

Hereford & Worcester Fire Authority

Statement of Accounts

2012/13

CONTENTS

	Page
Explanatory Foreword	2-6
Statement of Responsibilities for the Statement of Accounts	7-8
Statement of Accounting Policies	9-16
Core Financial Statements – <ul style="list-style-type: none"> • Comprehensive Income & Expenditure Statement • Movement in Reserves Statement • Balance Sheet • Cash Flow Statement 	17 18-19 20 21
Notes to the Core Financial Statements	22-57
Supplementary Financial Statements – <ul style="list-style-type: none"> • Firefighters' Pension Fund 	58-59
Auditor's Report and Opinion	60-62
Annual Governance Statement	63-67
Glossary of Terms	68-69

EXPLANATORY FOREWORD

1. Originally formed as an independent corporate body on 1 April 1998, as a result of Local Government Reorganisation, Hereford & Worcester Fire Authority (the FRA) is now constituted under the Fire and Rescue Services Act 2004. The FRA sets its own budget requirement, receives a share of Non-Domestic Rates and Revenue Support Grant, and issues its own Council Tax Precept.
2. The Statement of Accounts that follows covers the FRA's financial year ending 31 March 2013. 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 2012/13, comprise a group of Core Financial Statements:
 - Comprehensive Income & Expenditure Statement (CIES)
 - Movement in Reserves Statement (MiRS)
 - Balance Sheet
 - Cash Flow Statement
 - Notes to the Core Statements
3. In addition there is a Supplementary Financial Statement in respect of the Firefighters Pension Account.
4. The purpose of the Core Financial Statements is as below:

Comprehensive Income and Expenditure Statement (CIES)

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

Movement in Reserves Statement (MiRS)

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

Balance Sheet

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

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

Cash-flow Statement

- This shows the changes in cash and cash equivalents of the FRA during the reporting period.
 - The Statement shows how the FRA generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
 - The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the FRA are funded by current taxation and grant income.
 - Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the FRA's future service delivery.
 - Cash flows arising from financing activities are useful in predicting claims on future cash flows, by providers of capital to the FRA (i.e. those from whom long term borrowing is taken).
5. The accounting policies adopted by the FRA comply with the relevant recommended accounting practice. The FRA's policies are explained fully in the Statement of Accounting Policies which is set out on pages 9 - 16.
6. The FRA's spending is planned and controlled by a process which includes regular reporting to the Service's management team and the FRA's Policy and Resources Committee.

Revenue Budget

7. The approved budget for 2012/13 was £33.821m to which additional agreed expenditure of £0.475 funded from earmarked reserves has been added, bringing the total budget to £34.296m. These resources are those available for the FRA to spend on provision of services under the statutory accounting regime, within which the FRA is required to manage resources.
8. In setting the 2012/13 budget the FRA was aware of (and has planned for) significant reductions in future grant, and spending during the year has been subject to severe restraint as a preparation for the future financial position. There has been a planned under spending which has been reported to the Policy and Resources Committee throughout the year, and finally to the full FRA in June 2013.
9. A summary of the budget and out-turn is given overleaf:

	Revised Budget £m	Actual £m	Variance £m
Employee Costs	23.393	23.106	(0.287)
Running Costs	8.038	6.727	(1.311)
Capital Financing Costs	2.865	2.289	(0.576)
Closure of Provision	0.000	(0.118)	(0.118)
	34.296	32.004	(2.292)
<u>Budgeted Use of Reserves:</u>			
Development Reserve	(0.070)	(0.070)	0.000
RDS Part-time Compensation Reserve	(0.100)	(0.100)	0.000
New Dimensions Reserve	(0.179)	(0.179)	0.000
Workwear Phasing Reserve	(0.056)	(0.056)	0.000
DEFRA Flood Boat Grant Reserve	(0.050)	(0.050)	0.000
Net Other	(0.020)	(0.020)	0.000
Core Budget	33.821	31.529	(2.292)
New Dimensions Reserve		0.045	0.045
YFA Reserve		0.012	0.012
Capital Finance Phasing Reserve		0.575	0.575
Property Maintenance Reserve		0.213	0.213
	33.821	32.374	(1.447)
Fire Revenue Grant	(1.169)	(1.227)	(0.058)
Council Tax Reform Grant		(0.027)	(0.027)
Redistributed Business Rates	(10.374)	(10.374)	0.000
Revenue Support Grant	(0.730)	(0.730)	0.000
2012/13 Council Tax Freeze Grant	(0.626)	(0.626)	0.000
Net Council Tax Precept	(20.922)	(20.923)	(0.001)
	0.000	(1.533)	(1.533)
Transfer to Budget Reduction Reserve		1.447	1.447
Transfer to General Fund Reserve		0.086	0.086
		0.000	0.000

10. Of the Core Budget under-spending of £2.292m a portion relates to timing differences e.g. around property maintenance and the phasing of capital finance. These are transferred to earmarked reserves leaving a net figure of £1.533m. This differs slightly from the £1.447m figure reported to the Policy and Resources Committee in June 2013. The difference relates to additional Special Grant Income received over that which was originally budgeted for.
11. Provision was made in 2011/12 in relation to a potential legal claim against the FRA. This matter was settled in 2012/13 and the provision is now closed.

General Reserve

12. The general reserve stood at £1.399m at 31 March 2012 (4.1% of core budget), and although at the lower end of the spectrum of stand-alone fire authorities, the level is considered adequate and not requiring further significant increase throughout the MTFP period. As a consequence the balance at the end of 2012/13 will increase slightly to £1.485m (4.3% of core budget).

Firefighters' Pensions

13. Since 1 April 2006 Firefighters' pensions are paid from a separate pensions account, into which the employees' contributions and a new employer contribution are also paid. The net deficit on this account is funded by direct government grant.
14. The employer contribution and certain costs in relation to injury pensions still fall on the CIES.

Capital Programme Budget

15. During 2012/13 £3.415m was spent on new assets or improvements to existing ones. Expenditure was incurred on the approved vehicle programme, the new Command and Control system, minor property works and small equipment and IT schemes. The majority of the programme was, as planned, funded by net borrowing.

Balance Sheet

16. At 31 March 2012 the FRA held Long Term Assets with a net book value of £40.569m. Professional advice has not identified any further impairment due to changes in the economic climate, and adjusting for disposals, depreciation, revaluation and capital expenditure, Fixed Assets are valued at £41.409m at 31 March 2013.
17. Long Term borrowing has remained unchanged, although some individual loans now fall due with 12 months. All borrowing is from the Public Works Loans Board (PWLB). The total value of Long Term loans (excluding short term accrued interest) at £14.471m remains well below the value of Long Term Assets.
18. The Balance Sheet shows liabilities in respect of the four pension schemes provided for staff.
19. The £8.629m liability on the Local Government Scheme will be covered by the continued level of employer contributions.
20. The Firefighters' schemes are statutory un-funded ones and the significant total liability of £293.424m is a result of this position. There is no requirement, or legal powers, for the FRA to fund this deficit, and any costs not financed by employee or employer contributions are met by direct government grant. More details on pensions can be found on pages 40-46.

Corporate Governance Arrangements

21. The FRA is responsible for ensuring that its business is conducted in accordance with relevant legislation and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, Members and Senior Officers are responsible for putting in place proper procedures for the governance of the FRA's affairs and the stewardship of the resources at its disposal.
22. During 2012/13 the FRA has reviewed the systems and processes it has in place to ensure sound corporate governance and to confirm that they are consistent with the principles outlined in the CIPFA/SOLACE Framework '*Corporate Governance in Local Government: A Keystone for Community Governance.*' The latest review of compliance with the code was approved by the FRA Audit Committee on 26 September 2013.
23. Many of the elements of the code had been in place since the creation of the FRA such as: Codes of Conduct, Codes of Practice, Policy Statements, Standing Orders, Financial Regulations, Internal Audit arrangements and Risk Management arrangements which have been strengthened as referred to in the Annual Governance Statement on pages 63-67.

Restatement

24. It has been necessary to restate the 2011/12 accounts for two reasons, neither of which has an impact on the General Fund Balance and the resources available for service delivery. Information to show the impact of this restatement is included in Notes to the Accounts - Note 2 – Restatement of the Comprehensive Income and Expenditure Statement.
25. The first relates to the treatment of the Council Tax Freeze Grant, both the Gross Expenditure and Income in the previous financial year was overstated by the amount of the Freeze Grant this has now been reduced with the gross income and expenditure figures being restated accordingly. There is, however, no impact on the net expenditure figure and therefore no impact on the General Fund Balance.
26. The second issue relates to the sale of assets which were originally included in the CIES as Loss on Disposal of Fixed Assets this has now been reclassified to include it in Other Operating Expenditure so that it now correctly forms part of the Cost of Services for the Fire Service.

FiReControl Project

27. The national FiReControl project instigated in 2004, and running over budget and well beyond original timescales, was cancelled on 20 December 2010, with immediate effect.
28. Following the closure of the project, and the announcement of Government funding to support the upgrade of the existing fire control room arrangements, a formal Memorandum of Understanding (MoU) has been entered into with Shropshire and Wrekin Fire and Rescue Authority. The MoU signifies the ratification by both Fire Authorities to work towards the creation of a single resilient command and control function, operated from two remote locations, in Shrewsbury and Worcester.

The Euro

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

Post Balance Sheet Events

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


A STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

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

The Treasurer's Responsibilities

2. The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code') is required to provide a true and fair view of the financial position of the Authority at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.
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 2013 and its income and expenditure for the year ended 31 March 2013.
5. In accordance with the Accounts and Audit Regulations 2011 10(2) I certify that the Statement of Accounts 2012/13 provides a true and fair view of the financial position of the Authority at 31 March 2013 and its income and expenditure for the year 2012/13.



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

17th Sept 2013

Date

Issue Date

6. The date that these financial statements are authorised for issue is 26th September 2013. All known material events that have occurred up to and including this date which relate to 2012/13 or before have been reflected in the accounts.

AUTHORITY APPROVAL

7. In accordance with Regulation 10 (3)b of the Accounts and Audit Regulations 2011 I certify that the Audit Committee of the Fire and Rescue Authority approved the Statement of Accounts 2012/13 on 26th September 2013.

Presiding Chairman of the
Audit Committee meeting

Date

STATEMENT OF ACCOUNTING POLICIES

General Principles

1. The Statement of Accounts has been prepared in accordance with proper accounting principles contained within the Code of Practice on Local Authority Accounting in the United Kingdom 2012, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and International Financial Reporting Standards (IFRS).

Debtors and Creditors

2. The accounts of the FRA are maintained on an accruals basis, thus sums due to, or amounts owing by the FRA in respect of goods and services rendered but not paid for at 31 March are included in the accounts.
 - Creditors are included in the Balance Sheet and charged to the Comprehensive Income and Expenditure Statement (CIES) when goods or services have been received but not invoiced at the year end.
 - Debtors are included in the Balance Sheet and CIES where services have been provided but not reimbursed at the year end.
3. Exceptions to this policy are as follows:
 - Utilities (gas, telephone, electricity etc) and other annual fees, where invoices will be accounted for in the year they fall, providing that only 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.

VAT

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

Overheads and Support Services

6. 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 2012/13 (SERCOP). The total absorptions 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.
7. 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)

8. Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment (PP&E) has been capitalised provided it yields benefit to the Authority for more than one year. Capital expenditure enhances the value, usage or life of an asset. Some relatively immaterial items may be financed from revenue.
9. PP&E valued at fair value on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). The last full valuation of Property assets was undertaken at 31 March 2010, using the independent professional services of the Chief Valuer of Worcestershire County Council.
10. 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.
11. The Authority has a de-minimis of £5,000 for vehicle purchases.
12. Assets are held in the Balance Sheet at gross value, net of depreciation and impairment where appropriate.

Impairment

13. 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.
14. 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.
15. 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.
16. 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

17. 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.

18. 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.
19. 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.
20. 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.
21. 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

22. Heritage assets are those that are intended to be preserved in trust for future generations because of their cultural, environmental, educational or historical associations. They include historical buildings, civic regalia, orders and decorations (medals), military equipment and works of art.
23. Authorities are required to account for tangible heritage assets in accordance with FRS30 Heritage Assets
24. 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.
25. 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

26. 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

27. A depreciation charge is reflected within the Net Cost of Services in the Comprehensive Income and Expenditure Statement (CIES) and is calculated on all PP&E and Intangible assets according to the following policy:
 - A charge is made for all fixed assets with a finite useful life. This charge is calculated using the straight line method.
 - Land is not normally depreciated.
 - Buildings are depreciated in accordance with IAS 16 – Property, Plant and Equipment, using the estimated life from the most recent valuation report, on a straight line basis over this period.
 - Operational vehicles, plant and equipment have an asset life between 5 and 10 years. Fire appliances have an asset life of between 10 and 15 years. Both classes are depreciated on a straight line basis over these periods.

- Information technology assets have an average asset life of 5 years and are depreciated on a straight line basis over this period.
- Other equipment assets have an average life of 5-7 years, but depreciation is based on the expected life of each individual asset, on a straight line basis.
- Some equipment assets carried on fire appliances have a 15 year life and are depreciated accordingly.
- Newly acquired assets are depreciated from the year of acquisition.
- Assets in the course of construction are not depreciated until brought into use.
- Intangible assets are amortised over their average economic life (5 years).

28. Specific exceptions to this policy relate to a small number of low value properties have been valued without land being split out, and therefore land is being depreciated contrary to IFRS. The sums however are small and immaterial; the total amount of depreciation on both land and buildings in 2012/13 is £19,000 (2011/12 £19,000).

Financing of Capital Expenditure

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

Redemption of Debt

30. The FRA finances a proportion of its capital investment by raising loans. In accordance with the Local Government and Housing Act 1989, the Income and Expenditure Account is charged annually with a sum to provide for the eventual repayment of those loans. This sum is known as the Minimum Revenue Provision (MRP).

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

Leasing Charges

31. Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.
32. During 2012/13 the Authority held both finance and operating leases under the definition of IAS 17 Leases. Finance leases are accounted for in accordance with IAS 17, operating leases are not capitalised and rentals are charged directly to the CIES in the year to which they relate. Finance leases are capitalised with transactions reflected on the Balance Sheet as fixed assets and deferred liabilities and through the CIES as interest payable and similar charges.

Non Current Assets held for Sale

33. 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.
34. 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

35. 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

36. 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

37. The disclosure requirements are included in the main financial statements as notes to the accounts in accordance with IAS 19 – Employee Benefits and CIPFA recommended practice as interpreted and advised by the Audit Commission in 2011/12. This is further explained in paragraphs 60 – 61 below.

Types of pension schemes

38. 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.
39. The Authority participates in four schemes:
 - The Firefighters' Pension Scheme (FFPS) (the "1992 Scheme"). This is a statutory un-funded defined benefit final salary scheme and has been closed to new entrants since 6 April 2006.
 - The New Firefighters' Pension Scheme (NFPS) (the "2006 Scheme") – is open to all uniformed staff (except Fire Control) and is also a statutory un-funded defined benefit final salary scheme, with differing benefits.
 - The Firefighters' Compensation Scheme (FFCS) (the Injury Scheme) – another statutory un-funded defined benefit scheme covering existing and new injury pensions.
 - The three Firefighters' schemes are unfunded meaning that there are no investment assets built up to meet the pensions' liabilities and cash has to be generated to meet the actual pensions' payments as they eventually fall due. The arrangements are determined by the Department of Communities and Local Government.
 - The Local Government Pension Scheme (LGPS) – subject to qualifying criteria, open to staff not covered by the Firefighters' schemes. This scheme is administered by Worcestershire County Council and is a funded defined benefit final salary scheme. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

- In accordance with IAS 19 the Authority recognises the cost of retirement benefits within the Net Cost of Services, in the CIES, when they are earned, rather than when benefits are actually paid as pensions. However the charge to be made to the Council Tax, via the precepts, is based on the amount payable in the year. The difference is reversed out in the General Fund.

Interest on Balances

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

Government Grants and Contributions

41. Government grants and contributions are recognised in the CIES when conditions attached to the grant or contribution has been satisfied. Government grants and contributions that have not been satisfied are carried in the Balance Sheet as creditors.
42. 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

43. 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.
44. 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.
45. 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.
46. Where premiums and discounts are charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The FRA has not yet undertaken such a restructuring of debt and has therefore not yet adopted a policy for its treatment.

Collection Fund Adjustment Account

47. The Council Tax income included in the CIES will show the accrued income for the year. The difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is held in the Collection Fund Adjustment Account and included as a reconciling item in the 'Adjustments between accounting basis and funding basis under regulations' reconciliation.
48. 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.
49. The IFRS treatment differs from the statutory accounting arrangement, where the FRA precepts directly on the Billing Authority and has no direct debtor or creditor relationship with individual council tax-payers.

Employee Benefits – Accumulating Compensating Absences

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

Provisions

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

Reserves

52. At 31 March 2013 a general reserve is held to meet expenditure which may arise from unforeseen events.
53. In addition the FRA holds a variety of earmarked reserves to meet specific known future costs. The value and nature of the current reserves are disclosed in the Notes to the Core Financial Statements on pages 47-49.

Capital Accounting Reserves

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

Operating Segments

55. The CIPFA Code of Practice on Local Authority Accounting 2012/13 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.
56. Due to the nature of its operation, as a single purpose Authority, the FRA and the Service management team manage the organisation as an entity, and do not have relevant operating segments to report upon.

Exceptional Items

57. Where an item of expenditure, which due to its size or significance, would have a distorting effect on the CIES, this will be shown separately with an explanatory note. There are no such items in 2011/12 and 2012/13.

Actuarial Gains and Losses

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.
59. Prior to 2011/12 it had been recognised (in common with most FRAs) that as the Firefighters' Pension Schemes had no assets, then there were no relevant disclosures in respect of movement in net assets.
60. It is now considered that employee and employer contributions should be considered as assets and the movement disclosed separately.
61. As a consequence of this, the Actuarial Gains and Losses figure shown in the CIES differs from the reported by the relevant Actuary. This has no impact on the overall net liability shown in the Balance Sheet.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		2011/12 restated			2012/13		
	Notes	Gross Expd £000	Gross Income £000	Net Expd £000	Gross Expd £000	Gross Income £000	Net Expd £000
Gross Expenditure, Gross Income and Net Expenditure on Continuing Operations							
Operations & Rescues		29,227	(1,532)	27,695	29,305	(1,514)	27,791
Community Safety		3,933	(74)	3,859	4,840	(85)	4,755
Emergency Planning		124	(2)	122	95	(2)	93
Corporate & Democratic Core		1,388	(29)	1,359	1,296	(25)	1,271
Other Operating Expenditure		36	0	36	33	0	33
		34,708	(1,637)	33,071	35,569	(1,626)	33,943
Past Service Cost							
<i>Curtailment Costs (LGPS)</i>		46	0	46	102	0	102
<i>Transfer Benefit (NFPS)</i>		6	0	6	322	0	322
Cost of Services		34,760	(1,637)	33,123	35,993	(1,626)	34,367
Financing & Investment Income and Expenditure	3	14,107	(809)	13,298	13,537	(747)	12,790
Taxation & Non-Specific Grant Income	4		(34,573)	(34,573)		(33,822)	(33,822)
Deficit/(Surplus) on Provision of Services		48,867	(37,019)	11,848	49,530	(36,195)	13,335
Deficit/(Surplus) on revaluation of non-current assets	26-27			0			(181)
Actuarial gains/losses on Pensions Assets/Liabilities	67-70			10,016			35,690
Other Comprehensive Income and Expenditure				10,016			35,509
Total Comprehensive Income and Expenditure				21,864			48,844

The 2011/12 figures have been restated for the reasons outlined in paragraphs 24 to 26 on page 6

MOVEMENT IN RESERVES STATEMENT FOR THE 12 MONTHS ENDING 31 MARCH 2013

	General Fund	Ear-marked Rev Res	Unapplied Grant	Cap Rcpts Reserve	Total Useable	Revaln. Reserve	Capital Adj Acct	Pensions Reserve	Coll Fund Adj Acct	Acc. Abs. Adj Acct	Total Un-useable	All Reserves
Note	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31-Mar-2012	1,399	2,744	2,330	0	6,473	5,000	19,500	(250,977)	27	(148)	(226,598)	(220,125)
Surplus/(Deficit) on Provision of Services					(13,335)						0	(13,335)
Other Comprehensive Income & Expenditure					0	181		(35,690)			181	181
Surplus on revaluation of non-current assets					0						(35,690)	(35,690)
Movement in Pensions Reserve					0							
Reversal of items in the CIES to be removed for determining movement in General Fund												
Relating to Depreciation/Amortisation	2,314				2,314	(99)	(2,314)				(2,314)	0
Relating to Depreciation on un-realised gains					0	(99)	99				0	0
Relating to Revaluation/Impairment Losses	243				243	(11)	(232)				(243)	0
Relating to Retirement Benefits	18,942				18,942			(18,942)			(18,942)	0
Relating to Non-current assets w/off on disposal	65				65		(65)				(65)	0
Relating to Capital Receipts	(32)			32	0						0	0
Relating to Unapplied Capital Grants/Contributions	(1,169)		1,169		0						0	0
Relating to Grants used to Finance Expd			(790)	(32)	(790)		790				790	0
Relating to Capital Receipts used to Finance Expd					(32)		32		1		32	0
Relating to Council Tax Income	(1)				(1)						1	0
Relating to Compensated absences	12				12					(12)	(12)	0
Insertion of items in the CIES to be included for determining movement in General Fund												
Employers Contribution to Pension Schemes	(3,556)				(3,556)			3,556			3,556	0
Statutory Provision for Debt Repayment	(1,275)				(1,275)		1,275				1,275	0
Revenue Financing of Capital	(305)				(305)		305				305	0
Transfers Between Earmarked Reserves		1817			0						0	0
Balance at 31-Mar-2013	1,485	4,561	2,709	0	8,755	5,071	19,390	(302,053)	28	(160)	(277,724)	(268,969)

SUMMARY OF MOVEMENTS

Balance at 31-Mar-2012	1,399	2,744	2,330	0	6,473	5,000	19,500	(250,977)	27	(148)	(226,598)	(220,125)
Movement in Reserves during 2011/12												
Deficit/(Surplus) on Provision of Services	(13,335)	0	0	0	(13,335)	0	0	0	0	0	0	(13,335)
Other Comprehensive Income & Expenditure	0	0	0	0	0	181	0	(35,690)	0	0	(35,509)	(35,509)
Total Comprehensive Income & Expenditure												
Adjustments between accounting basis and funding basis under regulations	15,238	0	379	0	15,617	(110)	(110)	(15,386)	1	(12)	(15,617)	0
Net change before Earmarked Reserve Transfers	1,903	0	379	0	2,282	71	(110)	(51,076)	1	(12)	(51,126)	(48,844)
Earmarked Reserves Transfers	(1,817)	1,817	0	0	0	0	0	0	0	0	0	0
Net Movement in Year	86	1,817	379	0	2,282	71	(110)	(51,076)	1	(12)	(51,126)	(48,844)
Balance at 31-Mar-2013 Carried Forward	1,485	4,561	2,709	0	8,755	5,071	19,390	(302,053)	28	(160)	(277,724)	(268,969)

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

	General Fund 83 £000	Ear-marked Rev Res 84-87 £000	Unapplied Grant 88 £000	Cap Rpts Reserve 89 £000	Total Useable 82 £000	Revaln. Reserve 91-92 £000	Capital Adj Acct 93-96 £000	Pensions Reserve 97-98 £000	Coll Fund Adj Acct 99 £000	Acc. Abs. Adj Acct 100 £000	Total Un-useable 90 £000	All Reserves £000
Balance at 31-Mar-2011	934	2,130	368	0	3,432	5,071	19,159	(225,838)	42	(127)	(201,693)	(198,261)
Surplus/(Deficit) on Provision of Services	(11,848)				(11,848)						0	(11,848)
Other Comprehensive Income & Expenditure					0			(10,016)			(10,016)	(10,016)
Movement in Pensions Reserve												
Reversal of items in the CIES												
to be removed for determining movement in General Fund												
Relating to Depreciation/Amortisation	2,194				2,194	(71)	(2,194)				(2,194)	0
Relating to Depreciation on un-realised gains	0				0		71				0	0
Relating to Revaluation/Impairment Losses	18,722				18,722		0				0	0
Relating to Retirement Benefits	36				36		(36)				(36)	0
Relating to Non-current assets w/off on disposal	0				0						0	0
Relating to Capital Receipts	(2,873)				0						0	0
Relating to Unapplied Capital Grants/Contributions			2,873		0						0	0
Relating to Grants used to Finance Expd			(911)		(911)		911				911	0
Relating to Capital Receipts used to Finance Expd	15				0		0		(15)		(15)	0
Relating to Council Tax Income	21				21						(21)	0
Relating to Compensated absences												
Insertion of items in the CIES												
to be included for determining movement in General Fund												
Employers Contribution to Pension Schemes	(3,599)				(3,599)			3,599			3,599	0
Statutory Provision for Debt Repayment	(1,241)				(1,241)		1,241				1,241	0
Revenue Financing of Capital	(348)				(348)		348				348	0
Transfers Between Earmarked Reserves	(614)	614			0						0	0
Balance at 31-Mar-2012	1,399	2,744	2,330	0	6,473	5,000	19,500	(250,977)	27	(148)	(226,598)	(220,125)

SUMMARY OF MOVEMENTS

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

BALANCE SHEET

	Notes	31-Mar-2012 £000	31-Mar-2013 £000
Property Plant & Equipment	26-29	40,445	40,996
Intangible Assets	30-33	124	413
Long Term Assets		40,569	41,409
Inventories	56	202	200
Short Term Debtors	57	2,481	2,203
Assets Held for Sale	60	0	133
Cash & Cash Equivalents	58-59	6,722	7,509
Current Assets		9,405	10,045
Short Term Borrowing	37-45	0	(502)
Short Term Creditors	61	(3,561)	(3,255)
Current Liabilities		(3,561)	(3,757)
Long Term Creditors		(23)	0
Provisions	103-110	(474)	(46)
Long Term Borrowing	43	(15,064)	(14,567)
Other Long Term Liabilities	68-81	(250,977)	(302,053)
		0	
Long Term Liabilities		(266,538)	(316,666)
Net Assets		(220,125)	(268,969)
Useable Reserves	82-89	6,473	8,755
Un-useable Reserves	90-100	(226,598)	(277,724)
Total Reserves		(220,125)	(268,969)

The unaudited accounts were issued on 28 June 2013 and the audited accounts were authorised for issue on 26 September 2013.

CASH-FLOW STATEMENT FOR 12 MONTHS ENDING 31 MARCH 2013

	Notes	2011/12 £000	2012/13 £000
Net (surplus) or deficit on the provision of services		11,812	13,335
Adjustments to net surplus or deficit on the provision of services for non cash movements		(18,911)	(17,600)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	112	1,355	(166)
Net cash flows from operating activities		(5,744)	(4,431)
Investing Activities	113	427	2,941
Financing Activities	114	303	703
Net increase or decrease in cash and cash equivalents		(5,014)	(787)
Cash and cash equivalents at the beginning of the period		(1,708)	(6,722)
Net increase or decrease in cash and cash equivalents in the Period		(5,014)	(787)
Cash and cash equivalents at the end of the reporting period		(6,722)	(7,509)

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The following changes to accounting standards have not yet been implemented:

- Amendments to IAS 19 Employee Benefits, applicable to accounting periods starting on or after 1 January 2013. The actuary has provided estimates within their annual statement of the likely impact of the revised standard for the 12 month period ended 31 March 2013, as follows:

	Current IAS 19 Disclosure £'000	Revised IAS 19 Disclosure £'000	Difference £'000
Changes in benefit obligation during period to 31 March 2013			
Current Service cost	608	623	(15)
Interest on pension liabilities	942	927	15
Actuarial (gains)/losses on liabilities	2,366	-	2,366
Remeasurements (liabilities)	-	2,366	(2,366)
Changes in plan assets during the period to 31 March 2013			
Expected return on plan assets	722		722
Interest on plan assets	-	591	(591)
Actuarial gains/(losses) on assets	985	-	985
Remeasurements (assets)	-	1,126	(1,126)
Administration expenses	-	(10)	10
Components of pension cost for period to 31 March 2013			
Current Service cost	608	623	(15)
Interest on pension liabilities	942	-	942
Expected return on assets	(722)	-	(722)
Effect of Curtailments or settlements	102	102	-
Net interest cost	-	336	(336)
Administration expenses	-	10	(10)
Total pension cost recognised in CIES	930	1,071	(141)
Statement of other comprehensive income			
Actuarial (gains)/losses	1,381	-	1,381
Remeasurements (liabilities and assets)	-	1,240	(1240)
Total included in Statement of Other Comprehensive Income	1,381	1,240	141

Revised IAS19 figures are included for only those staff who are part of the Local Government Pension Scheme, no equivalent revised figures have been provided in relation to the Firefighters' Pension Schemes.

This change will not impact the Total Comprehensive and Expenditure stated on the CIES because the impact will be reversed out as part of the statutory override.

The Authority has concluded that there will be no material impact upon its financial statements in relation to the changes made to IAS1 Presentation of Financial Statements, IAS12 Income Taxes and IFRS Financial Instruments: Disclosures.

2. Re-statement of the CIES

In 2012/13 a revision has been made to the accounting treatment of the Council Tax Freeze Grant within the accounting records of the Authority, relating to the apportionment of this grant within the Cost of Services in the CIES. The re-statement reduces both gross income and expenditure within the CIES but there is no change to the net cost of service and therefore no impact on the balance sheet.

As this restatement was being made the opportunity has been taken to also adjust for a non-material change effecting the treatment of the loss on disposal of fixed assets. This is now shown within the net cost of services rather than as a separate item as previously. This also has a minor impact on the MiRS.

The effect of these changes is summarised in the table overleaf:

	2011/12 as published 2011/12			re-statement effect			2011/12 as restated		
	Gross Expd £000	Gross Income £000	Net Expd £000	Gross Expd £000	Gross Income £000	Net Expd £000	Gross Expd £000	Gross Income £000	Net Expd £000
Gross Expenditure, Gross Income and Net Expenditure on Continuing Operations									
Operations & Rescues	29,692	(1,966)	27,726	(465)	434	(31)	29,227	(1,532)	27,695
Community Safety	3,633	(122)	3,511	300	48	348	3,933	(74)	3,859
Emergency Planning	126	(4)	122	(2)	2	0	124	(2)	122
Corporate & Democratic Core	1,741	(65)	1,676	(353)	36	(317)	1,388	(29)	1,359
<i>sub-total</i>	35,192	(2,157)	33,035	(520)	520	0	34,672	(1,637)	33,035
Other Operating Expenditure	0	0	0	36	0	36	36	0	36
Curtailment Costs (LGPS)	35,192	(2,157)	33,035	(484)	520	36	34,708	(1,637)	33,071
Transfer Benefits (NFPS)	46		46			0	46		46
Cost of Services	6		6			0	6		6
	35,244	(2,157)	33,087	(484)	520	36	34,760	(1,637)	33,123
Financing & Investment Income and Expenditure	14,107	(809)	13,298			0	14,107	(809)	13,298
Taxation & Non-Specific Grant Income		(34,573)	(34,573)			0		(34,573)	(34,573)
Deficit/(Surplus) on Provision of Services	49,351	(37,539)	11,812	(484)	520	36	48,867	(37,019)	11,848
Loss on disposal of fixed assets			36			(36)			0
Actuarial gains/losses on Pensions Assets/Liabilities			10,016			0			10,016
Other Comprehensive Income and Expenditure			10,052			(36)			10,016
Total Comprehensive Income and Expenditure			21,864			0			21,864

3. Financing and Investment Income and Expenditure

	2011/12 £'000	2012/13 £'000
Interest payable and similar charges	628	615
Interest receivable and similar income	(17)	(25)
Pensions interest cost and expected return on pensions assets	12,687	12,200
	13,298	12,790

4. Taxation and non-specific Grant Income

	2011/12 £'000	2012/13 £'000
Council Tax income	20,773	20,923
2011/12 Council Tax Freeze Grant	520	626
Re-distributed National Non-Domestic Rates (NNDR)	7,950	10,893
Revenue Support Grant (RSG)	2,457	211
	31,700	32,653
Non-specific Capital Grant	1,173	1,169
Future Control Rooms Capital grant	1,700	0
Total Grants	34,573	33,822

Members Allowances

5. The total amount paid to Members as Allowances and expenses under the adopted scheme was £52,794 (2011/12 £53,435). Details in respect of 2012/13 are given below:

			BASIC ALLOW.	SPEC. ALLOW.	EXPENSES	TOTAL
Mr TJ Bean			1,163.52	1,354.68	0.00	2,518.20
Mr RAA Bullock	to	01-Mar-13	1,069.69		65.48	1,135.17
Mrs M Bunker			1,163.52		0.00	1,163.52
Mr JM Cairns			1,163.52		0.00	1,163.52
Mr JP Campion			1,163.52		0.00	1,163.52
Mrs L Duffy			1,163.52	1,354.68	103.80	2,622.00
Mrs EA Eyre			1,163.52		173.18	1,336.70
Mr DW Greenow			1,163.52		64.35	1,227.87
Mr Al Hardman			1,163.52		34.92	1,198.44
Mrs LC Hodgson			1,163.52		37.42	1,200.94
Mrs GF Hopkins			1,163.52		249.31	1,412.83
Brigadier P Jones CBE			1,163.52	5,418.96	611.35	7,193.83
Mrs MD Lloyd-Hayes			1,163.52		219.02	1,382.54
Mr RI Matthews			1,163.52		176.49	1,340.01
Mrs FM Oborski			1,163.52		0.00	1,163.52
Mrs JA Potter			1,163.52		106.04	1,269.56
Mr D Prodger MBE			1,163.52	9,031.56	64.70	10,259.78
Mr CT Smith	to	03-Dec-12	785.06		0.00	785.06
Mr TA Spencer			1,163.52	714.97	145.24	2,023.73
Mr CB Taylor			1,163.52	1,354.68	66.93	2,585.13
Mr DC Taylor			1,163.52	1,354.68	488.83	3,007.03
Mr JW Thomas			1,163.52		158.48	1,322.00
Mr R Udall			1,163.52		0.00	1,163.52
Mr PJ Watts			1,163.52		173.99	1,337.51
Mr TA Wells	from	03-Dec-12	381.58		0.00	381.58
Mr GC Yarranton			1,163.52		233.29	1,396.81
			28,997.29	20,584.21	3,172.82	52,754.32
Independent Members of Standards Committee						
Mr RJ Gething			-	-	40.13	40.13
			-	-	40.13	40.13
			28,997.29	20,584.21	3,212.95	52,794.45

Corresponding details in respect of 2011/12 were:

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

Officers' Emoluments

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

£	2011/12 No. of Staff	2012/13 No. of Staff
50,000 - 54,999	10	13
55,000 - 59,999	5	6
60,000 - 64,999		2
65,000 - 69,999	1	
70,000 - 74,999	3	2
75,000 - 79,999	1	
80,000 - 84,999		1
85,000 - 89,999		1
90,000 - 94,999		
95,000 - 99,999	2	1
100,000 - 104,999		
105,000 - 109,999		
110,000 - 114,999		
115,000 - 119,999		
120,000 - 124,999	1	1
	23	27

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

Senior Officers

2012/13			Benefit		Pension	Total
Post Title		Salary	in Kind	Sub-Total	Contrib.	incl Pension
		£	£	£	£	£
Chief Fire Officer/Chief Executive	<i>U</i>	121,199	827	122,026	25,815	147,841
Deputy Chief Fire Officer						
Ceased Employment 31/07/2012	<i>U</i>	21,624	60	21,684	3,871	25,555
Deputy Chief Fire Officer	<i>U</i>	98,064	916	98,980	20,888	119,868
Assistant Chief Fire Officer	<i>U</i>	68,287	617	68,904	14,545	83,449
Acting Director of Corporate Services						
Ceased Employment 06/07/2012	<i>NU</i>	19,246	1,055	20,301	3,445	23,746
Director of Finance & Assets	<i>NU</i>	75,896	5,014	80,910	13,585	94,495
Monitoring Officer	<i>NU</i>	53,256	-	53,256	9,533	62,789
<i>U : Uniformed; NU : Non-Uniformed</i>		457,572	8,489	466,061	91,682	557,743

2011/12			Benefit		Pension	Total
Post Title		Salary	in Kind	Sub-Total	Contrib.	incl Pension
		£	£	£	£	£
Chief Fire Officer/Chief Executive	<i>U</i>	121,531	349	121,880	25,886	147,766
Deputy Chief Fire Officer	<i>U</i>	96,647	850	97,497	16,430	113,927
Assistant Chief Fire Officer	<i>U</i>	94,307	1,789	96,096	20,087	116,183
Acting Director of Corporate Services	<i>NU</i>	66,858	1,999	68,857	11,366	80,223
Director of Finance & Assets	<i>NU</i>	68,499	3,175	71,674	11,645	83,319
<i>U : Uniformed; NU : Non-Uniformed</i>		447,842	8,162	456,004	85,414	541,418

- The Deputy Chief Fire Officer post was filled on a temporary basis but this became permanent on 20 September 2012, following the resignation of the previous postholder.
 - The Assistant Chief Fire Officer was filled on a temporary basis from 9 July 2012, this became permanent on the 21 September 2012.
 - From February 2012 the Director of Finance & Assets has additionally undertaken the role of statutory Section 151 Officer (Treasurer); and from July 2012 the Clerk/Monitoring Officer has also carried out the function of Head of Legal Services (the costs shown in the table include both roles). Prior to these dates these services were provided by purchase from external suppliers.
 - Pension contributions in the above tables relate to average scheme contribution rates and not an individual pension pot. Uniformed staff (except the Deputy Chief Fire Officer who ceased employment in July 2012) are members of the Firefighters Pension scheme (FFPS), all other senior officers are members of the Local Government Scheme (LGPS).
8. Due to the nature of the 4-weekly payment cycle and the leap year, the figures for uniform staff in 2012/13 represents 365 days but 366 days in 2011/12.
9. Uniformed staff enjoy a preferential tax status (relating to their continuous duty system and requirement to respond to emergencies) in respect of cars, which means that the measured benefit in kind is substantially less than for non-uniform staff. The actual cost to the FRA of cars provided to each officer is not dissimilar.

Related Party Transactions

10. The FRA is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the FRA or be controlled or influenced by the FRA. Disclosure of these transactions allows readers to assess the extent to which the FRA might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the FRA.
11. **Central Government** has a significant influence over the general operations of the FRA – it is responsible for setting the statutory framework within which the FRA operates, provides a proportion of funding in the form of grants and prescribes the terms of many of the transactions that the FRA has with other parties (e.g. Council Tax bills). Grants received from Government are set out in the table on page 25.
12. **Members** of the FRA have direct control over the FRA's financial and operating policies. The total of Members' allowances paid is shown in Notes 5 on pages 26-27. No Members of the FRA or members of their immediate family or household declared any positions of influence
13. **Officers** - No Senior Officers within the Service or members of their immediate family or household declared any positions of influence.

External Audit Fees

14. During 2012/13 Hereford & Worcester Fire Authority incurred the fees below in respect of external audit and statutory inspection, in accordance with the Audit Commission Act 1998.

	2011/12 £'000	2012/13 £'000
Fees payable to the Audit Commission:		
in respect of external audit services : 2010/11 Accounts	23	
in respect of external audit services : 2011/12 Accounts	67	
Fees payable to Grant Thornton:		
in respect of external audit services : 2012/13 Accounts		44
	90	44

Leases

15. The FRA has entered into Finance Leases for the provision of a number of Fire Appliances and two Water Carriers.
16. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	31-Mar-12 £'000	31-Mar-13 £'000
Vehicles, Plant, Furniture and Equipment	98	19
	98	19

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

	31-Mar-12 £'000	31-Mar-13 £'000
Finance lease liabilities (net present value of minimum lease payments:		
Current	99	24
Non-current	24	0
Finance costs payable in future years	(7)	(1)
	116	23

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000
Not later than one year	99	24	93	23
Later than one year and not later than 5 years	24	0	23	0
Later than 5 years	0	0	0	0
	123	24	116	23

19. The minimum lease payments would not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. However, the FRA has no such leases.
20. The FRA has entered into Operating Leases for the provision of emergency and ancillary vehicles. The total rentals paid to lessors on Operating leases in the year totalled £118,130 (2011/12 £102,800).
21. The future minimum lease payments due under non-cancellable operating leases in future years are:

	31-Mar-2012 £'000	31-Mar-2013 £'000
Not later than one year	102	57
Later than one year and not later than 5 years	124	72
Later than 5 years	0	0
	226	129

Capital Expenditure

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

	2011/12 £'000	2012/13 £'000
New Buildings & Adaptations	651	1,250
Vehicles (including fitted equipment)	1,246	1,153
IT and Communication Equipment	759	834
Other Equipment	126	178
Total Capital Expenditure	2,782	3,415

23. Capital expenditure was financed as follows:

	2011/12 £'000	2012/13 £'000
Net Borrowing	1,522	2,288
Capital Receipts	0	32
Capital Grant	911	790
Revenue Contributions	349	305
	2,782	3,415

24. Capital Financing Requirement

	2011/12			2012/13		
	Owned £'000	Leased £'000	Total £'000	Owned £'000	Leased £'000	Total £'000
Opening CFR	15,475	318	15,793	15,958	116	16,074
Capital investment						
Operational assets	1,077		1,077	2,783		2,783
Assets not yet Operational	1,705		1,705	632		632
Sources of Finance						
Capital receipts			0	(32)		(32)
Government grants and other contributions	(911)		(911)	(790)		(790)
Sums set aside from Revenue - Direct Revenue Financing	(349)		(349)	(305)		(305)
	1,522	0	1,522	2,288	0	2,288
Sums set aside from Revenue - Minimum Revenue Provision	(1,039)	(202)	(1,241)	(1,182)	(93)	(1,275)
Change in CFR	483	(202)	281	1,106	(93)	1,013
Closing CFR	15,958	116	16,074	17,064	23	17,087
Explanation of movements in year						
Increase in underlying need to borrow: unsupported by government financial assistance	483	n/a		1,106	n/a	
Increase in Capital Financing Requirement	483			1,106		

Capital Commitments

25. At 31 March 2013 the FRA had the following material commitments to capital schemes, for which budget provision has been provided:

- Replacement Malvern Station £0.130m
- Strategic Training Facilities £0.987m

Property, Plant and Equipment

26. Movements in 2012/13

	Land and Buildings	Vehicles Plant, Furniture and Equipment	Surplus Assets	Assets not yet Operational	TOTAL Tangible Assets
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at 01 April 2012	31,768	17,332	673	1,817	51,590
Additions	686	1,871		632	3,189
Revaluation increases/(decreases) recognised in the Revaluation Reserve	54				54
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services:	(389)				(389)
Reclassifications	260	1,250		(1,510)	0
Reclassifications - to current assets held for sale	(180)				(180)
Reclassifications - to intangible assets				(173)	(173)
Disposals		(393)			(393)
At 31 March 2013	32,199	20,060	673	766	53,698
Accumulated Depreciation and Impairment at 01 April 2012	(980)	(10,030)	(135)	0	(11,145)
Depreciation Charge for 2012-13	(501)	(1,657)	(45)		(2,203)
Depreciation written out to Revaluation Reserve	136				136
Depreciation written out to the Surplus/Deficit on Provision of Services	143				143
Derecognition - disposals		367			367
At 31 March 2013	(1,202)	(11,320)	(180)	0	(12,702)
Balance Sheet amount at 01 April 2012	30,788	7,302	538	1,817	40,445
Balance Sheet amount at 31 March 2013	30,997	8,740	493	766	40,996

27. Comparative Movements in 2011/12

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

28. 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.

29. Details of Assets Owned

	31-Mar-12	31-Mar-13
Buildings		
Fire Stations	27	27
Training and Development Centre	1	1
Service Headquarters	1	1
Logistics Facility (Workshop/Stores)	1	1
Houses – in use as offices	5	5
Houses – in use (residential)	3	2
Vacant Fire Station - not yet marketed	1	0
Building temporarily let	1	0
Building temporary storage	0	1

Intangible Assets

30. 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.

31. 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.
32. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £110,000 charged to revenue in 2012/13 was charged to the IT cost centre and then absorbed as an overhead in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.
33. The movement on Intangible Asset balances during the year is as follows:

	2011/12 £000	2012/13 £000
Balance at start of year:	151	124
- Gross carrying amount	574	637
- Accumulated amortisation	(423)	(513)
Net carrying amount at start of year	151	124
Additions	53	226
Reclassification	10	173
Disposals	0	(21)
Accumulated amortisation on disposal	0	21
Amortisation for the period	(90)	(110)
Net carrying amount at end of year	124	413
Comprising:		
- Gross carrying amount	637	1,016
- Accumulated amortisation	(513)	(603)
	124	413

Heritage Assets

34. The Authority has a number of items which can be classed as heritage assets, due to their cultural and historical associations to the Fire Service. These assets have been held within the FRA and its predecessors for a number of years having been originally donated. The Authority does not seek to acquire assets of this nature and has no intention of disposing of the assets held.
35. These assets are held at FRA fire stations and other buildings throughout the two counties. The estimated value of these assets is not material to the financial statements.
36. 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

37. 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 43-45):

	31-Mar-12			31-Mar-13		
	Long-term £000	Current £000	Total £000	Long-term £000	Current £000	Total £000
Short Term Deposits						
loans to WCC		6,705	6,705		7,492	7,492
	0	6,705	6,705	0	7,492	7,492
Loans & Receivables						
(at amortized cost)						
Trade Debtors		35	35		48	48
	0	35	35	0	48	48
	0	6,740	6,740	0	7,540	7,540
Financial Liabilities						
(at amortized cost)						
PWLB Borrowing	14,971	0	14,971	14,471	500	14,971
Trade Creditors		2,231	2,231		2,226	2,226
	14,971	2,231	17,202	14,471	2,726	17,197
Other Long Term Liabilities						
Finance Lease Liabilities	23	93	116	0	23	23
	23	93	116	0	23	23

Fair Value of Assets and Liabilities carried at amortised cost

38. 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.
39. 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.
40. The Fair Value of the loans at 31 March 2013 was £18.228m (£17.782m at 31 March 2012) as estimated by PWLB by reference to the "premature repayment" set of rates in force on 31 March 2013 (31 March 2012). For all other Financial Assets and Liabilities the Fair Value is equal to the Carrying Value.
41. 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

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

	Interest Expense 2011/12 £'000	Interest Income 2011/12 £'000	Interest Expense 2012/13 £'000	Interest Income 2012/13 £'000
Financial Liabilities				
PWLB Borrowing	611		609	
Finance Lease Interest	17		6	
Total	628	0	615	0
Short Term Deposits				
		17		25
	0	17	0	25

Long and Short Term Borrowing

43. Additional information in respect of Long Term loans shown in table at paragraph 37 on page 35-36 is given below.

	31-Mar-12			31-Mar-13		
	Long Term £'000	Short Term £'000	TOTAL £'000	Long Term £'000	Short Term £'000	TOTAL £'000
Loan Source						
Public Works Loans Board	14,971	0	14,971	14,471	500	14,971
	14,971	0	14,971	14,471	500	14,971
Analysis by Maturity						
Less than 1 year		0	0		500	500
Between 1 and 2 years	500		500	500		500
Between 2 and 5 years	1,834		1,834	2,834		2,834
Between 5 and 10 years	5,226		5,226	5,091		5,091
Over 10 years	7,411		7,411	6,046		6,046
Total of Loans	14,971	0	14,971	14,471	500	14,971
Accrued Interest	93	0	93	96	2	98
Balance Sheet Total	15,064	0	15,064	14,567	502	15,069

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

Financial Instruments – Exposure to Risk

46. 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.
47. The CIPFA Code of Practice on Treasury Management has been adopted by the FRA, and under the Service Level Agreement with Worcestershire County Council the County Council is obliged to, and does, adopt the Code also. In this way risks are actively managed.

Credit Risk

48. Under the Treasury Management SLA, the FRA invests surplus cash with WCC, but in return for receiving an average investment rate based on the Council's portfolio of investments the FRA shares risk in proportion to its value of the total portfolio. Credit risk also arises from credit exposures to the Authority's customers.
49. Amounts invoiced to customers are of relatively low value and are actively pursued by the in-house legal service.
50. The following analysis summarises the FRA's potential maximum exposure to credit risk based on actual experience in terms of deposits and percentage of debt which has been written off as unrecoverable in the last three years in terms of debtors (total £152).

	31-Mar-13 £'000	Written off in last 3 years £'000	Historical Default £'000
Loans to WCC	7,492	0	0%
Customers	48	0	0%
Total	7,540	0	

51. Of the £48,000 due from customers at 31 March 2013 the following table analyses the due dates.

	£'000
Not yet due	44
Less than 1 month overdue	0
1 to 2 months overdue	0
more than 2 months overdue	4
	48

Liquidity Risk

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

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

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

Market Risk

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

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

56. **Inventories**

	Equip & Uniform £'000	Fuel £'000	Vehicle Parts £'000	Total £'000
Balance outstanding at 31 March 2012	81	52	69	202
Purchases	121	176	32	329
Recognised as an expense in the year	(145)	(148)	(33)	(326)
Written off balances			(6)	(6)
Reversals of write-offs in previous years			1	1
Balance outstanding at 31 March 2013	57	80	63	200

57. **Debtors**

	31-Mar-12 £'000	31-Mar-13 £'000
Central Government Bodies	301	386
Other Local Authorities	547	593
NHS	0	0
Public Corporations and Trading Funds	1,184	698
Other entities and individuals	449	526
	2,481	2,203

Cash and Cash Equivalents

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

	31-Mar-12 £'000	31-Mar-13 £'000
Cash held by the Authority	17	17
Bank Current Accounts	0	0
Short term deposits - loans to WCC	6,705	7,492
	6,722	7,509

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

60. **Assets Held for Sale**

	Current	
	2011-12	2012-13
	£000	£000
Balance outstanding at start of year	0	0
Assets newly classified as held for sale:		
Property Plant and Equipment	0	180
Revaluation Losses		(8)
Assets Sold		(39)
Balance outstanding at year-end	0	133

61. Creditors

	31-Mar-12 £'000	31-Mar-13 £'000
Central Government Bodies	537	503
Other Local Authorities	520	601
NHS	0	0
Public Corporations and Trading Funds	0	0
Other entities and individuals	2,504	2,151
	3,561	3,255

Pension Arrangements

62. 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.
63. The Authority participates in four schemes:
- The Firefighters' Pension Scheme (FFPS) (the "1992 Scheme"). This is a statutory un-funded defined benefit final salary scheme and has been closed to new entrants since 6 April 2006.
 - The New Firefighters' Pension Scheme (NFPS) (the "2006 Scheme") – is open to all uniformed staff (except Fire Control) and is also a statutory un-funded defined benefit final salary scheme, with differing benefits.
 - The Firefighters' Compensation Scheme (FFCS) (the Injury Scheme) – another statutory un-funded defined benefit scheme covering existing and new injury pensions.
 - The three Firefighters' schemes are unfunded meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet the actual pensions payments as they eventually fall due. The arrangements are determined by the Department of Communities and Local Government.
 - The Local Government Pension Scheme (LGPS) – subject to qualifying criteria, open to staff not covered by the Firefighters' schemes. This scheme is administered by Worcestershire County Council and is a funded defined benefit final salary scheme. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
64. 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 65 below) so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement (MiRS).
65. Charges made to the Income and Expenditure Account for council tax precept purposes are as below:
- LGPS – the employer's contribution payable to the Pension Fund.
 - FFPS/NFPS – the notional employer's contribution payable into the Pension Account as explained in Paragraphs 13-14 on page 5 of the Explanatory Forward.
 - FFCS – the actual injury pensions and any RDS ill-health pensions payable.

66. It is estimated that the following contributions will be made to the schemes in 2013/14:

	Employers Contributions £'000	Employees Contributions £'000	TOTAL £'000
Firefighters' Pension Scheme (FFPS)	2,272	1,250	3,522
New Firefighters' Pension Scheme (NFPS)	274	220	494
Local Government Pension Scheme (LGPS)	2,546	1,470	4,016
	633	211	844
	3,179	1,681	4,860

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

	LGPS 2012/13 £'000	FFPS 2012/13 £'000	NFPS 2012/13 £'000	FFCS 2012/13 £'000	TOTAL 2012/13 £'000
Income and Expenditure Account					
Net Cost of Services:					
Current Service Cost	608	3,970	1,220	520	6,318
Transfers In			322		322
Curtailment Cost	102				102
Net Operating Expenditure:					
Interest Cost	942	10,420	390	1,170	12,922
Expected Return on Assets in the Scheme	(722)	n/a	n/a	n/a	(722)
Net Charge to the CIES	930	14,390	1,932	1,690	18,942
Actual Amount charged against the General Fund Balance for pensions in the year:					
Employer's contribution payable to scheme	635	1,840	404		2,879
Retirement Benefits payable to Pensioners				677	677
Net Charge to General Fund	635	1,840	404	677	3,556

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

Assets and Liabilities in relation to post-employment benefits

68. Reconciliation of the present value of scheme liabilities:

	Funded Liabilities (LGPS) 2012/13 £'000	Un-funded Liabilities (FFPS) 2012/13 £'000	Un-funded Liabilities (NFPS) 2012/13 £'000	Un-funded Liabilities (FFCS) 2012/13 £'000	TOTAL 2012/13 £'000
at 1 April	18,243	213,344	6,978	23,702	262,267
Current Service Cost	608	3,970	1,220	520	6,318
Employee Contributions	232	1,006	315	0	1,553
Transfers In			322		322
Pensions Paid	(390)	(6,330)	(76)	(677)	(7,473)
Curtailments	102				102
Interest on Liabilities	942	10,420	390	1,170	12,922
Actuarial gains and losses	2,366	30,370	2,440	4,340	39,516
at 31 March	22,103	252,780	11,589	29,055	315,527

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

Reconciliation of fair value of scheme assets:

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

	Funded Liabilities (LGPS) 2012/13 £'000	Un-funded Liabilities (FFPS) 2012/13 £'000	Un-funded Liabilities (NFPS) 2012/13 £'000	Un-funded Liabilities (FFCS) 2012/13 £'000	TOTAL 2012/13 £'000
at 1 April	11,290	0	0	0	11,290
Actuarial gains and losses on assets	985	3,484	(643)	0	3,826
Employer Contributions	635	1,840	404	677	3,556
Interest on Assets	722				722
Employee Contributions	232	1,006	315		1,553
Benefits Paid	(390)	(6,330)	(76)	(677)	(7,473)
at 31 March	13,474	0	0	0	13,474

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

70. The expected rate of return on assets (LGPS only) is based on market expectations, at the beginning of the period, for investment returns over the life of the entire life of the related obligation. The assumption used is the average of the assumptions shown in table 81 appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class as shown in table 78. Note that rates quoted are gross of expenses. The actual return on schemes' assets in the year was £1,708,000 (2011/12 £238,000).

71. Reconciliation of Movements in Net Pensions Liability:

	Funded Liabilities (LGPS) 2012/13 £'000	Un-funded Liabilities (FFPS) 2012/13 £'000	Un-funded Liabilities (NFPS) 2012/13 £'000	Un-funded Liabilities (FFCS) 2012/13 £'000	TOTAL 2012/13 £'000
at 1 April	6,953	213,344	6,978	23,702	250,977
Current Service Cost	608	3,970	1,220	520	6,318
Employer Contributions	(635)	(1,840)	(404)	(677)	(3,556)
Transfers In			322		322
Curtailments	102				102
Interest on Liabilities	942	10,420	390	1,170	12,922
Interest on Assets	(722)				(722)
Net actuarial gains and losses	1,381	26,886	3,083	4,340	35,690
at 31 March	8,629	252,780	11,589	29,055	302,053

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

72. Note treatment for this disclosure as detailed in Notes 58 to 61 of the Statement of Accounting Policies on page 16 means that the figure disclosed in this Statement of Accounts for net actuarial gains and losses differs significantly from that shown in the Actuaries report.

73. Scheme History:

	31-Mar 2009 £'000	31-Mar 2010 £'000	31-Mar 2011 £'000	31-Mar 2012 £'000	31-Mar 2013 £'000
Present value of liabilities:					
LGPS : Local Government Pension Scheme	11,341	17,655	16,879	18,243	22,103
FFPS : Firefighters' 1992 Scheme	147,658	212,108	194,462	213,344	252,780
NFPS : Firefighters' 2006 Scheme	1,490	4,230	4,850	6,978	11,589
FFCS : Firefighters' Injury Scheme	16,711	24,418	20,758	23,702	29,055
	177,200	258,411	236,949	262,267	315,527
Fair value of assets in the LGPS	6,563	10,309	11,111	11,290	13,474
	6,563	10,309	11,111	11,290	13,474
Net Liabilities of the scheme:					
LGPS : Local Government Pension Scheme	4,778	7,346	5,768	6,953	8,629
FFPS : Firefighters' 1992 Scheme	147,658	212,108	194,462	213,344	252,780
NFPS : Firefighters' 2006 Scheme	1,490	4,230	4,850	6,978	11,589
FFCS : Firefighters' Injury Scheme	16,711	24,418	20,758	23,702	29,055
Total	170,637	248,102	225,838	250,977	302,053

74. The liabilities show the underlying commitments that the FRA has in the long run to pay retirement benefits. The total liability of £302.053m has a substantial impact on the net worth of the FRA as recorded in the Balance Sheet, resulting in a negative overall balance of £268.969m.

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

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

76. The total contributions expected to be made to the LGPS by the FRA in 2013/14 is £0.633m, and to the Firefighters' schemes £2.546m This includes the direct cost of injury pensions, and ill health charges.

Basis for Estimating Liabilities

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

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

	LGPS 2012/13	FFPS 2012/13	NFPS 2012/13	FFCS 2012/13
Long-term expected rate of return on assets in the scheme				
Equity investments	7.00%	n/a	n/a	n/a
Government Bonds	2.80%	n/a	n/a	n/a
Other Bonds	3.90%	n/a	n/a	n/a
Property	5.70%	n/a	n/a	n/a
Cash/liquidity	0.50%	n/a	n/a	n/a
Mortality assumptions:				
Longevity at 65 for current pensioners				
Male	22.5	23.5	23.5	23.5
Female	25.0	25.4	25.4	25.4
Longevity at 65 for future pensioners				
Male	24.3	26.7	26.7	26.7
Female	27.0	28.4	28.4	28.4
Rate of inflation (RPI)		3.65%	3.65%	3.65%
Rate of inflation (CPI)	2.40%	2.50%	2.50%	2.50%
Rate of increase in salaries	3.90%	4.75%	4.75%	4.75%
Rate of increase in pensions	2.40%	2.50%	2.50%	2.50%
Rate for discounting scheme liabilities	4.40%	4.30%	4.30%	4.30%
Take-up of option to convert annual pension into retirement lump sum:				
take maximum cash	50%	n/a	n/a	n/a
take 3/80ths cash	50%	n/a	n/a	n/a

	LGPS 2010/11	FFPS 2010/11	NFPS 2010/11	FFCS 2010/11
Long-term expected rate of return on assets in the scheme				
Equity investments	7.00%	n/a	n/a	n/a
Government Bonds	3.10%	n/a	n/a	n/a
Other Bonds	4.10%	n/a	n/a	n/a
Property	n/a	n/a	n/a	n/a
Cash/liquidity	0.50%	n/a	n/a	n/a
Mortality assumptions:				
Longevity at 65 for current pensioners				
Male	22.1	23.4	23.4	23.4
Female	24.6	25.3	25.3	25.3
Longevity at 65 for future pensioners				
Male	23.5	26.5	26.5	26.5
Female	26.1	28.3	28.3	28.3
Rate of inflation (RPI)	3.60%	3.60%	3.60%	3.60%
Rate of inflation (CPI)	2.60%	2.50%	2.50%	2.50%
Rate of increase in salaries	4.10%	4.70%	4.70%	4.70%
Rate of increase in pensions	2.60%	2.50%	2.50%	2.50%
Rate for discounting scheme liabilities	5.10%	4.90%	4.90%	4.90%
Take-up of option to convert annual pension into retirement lump sum:				
take maximum cash	50%	n/a	75%	n/a
take 3/80ths cash	50%	n/a	25%	n/a

A change in underlying assumptions in the Fire Pension schemes have resulted in actuarial losses of £34.209m in 2012/13, compared to a loss of £8.985m in 2011/12.

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

	31-Mar-12	31-Mar-13
Equities	88.9%	90.8%
Government Bonds	3.2%	0.0%
Other Bonds	4.0%	7.4%
Other Assets	3.9%	1.8%
	100.0%	100.0%

Injury Awards

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

History of experience gains and losses

81. The actuarial gains identified as movements in the Pension Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013, and are shown in the table below:

Local Government Scheme					
	2008/09	2009/10	2010/11	2011/12	2012/13
Difference between the expected and actual return on assets	-38.50%	-26.40%	-1.00%	-9.10%	7.30%
Experience gains and losses on liabilities	0.00%	0.00%	3.70%	0.00%	10.70%

1992 Firefighters' Pension Scheme					
	2008/09	2009/10	2010/11	2011/12	2012/13
Experience gains and losses on liabilities	1.60%	3.20%	0.70%	0.50%	2.30%

2006 Firefighters' Pension Scheme					
	2008/09	2009/10	2010/11	2011/12	2012/13
Experience gains and losses on liabilities	11.40%	1.70%	5.60%	-0.90%	-8.30%

Firefighters' Injury Scheme					
	2008/09	2009/10	2010/11	2011/12	2012/13
Experience gains and losses on liabilities	2.90%	-9.80%	6.50%	-4.10%	2.0%

Usable Reserves

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

	31-Mar-12 £'000	31-Mar-13 £'000
General Fund	1,399	1,485
Earmarked Reserves	2,744	4,561
Unapplied Grants	2,330	2,709
Capital Receipts Reserve	0	0
	6,473	8,755

83. General Fund Balance

	2011/12 £'000	2012/13 £'000
Balance at 01 April	934	1,399
Transfers from CIES	465	86
Transfers to CIES		
Balance at 31 Mar	1,399	1,485

Earmarked Reserves

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

- **Pensions Reserve** – To meet the potential cost of the Retained Firefighters' national settlement in relation to Unfair Treatment of Part-time Workers.
- **New Fire Control Reserve** – Government has allocated significant capital grant to this project as well as a small revenue grant. The revenue grant will be used to offset specific annual revenue costs over a number of years once the new system is operational.
- **Operational Activity Reserve** – To fund exceptional activity costs arising from spate conditions e.g. prolonged fires in the Malvern Hills or flooding.
- **New Dimensions Reserve** – a consolidation of 3 previous reserves relating to New Dimensions funding which are planned to be used to create additional training facilities and fund exercises.
- **ICP Work-wear Reserve** – To match the budgeted routine replacement of non-PPE work-wear with the charging profile under the national Integrated Clothing Project (ICP). – The majority of this was utilised in 2012/13.
- **YFA Reserve** – Held for the Young Firefighters' Association to smooth annual expenditure.
- **Development Reserve** – To provide funding for capacity building or "invest to save" type initiatives to prepare for future grant reductions.
- **Capital Finance Phasing Reserve** – this arises from savings in capital financing costs as a result of re-phasing of the Major Buildings programme due to delays outside the control of the FRA. This will be used to finance capital expenditure in 2013/14 in accordance with the MTFP.
- **Property Maintenance Reserve** – to be utilised in 2013/14 to complete the programme of station maintenance planned and budgeted in 2012/13.
- **Budget Reduction Reserve** - in expectation of significant future pressures and the restructuring necessary to meet them, a reserve has been created to help smooth the transformation over the next few years. Prudent financial management within year has allowed the balances on the following reserves to be transferred into this Reserve as well.
 - Training
 - Implementation
 - Relocation Reserve
 - Miscellaneous Grants Reserve

85. The following reserves were utilised in 2012/13 and are now closed
- **DEFRA Boat Grant Reserve** – funds provided by DEFRA to fund flood rescue boats, the purchase of which was completed in 2012/13.
 - **Tax/NI Settlement Reserve** – Uncertainty over the tax position regarding the compensation payment for to the Retained Firefighters national settlement in relation to Unfair Treatment of Part-time Workers, led to the creation of this reserve. The position is not sufficiently certain to allow these costs to be accrued and the reserve has been closed.
86. A summary of movements is shown below.

	Balance at 31-Mar-12 £000	From/(to) Rev 12/13 £000	Re- designate £000	12/13 Savings £000	Balance at 31-Mar-13 £000
Pensions Reserve	422				422
New Fire Control Reserve	267				267
Operational Activity Reserve	300				300
New Dimensions Reserve	710	(134)			576
ICP Workwear Reserve	60	(56)			4
YFA Reserve	015	2			17
	1,774	(188)	0	0	1,586
Development Reserve	479	(70)			409
Capital Finance Phasing Reserve	0	575			575
Property Maintenance Reserve	0	213			213
	479	718	0	0	1,197
Training Reserve	231	(10)	(221)		0
Tax/NI Settlement Reserve	100	(100)			0
Relocation Reserve	92		(92)		0
DEFRA Boat Grant Reserve	50	(50)			0
RDS Implementation Reserve	18		(18)		0
Budget Reduction Reserve	0		331	1,447	1,778
	491	(160)	0	1,447	1,778
	2,744	370	0	1,447	4,561

87. The comparative movements for 2011/12 are summarised overleaf:

	Balance at 01-Apr-11 £000	From/(to) Rev 11/12 £000	Re- designate £000	Balance at 31-Mar-12 £000
Pensions Reserve	167	255		422
New Fire Control Reserve	147	120		267
Operational Activity Reserve	300			300
New Dimensions Reserve			710	710
New Dimensions Training Reserve	30		(30)	0
Urban Search & Rescue Reserve	432		(432)	0
New Dimensions HVP/ECU Reserve	248		(248)	0
ICP-Workwear Reserve	60			60
YFA Reserve	0	15		15
	1,384	390	0	1,774
Development Reserve	550	(71)		479
	550	(71)	0	479
Training Reserve	133	98		231
Tax/NI Settlement Reserve	0	100		100
Relocation Reserve	45	47		92
DEFRA Boat Grant Reserve	0	50		50
RDS Implementation Reserve	18			18
	196	295	0	491
	2,130	614	0	2,744

88. Unapplied Grant

	LPSA1 (Worcs) Reward Grant (Capital) £'000	Formula Capital Grant £'000	Control Rooms Funding £'000	CLG E&D Grant £'000	TOTAL £'000
Balance at 31 March 2011	332	0	0	36	368
Grant Received in 2011/12		1,173	1,700		2,873
Financing Capital Expenditure in 2011/12		0	(911)		(911)
Balance at 31 March 2012	332	1,173	789	36	2,330
Grant Received in Year in 2012/13		1,169			1,169
Financing Capital Expenditure in 2012/13	(249)	0	(514)	(27)	(790)
Balance at 31 March 2013	83	2,342	275	9	2,709

89. Capital Receipts

	2011/12 £'000	2012/13 £'000
Balance at 01 April	0	0
Net Proceeds from sale of fixed assets	0	32
Used to Finance capital expenditure	0	(32)
Balance at 31 Mar	0	0

90. Unusable Reserves

	31-Mar-12	31-Mar-13
	£000	£'000
Revaluation Reserve	5,000	5,071
Capital Adjustment Account	19,500	19,390
Pensions Reserve	(250,977)	(302,053)
Collection Fund Adjustment Account	27	28
Accumulated Absences Adjustment Account	(148)	(160)
	(226,598)	(277,724)

Revaluation Reserve

91. 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.

92. 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.

	2011/12	2012/13
	£'000	£'000
Balance at 1 April	5,071	5,000
Upward revaluation of assets		251
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services		(70)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	5,071	5,181
Difference between fair value depreciation and historical cost depreciation	(71)	(99)
Accumulated gains on assets sold		(4)
Amounts written off to the Capital Adjustment Account		(7)
Balance at 31 March	5,000	5,071

Capital Adjustment Account

93. 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.

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

	2011/12	2012/13
	£'000	£'000
Balance at 1 April	19,159	19,500
Charges for depreciation and impairment of non-current assets	(2,104)	(2,204)
Revaluation (gains)/losses on Property, Plant and Equipment	0	(232)
Amortisation of intangible assets	(90)	(110)
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	(36)	(65)
	16,929	16,889
Adjusting amounts written out to the Revaluation Reserve <i>- difference in depreciation on historical & current cost basis</i>	71	99
	17,000	16,988
<u>Capital financing applied in the year:</u>		
Use of the Capital Receipts Reserve to finance new capital expenditure	0	32
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to to capital financing	911	790
Statutory provision for the financing of capital investment charged against the General Fund balance.	1,241	1,275
Capital expenditure charged against the General Fund balance	348	305
Balance at 31 March	19,500	19,390

Pensions Reserve

97. 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.
98. 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.

	2011/12	2012/13
	£'000	£'000
Balance at 1 April	225,838	250,977
Actuarial gains or losses on pensions assets & liabilities	10,015	35,690
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services the CIES	18,722	18,942
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,598)	(3,556)
Balance at 31 March	250,977	302,053

Collection Fund Adjustment Account

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

	2011/12	2012/13
	£'000	£'000
Balance at 1 April	42	27
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	(15)	1
Balance at 31 March	27	28

Accumulated Absences Account

100. 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.

	2011/12	2012/13
	£'000	£'000
Balance at 1 April	(127)	(148)
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	(21)	(12)
Balance at 31 March	(148)	(160)

Contingent Liabilities

101. On 17th June 2010 FRAs were informed by the NJC that negotiations with representatives of RDS personnel in respect of the Unfair Treatment of Part-Time workers ruling were almost (but are not yet finally) completed. There were two parts to this agreement:

- a. A compensation payment, the costs of which have been accrued in the CIES, and;
 - b. Reversal of the unlawful exclusion of RDS personnel from the Firefighters' Pension Scheme before 2006.
102. On the latter point, no details of this element of the settlement have been given but the costs could be very significant. An earmarked reserve has been created for any actual costs that do arise.

Provisions

103. The FRA held three provisions at 31st March 2012, two of these were closed during 2012/13 and an additional one created leaving two at 31st March 2013.

Retirement Costs Provision

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

	2011/12 £'000	2012/13 £'000
Balance at 1 April	294	37
Expenditure incurred in year	(29)	(12)
Contributions from Constituent Authorities	236	
Transfer back to CIES	(464)	
Balance at 31 March	37	25

Redundancy Provision

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

	2011/12 £'000	2012/13 £'000
Balance at 1 April	0	187
Transfer from CIES	187	(187)
Balance at 31 March	187	0

Settlement Provision

109. In 2011/12 the FRA had provided for the potential settlement of a legal claim against the Authority. This was settled in 2012/13 allowing a transfer back to the CIES

	2011/12 £'000	2012/13 £'000
Balance at 1 April	0	250
Net expenditure incurred		(132)
Transfer from/(to) CIES	250	(118)
Balance at 31 March	250	0

Clerk Costs Provision

110. The provision was created during 2012/13 to reflect the potential liability arising from the employment of the Temporary Clerk and Monitoring Officer, (for the period prior to the current in-house service provision) for which invoices have not yet been received.

	2011/12 £'000	2012/13 £'000
Balance at 1 April	0	0
Transfer from CIES		21
Balance at 31 March	0	21

Specific Government Grants

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

	2011/12 £'000	2012/13 £'000
Flood Rescue National Enhancement Project	50	
Fire Revenue Grant - New Dimensions	1,001	1,003
Fire Revenue Grant - Future Control Rooms	20	
Fire Revenue Grant - Firelink	168	223
Future Control Rooms Funding	100	
New Burdens - Council Tax Reform		27
	1,339	1,253

Cashflow Statement – Operating Activities

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

	2011/12 £'000	2012/13 £'000
Interest Paid	(635)	(610)
Interest Received	17	25
Capital Grants	1,962	379
Proceeds of Sale of Capital Items	11	40
	1,355	(166)

113. Cashflow Statement – Investing Activities

	2011/12 £'000	2012/13 £'000
Purchase of Property, Plant & Equipment	2,417	3,384
Capital Grants received	(1,962)	(378)
Interest Received	(17)	(25)
Proceeds of sales of Property Plant & Equipment - Capital Receipts	0	(32)
Proceeds of sales of Property Plant & Equipment - Other	(11)	(8)
	427	2,941

114. Cashflow Statement – Financing Activities

	2011/12 £'000	2012/13 £'000
Interest Paid	635	610
Principal Payments on Finance Leases	201	93
Long Term Loans Raised	(2,000)	0
Long Term Loans Repaid	1,467	0
	303	703

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

115. The Statement of Accounts contains estimated figures that are based on assumptions made by the FRA about the future or that are otherwise uncertain. Estimates are made based on past experience, current trends and other relevant factors. As some balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.
116. The items in the balance sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are set out below. The list does not include items which are carried at fair value based on recently observed market prices, such as land and buildings, for which the FRA relies on independent advice from specialist valuers.
117. Firefighters on the Retained Duty System have claimed access to the Firefighters' Pension Scheme, and in January 2006, the House of Lords granted a re-hearing at the Firefighters' Employment Tribunal, which declared that retained firefighters were engaged in broadly similar work as wholetime firefighters. There will be potential pension costs to the Fire Authority relating to the financial periods between July 2000 and April 2006, as a large proportion of the Fire Authority's employees are retained firefighters, the number of retained firefighters and cost involved is not yet certain.
118. The Actuaries have provided an assessment of the effect of changes in the assumptions used in estimating the pension and assets included in the Accounts according to the requirements of IAS19.
- There are a range of actuarial assumptions which is acceptable under IAS19, particularly in respect of expected salary increases and demographic factors. The assumptions made are the responsibility of the FRA, after taking advice of the Actuaries. There are risks and uncertainties associated with whatever assumptions are adopted, as the assumptions are effectively projections of future investment returns and demographic experience many years into the future. Inevitably this involves a great deal of uncertainty about what constitutes a "best estimate" under IAS19. The Actuaries interpret this as meaning that the proposed assumptions are neutral, i.e. there is an equal chance of actual experience being better or worse than the assumptions used.

- The assumptions used are largely prescribed and reflect market conditions at 31 March 2013. 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.

119. Approximate increase in Net Liability

Change in financial assumptions 2012/13: Firefighters' Schemes		
	£'000	%
0.5% Decrease in rate of return in excess of earnings	7,336	2.50%
0.5 % Decrease in rate of return in excess of pensions	22,007	7.50%
2 years Increase in Member Life Expectancy	11,737	4.00%

Change in financial assumptions 2012/13 : LGPS		
	£'000	%
0.1% Increase in real discount rate	(444)	-5.21%
0.1% Increase in rate of increase in salaries	453	5.04%
1 Year Increase in Member Life Expectancy	407	4.78%

Property, Plant and Equipment

120. Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the FRA will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.
121. If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £16,300 for every year that useful lives had to be reduced.

Critical Judgements in Applying Accounting Policies

122. 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:
123. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied. The House of Lords which declared retained firefighters were engaged in broadly similar work as wholetime firefighters and were therefore unlawfully excluded from access to the Firefighters Pension Scheme before 2006. Once a settlement is reached there will be potential pension costs to the Authority relating to the financial periods between July 2000 and April 2006. No details of costs are yet known, but a reserve has been created to meet some of the potential costs.

124. 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

125. The FRA is a member of Kings Court EMC Ltd, which manages ground maintenance on the common areas of the office site where the Headquarters building is located. The company is one that is limited by guarantee, for which the maximum liability to the FRA is £1. The turnover of the company for 2012/13 was £10,638 (2011/12 £11,790), and the FRA has appointed the Director of Finance and Assets as its director.

SUPPLEMENTARY FINANCIAL STATEMENT

Firefighters' Pension Fund

1. Since 2006/07 Firefighters' pensions are paid out of a separate account into which the employee's contributions and an employer's contribution are paid. Any deficit on this account is made up by direct government grant.
2. A detailed explanation of the schemes can be found on page 40, but although they are all statutory, national un-funded defined benefit schemes, they are administered locally by each FRA.
3. The Schemes are currently established under the Firefighters' Pension Scheme (Amendment) (England) Order 2006.
4. The employer's contribution is borne by the CIES for Council Tax Precept setting purposes.
5. Employees' and employers' contribution levels are based on percentages of pensionable pay set nationally by DCLG/WAG and subject to triennial revaluation by the Government Actuary's Department.
6. In accordance with the requirements of IAS19 the employer's contribution is replaced by the current service cost of pensions in the CIES, and reversed out again in the MiRS.
7. Although the scheme remains an un-funded one, Government has determined that this account is deemed a Pension Fund separate from the income and expenditure account and is thus reported on separately. As an un-funded scheme there are no assets and the difference between income and expenditure is met by the direct government grant.
8. The accounts are prepared in accordance with the same Code of Practice and accounting policies as outlined in the Statement of Accounting Policies set out on pages 9-16.
9. Any Government grant payable is paid in two instalments, 80% of the estimated annual amount at the start of the year, and the actual balance paid following completion of the accounts for the year.
10. The following Statement shows the income and expenditure for the year. It does not take account of liabilities to pay pensions and other benefits after the year end. These are calculated in accordance with IAS 19 and are included in the Balance Sheet on page 20 and detailed in the Notes to the Core Financial Statements on pages 40-46.

Firefighters' Pension Fund Account

	2011/12 £000	2012/13 £000
Contributions receivable		
Fire & Rescue Authority		
Contributions in relation to pensionable pay	(2,224)	(2,213)
Other	(98)	(31)
Firefighters' Contributions	(1,262)	(1,321)
	(3,584)	(3,565)
Transfers in from other schemes	(6)	(322)
Benefits Payable		
Pensions	5,499	5,777
Commutations & lump sum retirement benefits	899	570
Lump sum death benefits	1	59
Payments to and on account of leavers		
Transfers out to other schemes	0	10
Net amount payable for the year	2,809	2,529
Top-up grant payable by government	(2,809)	(2,529)
	0	0

Firefighters' Pension Fund Statement of Net Assets

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

	31-Mar-12 £000	31-Mar-13 £000
Current Assets		
Debtors		
Employer Contributions Due	92	96
Employee Contributions Due	53	58
Other	4	
Top Up receivable from the government	563	56
Prepayments		
Pensions paid in advance	471	489
Creditor		
Amounts due to General Fund	(1,183)	(699)
	0	0

ANNUAL GOVERNANCE STATEMENT 2012/13

To be supplied on completion of the Audit

ANNUAL GOVERNANCE STATEMENT Page 3

To be supplied on completion of the Audit

GLOSSARY OF TERMS

Accruals

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

BVACoP

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Receipts

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

The principal accountancy body dealing with local government finance.

Creditors

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

DCLG/CLG

Department of Communities and Local Government. The Government department that was responsible for aspects of Local Authority and Fire and Rescue Authority activity in 2010/11 and 2011/12.

Debtors

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

Depreciation

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

Fair Value

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

Fixed Assets

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

FRA

The Fire and Rescue Authority

FRS

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

GAD

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

ICP – Integrated Clothing Project

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

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

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

Impairment

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

Intangible Assets

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

LASAAC

The Local Authority (Scotland) Accounts Advisory Committee.

Long Term Borrowing

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

Operational Leasing

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

Provision

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

Reserve

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

Revenue Expenditure and Income

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

SORP

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

Unapplied Capital Grant

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

USAR (Urban Search and Rescue)

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