-funded Liabilities (FFPS) 2016/17 £'000	Un-funded Liabilities (NFPS) 2016/17 £'000	Un-funded Liabilities (FF CARE) 2016/17 £'000	Un-funded Liabilities (FFCS) 2016/17 £'000	TOTAL 2016/17 £'000
at 1 April	26,805	247,905	14,462	2,769	15,697	307,638
Removal of Prior year PPL adjustment	(12)					(12)
Current Service Cost	735	1,570	220	2,090	110	4,725
Curtailment	16					16
Interest Cost	1,011	8,670	520	150	560	10,911
Employee Contributions	217					217
Remeasurement Gains and Losses						
Experience (Gains) and Losses	(1,847)	(870)	520	(290)	(400)	(2,887)
Actuarial (Gains) and Losses arising on changes in demographic assumptions	(435)	(4,480)	10		(1,100)	(6,005)
Actuarial (Gains) and Losses arising on changes in financial assumptions	7,548	52,020	6,010	2,450	2,300	70,328
Actuarial (Gains) and Losses arising on changes in financial assumptions (retained settlement)						
Losses/(Gains) on curtailments		160				160
Pensions Grant		(8,044)	(5)	1,968		(6,081)
Employer contributions firefighter scheme/benefits paid LGPS scheme	(842)	(737)	(121)	(1,055)	(710)	(3,465)
at 31 March	33,196	296,194	21,616	8,082	16,457	375,545

	Funded Liabilities (LGPS) 2015/16 £'000	Un-funded Liabilities (FFPS) 2015/16 £'000	Un-funded Liabilities (NFPS) 2015/16 £'000	Un-funded Liabilities (FF CARE) 2015/16 £'000	Un-funded Liabilities (FFCS) 2015/16 £'000	TOTAL 2015/16 £'000
at 1 April	27,387	278,842	24,466	0	16,458	347,153
Current Service Cost	722	2,390	230	2,480	580	6,402
Interest Cost	922	9,120	810	50	550	11,452
Employee Contributions	194					194
Remeasurement Gains and Losses						
Experience (Gains) and Losses		(8,400)	340	(320)	(40)	(8,420)
Actuarial (Gains) and Losses arising on changes in demographic assumptions		(3,730)	(210)	(40)	(180)	(4,160)
Actuarial (Gains) and Losses arising on changes in financial assumptions	(1,735)	(23,330)	(2,920)	(240)	(950)	(29,175)
Actuarial (Gains) and Losses arising on changes in financial assumptions (retained settlement)			(8,000)			(8,000)
Losses/(Gains) on curtailments		(6,052)	(94)	1,826	10	10
Pensions Grant		(935)	(160)	(987)	(731)	(4,320)
Employer contributions firefighter scheme/benefits paid LGPS scheme	(685)					(3,498)
at 31 March	26,805	247,905	14,462	2,769	15,697	307,638

70. Reconciliation of fair value of scheme assets:

	Funded Assets (LGPS) 2015/16 £'000	Funded Assets (LGPS) 2016/17 £'000
Fair value at 1 April	17,369	17,193
Removal of Prior year PPL adjustment		(12)
Interest Income	598	682
Remeasurement gain/loss		
Return on plan assets (excluding the amount included in the net interest expense)	(920)	1,883
Other (administration expenses)	(12)	(12)
Employer Contributions	649	717
Employee Contributions	194	217
Benefits Paid	(685)	(842)
at 31 March	17,193	19,826

71. 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 82 appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class as shown in table 83. Note that rates quoted are gross of expenses. The actual return on schemes' assets in the year was £4.438m (2015/16 £1.280m).

72. The objective of the Local Government Pension scheme is to keep employers' contributions at as constant a rate as possible. The Worcestershire County Council Pension Fund has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 25 years. Funding levels are

monitored on an annual basis. The next triennial valuation is due to be completed for 31 March 2019.

73. The Firefighter scheme employer contribution rates are set by the Home Office and the next revised rates are anticipated from April 2019.
74. The Authority anticipated to pay approximately £0.741m expected contributions to the Local Government Pension scheme in 2016/17.
75. Expected employers' contributions for the firefighters' pension schemes in the year to 31 March 2017 are expected to be approximately £1.865m.

76. Reconciliation of Movements in Net Pensions Liability:

	Funded Liabilities (LGPS) 2016/17 £'000	Un-funded Liabilities (FFPS) 2016/17 £'000	Un-funded Liabilities (NFPS) 2016/17 £'000	Un-funded Liabilities (FF CARE) 2016/17 £'000	Un-funded Liabilities (FFCS) 2016/17 £'000	TOTAL 2016/17 £'000
at 1 April	9,612	247,905	14,462	2,769	15,697	290,445
Current Service Cost	735	1,570	220	2,090	110	4,725
Curtailment	16					16
Employer Contributions	(717)	(737)	(121)	(1,055)	(710)	(3,340)
Pensions Grant		(8,044)	(5)	1,968		(6,081)
Administration Expenses	12					12
(Gain)/Loss from Curtailments		160				160
Interest on Liabilities	1,011	8,670	520	150	560	10,911
Interest on Assets	(682)					(682)
Net remeasurement gains and losses	3,383	46,670	6,540	2,160	800	59,553
at 31 March	13,370	296,194	21,616	8,082	16,457	355,719

	Funded Liabilities (LGPS) 2015/16 £'000	Un-funded Liabilities (FFPS) 2015/16 £'000	Un-funded Liabilities (NFPS) 2015/16 £'000	Un-funded Liabilities (FF CARE) 2015/16 £'000	Un-funded Liabilities (FFCS) 2015/16 £'000	TOTAL 2015/16 £'000
at 1 April	10,018	278,842	24,466	0	16,458	329,784
Current Service Cost	723	2,390	230	2,480	580	6,403
Employer Contributions	(650)	(935)	(160)	(987)	(731)	(3,463)
Pensions Grant		(6,052)	(94)	1,826		(4,320)
Administration Expenses	12					12
(Gain)/Loss from Curtailments					10	10
Interest on Liabilities	922	9,120	810	50	550	11,452
Interest on Assets	(598)					(598)
Net remeasurement gains and losses	(815)	(35,460)	(10,790)	(600)	(1,170)	(48,835)
at 31 March	9612	247,905	14,462	2,769	15,697	290,445

77. Scheme History

	31-Mar 2012 £'000	31-Mar 2013 £'000	31-Mar 2014 £'000	31-Mar 2015 £'000	31-Mar 2016 £'000	31-Mar 2017 £'000
Present value of liabilities: LGPS : Local Government Pension Scheme FFPS : Firefighters' 1992 Scheme NFPS : Firefighters' 2006 Scheme FFCARE: Firefighters' 2015 Scheme FFCS : Firefighters' Injury Scheme	18,243 213,344 6,978 23,702	22,103 252,780 11,589 29,055	21,561 250,351 13,131 25,903	27,387 278,842 24,466 16,458	26,805 247,905 14,462 15,697	33,196 296,194 21,616 8,082 16,457
	262,267	315,527	310,946	347,153	307,638	375,545
Fair value of assets in the LGPS	11,290 11,290	13,474 13,474	15,384 15,384	17,369 17,369	17,193 17,193	19,826 19,826
Net Liabilities of the scheme: LGPS : Local Government Pension Scheme FFPS : Firefighters' 1992 Scheme NFPS : Firefighters' 2006 Scheme FFCARE: Firefighters' 2015 Scheme FFCS : Firefighters' Injury Scheme	6,953 213,344 6,978 23,702	8,629 252,780 11,589 29,055	6,177 250,351 13,131 25,903	10,018 278,842 24,466 16,458	9,612 247,905 14,462 15,697	13,370 296,194 21,616 8,082 16,457
Total	250,977	302,053	295,562	329,784	290,445	355,719

78. The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £355,719m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £307,367m.

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

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

Basis for Estimating Liabilities

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.

81. 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.

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

	LGPS 2016/17	FFPS 2016/17	NFPS 2016/17	FFCARE 2016/17	FFCS 2016/17
Mortality assumptions:					
Longevity at 65 for current pensioners					
Male	22.6	22.4	22.4	22.4	22.4
Female	25.6	22.4	22.4	22.4	22.4
Longevity at 65 for future pensioners					
Male	24.8	24.7	24.7	24.7	24.7
Female	27.9	24.7	24.7	24.7	24.7
Rate of inflation (CPI)	2.30%	2.35%	2.35%	2.35%	2.35%
Short term rate of increase in salaries	n/a	1.00%	1.00%	1.00%	1.00%
Long term rate of increase in salaries	n/a	4.35%	4.35%	4.35%	4.35%
Rate of increase in salaries	3.80%	n/a	n/a	n/a	n/a
Rate of CARE revaluation	n/a	4.35%	4.35%	4.35%	4.35%
Rate of increase in pensions	2.30%	2.35%	2.35%	2.35%	2.35%
Rate for discounting scheme liabilities	2.60%	2.65%	2.65%	2.65%	2.65%
Take-up of option to convert annual pension into retirement lump sum:					
take maximum cash	50%	n/a	n/a	n/a	n/a
take 3/80ths cash	50%	n/a	n/a	n/a	n/a

	LGPS 2015/16	FFPS 2015/16	NFPS 2015/16	FFCARE 2015/16	FFCS 2015/16
Mortality assumptions:					
Longevity at 65 for current pensioners					
Male	23.5	22.3	22.3	22.3	22.3
Female	25.9	22.3	22.3	22.3	22.3
Longevity at 65 for future pensioners					
Male	25.8	24.6	24.6	24.6	24.6
Female	28.2	24.6	24.6	24.6	24.6
Rate of inflation (RPI)	n/a	3.35%	3.35%	3.35%	3.35%
Rate of inflation (CPI)	2.00%	2.20%	2.20%	2.20%	2.20%
Short term rate of increase in salaries	n/a	1.00%	1.00%	1.00%	1.00%
Long term rate of increase in salaries	n/a	4.20%	4.20%	4.20%	4.20%
Rate of increase in salaries	3.50%	n/a	n/a	n/a	n/a
Rate of CARE revaluation	n/a	n/a	n/a	4.20%	n/a
Rate of increase in pensions	2.00%	2.20%	2.20%	2.20%	2.20%
Rate for discounting scheme liabilities	3.60%	3.55%	3.55%	3.55%	3.55%
Take-up of option to convert annual pension into retirement lump sum:					
take maximum cash	50%	n/a	n/a	n/a	n/a
take 3/80ths cash	50%	n/a	n/a	n/a	n/a

83. 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 following table.

Asset Category	Sub Category	31-Mar-16	31-Mar-17
Equities	UK Quoted	0.7%	0.5%
	Overseas Quoted	34.2%	27.9%
	UK Managed Funds	28.0%	26.9%
	UK Managed Funds – Overseas Equities)	20.0%	29.9%
	Overseas Managed Funds	0.7%	0.3%
Bonds	UK Corporate	0.4%	0.3%
	Overseas Corporate	5.7%	5.1%
Property	European Property Funds	3.1%	2.8%
	UK Property Debt	1.2%	0.9%
	Overseas Property Debt	0.2%	0.5%
	UK Infrastructure	3.7%	2.7%
Alternatives	Cash Instruments	0.6%	0.2%
	Cash Accounts	0.5%	0.6%
	Net Current Assets	1.0%	1.4%
Total		100.0%	100.0%

Injury Awards

84. 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.

Useable Reserves

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

	31-Mar-16 £'000	31-Mar-17 £'000
General Fund	1,838	1,838
Earmarked Reserves	9,664	11,507
Unapplied Grants	5,238	5,201
Capital Receipts Reserve	2,532	2,060
	19,272	20,606

86. General Fund Balance

	2015/16 £'000	2016/17 £'000
Balance at 01 April	1,838	1,838
Transfers from CIES	0	0
Balance at 31 Mar	1,838	1,838

Earmarked Reserves

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

- **Equipment Reserve** – To fund additional equipment required within the service, when it falls due, (in particular cutting gear, mobile data terminals and fire-ground

radios) as well as allowing investment in new equipment on an “invest to save” basis.

- **ESMCP Reserve** – to fund the costs associated with the implementation of the new national radio/communications system
- **C&C Reserve** – to fund the cyclical upgrade/replacement of the mobilising system. The current system was largely funded by specific government grant.
- **RPE Reserve** – To fund the future costs of replacing Respiratory Protective Equipment (RPE)
- **Property Maintenance Reserve** – to be utilised in future years to ensure the completion of planned station maintenance.
- **ICT Reserve** – to fund the approved extension of mobile working that did not proceed in 2016/17 due to staffing resource constraints.
- **YFA Reserve** – Held for the Young Firefighters’ Association to smooth annual expenditure.
- **Capital Finance Phasing Reserve** – this arises from savings in capital financing costs as a result of re-phasing of the Major Buildings programme due to delays outside the control of the Authority
- **Fleet Funding Reserve** – financing of the capital programme is predicated on using the receipts from the sale of old assets to part fund their replacement. However, any individual receipt below £0.01.m is technically not a capital receipt and is treated as revenue. This reserve makes those revenue receipts available to fund capital expenditure as planned.
- **ICP Work-wear Reserve** – To match the budgeted routine replacement of non-PPE work-wear with the charging profile under the national Integrated Clothing Project (ICP). – The majority of this was utilised in 2012/13.
- **Pensions Reserve** – To meet the potential back cost of any matters arising from pensions.
- **Operational Activity Reserve** – To fund exceptional activity costs arising from spate conditions e.g. prolonged fires in the Malvern Hills or flooding.
- **New Dimensions Reserve** – planned to be used to create additional training facilities and fund exercises in respect of New Dimensions.
- **Development Reserve** – To provide funding for capacity building or “invest to save” type initiatives to prepare for future grant reductions.
- **Insurance Reserve** – This reserve is created to fund the excess on any long-tail claims.
- **Pension Tribunal Reserve** – to meet the potential costs of HMRC challenge relating to employment of Fire Fighters on the retained fire fighter duty system who had retired from whole-time posts before reaching the age of 55.
- **CSR Grant Phasing Reserve** – this reserve will be used to smooth the effect of the front-loading of the grant reductions over the MTFP period.
- **Collection Fund Loss Reserve** - this reserve will be used to support the budget over the MTFP period.
- **Budget Reduction Reserve** – this reserve is being used as part of the MTFP to fund the short term costs to implement the measures necessary to achieve long term sustained budget reductions.

88. A summary of movements is shown below.

	Balance at 31-Mar-16 £'000	From/(to) Rev 16/17 £'000	16/17 Savings £'000	Sub Total £'000	16/17 Savings £'000	Balance at 31-Mar-17 £'000
Equipment Reserve	394			394	979	1,373
ESMCP Reserve	0		1,291	1,291		1,291
C & C Reserve	267			267	1,000	1,267
RPE Reserve	0			0	1,000	1,000
Property Maintenance Reserve	213			213		213
ICT Reserve	0		33	33		33
YFA Reserve	17			17		17
Capital Finance Phasing Reserve	575			575	(575)	0
Fleet Funding Reserve	42	(42)		0		0
ICP Workwear Reserve	4			4	(4)	0
	1,512	(42)	1,324	2,794	2,400	5,194
Pensions Reserve	422			422		422
Operational Activity Reserve	600			600		600
New Dimensions Reserve	381			381		381
Development Reserve	311			311		311
Insurance Reserve	130	(9)	9	130		130
Pension Tribunal Reserve	400			400		400
	2,244	(9)	9	2,244	0	2,244
CSR Grant Phasing Reserve	1,185			1,185	(225)	960
Collection Fund Reserve	46			46		46
Budget Reduction Reserve	4,677	(502)	1,063	5,238	(2,175)	3,063
	5,908	(502)	1,063	6,469	(2,400)	4,069
	9,664	(553)	2,396	11,507	0	11,507

89. The comparative movements for 2015/16 are summarised below:

	Balance at 31-Mar-15 £'000	From/(to) Rev 15/16 £'000	15/16 Savings £'000	Balance at 31-Mar-16 £'000
Equipment Reserve	300		94	394
ESMCP Reserve	0			0
C & C Reserve	267			267
RPE Reserve	0			0
Property Maintenance Reserve	213			213
ICT Reserve	0			0
YFA Reserve	17			17
Capital Finance Phasing Reserve	575			575
Fleet Funding Reserve	0		42	42
ICP Workwear Reserve	4			4
	1,376	0	136	1,512
Pensions Reserve	422			422
Operational Activity Reserve	600			600
New Dimensions Reserve	445	(64)		381
Development Reserve	323	(12)		311
Insurance Reserve			130	130
Pension Tribunal Reserve	400			400
	2,190	(76)	130	2,244
CSR Grant Phasing Reserve	1,185			1,185
Collection Fund Reserve	130	(84)		46
Budget Reduction Reserve	3,216	301	1,160	4,677
	4,531	217	1,160	5,908
	8,097	141	1,426	9,664

90. Unapplied Grant

	Formula Capital Grant £'000	Control Rooms Funding £'000	Evesham Station Contribution	JPV Funding £'000	Transform ation Grant £'000	TOTAL £'000
Balance at 31 March 2015	904	91	16		0	1,011
Grant Received in year Used to Finance Capital Expenditure in 2015/16			380	417	4,270	5,067
		(43)	(380)	(417)		(840)
Balance at 31 March 2016	904	48	16	0	4,270	5,238
Grant Received in year Used to Finance Capital Expenditure in 2016/17			2,346			2,346
		(21)	(2,362)			(2,383)
Balance at 31 March 2017	904	27	0	0	4,270	5,201

91. Capital Receipts

	2015/16 £'000	2016/17 £'000
Balance at 01 April	294	2,532
Net Proceeds from sale of fixed assets Used to Finance Capital Expenditure	2,251 (13)	301 (773)
Balance at 31 March	2,532	2,060

92. **Unusable Reserves**

	31-Mar-16 restated £'000	31-Mar-17 £'000
Revaluation Reserve	7,227	7,731
Capital Adjustment Account	17,272	19,879
Pensions Reserve	(290,445)	(355,719)
Collection Fund Adjustment Account	(48)	330
Accumulated Absences Adjustment Account	(187)	(194)
	(266,181)	(327,973)

Revaluation Reserve

93. 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.

94. 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.

	2015/16 £'000	2016/17 £'000
Balance at 1 April	7,538	7,227
Upward revaluation of assets	516	1,235
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(143)	(535)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	7,911	7,926
Difference between fair value depreciation and historical cost depreciation	(147)	(146)
Accumulated gains on assets sold	(537)	(50)
Accumulated gains on assets derecognised		
Amounts written off to the Capital Adjustment Account		
Balance at 31 March	7,227	7,731

Capital Adjustment Account

95. 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.

96. 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.

97. 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.

98. The table below provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2015/16 £'000	2016/17 £'000
Balance at 1 April	19,888	17,272
Charges for depreciation and impairment of non-current assets	(1,944)	(2,011)
Revaluation gains/(losses) on Property, Plant and Equipment	(1,382)	(418)
Revaluation gains/(losses) on current assets held for sale	(812)	(6)
Amortisation of intangible assets	(82)	(70)
Amounts of current assets (assets held for sale) written off on Disposal or sale as part of the gain/loss on disposal in the Comprehensive Income and Expenditure Statement	(1,525)	(121)
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	(50)	(132)
Adjusting amounts written out to the Revaluation Reserve - <i>difference in depreciation on historical & current cost basis</i>	14,093	14,514
	147	146
<u>Capital financing applied in the year:</u>	14,240	14,660
Use of the Capital Receipts Reserve to finance new capital expenditure	13	773
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to to capital financing	840	2,383
Statutory provision for the financing of capital investment charged against the General Fund balance.	1,132	1,152
Capital expenditure charged against the General Fund balance	1,047	911
Balance at 31 March	17,272	19,879

Pensions Reserve

99. 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.

100. 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.

	2015/16 £'000	2016/17 £'000
Balance at 1 April	329,784	290,445
Actuarial gains or losses on pensions assets & liabilities	(48,835)	59,554
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services the CIES	12,958	9,061
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,462)	(3,341)
Balance at 31 March	290,445	355,719

Collection Fund Adjustment Account

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

	2015/16 £'000	2016/17 £'000
Balance at 1 April	5	(48)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements:		
Council Tax	8	(22)
Non-Domestic Rates	(61)	400
Balance at 31 March	(48)	330

Accumulated Absences Account

102. 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.

	2015/16 £'000	2016/17 £'000
Balance at 1 April	(97)	(187)
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	(90)	(7)
Balance at 31 March	(187)	(194)

Contingent Liabilities

103. A Pension Tribunal Reserve has been set up following a dispute between HMRC and several Fire Authorities regarding the interpretation of continued RDS service as re-engagement of Fire fighters following retirement, and the decision to take a pensions before reaching the age of 55, without taking a break in service.
104. Following guidance obtained from the Authority's Pension Advisors, it had been determined that the Authority faces no additional liability for taxation liability for these pensions, as the Fire fighters cannot have not been re-employed by the Authority, as they were already contractually employed as retained Fire fighters. As the Fire Authority believes that there is no liability, no accrual has been included with the financial statements. However, a reserve has been set up to cover potential claims if HMRC are proved to be correct, and to meet the costs of any potential tribunal challenge if they are not.
105. As a result of the "Norman v Cheshire" case the Authority has reviewed all allowances and contractual arrangements to determine whether any of the principles apply to our staff. Initial indications, which are yet to be fully recognised and accepted, is that there are costs which arise from back-dating this ruling. At the Balance Sheet date the calculation is not certain enough to create a provision and remains as a contingent liability. It is highly unlikely to be fully resolved in 2017/18.

Provision - NNDR Appeals Provision

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

	2015/16 £'000	2016/17 £'000
Balance at 1 April	276	377
Transfer from CIES	101	(134)
Balance at 31 March	377	243

Specific Government Grants

107. The following grants are included as income within the CIES on page 23

	2015/16 £'000	2016/17 £'000
Fire Revenue Grant - New Dimensions/Firelink	1,127	1,122
ESMCP Control Room Grant	771	
	1,127	1,893

Cashflow Statement – Operating Activities

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

	2015/16 £'000	2016/17 £'000
Depreciation	(1,944)	(2,011)
Downward revaluations	(2,195)	(424)
Amortisations	(82)	(70)
Increase/decrease in creditors	(324)	(81)
Increase/decrease in debtors	(22)	2,085
Increase/decrease in inventories	2	26
Movement in pensions liability	(9,496)	(5,720)
Carrying amount of non-current assets sold or derecognised	(2,115)	(303)
Other non-cash items charged to the net surplus or deficit on the provision of services	(78)	134
	(16,254)	(6,364)

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

	2015/16 £'000	2016/17 £'000
Receipt of Capital grant	4,687	2,511
Proceeds of sales of Property, Plant & Equipment – Capital Receipts	2,251	301
	6,938	2,812

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

	2015/16 £'000	2016/17 £'000
Interest Paid	(573)	(549)
Interest Received	49	54
	(524)	(495)

Cashflow Statement – Investing Activities

	2015/16 £'000	2016/17 £'000
Purchase of Property, Plant & Equipment	3,572	5,323
Capital Grants received	(4,687)	(2,511)
Proceeds of sales of Property Plant & Equipment - Capital Receipts	(2,251)	(301)
	(3,366)	2,511

112. Cashflow Statement – Financing Activities

	2015/16 £'000	2016/17 £'000
Principal Payments on Finance Leases	0	0
Long Term Loans Repaid	834	500
	834	500

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

113. The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority 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.

114. The items in the balance sheet at 31 March 2017 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 Authority relies on independent advice from specialist valuers.

115. Action has been taken by HMRC in other Fire Authorities, which relates to the retirement of whole time firefighters before reaching the age of 55, if they remain employed as Firefighters on the Retained Duty System. HMRC are stating that the individual loses their protected status for tax exemption as they have been re-employed. However, guidance has been sought from the Authority's Pension Advisors who have determined that the employee has not broken their service and so have not been re-employed. A reserve has been set up to cover any potential losses or costs that could arise in relation to this.

116. 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 Authority, 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 2017. 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.

117. Approximate increase in Net Liability

Change in financial assumptions 2016/17 : 1992 Firefighters' Scheme		
	£'000	%
0.5%Decrease in rate of discounting scheme liabilities	26,600	9.0%
0.5 % Increase in rate of salaries	2,300	0.8%
0.5% increase in rate of pensions/deferred revaluation	25,700	8.7%
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed	7,800	2.6%
Early retirement each member assumed to retire 1 year earlier than expected	100	0.0%

Change in financial assumptions 2016/17 : 2006 Firefighters' Schemes		
	£'000	%
0.5%Decrease in rate of discounting scheme liabilities	3,200	14.6%
0.5 % Increase in rate of salaries	1,100	4.9%
0.5% increase in rate of pensions/deferred revaluation	2,300	10.6%
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed	500	2.4%
Early retirement each member assumed to retire 1 year earlier than expected	(100)	(0.7%)

Change in financial assumptions 2016/17 : 2015 Firefighters' Schemes		
	£'000	%
0.5%Decrease in rate of discounting scheme liabilities	1,300	15.9%
0.5 % Increase in rate of salaries	600	7.1%
0.5% increase in rate of pensions/deferred revaluation	900	11.1%
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed	200	2.3%
Early retirement each member assumed to retire 1 year earlier than expected	100	1.3%

Change in financial assumptions 2016/17 : LGPS		
	£'000	%
0.1% Increase in real discount rate	(654)	(4.9%)
0.1% Increase in rate of increase in salaries	668	5.0%
1 Year Increase in Member Life Expectancy	625	4.7%

Property, Plant and Equipment

118. 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 Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

119. 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 £9,000 for every year that useful lives had to be reduced.

Critical Judgements in Applying Accounting Policies

120. 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:
121. There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be significantly impaired as a result of a need to close facilities and reduce levels of service provision.

Kings Court EMC Ltd

122. The Authority is a member of Kings Court EMC Ltd, which manages ground maintenance on the common areas of the office site where the Headquarters building is located. The company is one that is limited by guarantee, for which the maximum liability to the Authority is £1. The turnover of the company for 2016/17 is estimated at £XX,XXX (2015/16 £15,591), and the Authority has appointed the Director of Finance and Assets as its (unpaid) director.

123. Other Operating Expenditure

	2015/16 £'000	2016/17 £'000
Gross Expenditure		
(Gain)/loss on disposal of non-current assets	39	132
Net loss on disposal/revaluation of assets held for sale	638	(124)
LGPS pensions administrative costs	12	12
	689	20
Gross Income		
Firefighter Scheme Pension Grant	(4,320)	(6,079)
Total Other Operating Expenditure	(3,631)	6,059

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 pages 46-47, but although they are all statutory, national un-funded defined benefit schemes, they are administered locally by each Authority.
3. The financial arrangements for the schemes were established under the Firefighters' Pension Scheme (Amendment) (England) Order 2006.
4. The employer's contribution is borne by the General Fund for Council Tax Precept setting purposes.
5. Employees' and employers' contribution levels are based on percentages of pensionable pay set nationally by HO/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 14-22.
9. Any Government grant payable is paid in two instalments, 80% of the estimated annual amount at the start of the year, and the actual balance paid following completion of the accounts for the year.
11. 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 27 and detailed in the Notes to the Core Financial Statements on pages 46-55.

Firefighters' Pension Fund Account

	2015/16 £000	2016/17 £000
Contributions receivable		
Fire & Rescue Authority		
Contributions in relation to pensionable pay	(2,015)	(1,884)
Other	(67)	(30)
Firefighters' Contributions	(1,952)	(1,528)
	(4,034)	(3,442)
Transfers in from other schemes	0	(12)
Benefits Payable		
Pensions	6,897	6,959
Commutations & lump sum retirement benefits	1,020	2,476
Backdated Commutation Adjustment & Interest	1,001	(17)
Other Payments to Scheme Members	0	160
Refund of Firefighters' Contributions		
Payments to and on account of leavers		
Transfers out to other schemes	55	101
Net amount payable for the year	4,939	6,225
Top-up grant payable by government	(3,932)	(6,079)
Backdated Commutation Grant Payable by Government	(1,007)	17
Firefighters' Contribution Holiday Grant Payable by Government	0	(163)
	0	0

Firefighters' Pension Fund Statement of Net Assets

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

	31-Mar-16 £000	31-Mar-17 £000
Current Assets		
Debtors		
Employer Contributions Due	116	107
Employee Contributions Due	100	96
Top Up receivable from the government	234	(2,504)
Prepayments		
Pensions paid in advance	996	583
Creditors		
Unpaid Pension Benefits	(40)	(21)
Amounts due to General Fund	(1,406)	1,739
	0	0

ANNUAL GOVERNANCE STATEMENT 2016/17

To be included

AUDIT OPINION

To be issued at conclusion of audit