

# Hereford & Worcester Fire Authority

## Statement of Accounts

### 2015/16 (Un-Audited)

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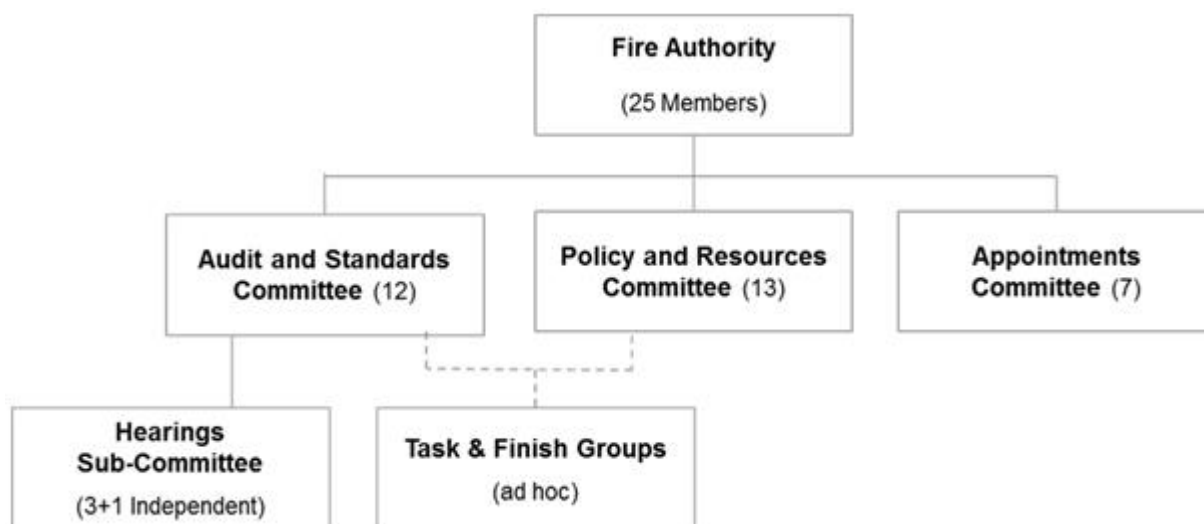
## NARRATIVE REPORT

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



## The Fire Authority

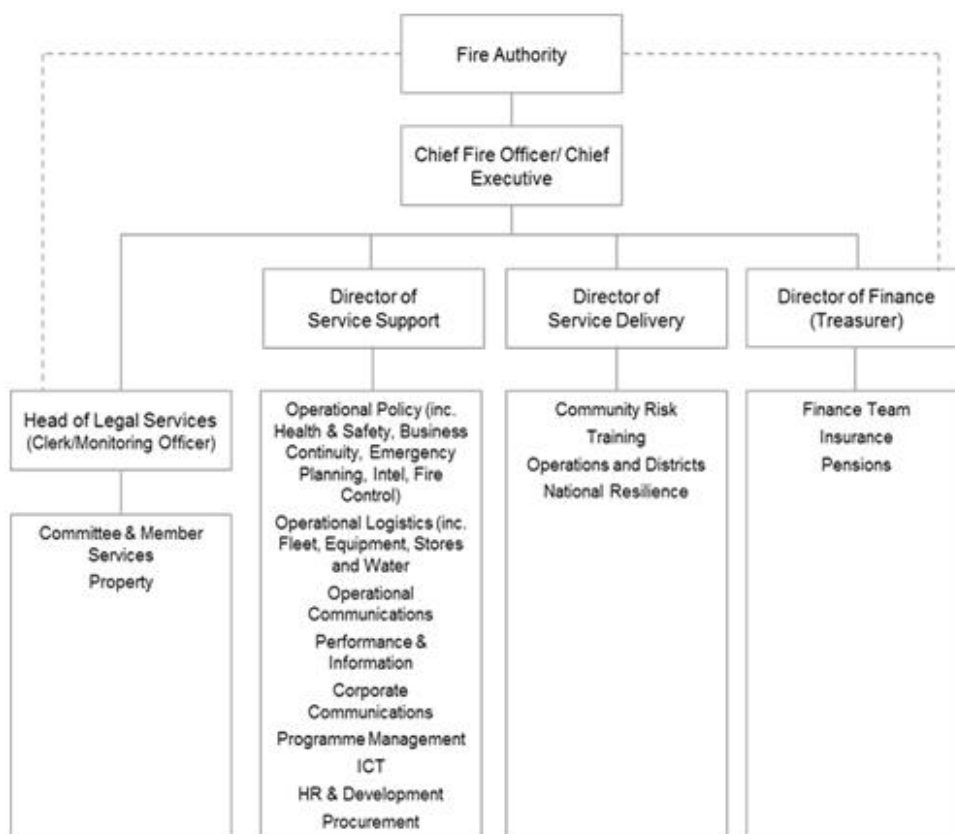
4. Hereford & Worcester Fire Authority is the governing body of the Fire and Rescue Service and is the legal entity responsible for carrying out duties as set out in the Fire and Rescue Services Act 2004, in relation to fire prevention, fire safety, firefighting and rescues (including from road traffic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



## The Fire and Rescue Service

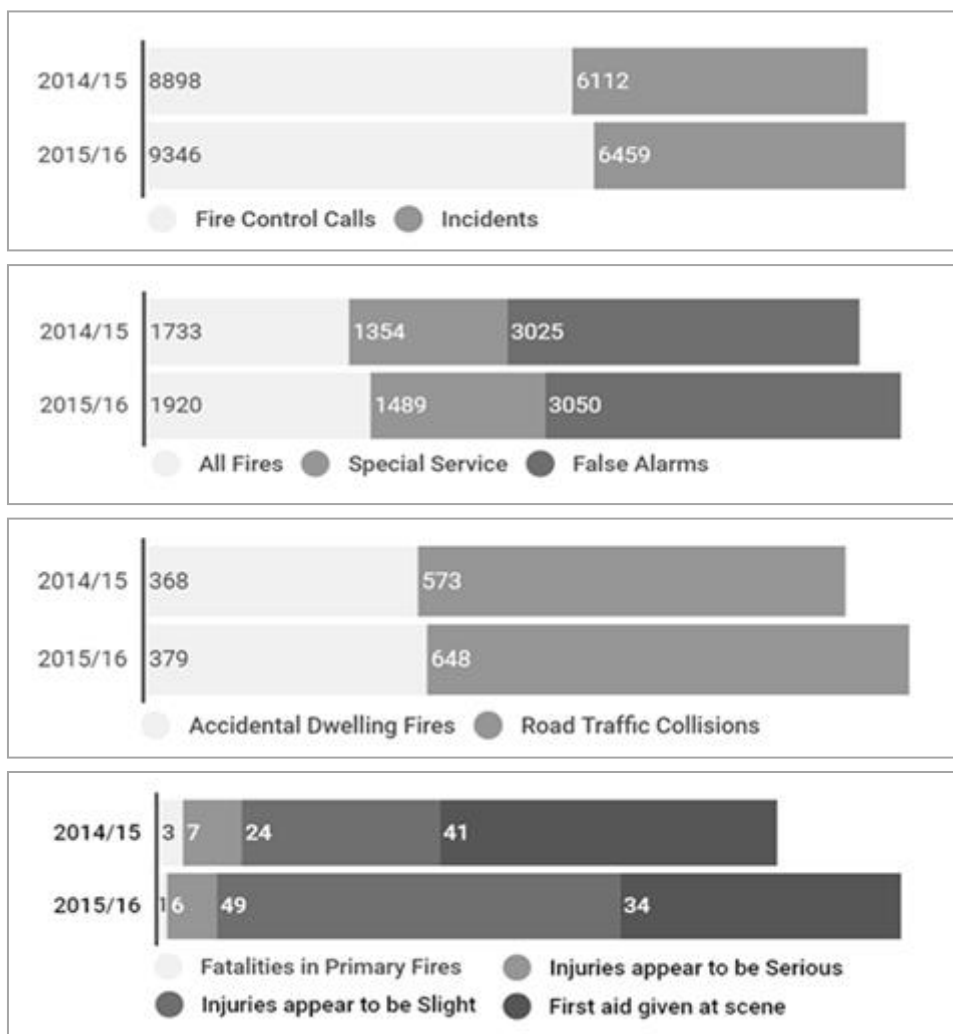
8. The Service is led by the Chief Fire Officer/Chief Executive with the support of the Senior Management Board. The Service employs just over 750 full-time and part-time staff, most of whom are highly trained firefighters (approximately 80 per cent of the total workforce).
9. In addition to Service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

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



## Our Performance

11. The Service attended 6,459 incidents in 2015-16. This was 347 or just over 5% more than last year. Although we expect there to be fluctuations up and down in the number of incidents from year to year, we still analyse the underlying causes, with the aim of improving our targeted prevention activities. Despite the increase, the trend over the last 4 years is consistent.
12. There has been an increase in the number of incidents in each of the three main categories. False Alarms continue to be the largest proportion of incidents, representing almost one in every two incidents (47%) and the Service is working with businesses as well as call challenging to reduce this. We continue to work with occupiers to identify where false alarm activations by repeat offenders could be reduced.
13. We attended 11 more accidental dwelling fires and 75 more road traffic collisions, (this includes attendance where we assisted in making the vehicle safe) than we did last year. We will ensure our prevention activities and our work with partners continues to target these potentially life-risk incidents.



## Collaboration and the Policing and Crime Bill 2015/16

14. With the introduction of the new Policing and Crime Bill later this year, there will be a statutory duty on fire and rescue services to work collaboratively with their local Police and Ambulance Services. Hereford & Worcester FRS is already well advanced in this collaborative approach. The new Bill is part of the government's intention to ensure there is greater joint working between all police, fire and ambulance services. The introduction of a statutory duty aims to improve efficiency and effectiveness through better local accountability and an improved service for communities as well as savings for taxpayers.
15. Within the Bill, there are further specific provisions covering collaboration between police and fire services. These provisions relate to the role of the Police and Crime Commissioner (PCC), who would be enabled to take on more responsibility for fire and rescue services, if there is local support and demonstrated benefit. The Police and Crime Commissioner is an elected official responsible for ensuring efficient and effective policing of a police area. Our police area is West Mercia, which covers Herefordshire, Worcestershire and Shropshire (including Telford and Wrekin). The Bill should become law in late 2016.

## The Accounting Statements

16. The Statement of Accounts that follows covers the Authority's financial year ending 31 March 2016. 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 2015/16, 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

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

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

### **Comprehensive Income and Expenditure Statement (CIES)**

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

### **Movement in Reserves Statement (MiRS)**

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

### **Balance Sheet**

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

### **Cash-flow Statement**

- This shows the changes in cash and cash equivalents of the Authority during the reporting period.
- The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
- The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by current taxation and grant income.
- Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority’s future service delivery.

- Cash flows arising from financing activities are useful in predicting claims on future cash flows, by providers of capital to the Authority (i.e. those from whom long term borrowing is taken).

19. The accounting policies adopted by the Authority comply with the relevant recommended accounting practice. The Authority's policies are explained fully in the Statement of Accounting Policies which is set out on pages 14-22.

20. The Authority's spending is planned and controlled by a process which includes regular reporting to the Service's management team and the Authority's Policy and Resources Committee.

## Budget Savings

21. Since the start of the 'austerity' period in 2010-11, the Authority's annual revenue budget has reduced by 16 per cent in real terms. In simple terms this means that the budget is now 16% lower than it would have been had the Authority been able to increase the budget to cover the additional costs of inflation, national pay rises, tax increases and the necessary replacement of equipment and buildings.

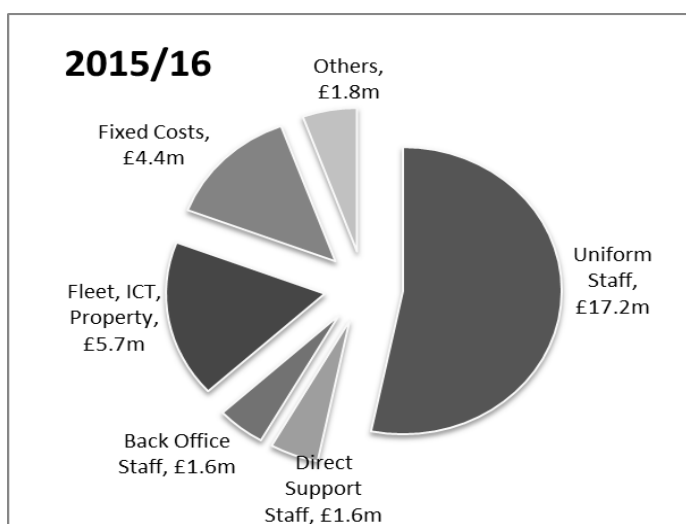
22. In order to meet these pressures, we have made reductions in our workforce, including managers and support staff, made changes to crewing at fire stations, cut our spending budgets and removed two fire engines from the fleet. By 2019-20 the full implementation of these measures will be saving £6.7 million per year.

23. Improvements in income from Council Tax has meant that the Authority has been able to set a balanced budget for 2016/17 (which at £32.0m is £0.6m less in cash terms than 2015/16) and plan for a virtually balanced budget for 2017-18.

24. Government has now provided grant figures for the four years to 2019-20, and this shows a further 30% reduction in grant over this time. Even with a continued growth in Council Tax income, the Authority is likely to have to find a further £1.6 million of annual savings in 2018-19 and a further £0.8 million by 2019-20.

## 2015/16 Revenue Budget

25. The approved budget for 2015/16 was £32.275m to which additional agreed expenditure of £0.012m funded from earmarked reserves has been added, bringing the total budget to £32.287m. These resources are those available for the Authority to spend on provision of



services under the statutory accounting regime, within which the Authority is required to manage resources

26. In setting the 2015/16 budget the Authority was aware of (and has planned for) significant reductions in future grant, and spending during the year has been subject to severe restraint as a preparation for the future financial position. There has been a planned under spending which has been reported to the Policy and Resources Committee throughout the year, and finally to the full Authority in June 2016.

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

	<b>Revised Budget £m</b>	<b>Actual £m</b>	<b>Variance £m</b>
Employee Costs	21.544	21.061	(0.483)
Running Costs	7.589	6.848	(0.741)
Capital Financing Costs	3.154	2.958	(0.196)
<b>Gross Budget</b>	<b>32.287</b>	<b>30.867</b>	<b>(1.420)</b>
<u>Resources</u>			
Fire Revenue Grant	(1.132)	(1.127)	0.005
Business Rate Income	(2.397)	(2.390)	0.007
Revenue Support Grant	(8.377)	(8.377)	0.000
Net Council Tax Precept	(20.285)	(20.285)	0.000
Other S31 Grant		(0.021)	(0.021)
Collection Fund Loss Reserve	(0.084)	(0.084)	0.000
	0.012	(1.417)	(1.429)
<u>Budgeted Use of Reserves:</u>			
Development Reserve	(0.012)	(0.012)	0.000
<u>Other Reserve Contributions</u>			
Insurance Reserve		0.130	0.130
Radio Reserve		0.094	0.094
Fleet Funding Reserve		0.042	0.042
<b>Total before Final Transfer to Reserves</b>	<b>0.000</b>	<b>(1.163)</b>	<b>(1.163)</b>
<u>Final Transfer to Reserves</u>			
Transfer to Budget Reduction Reserve		1.163	1.163
		<b>0.000</b>	<b>0.000</b>

28. Of the Core Budget under-spending of £1.420m, this relates to managed savings by budget holders and the phasing of capital finance. The resources received by the Authority in 2015/16 are slightly higher than originally budgeted for this is mainly due to the receipt of additional section 31 Grant.

29. During 2015/16, £1.429m has been added to earmarked reserves. This is the same as included in the Provisional Out-turn reported to the Authority in June 2016. These additions are as follows:

- £1.163m has been added to the Budget Reduction Reserve to ensure the on-going funding of uniform staff
- £0.094m has been added to the Equipment Reserve, to fund the purchase of fire ground radios which has been postponed until there is clarity with regards to the new national emergency services radio replacement scheme.



- £0.130m has been set aside to the insurance reserve to fund the excess of any long-tail claims for the period since the Authority ceased insuring jointly with Worcestershire County Council.
- £0.094 has been set aside to the Fleet Funding Reserve this is to ensure the adequate funding of the capital programme. Individual receipts below £0.010m are not technically capital receipts and are treated as revenue. This reserve makes those revenue receipts available to fund capital expenditure as planned.

### **General Reserve**

30. The general reserve actually stood at £1.838m at 31<sup>st</sup> March 2015 with the intention that £0.300m would be utilised to support expenditure in 2016/17 to leave an underlying core figure of £1.538m, which represents 4.7% of the core budget. This figure remains unchanged at 31<sup>st</sup> March 2016. Although the level is towards the lower end of reserves held by standalone Fire Authorities, the figure is considered adequate and not requiring increase throughout the MTFP period.

### **Firefighters' Pensions**

31. 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.
32. The employer contribution and certain costs in relation to injury pensions still fall on the General Fund Balance.

### **Capital Programme Budget**

33. During 2015/16 £3.315m was spent on new assets or improvements to existing ones. Expenditure was incurred on the approved vehicle programme, the new Command and Control IT system, minor property works and small equipment and IT schemes. The majority of the programme was, as planned, funded by net borrowing.
34. During financial year 2015/16, the new Fire Station in Worcester has been commissioned for use and the construction of a new Fire Station with training facility now started in Evesham.

### **Balance Sheet**

35. At 31 March 2015 the Authority held Long Term Assets with a net book value of £44.063m. Professional advice has not identified any further impairment due to changes in the economic climate, and adjusting for disposals, depreciation, revaluation and capital expenditure, Long Term Assets are valued at £41.415m at 31 March 2016.
36. Long Term borrowing has reduced during this financial year following the repayment of loans, there are now some individual loans that fall due within 12 months. All borrowing is from the Public Works Loans Board (PWLb). The total value of Long Term loans at £12.637m remains well below the value of Long Term Assets.
37. The Balance Sheet includes liabilities in respect of the five pension schemes provided for staff.
38. The £9.612m liability on the Local Government Scheme will be covered by the continued level of employer contributions.
39. The Firefighters' schemes are statutory un-funded ones and the significant total liability of £280.833m is a result of this position. There is no requirement, or legal powers, for the Authority to fund this deficit, and any costs not financed by employee or employer

contributions are met by direct government grant. More details on pensions can be found on pages 41-50.

## Corporate Governance Arrangements

40. The Authority is responsible for ensuring that its business is conducted in accordance with relevant legislation and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, Members and Senior Officers are responsible for putting in place proper procedures for the governance of the Authority's affairs and the stewardship of the resources at its disposal.
41. During 2015/16 the Authority has reviewed the systems and processes it has in place to ensure sound corporate governance and to confirm that they are consistent with the principles outlined in the CIPFA/SOLACE Framework '*Corporate Governance in Local Government: A Keystone for Community Governance.*' The latest review of compliance with the code was approved by the Authority Audit and Standards Committee on 4 July 2016.
42. Many of the elements of the code had been in place since the creation of the Authority such as: Codes of Conduct, Codes of Practice, Policy Statements, Standing Orders, Financial Regulations, Internal Audit arrangements and Risk Management arrangements which have been strengthened as referred to in the Annual Governance Statement on pages xx-xx.

## Restatement

43. It has been necessary to restate the 2014/15 Accounts in respect of the treatment of accruals in respect of GAD vs Milne. As explained below this is a one off event which has nil effect on the overall financial position of the Authority and does not require any restatement of prior years.
44. On 15<sup>th</sup> May 2015 the Pension Ombudsman published a decision on a case which resulted in a re-calculation of commutation rates for Fire-fighters who had retired between December 2001 and August 2006, with additional sums and interest being payable to those individuals. At this point there was sufficient information to accurately calculate the sums due, indeed the actual payments totalled only 0.3% different to the estimate. In addition government had confirmed that the payments would be funded by additional grant.
45. In accordance with the CIPFA Accounting Code of Practice the expenditure was accrued into the 2014/15 accounts and as there was sufficient certainty over the grant this too was accrued. In the case of this Authority the sums all related to pre 2006/07 retirements. This is significant because in 2006/07 the financial arrangements for Pensions changed with the establishment of a separate pensions fund. Regulations govern the charges that can be made to the Fund and preclude per 2006/07 expenditure and any interest on late payments, leaving these to fall solely on the Authority revenue account. Consequently this cost and grant were accrued into the CIES.
46. Unfortunately treatment was not consistent throughout the country with the majority of Authorities not including within their accounts at all. Subsequently government has instructed Authorities to include the entries within the 2015/16 Pension Fund. This entry was not legitimate at time of approval of the 2014/15 Statement of Accounts which have now been restated to comply with this new directive.
47. Restatement of Property, Plant and Equipment has also been required, following an error made by the Authority's independent valuer, during the 2015 valuation cycle, from which the 2015 accounting valuation adjustments are calculated. The 2014/15 accounting entries have been restated using the amended valuation figures.

## **Memorandum of Understanding (MoU)**

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

## **Post Balance Sheet Events**

50. There have been no post balance sheet events

## A STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Authority's Responsibilities

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

### The Treasurer's Responsibilities

2. The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code') is required to provide a true and fair view of the financial position of the Authority at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.
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 2016 and its income and expenditure for the year ended 31 March 2016.
5. In accordance with the Accounts and Audit Regulations 2011 10(2) I certify that the Statement of Accounts 2015/16 provides a true and fair view of the financial position of the Authority at 31 March 2016 and its income and expenditure for the year 2015/16.

*Signature on original copy*

*24<sup>th</sup> June 2016*

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

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Date

## Issue Date

6. The date that these financial statements are authorised for issue is 30<sup>th</sup> September 2016. All known material events that have occurred up to and including this date which relate to 2015/16 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 2015/16 on 28<sup>th</sup> September 2016.

*Signature on original copy*

\_\_\_\_\_  
Presiding Chairman of the  
Audit Committee meeting

\_\_\_\_\_  
Date

## **STATEMENT OF ACCOUNTING POLICIES**

### **General Principles**

1. The Statement of Accounts has been prepared in accordance with proper accounting principles contained within the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and International Financial Reporting Standards (IFRS).

### **Accrual of Income and Expenditure**

2. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:
  - Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
  - Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
  - Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
  - Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
  - Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
3. Exceptions to this policy are as follows:
  - Utilities (gas, telephone, electricity etc) and other annual fees, where invoices will be accounted for in the year they fall, providing that only one annual, four quarterly or twelve monthly invoices are charged in any one year.
  - Existing contracts for aerial sites where income will be accounted for in the year it falls providing that only one twelve monthly invoice is charged in any one year. New contracts of a material nature will be treated on a full accruals basis.
  - Employee expenses paid through payroll where the cut-off date for claim is 20<sup>th</sup> of the month, but where twelve months' claims will be included in the Comprehensive Income and Expenditure Statement.
4. Individual invoices of less than £500 are accounted for in the year they fall.

### **Cash and Cash Equivalents**

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

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

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

## **Events After the Reporting Period**

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

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

## **VAT**

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

## **Overheads and Support Services**

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

## **Property, Plant and Equipment (PP&E)**

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

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

14. PP&E valued at fair value on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). A full valuation of Property assets has been carried out this financial year, as at 31 March 2016, using the independent professional services of Place Partnership Ltd. The Authority's valuation service has confirmed that the carrying value of these assets is not materially different to their fair value and complies with the requirements of the accounting code and IAS16.
15. PP&E are classified into the groupings required by the Code of Practice on Local Authority Accounting and valued on the following basis:
  - Land is included in the balance sheet at net current replacement cost.
  - Properties, where there is evidence of Market Value, are valued at Open Market Value for Existing Use. Specialised properties, where there is no evidence of market value, are valued at Depreciated Replacement Cost.
  - Plant and Equipment is measured at the purchase price and any attributable costs, less depreciation, as a proxy for current value.
16. The Authority has a de-minimis of £5,000 for vehicle purchases.
17. Assets are held in the Balance Sheet at gross value, net of depreciation and impairment where appropriate.

#### Impairment

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

#### Component accounting

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



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

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

### **Heritage Assets**

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

### **Intangible Assets**

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

### **Basis of Charge for the use of Assets**

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

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

### **Financing of Capital Expenditure**

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

### **Redemption of Debt**

34. The Authority finances a proportion of its capital investment by raising loans. In accordance with the Local Government and Housing Act 1989, the Income and Expenditure Account is charged annually with a sum to provide for the eventual repayment of those loans. This sum is known as the Minimum Revenue Provision (MRP).
- Since 2008/09, the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, has required the Authority to determine an appropriate MRP policy, which has been broadly to set aside sufficient funds over the life of the assets funded from net borrowing.
  - All expenditure from 2008/09 onwards - MRP using an approximate Asset life basis:
    - Buildings over 50 years – per depreciation policy.
    - IT equipment over 5 years - reflecting average life.
    - Other equipment over 7 years – reflecting actual average usage within the FRS.
    - Vehicles – on actual estimated life of each vehicle.
  - Vehicle expenditure before 2008/09 – MRP on a proxy Asset Life basis using original cost, less accumulative MRP, over the remaining useful life of the individual vehicle.
  - Expenditure before 2008/09, (other than vehicles) - MRP on a proxy Asset Life basis using original cost, less accumulative MRP over average asset life as above.

### **Joint Operation**

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

## **Leases**

36. Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.
37. During 2015/16 the Authority held only operating leases under the definition of IAS 17 Leases. The authority's operating leases are not capitalised and rentals are charged directly to the CIES in the year to which they relate.

## **Operating leases**

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

## **Non Current Assets held for Sale**

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

## **Capital Receipts**

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

## **Inventories**

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

## **Pension Arrangements**

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

### Types of pension schemes

44. As part of the terms and conditions of employment of its staff, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.
45. Up until 31<sup>st</sup> March 2015 the Authority participated in four schemes, following the commencement of the new Firefighters' Care Scheme (the 2015 scheme) on 1<sup>st</sup> April 2015, the Authority now participates in five schemes:

- The Firefighters' Pension Scheme (FFPS) (the "1992 Scheme"). This is a statutory un-funded defined benefit final salary scheme and has been closed to new entrants since 6 April 2006.
- The New Firefighters' Pension Scheme (NFPS) (the "2006 Scheme") – this is also a statutory un-funded defined benefit final salary scheme.
- The Firefighters' Care Scheme (FF CARE) (the "2015 scheme") – is open to all uniformed staff (except Fire Control) and is a statutory un-funded defined benefit Career Average Revalued Earnings Scheme. Members starting after the 1<sup>st</sup> April 2015, and members of the 1992 and 2006 Final Salary Schemes will move into the 2015 scheme, unless protection applies.
- The Firefighters' Compensation Scheme (FFCS) (the Injury Scheme) – another statutory un-funded defined benefit scheme covering existing and new injury pensions.
- The Firefighters' schemes are unfunded meaning that there are no investment assets built up to meet the pensions' liabilities and cash has to be generated to meet the actual pensions' payments as they eventually fall due. The arrangements are determined by the 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**

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

### **Government Grants and Contributions**

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

### **Financial Liabilities**

49. Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The amount of borrowings presented in the Balance Sheet is the outstanding principal repayable, and interest charged to the CIES is the amount payable for the year in the loan agreement.
50. Gains and losses on the repurchase or early settlement of borrowing would be credited and debited to Net Operating Expenditure in the CIES in the year of repurchase/settlement.
51. However, if repurchase had taken place as part of restructuring of the loan portfolio that

involved the modification or exchange of existing instruments, the premium or discount would be deducted from or added to (respectively) the amortised cost of the new or modified loan and the write down to the CIES would be spread over the life of the loan by an adjustment to the effective interest rate.

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

### **Collection Fund Adjustment Account**

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

### **Employee Benefits**

#### **Accumulating Compensating Absences**

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

#### **Termination Benefits**

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

### **Provisions**

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

## **Reserves**

59. At 31 March 2016 a general reserve is held to meet expenditure which may arise from unforeseen events.
60. In addition the Authority holds a variety of earmarked reserves to meet specific known future costs. The value and nature of the current reserves are disclosed in the Notes to the Core Financial Statements on pages 50-52.

## **Capital Accounting Reserves**

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

- **The Capital Adjustment Account**

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

- **The Revaluation Reserve**

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

## **Operating Segments**

62. The CIPFA Code of Practice on Local Authority Accounting 2015/16 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.
63. Due to the nature of its operation, as a single purpose Authority, the Authority and the Service management team manage the organisation as an entity, and do not have relevant operating segments to report upon.

## **Post Employment Benefits**

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

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		2014/15 restated			2015/16		
	Notes	Gross Expd £000	Gross Income £000	Net Expd £000	Gross Expd £000	Gross Income £000	Net Expd £000
<b>Gross Expenditure, Gross Income and Net Expenditure on Continuing Operations</b>							
Operations & Rescues		28,084	(1,925)	<b>26,159</b>	29,699	(2,620)	<b>27,079</b>
Community Safety		4,327	(111)	<b>4,216</b>	4,925	(258)	<b>4,667</b>
Emergency Planning		76	(2)	<b>74</b>	97	(5)	<b>92</b>
Corporate & Democratic Core		1,257	(32)	<b>1,225</b>	1,487	(78)	<b>1,409</b>
		33,744	(2,070)	<b>31,674</b>	36,208	(2,961)	<b>33,247</b>
Past Service Cost							
<i>Curtailment Costs (LGPS)</i>		3	0	<b>3</b>	10	0	<b>10</b>
<b>Cost of Services</b>		33,747	(2,070)	<b>31,677</b>	36,218	(2,961)	<b>33,257</b>
<b>Other Operating Expenditure</b>		1,362	(3,391)	<b>(2,029)</b>	689	(4,320)	<b>(3,631)</b>
<b>Financing &amp; Investment Income and Expenditure</b>	3	14,310	(756)	<b>13,554</b>	12,020	(653)	<b>11,367</b>
<b>Taxation &amp; Non-Specific Grant Income</b>	4		(32,280)	<b>(32,280)</b>		(36,086)	<b>(36,086)</b>
<b>Deficit/(Surplus) on Provision of Services</b>		<b>49,419</b>	<b>(38,497)</b>	<b>10,922</b>	<b>48,927</b>	<b>(44,020)</b>	<b>4,907</b>
<b>Deficit/(Surplus) on revaluation of non-current assets</b>	24-25			<b>(1,965)</b>			<b>(373)</b>
<b>Actuarial (gains)/losses on Pensions Assets/Liabilities</b>	63-68			<b>21,323</b>			<b>(48,835)</b>
<b>Other Comprehensive Income and Expenditure</b>				<b>19,358</b>			<b>(49,208)</b>
<b>Total Comprehensive Income and Expenditure – Deficit/(Surplus)</b>				<b>30,280</b>			<b>(44,301)</b>

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

Note	General Fund 77 £000	Ear-marked Rev Res 78-80 £000	Unapplied Grant 81 £000	Cap Rcpts Reserve 82 £000	Total Useable 76 £000	Revaln. Reserve 84-85 £000	Capital Adj Acct 86-89 £000	Pensions Reserve 90-91 £000	Coll Fund Adj Acct 92 £000	Acc. Abs. Adj Acct 93 £000	Total Unusable 83 £000	All Reserves £000
<b>Balance at 31-Mar-2015</b>	<b>1,838</b>	<b>8,097</b>	<b>1,011</b>	<b>294</b>	<b>11,240</b>	<b>7,538</b>	<b>19,888</b>	<b>(329,784)</b>	<b>5</b>	<b>(97)</b>	<b>(302,450)</b>	<b>(291,210)</b>
<b>Surplus/(Deficit) on Provision of Services</b>	<b>(4,907)</b>				<b>(4,907)</b>						<b>0</b>	<b>(4,907)</b>
<b>Other Comprehensive Income &amp; Expenditure</b>												
Surplus on revaluation of non-current assets						373					<b>373</b>	<b>373</b>
Movement in Pensions Reserve								48,835			<b>48,835</b>	<b>48,835</b>
<b>Reversal of items in the CIES</b>												
<i>to be removed for determining movement in General Fund</i>												
Relating to Depreciation/Amortisation	2,026				<b>2,026</b>		(2,026)				<b>(2,026)</b>	<b>0</b>
Relating to Depreciation on un-realised gains					<b>0</b>	(147)	147				<b>0</b>	<b>0</b>
Relating to Revaluation/Impairment gains/losses	1,382				<b>1,382</b>		(1,382)				<b>(1,382)</b>	<b>0</b>
Relating to Revaluation Losses on assets held for sale	812				<b>812</b>		(812)				<b>(812)</b>	<b>0</b>
Relating to Retirement Benefits	12,958				<b>12,958</b>			(12,958)			<b>(12,958)</b>	<b>0</b>
Relating to assets held for sale w/off on disposal	2,062				<b>2,062</b>	(537)	(1,525)				<b>(2,062)</b>	<b>0</b>
Relating to Non-current assets w/off on disposal	50				<b>50</b>		(50)				<b>(50)</b>	<b>0</b>
Relating to Capital Receipts	(2,251)			2,251	<b>0</b>						<b>0</b>	<b>0</b>
Relating to Unapplied Capital Grants/Contributions	(5,067)		5,067		<b>0</b>						<b>0</b>	<b>0</b>
Relating to Grants used to Finance Expd			(840)		<b>(840)</b>		840				<b>840</b>	<b>0</b>
Relating to Capital Receipts used to Finance Expd				(13)	<b>(13)</b>		13				<b>13</b>	<b>0</b>
Relating to Council Tax Income	(8)				<b>(8)</b>				8		<b>8</b>	<b>0</b>
Relating to Non-domestic rates income	61				<b>61</b>				(61)		<b>(61)</b>	<b>0</b>
Relating to Compensated absences	90				<b>90</b>					(90)	<b>(90)</b>	<b>0</b>
<b>Insertion of items in the CIES</b>												
<i>to be included for determining movement in General Fund</i>												
Employers Contribution to Pension Schemes	(3,462)				<b>(3,462)</b>			3,462			<b>3,462</b>	<b>0</b>
Statutory Provision for Debt Repayment	(1,132)				<b>(1,132)</b>		1,132				<b>1,132</b>	<b>0</b>
Revenue Financing of Capital	(1,047)				<b>(1,047)</b>		1,047				<b>1,047</b>	<b>0</b>
<b>Transfers Between Earmarked Reserves</b>	<b>(1,567)</b>	<b>1,567</b>										
<b>Balance at 31-Mar-2016</b>	<b>1,838</b>	<b>9,664</b>	<b>5,238</b>	<b>2,532</b>	<b>19,272</b>	<b>7,227</b>	<b>17,272</b>	<b>(290,445)</b>	<b>(48)</b>	<b>(187)</b>	<b>(266,181)</b>	<b>(246,909)</b>

## SUMMARY OF MOVEMENTS

<b>Balance at 31-Mar-2015</b>	<b>1,838</b>	<b>8,097</b>	<b>1,011</b>	<b>294</b>	<b>11,240</b>	<b>7,538</b>	<b>19,888</b>	<b>(329,784)</b>	<b>5</b>	<b>(97)</b>	<b>(302,450)</b>	<b>(291,210)</b>
<b>Movement in Reserves during 2015/16</b>												
Deficit/(Surplus) on Provision of Services	(4,938)	0	0	0	<b>(4,938)</b>	0	0	0	0	0	<b>0</b>	<b>(4,938)</b>
Other Comprehensive Income & Expenditure	0	0	0	0	<b>0</b>	373	0	48,866	0	0	<b>49,239</b>	<b>49,239</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(4,938)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,938)</b>	<b>373</b>	<b>0</b>	<b>48,866</b>	<b>0</b>	<b>0</b>	<b>49,239</b>	<b>44,301</b>
Adjustments between accounting basis and funding basis under regulations	6,505	0	4,227	2,238	12,970	(684)	(2,616)	(9,527)	(53)	(90)	(12,970)	0
<b>Net change before Earmarked Reserve Transfers</b>	<b>1,567</b>	<b>0</b>	<b>4,227</b>	<b>2,238</b>	<b>8,032</b>	<b>(311)</b>	<b>(2,616)</b>	<b>39,339</b>	<b>(53)</b>	<b>(90)</b>	<b>36,269</b>	<b>44,301</b>
Earmarked Reserves Transfers	(1,567)	1,567	0	0	<b>0</b>	0	0	0	0	0	<b>0</b>	<b>0</b>
<b>Net Movement in Year</b>	<b>0</b>	<b>1,567</b>	<b>4,227</b>	<b>2,238</b>	<b>8,032</b>	<b>(311)</b>	<b>(2,616)</b>	<b>39,339</b>	<b>(53)</b>	<b>(90)</b>	<b>36,269</b>	<b>44,301</b>
<b>Balance at 31-Mar-2016 Carried Forward</b>	<b>1,838</b>	<b>9,664</b>	<b>5,238</b>	<b>2,532</b>	<b>19,272</b>	<b>7,227</b>	<b>17,272</b>	<b>(290,445)</b>	<b>(48)</b>	<b>(187)</b>	<b>(266,181)</b>	<b>(246,909)</b>



# MOVEMENT IN RESERVES STATEMENT FOR THE 12 MONTHS ENDING 31 MARCH 2015 (restated)

	Note	General Fund 77 £000	Ear-marked Rev Res 78-80 £000	Unapplied Grant 81 £000	Cap Rcpts Reserve 82 £000	Total Useable 76 £000	Revaln. Reserve 84-85 £000	Capital Adj Acct 86-89 £000	Pensions Reserve 90-91 £000	Coll Fund Adj Acct 92 £000	Acc. Abs. Adj Acct 93 £000	Total Un-useable 83 £000	All Reserves £000
<b>Balance at 31-Mar-2014</b>		<b>1,838</b>	<b>5,696</b>	<b>2,008</b>	<b>135</b>	<b>9,677</b>	<b>5,717</b>	<b>19,291</b>	<b>(295,562)</b>	<b>34</b>	<b>(87)</b>	<b>(270,607)</b>	<b>(260,930)</b>
<b>Surplus/(Deficit) on Provision of Services</b>	(10,922)					<b>(10,922)</b>						<b>0</b>	<b>(10,922)</b>
<b>Other Comprehensive Income &amp; Expenditure</b>													
Surplus on revaluation of non-current assets						0	1,965					1,965	1,965
Movement in Pensions Reserve						0			(21,323)			(21,323)	(21,323)
<b>Reversal of items in the CIES</b>													
Relating to Depreciation/Amortisation		1,962				<b>1,962</b>		(1,962)				<b>(1,962)</b>	<b>0</b>
Relating to Depreciation on un-realised gains						0	(95)	95				0	0
Relating to Revaluation/Impairment Losses	(356)					<b>(356)</b>		356				356	0
Relating to Revaluation Losses on assets held for sale													
Relating to Retirement Benefits		697				<b>697</b>		(697)				<b>(697)</b>	<b>0</b>
Relating to assets held for sale w/off on disposal	16,501					<b>16,501</b>			(16,501)			<b>(16,501)</b>	<b>0</b>
Relating to Non-current assets w/off on disposal		699				<b>699</b>	(49)	(650)				<b>(699)</b>	<b>0</b>
Relating to Capital Receipts						0						0	0
Relating to Unapplied Capital Grants/Contributions	(159)				159	<b>0</b>						0	0
Relating to Grants used to Finance Expd	(920)			920		<b>0</b>						0	0
Relating to Capital Receipts used to Finance Expd				(1,917)		<b>(1,917)</b>		1,917				<b>1,917</b>	<b>0</b>
Relating to Council Tax Income	(148)					<b>(148)</b>				148		<b>148</b>	<b>0</b>
Relating to Non-domestic rates income		177				<b>177</b>				(177)		<b>(177)</b>	<b>0</b>
Relating to Compensated absences		10				<b>10</b>					(10)	<b>(10)</b>	<b>0</b>
<b>Insertion of items in the CIES</b>													
Employers Contribution to Pension Schemes	(3,602)					<b>(3,602)</b>			3,602			<b>3,602</b>	<b>0</b>
Statutory Provision for Debt Repayment	(1,090)					<b>(1,090)</b>		1,090				<b>1,090</b>	<b>0</b>
Revenue Financing of Capital	(448)					<b>(448)</b>		448				<b>448</b>	<b>0</b>
<b>Transfers Between Earmarked Reserves</b>		(2,401)	2,401			<b>0</b>						<b>0</b>	<b>0</b>
<b>Balance at 31-Mar-2015</b>		<b>1,838</b>	<b>8,097</b>	<b>1,011</b>	<b>294</b>	<b>11,240</b>	<b>7,538</b>	<b>19,888</b>	<b>(329,784)</b>	<b>5</b>	<b>(97)</b>	<b>(302,450)</b>	<b>(291,210)</b>

## SUMMARY OF MOVEMENTS

Balance at 31-Mar-2014	1,838	5,696	2,008	135	9,677	5,717	19,291	(295,562)	34	(87)	(270,607)	(260,930)
Movement in Reserves during 2014/15												
Deficit/(Surplus) on Provision of Services	(10,922)	0	0	0	(10,922)	0	0	0	0	0	0	(10,922)
Other Comprehensive Income & Expenditure	0	0	0	0	0	1,965	0	(21,323)	0	0	(19,358)	(19,358)
Total Comprehensive Income & Expenditure	(10922)	0	0	0	(10,922)	1,965	0	(21,323)	0	0	(19,358)	(30,280)
Adjustments between accounting basis and funding basis under regulations	13,323	0	(997)	159	12,485	(144)	597	(12,899)	(29)	(10)	(12,485)	0
Net change before Earmarked Reserve Transfers	2,401	0	(997)	159	1,563	1,821	597	(34,222)	(29)	(10)	(31,843)	(30,280)
Earmarked Reserves Transfers	(2,401)	2,401	0	0	0	0	0	0	0	0	0	0
Net Movement in Year	0	2,401	(997)	159	1,563	1,821	597	(34,222)	(29)	(10)	(31,843)	(30,280)
Balance at 31-Mar-2015 Carried Forward	1,838	8,097	1,011	294	11,240	7,538	19,888	(329,784)	5	(97)	(302,450)	(291,210)

The 2014/15 figures have been restated for the reasons outlined in appendix 1 to these accounts.

## BALANCE SHEET

-	<u>Notes</u>	<u>31-Mar-2015</u> restated £000	<u>31-Mar-2016</u> £000
Property Plant & Equipment	24-26	43,614	41,022
Intangible Assets	27-30	449	393
<b>Long Term Assets</b>		<b>44,063</b>	<b>41,415</b>
Inventories		172	175
Short Term Debtors	52	3,242	3,641
Assets Held for Sale	53	985	985
Cash & Cash Equivalents	54-55	8,268	15,209
<b>Current Assets</b>		<b>12,667</b>	<b>20,010</b>
Short Term Borrowing	34-42	(834)	(500)
Short Term Creditors	56	(3,886)	(4,375)
<b>Current Liabilities</b>		<b>(4,720)</b>	<b>(4,875)</b>
Provisions	97-101	(298)	(377)
Long Term Borrowing	40	(13,137)	(12,637)
Other Long Term Liabilities	59-75	(329,785)	(290,445)
<b>Long Term Liabilities</b>		<b>(343,220)</b>	<b>(303,459)</b>
<b>Net Assets</b>		<b>(291,210)</b>	<b>(246,909)</b>
Useable Reserves	76-82	11,240	19,272
Un-useable Reserves	83-93	(302,450)	(266,181)
<b>Total Reserves</b>		<b>(291,210)</b>	<b>(246,909)</b>

The 2014/15 figures have been restated for the reasons outlined in appendix 1 to these accounts

The unaudited accounts were issued on 30<sup>th</sup> June 2016 and the audited accounts were authorised for issue on 30<sup>th</sup> September 2016.

## CASH-FLOW STATEMENT

	Notes	2014/15 restated £000	2015/16 £000
Net (surplus) or deficit on the provision of services		10,922	4,907
Adjustments to net surplus or deficit on the provision of services for non cash movements	103	(16,015)	(16,254)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	104	1,080	6,938
Net cash flows from operating activities		<b>(4,013)</b>	<b>(4,409)</b>
Investing Activities	107	3,722	(3,366)
Financing Activities	108	500	834
Net increase or decrease in cash and cash equivalents		<b>209</b>	<b>(6,941)</b>

Cash and cash equivalents at the beginning of the period		<b>(8,477)</b>	<b>(8,268)</b>
Net increase or decrease in cash and cash equivalents in the Period		209	(6,941)
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(8,268)</b>	<b>(15,209)</b>

**The 2014/15 figures have been restated for the reasons outlined in appendix 1 to these accounts**

# NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Code of Practice on Local Authority Accounting in the United Kingdom requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions) – The objective of this amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If employee contributions are not linked to length of service, contributions can be deducted from the cost of benefits earned in the period. This is unlikely to have a material impact on the Statement of Accounts.
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations). The amendments apply prospectively and impact the accounting for newly acquired interests in joint operations or newly formed joint operations. Joint operators will be required to:
  - measure most identifiable assets and liabilities at fair value;
  - expense acquisition-related costs (other than debt or equity issuance costs);
  - recognise deferred taxes;
  - recognising any goodwill or bargain purchase gain;
  - perform impairment tests for the cash generating units to which goodwill has been allocated;
  - disclose information required relevant for business combinations;
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative). The changes are presentational, including improvements to materiality, disaggregation and sub-totals, notes structure and accounting policies.
- Changes to the format of the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MiRS) and the introduction of the Expenditure and Funding Statement. The CIES will reflect the way in which the Council reports financial performance and will no longer be based on SeRCOP. The MiRS will be simplified with a single line for Total Comprehensive Income and Expenditure and no separate line for Earmarked reserves necessary. An Expenditure and Funding Analysis will be included to reconcile the net expenditure charged to taxation to the CIES service lines.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

## 2. Re-statement of the Core Financial Statements

A restatement has been made to the core financial statements which relates to changes in the accounting treatment adopted for pensions. Following the publication of a decision by the Pension Ombudsman in respect of GAD v Milne, which resulted in

a recalculation of the commutation rates for Fire-fighters retiring between December 2001 and August 2006, with additional sums and their related interest being payable to these individuals.

In accordance with the CIPFA Accounting Code of Practice the expenditure and the corresponding grant were accrued to the 2014/15 accounts. Government has subsequently instructed Authorities to include entries within the 2015/16 Pension Fund. The statement has been restated to comply with this directive.

A restatement has also been made to correct a valuation error made by the Authority's independent valuers last financial year, where some property values were overstated.

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

### 3. **Financing and Investment Income and Expenditure**

	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
Interest payable and similar charges	594	568
Interest receivable and similar income	(41)	(55)
Pensions net interest cost and expected return on pensions assets	13,001	10,854
	<b>13,554</b>	<b>11,367</b>

### 4. **Taxation and non-specific Grant Income**

	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
Council Tax income	19,603	20,292
National Non-Domestic Rates (NNDR) income and expenditure	5,073	5,172
Council Tax Transition Grant		
Capitalisation Provision Redistribution Grant		
Transparency Code Set Up Grant	5	
Rural Service Grant	3	
2014/15 Council Tax Freeze Grant		
Revenue Support Grant (RSG)	6,675	5,555
	<b>31,359</b>	<b>31,019</b>
Non-specific Capital Grant	904	
Non-specific Capital Grant – Fire Transformation Grant		4,270
Grant from Wychavon District Council	17	380
Grant for Joint Property Vehicle		417
Total Grants	<b>32,280</b>	<b>36,086</b>

## **Members Allowances**

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

	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
Basic Allowances	29	29
Special Allowances	21	20
Expenses	3	3
	<b>53</b>	<b>52</b>

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

## Officers' Emoluments

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

£	2014/15 No. of Staff	2015/16 No. of Staff
50,000 - 54,999	21	21
55,000 - 59,999	9	12
60,000 - 64,999	1	1
65,000 - 69,999		
70,000 - 74,999	3	1
75,000 - 79,999		2
80,000 - 84,999	1	1
85,000 - 89,999		
90,000 - 94,999	1	1
95,000 - 99,999	1	
100,000 - 104,999		1
105,000 - 109,999		
110,000 - 114,999		
115,000 - 119,999		
120,000 - 124,999	1	1
	<b>38</b>	<b>41</b>

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

## Senior Officers

2015/16			Benefit		Pension	Total
Post Title		Salary	in Kind	Sub-Total	Contrib.	incl Pension
		£	£	£	£	£
Chief Fire Officer/Chief Executive	<i>U</i>	123,460	420	<b>123,880</b>	26,724	<b>150,604</b>
Deputy Chief Fire Officer	<i>U</i>	98,966	986	<b>99,952</b>	21,417	<b>121,369</b>
Assistant Chief Fire Officer	<i>U</i>	92,788	1,650	<b>94,438</b>	20,078	<b>114,516</b>
Director of Finance & Assets	<i>NU</i>	77,398	6,555	<b>83,953</b>	11,223	<b>95,176</b>
Head of Legal Services	<i>NU</i>	57,874	619	<b>58,493</b>	8,392	<b>66,885</b>
<i>U : Uniformed; NU : Non-Uniformed</i>		<b>450,486</b>	<b>10,230</b>	<b>460,716</b>	<b>87,834</b>	<b>548,550</b>
2014/15			Benefit		Pension	Total
Post Title		Salary	in Kind	Sub-Total	Contrib.	incl Pension
		£	£	£	£	£
Chief Fire Officer/Chief Executive	<i>U</i>	122,445	300	<b>122,745</b>	26,081	<b>148,826</b>
Deputy Chief Fire Officer	<i>U</i>	98,168	1,661	<b>99,829</b>	20,910	<b>120,739</b>
Assistant Chief Fire Officer	<i>U</i>	92,032	2,280	<b>94,312</b>	19,603	<b>113,915</b>
Director of Finance & Assets	<i>NU</i>	76,661	4,768	<b>81,429</b>	11,116	<b>92,545</b>
Head of Legal Services	<i>NU</i>	54,185		<b>54,185</b>	7,857	<b>62,042</b>
<i>U : Uniformed; NU : Non-Uniformed</i>		<b>443,491</b>	<b>9,009</b>	<b>452,500</b>	<b>85,567</b>	<b>538,067</b>

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

## Related Party Transactions

9. The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.
10. **Central Government** has a significant influence over the general operations of the Authority – it is responsible for setting the statutory framework within which the Authority operates, provides a proportion of funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills). Grants received from Government are set out in the table on page 29.
11. **Members** of the Authority have direct control over the Authority's financial and operating policies. The total of Members' allowances paid is shown in Notes 5 on page 29. No Members of the Authority or members of their immediate family or household declared any positions of influence
12. **Officers** – During 2014/15, the Area Commander - Head of Operations Support declared an interest in accordance with section 117 of the Local Government Act 1972 with regard to payments made to a supplier totalling £6,929.06 (excl VAT). The Officer did not take part in the decision to use this supplier.
13. **Place Partnership Ltd** is a single asset management company co-owned by Hereford & Worcester Fire Authority, Worcestershire County Council, Redditch Borough Council, Warwickshire Police, West Mercia Police and Worcester City Council, each party has equal shares and equal voting rights. Place Partnership has been classed as a Joint Operation because there is joint control and the activity of the arrangement is primarily to provide services to the parties within the party's boundaries. In 2015/16, the operating costs for the Authority were £709,623 paid as principal costs to the company, with an additional sum of £761,465 paid as agency costs, the Authority has received income of £69,509 as income and this is reflected in the Comprehensive Income and Expenditure Statement. Place Partnership Ltd has not been fully consolidated into the Fire Authority's accounts as a Joint Operation, because there is no material difference between the costs already reflected.

## External Audit Fees

14. During 2015/16 Hereford & Worcester Fire Authority incurred the fees below in respect of external audit and statutory inspection services, to auditors appointed under the Local Audit and Accountability Act 2014.

	2014/15 £'000	2015/16 £'000
<b>Fees rebates from the Audit Commission:</b>		
In respect of external audit services : 2013/14 Accounts	(4)	
In respect of external audit services : Other services provided	1	
<b>Fees payable to Grant Thornton:</b>		
in respect of external audit services : 2015/16 Accounts		33
in respect of external audit services : 2014/15 Accounts	44	
	<b>41</b>	<b>33</b>

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

## Leases

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

## Operating Leases

16. The Authority has entered into operational leases for the provision of emergency and ancillary vehicles. The total rentals paid to lessors on these operating leases in the year totalled £74,614 (2014/15 £106,429).
17. The Authority entered into a lease agreement with the Police & Crime Commissioner for West Mercia, on 3<sup>rd</sup> April 2014 for the provision of a joint Fire/Police Station in Bromsgrove. The lease is for a term of 30 years with the option for the Authority to extend for a further 30 years. The total rental paid in 2015/16 was £249,485 (2014/15 £249,485).
18. The future lease payments under non-cancellable operating leases in future years are:

	31-Mar-2015 £'000	31-Mar-2016 £'000
Not later than one year	324	332
Later than one year and not later than 5 years	1,199	1,152
Later than 5 years	5,988	5,745
	<b>7,511</b>	<b>7,229</b>

19. Due to the differing nature of the new lease in relation to Bromsgrove, this table was split for the previous financial year, the information has now been amalgamated with other leases.



## Capital Expenditure

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

	2014/15 £'000	2015/16 £'000
New Buildings & Adaptations	4,140	2,568
Vehicles (including fitted equipment)	11	457
IT and Communication Equipment	167	135
Other Equipment	491	155
<b>Total Capital Expenditure</b>	<b>4,809</b>	<b>3,315</b>

21. Capital expenditure was financed as follows:

	2014/15 £'000	2015/16 £'000
Net Borrowing	2,444	1,415
Capital Receipts	0	13
Capital Grant	1,917	840
Revenue Contributions	448	1,047
	<b>4,809</b>	<b>3,315</b>

22. Capital Financing Requirement

	2014/15			2015/16		
	Owned £'000	Leased £'000	Total £'000	Owned £'000	Leased £'000	Total £'000
<b>Opening CFR</b>	<b>16,506</b>		<b>16,506</b>	<b>17,859</b>		<b>17,859</b>
<b>Capital investment</b>						
Operational assets	1,539		<b>1,539</b>	2,177		<b>2,177</b>
Assets not yet Operational	3,270		<b>3,270</b>	1,138		<b>1,138</b>
<b>Sources of Finance</b>						
Capital receipts				(13)		<b>(13)</b>
Government grants and other contributions	(1,917)		<b>(1,917)</b>	(840)		<b>(840)</b>
Sums set aside from Revenue - Direct Revenue Financing	(448)		<b>(448)</b>	(1,047)		<b>(1,047)</b>
	<b>2,444</b>	<b>0</b>	<b>2,444</b>	<b>1,415</b>	<b>0</b>	<b>1,415</b>
Sums set aside from Revenue - Minimum Revenue Provision	(1,091)	0	<b>(1,091)</b>	(1,132)	0	<b>(1,132)</b>
<b>Change in CFR</b>	<b>1,353</b>	<b>0</b>	<b>1,353</b>	<b>283</b>	<b>0</b>	<b>283</b>
<b>Closing CFR</b>	<b>17,859</b>	<b>0</b>	<b>17,859</b>	<b>18,142</b>	<b>0</b>	<b>18,142</b>
<b>Explanation of movements in year</b>						
Increase/(Decrease) in underlying need to borrow: unsupported by government financial assistance	1,353	n/a		283	n/a	
<b>Increase in Capital Financing Requirement</b>	<b>1,353</b>			<b>283</b>	<b>0</b>	<b>0</b>

## Capital Commitments

23. At 31 March 2016 the Authority had total capital commitments of £1.129m and had the following material commitments to capital schemes, for which budget provision has been provided:

- Malvern Fire Station £0.175m
- Worcester Fire Station £0.243m
- Pump Replacement £0.643m

## **Property, Plant and Equipment**

24. Movements in 2015/16

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

25. Comparative Movements in 2014/15

	Land and Buildings (restated) £'000	Vehicles Plant, Furniture and Equipment £'000	Surplus Assets £'000	Assets not yet Operational £'000	TOTAL Tangible Assets (restated) £'000
<b>Cost or Valuation at 01 April 2014</b>	<b>32,769</b>	<b>19,932</b>	<b>773</b>	<b>1,642</b>	<b>55,116</b>
Additions	869	564		3,270	<b>4,703</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	665	0	0	0	<b>697</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services:	(249)	0	0	0	<b>(281)</b>
Reclassifications	1,114	1	0	(1,115)	<b>0</b>
Reclassifications - to current assets held for sale	(1,682)	0	0	0	<b>(1,682)</b>
Reclassifications - to intangible assets	0	0	0	(65)	<b>(65)</b>
Disposals	(219)	(52)	(773)	(113)	<b>(1,157)</b>
<b>At 31 March 2015</b>	<b>33,267</b>	<b>20,445</b>	<b>0</b>	<b>3,619</b>	<b>57,331</b>
<b>Accumulated Depreciation and Impairment at 01 April 2014</b>					
<b>Reclassifications</b>	<b>(1,447)</b>	<b>(12,418)</b>	<b>(232)</b>	<b>0</b>	<b>(14,097)</b>
Depreciation Charge for 2014-15					
Depreciation written out to Revaluation Reserve	(524)	(1,346)	0	0	<b>(1,870)</b>
Depreciation written out to the Surplus/Deficit on Provision	1,300	0	0	0	<b>1,292</b>
of Services	605	0	0	0	<b>613</b>
Derecognition – disposals	66	47	232	0	<b>345</b>
<b>At 31 March 2015</b>	<b>0</b>	<b>(13,717)</b>	<b>0</b>	<b>0</b>	<b>(13,717)</b>
<b>Balance Sheet amount at 01 April 2014</b>	<b>31,322</b>	<b>7,514</b>	<b>541</b>	<b>1,642</b>	<b>41,019</b>
<b>Balance Sheet amount at 31 March 2015</b>	<b>33,267</b>	<b>6,728</b>	<b>0</b>	<b>3,619</b>	<b>43,614</b>

A reconciliation of the restatement of the figures within this table to the published 2014/15 accounts is given in Appendix 1.

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

### Intangible Assets

27. 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.
28. 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.

29. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £82,000 charged to revenue in 2015/16 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.
30. The movement on Intangible Asset balances during the year is as follows:

	2014/15 £000	2015/16 £000
Balance at start of year:	370	449
- Gross carrying amount	1,036	1,207
- Accumulated amortisation	(666)	(758)
Net carrying amount at start of year	370	449
Additions	106	26
Reclassification	65	
Disposals	(1)	
Accumulated amortisation on disposal	0	
Amortisation for the period	(91)	(82)
Net carrying amount at end of year	449	393
Comprising:		
- Gross carrying amount	1,207	1,233
- Accumulated amortisation	(758)	(840)
	449	393

### Heritage Assets

31. The Authority has a number of items which can be classed as heritage assets, due to their cultural and historical associations to the Fire Service. These assets have been held within the Authority and its predecessors for a number of years having been originally donated. The Authority does not seek to acquire assets of this nature and has no intention of disposing of the assets held.
32. These assets are held at Authority fire stations and other buildings throughout the two counties. The estimated value of these assets is not material to the financial statements.
33. 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

34. 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 40-41):

	31-Mar-15			31-Mar-16		
	Long-term £000	Current £000	Total £000	Long-term £000	Current £000	Total £000
<b>Short Term Deposits</b>						
Deposits with WCC		8,000	8,000		13,400	13,400
		8,000	8,000		13,400	13,400
<b>Loans &amp; Receivables</b> <i>(at amortized cost)</i>						
Trade Debtors		85	85		376	376
		85	85		376	376
		8,085	8,085		13,776	13,776
<b>Financial Liabilities</b> <i>(at amortized cost)</i>						
PWLB Borrowing	13,137	834	13,971	12,637	500	13,137
Trade Creditors		715	715		1,160	1,160
	13,137	1,549	14,686	12,637	1,660	14,297

#### Fair Value of Assets and Liabilities carried at amortised cost

35. 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.
36. 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.
37. The Fair Value of the loans at 31 March 2016 was £16.430m (£17.399m at 31 March 2015) as estimated by PWLB by reference to the "premature repayment" set of rates in force on 31 March 2016 (31 March 2015). For all other Financial Assets and Liabilities the Fair Value is equal to the Carrying Value.
38. 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

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

	<b>Interest Expense 2014/15 £'000</b>	<b>Interest Income 2014/15 £'000</b>	<b>Interest Expense 2015/16 £'000</b>	<b>Interest Income 2015/16 £'000</b>
<b>Financial Liabilities</b>				
PWLB Borrowing	594		568	
Finance Lease Interest	0		0	
<b>Total</b>	<b>594</b>	<b>0</b>	<b>568</b>	<b>0</b>
<b>Short Term Deposits</b>				
		(41)		(55)
<b>Total</b>	<b>0</b>	<b>(41)</b>	<b>0</b>	<b>(55)</b>

#### Long and Short Term Borrowing

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

	<b>31-Mar-15</b>			<b>31-Mar-16</b>		
	<b>Long Term £'000</b>	<b>Short Term £'000</b>	<b>TOTAL £'000</b>	<b>Long Term £'000</b>	<b>Short Term £'000</b>	<b>TOTAL £'000</b>
<b>Loan Source</b>						
Public Works Loans Board	13,137	834	13,971	12,637	500	13,137
	<b>13,137</b>	<b>834</b>	<b>13,971</b>	<b>12,637</b>	<b>500</b>	<b>13,137</b>
<b>Analysis by Maturity</b>						
Less than 1 year		834	834		500	500
Between 1 and 2 years	500		500	1,500		1,500
Between 2 and 5 years	2,000		2,000	2,000		2,000
Between 5 and 10 years	5,149		5,149	3,649		3,649
Over 10 years	5,488		5,488	5,488		5,488
<b>Total of Loans</b>	<b>13,137</b>	<b>834</b>	<b>13,971</b>	<b>12,637</b>	<b>500</b>	<b>13,137</b>

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

#### **Financial Instruments – Exposure to Risk**

42. 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.
43. The CIPFA Code of Practice on Treasury Management has been adopted by the Authority, and under the Service Level Agreement with Worcestershire County Council the County Council is obliged to, and does, adopt the Code also. In this way risks are actively managed.

## Credit Risk

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

	31-Mar-16 £'000	Written off in last 3 years £'000	Historical Default
Short Term deposits with WCC	13,400	0	
Customers	376	8	1%
<b>Total</b>	<b>13776</b>	<b>8</b>	

47. Of the £0.376m due from customers at 31 March 2015 the following table analyses the due dates.

	£'000
Not yet due	349
Less than 1 month overdue	25
1 to 2 months overdue	1
more than 2 months overdue	1
	<b>376</b>

## Liquidity Risk

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

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

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

## Market Risk

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

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

### 52. Debtors

	<b>31-Mar-15 restated £'000</b>	<b>31-Mar-16 £'000</b>
Central Government Bodies	792	283
Other Local Authorities	259	719
Public Corporations and Trading Funds	964	1,406
Other entities and individuals	1,227	1,233
	<b>3,242</b>	<b>3,641</b>

### 53. Assets Held for Sale

	<b>Current</b>	
	<b>2014-15</b>	<b>2015-16</b>
	<b>£000</b>	<b>£000</b>
<b>Balance outstanding at start of year</b>	<b>0</b>	<b>985</b>
Assets newly classified as held for sale:		
Property Plant and Equipment	1,682	2,875
Revaluation Losses	(697)	(812)
Assets Sold	0	(2,063)
<b>Balance outstanding at year-end</b>	<b>985</b>	<b>985</b>

## Cash and Cash Equivalents

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

	<b>31-Mar-15 £'000</b>	<b>31-Mar-16 £'000</b>
Cash held by the Authority	5	5
Bank Current Accounts	263	1,704
Short term deposits with WCC	8,000	13,500
	<b>8,268</b>	<b>15,209</b>

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



## 56. Creditors

	31-Mar-15	31-Mar-16
	£'000	£'000
Central Government Bodies	801	497
Other Local Authorities	713	1,198
NHS	15	0
Other entities and individuals	2,357	2,679
	<b>3,886</b>	<b>4,374</b>

## Termination Benefits and Packages

57. As a result of a redundancy process the Authority terminated the contracts of 17 employees, incurring liabilities of £0.320m.
58. The numbers of exit packages with the total cost per band are set out in the table below. The Authority did not pay any other exit packages.

### 2015/16

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

The total cost of £320,886 in the table above includes £148,146 for exit packages charged to the Authority's Comprehensive Income and Expenditure Account for 2016/17, the authority was committed to these exit packages at the end of the financial year.

### 2014/15

	No. of Staff	Redundancy Payments £	Compromise Agreement £	Pay in lieu of Notice £	Total £
£0 to £20,000	6	49,822	1,500	4,372	<b>55,694</b>
£20,001 to £40,000	1	25,397	250	0	<b>25,647</b>
		<b>75,219</b>	<b>1,750</b>	<b>4,372</b>	<b>81,341</b>

## Pension Arrangements

59. 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.
60. 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 unfunded defined benefit final salary scheme, with differing benefits.
  - The Firefighters' Compensation Scheme (FFCS) (the Injury Scheme) – another statutory unfunded 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.
61. The retirement benefits are recognised in the Net Cost of Service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax precept is based on the cash payable in the year, (as described in paragraph 67 below) so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement (MiRS).
62. 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 31-32 on page 9 of the Narrative Report.
  - FFCS – the actual injury pensions and any RDS ill-health pensions payable.
63. Transactions made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement (MiRS) during the year are shown in the tables below:

	<b>LGPS 2015/16 £'000</b>	<b>FFPS 2015/16 £'000</b>	<b>NFPS 2015/16 £'000</b>	<b>FF CARE 2015/16 £'000</b>	<b>FFCS 2015/16 £'000</b>	<b>TOTAL 2015/16 £'000</b>
<b>Income and Expenditure Account</b>						
<b>Net Cost of Services:</b>						
Current Service Cost	722	2,390	230	2,480	580	<b>6,402</b>
Curtailment Cost	0				10	<b>20</b>
<b>Other Operating Expenditure comprising</b>						
Business Combinations	0					<b>0</b>
Administration Expenses	12					<b>12</b>
Pensions Grant		(6,052)	(94)	1,826		<b>(4,320)</b>
<b>Financing and Investment Income and Expenditure</b>						
Net Interest Expense	324	9,120	810	50	550	<b>10,854</b>
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,058</b>	<b>5,458</b>	<b>946</b>	<b>4,356</b>	<b>1,140</b>	<b>12,958</b>
<b>Remeasurement of the net defined benefit liability comprising:</b>						
Actuarial (gains)/losses arising on changes in financial assumptions (retained settlement)			(8,000)			<b>(8,000)</b>
Experience (gains)/losses		(8,400)	340	(320)	(40)	<b>(8,420)</b>
Return on plan assets (excluding the amount included in the net interest expense)	920					<b>920</b>
Actuarial (gains) and losses arising on changes in demographic assumptions		(3,730)	(210)	(40)	(180)	<b>(4,160)</b>
Actuarial (gains) and losses arising in financial assumptions	(1,735)	(23,330)	(2,920)	(240)	(950)	<b>(29,175)</b>
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>243</b>	<b>(30,002)</b>	<b>(9,844)</b>	<b>3,756</b>	<b>(30)</b>	<b>(35,877)</b>
<b>Movement in Reserves Statement</b>						
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(,058)	(5,458)	(946)	(4,356)	(1,140)	(12,958)
<b>Actual Amount charged against the General Fund Balance for pensions in the year:</b>						
Employer's contribution payable to scheme	650	935	160	987		<b>2,732</b>
Retirement Benefits payable to Pensioners					731	<b>731</b>
<b>Net Charge to General Fund</b>	<b>650</b>	<b>935</b>	<b>160</b>	<b>987</b>	<b>731</b>	<b>4,463</b>

	<b>LGPS 2014/15 £'000</b>	<b>FFPS 2014/15 £'000</b>	<b>NFPS 2014/15 £'000</b>	<b>FFCS 2014/15 £'000</b>	<b>TOTAL 2014/15 £'000</b>
<b>Income and Expenditure Account</b>					
<b>Net Cost of Services:</b>					
Current Service Cost	595	4,140	1,540	600	<b>6,875</b>
Curtailment Cost	3				<b>3</b>
<b>Other Operating Expenditure comprising</b>					
Administration Expenses	13				<b>13</b>
Pensions Grant		(4,315)	924		<b>(3,391)</b>
<b>Financing and Investment Income and Expenditure</b>					
Net Interest Expense	261	10,970	620	1,150	<b>13,001</b>
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>872</b>	<b>10,795</b>	<b>3,084</b>	<b>1,750</b>	<b>16,501</b>
<b>Remeasurement of the net defined benefit liability comprising:</b>					
Actuarial (gains)/losses arising on changes in financial assumptions (retained settlement)			8,780		8,780
Experience (gains)/losses	0	(6,760)	(260)	(220)	(7,240)
Return on plan assets (excluding the amount included in the net interest expense)	(1,244)				(1,244)
Actuarial (gains) and losses arising on changes in demographic assumptions	0	(14,230)	(4,630)	(12,200)	(31,060)
Actuarial (gains) and losses arising in financial assumptions	4,897	40,450	4,810	1,930	52,087
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>4,525</b>	<b>30,255</b>	<b>11,784</b>	<b>(8,740)</b>	<b>37,824</b>
<b>Movement in Reserves Statement</b>					
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(872)	(10,795)	(3,084)	(1,750)	(16,501)
<b>Actual Amount charged against the General Fund Balance for pensions in the year:</b>					
Employer's contribution payable to scheme	684	1,764	449		<b>2,897</b>
Retirement Benefits payable to Pensioners				705	<b>705</b>
<b>Net Charge to General Fund</b>	<b>684</b>	<b>1,764</b>	<b>449</b>	<b>705</b>	<b>3,602</b>

## Pensions Assets and Liabilities Recognised in the Balance Sheet

	<b>Funded Liability LGPS 2015/16 £'000</b>	<b>Un-funded Liability FFPS 2015/16 £'000</b>	<b>Un-funded Liability NFPS 2015/16 £'000</b>	<b>Un-funded Liability FFCARE 2015/16 £'000</b>	<b>Un-funded Liability FFCS 2015/16 £'000</b>	<b>TOTAL 2015/16 £'000</b>
Present value of the defined benefit obligation	26,805	247,905	14,462	2,769	15,697	307,638
Fair Value of Plan assets	(18,787)					(18,787)
<b>Net liability arising from defined benefit obligation</b>	<b>9,612</b>	<b>247,905</b>	<b>14,462</b>	<b>2,769</b>	<b>1,697</b>	<b>290,445</b>

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

## Assets and Liabilities in relation to post-employment benefits

### 64. Reconciliation of the present value of scheme liabilities:

	<b>Funded Liabilities (LGPS) 2015/16 £'000</b>	<b>Un-funded Liabilities (FFPS) 2015/16 £'000</b>	<b>Un-funded Liabilities (NFPS) 2015/16 £'000</b>	<b>Un-funded Liabilities (FF CARE) 2015/16 £'000</b>	<b>Un-funded Liabilities (FFCS) 2015/16 £'000</b>	<b>TOTAL 2015/16 £'000</b>
<b>at 1 April</b>	<b>27,387</b>	<b>278,842</b>	<b>24,466</b>	<b>0</b>	<b>16,458</b>	<b>347,153</b>
Current Service Cost	722	2,390	230	2,480	580	6,402
Interest Cost	922	9,120	810	50	550	11,453
Employee Contributions	194					194
<b>Remeasurement Gains and Losses</b>						
Experience (Gains) and Losses		(8,400)	340	(320)	(40)	(8,420)
Actuarial (Gains) and Losses arising on changes in demographic assumptions		(3,730)	(210)	(40)	(180)	(4,160)
Actuarial (Gains) and Losses arising on changes in financial assumptions	(1,735)	(23,330)	(2,920)	(240)	(950)	(29,175)
Actuarial (Gains) and Losses arising on changes in financial assumptions (retained settlement)			(8,000)			(8,000)
Losses/(Gains) on curtailments					10	10
Pensions Grant		(6,052)	(94)	1,826		(4,320)
Employer contributions firefighter scheme/benefits paid LGPS scheme	(685)	(935)	(160)	(987)	(731)	(3,498)
<b>at 31 March</b>	<b>26,805</b>	<b>247,905</b>	<b>14,462</b>	<b>2,769</b>	<b>15,697</b>	<b>307,638</b>

	<b>Funded Liabilities (LGPS) 2014/15 £'000</b>	<b>Un-funded Liabilities (FFPS) 2014/15 £'000</b>	<b>Un-funded Liabilities (NFPS) 2014/15 £'000</b>	<b>Un-funded Liabilities (FFCS) 2014/15 £'000</b>	<b>TOTAL 2014/15 £'000</b>
<b>at 1 April</b>	<b>21,561</b>	<b>250,351</b>	<b>13,131</b>	<b>25,903</b>	<b>310,946</b>
Current Service Cost	595	4,140	1,540	600	6,875
Interest Cost	976	10,970	620	1,150	13,716
Employee Contributions	214				214
<b>Remeasurement Gains and Losses</b>					
Experience (Gains) and Losses	0	(6,760)	(260)	(220)	(7,240)
Actuarial (Gains) and Losses arising on changes in demographic assumptions		(14,230)	(4,630)	(12,200)	(31,060)
Actuarial (Gains) and Losses arising on changes in financial assumptions	4,897	40,450	4,810	1,930	52,087
Actuarial (Gains) and Losses arising on changes in financial assumptions – retained settlement			8,780		8,780
Losses/(Gains) on curtailments	3				3
Pensions Grant		(4,315)	924		(3,391)
Employer contributions firefighter scheme/benefits paid LGPS scheme	(859)	(1,764)	(449)	(705)	(3,777)
<b>at 31 March</b>	<b>27,387</b>	<b>278,842</b>	<b>24,466</b>	<b>16,458</b>	<b>347,153</b>

65. Reconciliation of fair value of scheme assets:

	<b>Funded Assets (LGPS) 2014/15 £'000</b>	<b>Funded Assets (LGPS) 2015/16 £'000</b>
<b>Fair value at 1 April</b>	<b>15,384</b>	<b>17,369</b>
Interest Income	715	598
<b>Remeasurement gain/loss</b>		
Return on plan assets (excluding the amount included in the net interest expense)	1,244	(920)
Other (administration expenses)	(13)	(12)
Employer Contributions	684	650
Employee Contributions	214	194
Benefits Paid	(859)	(685)
<b>at 31 March</b>	<b>17,369</b>	<b>17,194</b>

66. 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 73 appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class as shown in table 74. Note that rates quoted are gross of expenses. The actual return on schemes' assets in the year was £1.280m (2014/15 £1.959m).

67. Reconciliation of Movements in Net Pensions Liability:

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

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

## 68. Scheme History

	<b>31-Mar 2011 £'000</b>	<b>31-Mar 2012 £'000</b>	<b>31-Mar 2013 £'000</b>	<b>31-Mar 2014 £'000</b>	<b>31-Mar 2015 £'000</b>	<b>31-Mar 2016 £'000</b>
<b>Present value of liabilities:</b>						
LGPS : Local Government Pension Scheme	16,879	18,243	22,103	21,561	27,387	28,399
FFPS : Firefighters' 1992 Scheme	194,462	213,344	252,780	250,351	278,842	247,905
NFPS : Firefighters' 2006 Scheme	4,850	6,978	11,589	13,131	24,466	14,462
FFCARE: Firefighters' 2015 Scheme						2,769
FFCS : Firefighters' Injury Scheme	20,758	23,702	29,055	25,903	16,458	16,697
	<b>236,949</b>	<b>262,267</b>	<b>315,527</b>	<b>310,946</b>	<b>347,153</b>	<b>309,232</b>
<b>Fair value of assets in the LGPS</b>	11,111	11,290	13,474	15,384	17,369	18,787
	<b>11,111</b>	<b>11,290</b>	<b>13,474</b>	<b>15,384</b>	<b>17,369</b>	<b>18,787</b>
<b>Net Liabilities of the scheme:</b>						
LGPS : Local Government Pension Scheme	5,768	6,953	8,629	6,177	10,018	9,612
FFPS : Firefighters' 1992 Scheme	194,462	213,344	252,780	250,351	278,842	247,605
NFPS : Firefighters' 2006 Scheme	4,850	6,978	11,589	13,131	24,466	14,462
FFCARE: Firefighters' 2015 Scheme						2,769
FFCS : Firefighters' Injury Scheme	20,758	23,702	29,055	25,903	16,458	15,697
<b>Total</b>	<b>225,838</b>	<b>250,977</b>	<b>302,053</b>	<b>295,562</b>	<b>329,784</b>	<b>290,445</b>

69. The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £290,445m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £246,909m.

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

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

### Basis for Estimating Liabilities

71. 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.

72. 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.

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



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

	<b>LGPS 2014/15</b>	<b>FFPS 2014/15</b>	<b>NFPS 2014/15</b>	<b>FFCS 2014/15</b>
<b>Mortality assumptions:</b>				
<b>Longevity at 65 for current pensioners</b>				
Male	23.4	22.5	22.5	22.5
Female	25.8	22.5	22.5	22.5
<b>Longevity at 65 for future pensioners</b>				
Male	25.6	24.8	24.8	24.8
Female	28.1	24.8	24.8	24.8
Rate of inflation (RPI)	n/a	3.35%	3.35%	3.35%
Rate of inflation (CPI)	2.10%	2.20%	2.20%	2.20%
Rate of increase in salaries	3.60%	4.20%	4.20%	4.20%
Rate of increase in pensions	2.10%	2.20%	2.20%	2.20%
Rate for discounting scheme liabilities	3.40%	3.30%	3.30%	3.30%
<b>Take-up of option to convert annual pension into retirement lump sum:</b>				
take maximum cash	50%	n/a	n/a	n/a
take 3/80ths cash	50%	n/a	n/a	n/a

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

Asset Category	Sub Category	31-Mar-15	31-Mar-16
Equities	UK Quoted	22.2%	0.7%
	Overseas Quoted	38.3%	34.1%
	UK Managed Funds	10.2%	28.0%
	UK Managed Funds – Overseas Equities)	20.4%	19.9%
	Overseas Managed Funds	0.8%	0.7%
Bonds	UK Corporate	0.7%	0.4%
	Overseas Corporate	5.8%	5.7%
Property	European Property Funds	0.0%	3.1%
	UK Property Debt	0.0%	1.2%
	Overseas Property Debt	0.0%	0.2%
Alternatives	UK Infrastructure	0.0%	3.7%
Cash	Cash Instruments	0.5%	0.6%
	Cash Accounts	0.1%	0.5%
	Net Current Assets	1.0%	1.0%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

### Injury Awards

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

### **Usable Reserves**

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

	31-Mar-15 £'000	31-Mar-16 £'000
General Fund	1,838	1,838
Earmarked Reserves	8,097	9,664
Unapplied Grants	1,011	5,281
Capital Receipts Reserve	294	2,532
	<b>11,240</b>	<b>19,315</b>

77. General Fund Balance

	2014/15 £'000	2015/16 £'000
<b>Balance at 01 April</b>	<b>1,838</b>	<b>1,838</b>
Transfers from CIES	0	0
<b>Balance at 31 Mar</b>	<b>1,838</b>	<b>1,838</b>

### Earmarked Reserves

78. 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.
- **Operational Activity Reserve** – To fund exceptional activity costs arising from spate conditions e.g. prolonged fires in the Malvern Hills or flooding.
- **New Dimensions Reserve** – planned to be used to create additional training facilities and fund exercises in respect of New Dimensions.
- **Equipment Reserve** – To fund additional equipment required within the service. This has been increased by £0.094m during 2015/16. The revenue budget during this financial year contained provision for the replacement of fireground radios, but continuing un-certainty around the full scope of the new national emergency services radio replacement scheme (ESMCP) means that replacement has been postponed until there is clarity. The allocated funding is reserved until that time.
- **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 Authority.
- **Property Maintenance Reserve** – to be utilised in future years to ensure the completion of planned station maintenance.
- **Transformation Reserve** – this reserve will be used to smooth the effect of the front-loading of the grant reductions over the period of the medium term financial plan.
- **Budget Reduction Reserve** – this reserve is being used to fund the short term costs to implement the measures necessary to achieve long term sustained budget reductions.
- **Collection Fund Loss Reserve** – to meet the potential deficit arising at billing authorities following the increase in the anticipated arrears position, which has resulted in lower NNDR receipts in financial year 2015/16.
- **Pension Tribunal Reserve** – to meet the potential costs of employing fire Fighters who retired before reaching the age of 55, on the retained fire fighter duty system.
- **Fleet Funding Reserve** – financing of the capital programme is predicated on using receipts from the sale of old assets to part fund their replacement. However, any individual receipt below £0.010m is technically not a capital receipt and is treated as revenue. This reserve makes those revenue receipts available to fund capital expenditure as planned.
- **Insurance Reserve** – This reserve is created to fund the excess of any long-tail claims for the period since the Authority ceased insuring jointly with Worcestershire County Council, to 2015/16. Future provision will be made within the on-going revenue budget

79. A summary of movements is shown below.

	<b>Balance at 31-Mar-15 £000</b>	<b>From/(to) Rev 15/16 £000</b>	<b>15/16 Savings £000</b>	<b>Balance at 31-Mar-16 £000</b>
Pensions Reserve	422			422
New Fire Control Reserve	267			267
Operational Activity Reserve	600			600
New Dimensions Reserve	445	(64)		381
Equipment Reserve	300		94	394
ICP Workwear Reserve	4			4
YFA Reserve	17			17
	<b>2,055</b>	<b>(64)</b>	<b>94</b>	<b>2,085</b>
Development Reserve	323	(12)		311
Capital Finance Phasing Reserve	575			575
Property Maintenance Reserve	213			213
Transformation Reserve	1,185			1,185
Collection Fund Loss Reserve	130	(84)		46
Pension Tribunal Reserve	400			400
Fleet Funding Reserve			42	42
Insurance Reserve			130	130
	<b>2,826</b>	<b>(96)</b>	<b>172</b>	<b>2,902</b>
Budget Reduction Reserve	<b>3,216</b>	301	1,160	<b>4,677</b>
	<b>3,216</b>	<b>301</b>	<b>1,160</b>	<b>4,677</b>
	<b>8,097</b>	141	1,426	<b>9,664</b>

80. The comparative movements for 2014/15 are summarised below:

	<b>Balance at 31-Mar-14 £000</b>	<b>From/(to) Rev 14/15 £000</b>	<b>14/15 Savings £000</b>	<b>Balance at 31-Mar-15 £000</b>
Pensions Reserve	422			422
New Fire Control Reserve	267			267
Operational Activity Reserve	300		300	600
New Dimensions Reserve	472	(27)		445
Equipment Reserve	0		300	300
ICP Workwear Reserve	4			4
YFA Reserve	17			17
	<b>1,482</b>	<b>(27)</b>	<b>600</b>	<b>2,055</b>
Development Reserve	385	(62)		323
Capital Finance Phasing Reserve	575			575
Property Maintenance Reserve	213			213
Transformation Reserve	0		1,185	1,185
Collection Fund Reserve	130			130
Pension Tribunal Reserve	400		0	400
	<b>1,703</b>	<b>(62)</b>	<b>1,185</b>	<b>2,826</b>
Budget Reduction Reserve	<b>2,511</b>		705	<b>3,216</b>
	<b>2,511</b>		<b>705</b>	<b>3,216</b>
	<b>5,696</b>	(89)	2,490	<b>8,097</b>

81. Unapplied Grant

	Formula Capital Grant £'000	Control Rooms Funding £'000	Evesham Station Contribution	JPV Funding £'000	Transform ation Grant £'000	TOTAL £'000
<b>Balance at 31 March 2014</b>	<b>1,785</b>	<b>222</b>	<b>0</b>		<b>0</b>	<b>2,007</b>
Grant Received in year	904		16			920
Used to Finance Capital Expenditure in 2014/15	(1,785)	(131)				(1,916)
<b>Balance at 31 March 2015</b>	<b>904</b>	<b>91</b>	<b>16</b>		<b>0</b>	<b>1,011</b>
Grant Received in year			380	417	4,270	5,067
Used to Finance Capital Expenditure in 2015/16		(43)	(380)	(417)		(840)
<b>Balance at 31 March 2016</b>	<b>904</b>	<b>48</b>	<b>16</b>	<b>0</b>	<b>4,270</b>	<b>5,238</b>

82. Capital Receipts

	2014/15 £'000	2015/16 £'000
<b>Balance at 01 April</b>	<b>135</b>	<b>294</b>
Net Proceeds from sale of fixed assets	159	2,251
Used to Finance Capital Expenditure		(13)
<b>Balance at 31 March</b>	<b>294</b>	<b>2,532</b>

83. **Unusable Reserves**

	31-Mar-15 restated £000	31-Mar-16 £'000
Revaluation Reserve	7,538	7,227
Capital Adjustment Account	19,888	17,272
Pensions Reserve	(329,784)	(290,445)
Collection Fund Adjustment Account	5	(48)
Accumulated Absences Adjustment Account	(97)	(187)
	<b>(302,450)</b>	<b>(266,181)</b>

Revaluation Reserve

84. 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.

85. 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.

	<b>2014/15 restated £'000</b>	<b>2015/16 £'000</b>
<b>Balance at 1 April</b>	<b>5,717</b>	<b>7,538</b>
Upward revaluation of assets	4,289	516
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,325)	(143)
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services</b>	<b>7,681</b>	<b>7,911</b>
Difference between fair value depreciation and historical cost depreciation	(95)	(147)
Accumulated gains on assets sold		(537)
Accumulated gains on assets derecognised	(49)	
Amounts written off to the Capital Adjustment Account		
<b>Balance at 31 March</b>	<b>7,537</b>	<b>7,227</b>

#### Capital Adjustment Account

86. 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.
87. 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.
88. 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.
89. The table below provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2014/15 restated £'000	2015/16 £'000
<b>Balance at 1 April</b>	<b>19,291</b>	<b>19,888</b>
Charges for depreciation and impairment of non-current assets	(1,871)	(1,944)
Revaluation gains/(losses) on Property, Plant and Equipment	356	(1,382)
Revaluation gains/(losses) on current assets held for sale	(697)	(812)
Amortisation of intangible assets	(91)	(82)
Amounts of current assets (assets held for sale) written off on Disposal or sale as part of the gain/loss on disposal in the Comprehensive Income and Expenditure Statement	0	(1,525)
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	(650)	(50)
	<b>16,338</b>	<b>14,093</b>
Adjusting amounts written out to the Revaluation Reserve <i>- difference in depreciation on historical &amp; current cost basis</i>	95	147
<b>Capital financing applied in the year:</b>	<b>16,433</b>	<b>14,240</b>
Use of the Capital Receipts Reserve to finance new capital expenditure	0	13
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to to capital financing	1,917	840
Statutory provision for the financing of capital investment charged against the General Fund balance.	1,090	1,132
Capital expenditure charged against the General Fund balance	448	1,047
<b>Balance at 31 March</b>	<b>19,888</b>	<b>17,272</b>

### Pensions Reserve

90. 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.
91. 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.

	2014/15 £'000	2015/16 £'000
<b>Balance at 1 April</b>	<b>295,562</b>	<b>329,784</b>
Actuarial gains or losses on pensions assets & liabilities	21,323	(48,866)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services the CIES	16,501	13009
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,602)	(3482)
<b>Balance at 31 March</b>	<b>329,784</b>	<b>290,445</b>

#### Collection Fund Adjustment Account

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

	2014/15 £'000	2015/16 £'000
<b>Balance at 1 April</b>	<b>34</b>	<b>5</b>
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements:		
Council Tax	148	8
Non-Domestic Rates	(177)	(61)
<b>Balance at 31 March</b>	<b>5</b>	<b>(48)</b>

#### Accumulated Absences Account

93. 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.

	2014/15 £'000	2015/16 £'000
<b>Balance at 1 April</b>	<b>(87)</b>	<b>(97)</b>
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	(10)	(90)
<b>Balance at 31 March</b>	<b>(97)</b>	<b>(187)</b>



## Contingent Liabilities

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

## Provisions

97. The Authority held three provisions at 31<sup>st</sup> March 2015. One was closed down during 2015/16 and another was fully utilised, leaving only one at the end of the financial year.

### Retirement Costs Provision

98. The provision was created in 2009/10 to reflect the liability arising from the circumstances surrounding the retirement of the then Chief Fire Officer.
99. The movement in the year represents the costs that have been incurred this year.
100. The liability is now met in full and the provision closed.

	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
<b>Balance at 1 April</b>	<b>13</b>	<b>1</b>
Expenditure incurred in year	(12)	(1)
<b>Balance at 31 March</b>	<b>1</b>	<b>0</b>

### NNDR Appeals Provision

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

	2014/15 £'000	2015/16 £'000
<b>Balance at 1 April</b>	<b>87</b>	<b>276</b>
Transfer from CIES	189	101
<b>Balance at 31 March</b>	<b>276</b>	<b>377</b>

### Specific Government Grants

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

	2014/15 £'000	2015/16 £'000
Fire Revenue Grant - New Dimensions/Firelink	1,239	1,127
	<b>1,239</b>	<b>1,127</b>

### Cashflow Statement – Operating Activities

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

	2014/15 restated	2015/16
	£'000	£'000
Depreciation	(1,872)	(1,944)
Downward revaluations	(341)	(2,195)
Amortisations	(91)	(82)
Increase/decrease in creditors	(485)	(324)
Increase/decrease in debtors	637	(22)
Increase/decrease in inventories	25	2
Movement in pensions liability	(12,899)	(9,496)
Carrying amount of non-current assets sold or derecognised	(812)	(2,115)
Other non-cash items charged to the net surplus or deficit on the provision of services	(177)	(78)
	<b>(16,015)</b>	<b>(16,254)</b>

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

	2014/15 £'000	2015/16 £'000
Receipt of Capital grant	921	4,687
Proceeds of sales of Property, Plant & Equipment – Capital Receipts	159	2,251
	<b>1,080</b>	<b>6,938</b>

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

	2014/15 £'000	2015/16 £'000
Interest Paid	(596)	(573)
Interest Received	41	49
	<b>(555)</b>	<b>(524)</b>

106. **Cashflow Statement – Investing Activities**

	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
Purchase of Property, Plant & Equipment	4,801	3,572
Capital Grants received	(920)	(4,687)
Proceeds of sales of Property Plant & Equipment - Capital Receipts	(159)	(2,251)
	<b>3,722</b>	<b>(3,366)</b>

107. **Cashflow Statement – Financing Activities**

	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
Principal Payments on Finance Leases	0	0
Long Term Loans Repaid	500	834
	<b>500</b>	<b>834</b>

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

108. The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made based on past experience, current trends and other relevant factors. As some balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.
109. The items in the balance sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are set out below. The list does not include items which are carried at fair value based on recently observed market prices, such as land and buildings, for which the Authority relies on independent advice from specialist valuers.
110. Action has been taken by HMRC in other Fire Authorities, which relates to the retirement of whole time firefighters before reaching the age of 55, if they remain employed as Firefighters on the Retained Duty System. HMRC are stating that the individual losses their protected status for tax exemption as they have been re-employed. However, guidance has been sought from the Authority's Pension Advisors who have determined that the employee has not broken their service and so have not been re-employed. A reserve has been set up to cover any potential losses or costs that could arise in relation to this.
111. The Actuaries have provided an assessment of the effect of changes in the assumptions used in estimating the pension and assets included in the Accounts according to the requirements of IAS19.
- There are a range of actuarial assumptions which is acceptable under IAS19, particularly in respect of expected salary increases and demographic factors. The assumptions made are the responsibility of the Authority, after taking advice of the Actuaries. There are risks and uncertainties associated with whatever assumptions are adopted, as the assumptions are effectively projections of future investment returns and demographic experience many years into the future. Inevitably this involves a great deal of uncertainty about what constitutes a "best estimate" under IAS19. The Actuaries interpret this as meaning that the proposed assumptions are neutral, i.e. there is an equal

chance of actual experience being better or worse than the assumptions used.

- The assumptions used are largely prescribed and reflect market conditions at 31 March 2016. 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.

112. Approximate increase in Net Liability

<b>Change in financial assumptions 2015/16 : 1992 Firefighters' Scheme</b>		
	<b>£'000</b>	<b>%</b>
0.5% Decrease in rate of discounting scheme liabilities	25,300	10.2%
0.5 % Increase in rate of salaries	1,700	0.7%
0.5% increase in rate of pensions/deferred revaluation	20,700	8.4%
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed	5,900	2.4%
Early retirement each member assumed to retire 1 year earlier than expected	(100)	0.0%

<b>Change in financial assumptions 2015/16 : 2006 Firefighters' Schemes</b>		
	<b>£'000</b>	<b>%</b>
0.5% Decrease in rate of discounting scheme liabilities	2,500	17.1%
0.5 % Increase in rate of salaries	700	4.8%
0.5% increase in rate of pensions/deferred revaluation	1,400	9.7%
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed	300	2.1%
Early retirement each member assumed to retire 1 year earlier than expected	200	1.5%

<b>Change in financial assumptions 2015/16 : 2015 Firefighters' Schemes</b>		
	<b>£'000</b>	<b>%</b>
0.5% Decrease in rate of discounting scheme liabilities	500	18.6%
0.5 % Increase in rate of salaries	200	7.6%
0.5% increase in rate of pensions/deferred revaluation	300	10.1%
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed	100	1.9%
Early retirement each member assumed to retire 1 year earlier than expected	0	1.6%

<b>Change in financial assumptions 2015/16 : LGPS</b>		
	<b>£'000</b>	<b>%</b>
0.1% Increase in real discount rate	(565)	-5.9%
0.1% Increase in rate of increase in salaries	577	6.0%
1 Year Increase in Member Life Expectancy	501	5.1%

### Property, Plant and Equipment

113. Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.
114. If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £9,000 for every year that useful lives had to be reduced.

### **Critical Judgements in Applying Accounting Policies**

115. 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:
116. 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**

117. The Authority is a member of Kings Court EMC Ltd, which manages ground maintenance on the common areas of the office site where the Headquarters building is located. The company is one that is limited by guarantee, for which the maximum liability to the Authority is £1. The turnover of the company for 2015/16 is estimated at £15,961 (2014/15 £29,505), and the Authority has appointed the Director of Finance and Assets as its (unpaid) director.

## SUPPLEMENTARY FINANCIAL STATEMENT

### Firefighters' Pension Fund

1. Since 2006/07 Firefighters' pensions are paid out of a separate account into which the employee's contributions and an employer's contribution are paid. Any deficit on this account is made up by direct government grant.
2. A detailed explanation of the schemes can be found on pages 41-42, but although they are all statutory, national un-funded defined benefit schemes, they are administered locally by each Authority.
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 14-22.
9. Any Government grant payable is paid in two instalments, 80% of the estimated annual amount at the start of the year, and the actual balance paid following completion of the accounts for the year.
11. The following Statement shows the income and expenditure for the year. It does not take account of liabilities to pay pensions and other benefits after the year end. These are calculated in accordance with IAS 19 and are included in the Balance Sheet on page 26 and detailed in the Notes to the Core Financial Statements on pages 41-50.

## Firefighters' Pension Fund Account

	2014/15 £000	2015/16 £000
<b>Contributions receivable</b>		
Fire & Rescue Authority		
Contributions in relation to pensionable pay	(2,145)	(2,015)
Other	(69)	(67)
Firefighters' Contributions	(1,641)	(1,952)
	<b>(3,855)</b>	<b>(4,034)</b>
Transfers in from other schemes	(20)	
<b>Benefits Payable</b>		
Pensions	6,372	6,897
Commutations & lump sum retirement benefits	894	1,020
Lump sum death benefits	0	0
Backdated Commutation Adjustment & Interest		1,001
<b>Payments to and on account of leavers</b>		
Transfers out to other schemes	0	55
<b>Net amount payable for the year</b>	<b>3,391</b>	<b>4,939</b>
<b>Top-up grant payable by government</b>	(3,391)	(3,932)
<b>Backdated Commutation Grant Payable by Government</b>		(1,007)
	<b>0</b>	<b>0</b>

## Firefighters' Pension Fund Statement of Net Assets

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

	31-Mar-15 £000	31-Mar-16 £000
<b>Current Assets</b>		
Debtors		
Employer Contributions Due	106	116
Employee Contributions Due	81	100
Top Up receivable from the government	241	234
Prepayments		
Pensions paid in advance	536	996
Creditors		
Unpaid Pension Benefits		(40)
Amounts due to General Fund	(964)	(1,406)
	<b>0</b>	<b>0</b>

## **Restatement of Accounts**

1. This appendix contains details of the restatements required within the accounts, and includes a reconciliation from the information as published in the 2014/15 Accounts to the restated prior year figure.
2. The appendix details all statements and notes to the accounts that are subject to restatement and includes a reconciliation from the information as published in the 2014/15 Statement of Accounts to the restated figure as included in Statement to the 31<sup>st</sup> March 2016.

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

The Restatement has impacted the following statements and notes

	<b>Page</b>
<b>Core Financial Statements</b>	
• Comprehensive Income & Expenditure Statement	65-66
• Movement in Reserves Statement	67
• Balance Sheet as at 31 <sup>st</sup> March 2015	68
• Cash-Flow Statement for the 12 months ending 31 <sup>st</sup> March 2015	69-70
<b>Notes to the Core Financial Statements</b>	
Fixed Assets	
• Property Plant and Equipment	71
<b>Reserves</b>	
• Revaluation Reserve	72
• Capital Adjustment Account	73
• Unusable Reserves	74



## **Comprehensive Income and Expenditure Statement Restatement Adjustments**

1. The Comprehensive Income and Expenditure Statement (for the financial year ended 31<sup>st</sup> March 2015) has been restated for the following items:
  - Valuation Adjustment – An error was made by the Authority’s independent valuer, during the 2015 valuation cycle, from which the 2014/15 accounting valuation adjustments were calculated. The 2014/15 accounting entries for these assets have been restated using the amended valuation figures. The land value had been included twice for these assets.
  - Pension Adjustments relating to GAD v Milne – Following the publication of a decision by the Pension Ombudsman in respect of GAD v Milne, which resulted in the recalculation of commutation rates for Fire-fighters retiring between December 2001 and August 2006, with additional sums and their related interest being payable to these individuals.

In accordance with the CIPFA Accounting Code of Practice the expenditure and the corresponding grant were accrued to the 2014/15 accounts. Government has subsequently instructed Authorities to include entries within the 2015/16 Pension Fund. The 2014/15 Statement of Accounts have been restated to comply with this new directive.

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2014/15 as published			re-statement effect				2014/15 as restated		
	Gross Expd £000	Gross Income £000	Net Expd £000	Reval Gross Expd £000	Pension Gross Expd £000	Pension Gross Income £000	Net Expd £000	Gross Expd £000	Gross Income £000	Net Expd £000
<b>Gross Expenditure, Gross Income and Net Expenditure on Continuing Operations</b>										
Operations & Rescues	27,825	(1,925)	<b>25,900</b>	259			<b>259</b>	28,084	(1,925)	<b>26,159</b>
Community Safety	4,286	(111)	<b>4,175</b>	41			<b>41</b>	4,327	(111)	<b>4,216</b>
Emergency Planning	75	(2)	<b>73</b>	1			<b>1</b>	76	(2)	<b>74</b>
Corporate & Democratic Core	1,243	(32)	<b>1,211</b>	14			<b>14</b>	1,257	(32)	<b>1,225</b>
<i>sub-total</i>	33,429	(2,070)	<b>31,359</b>	315	0	0	<b>315</b>	33,744	(2,070)	<b>31,674</b>
<b>Non-distributed Costs</b>										
Past Service Cost:										
Curtailment Costs (LGPS)	3		<b>3</b>					3	0	<b>3</b>
Transfer Benefits (NFPS)										
<b>Cost of Services</b>	33,432	(2,070)	<b>31,362</b>	315	0	0	<b>315</b>	33,747	(2,070)	<b>31,677</b>
<b>Back-dated Commutations</b>	996	(996)	<b>0</b>		(996)	<b>996</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other Operating Expenditure</b>	1,362	(3,391)	<b>(2,029)</b>					1,362	(3,391)	<b>(2,029)</b>
<b>Financing &amp; Investment Income and Expenditure</b>	14,310	(756)	<b>13,554</b>					14,310	(756)	<b>13,554</b>
<b>Taxation &amp; Non-Specific Grant Income</b>		(32,280)	<b>(32,280)</b>						(32,280)	<b>(32,280)</b>
<b>Deficit/(Surplus) on Provision of Services</b>	<b>50,100</b>	<b>(39,493)</b>	<b>10,607</b>	<b>315</b>	<b>(996)</b>	<b>996</b>	<b>315</b>	<b>49,419</b>	<b>(38,497)</b>	<b>10,922</b>
<b>Loss on disposal of fixed assets</b>			<b>(2,062)</b>				<b>97</b>			<b>(1,965)</b>
<b>Actuarial gains/losses on Pensions Assets/Liabilities</b>			<b>21,323</b>							<b>21,323</b>
<b>Other Comprehensive Income and Expenditure</b>			<b>19,261</b>				<b>97</b>			<b>19,358</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>29,868</b>				<b>412</b>			<b>30,280</b>

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

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

	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	83	84-87	88	89	82	91-92	93-96	97-98	99	100	90	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000

### SUMMARY OF MOVEMENTS

<b>Published Balance at 31-Mar-2015</b>	<b>1,838</b>	<b>8,097</b>	<b>1,011</b>	<b>294</b>	<b>11,240</b>	<b>7,635</b>	<b>20,203</b>	<b>(329,784)</b>	<b>5</b>	<b>(97)</b>	<b>(302,038)</b>	<b>(290,798)</b>
Amendments Due to Restatement												
Surplus/(Deficit) on Provision of Services	(315)				(315)						0	(315)
Other Comprehensive Income & Expenditure												
Surplus on revaluation of non-current assets					0	(97)					(97)	(97)
<b>Reversal of items in the CIES</b>												
<b>To be removed for determining movement in the General Fund</b>												
Relating to Revaluation gains/losses	315				315		(315)				(315)	
<b>Insertion of items in the CIES</b>												
<b>Restated Balance at 31-Mar-2015 Carried Forward</b>	<b>1,838</b>	<b>8,097</b>	<b>1,011</b>	<b>294</b>	<b>11,240</b>	<b>7,538</b>	<b>19,888</b>	<b>(329,784)</b>	<b>5</b>	<b>(97)</b>	<b>(302,450)</b>	<b>(291,210)</b>

### 3. Balance Sheet Adjustments

The Prior year (31/03/2015) Balance Sheet has been adjusted to amend the two entries, the first relating to a valuation error made by the Authority's Valuer on 3 properties, the accounting entries for these properties have been amended to show the correct position. The second relates to the removal of the accounting entries that relate to GAD v Milne

#### BALANCE SHEET as at 31<sup>st</sup> March 2015

-	31-Mar-15 (Published) £000	Valuation Adjustment £000	31 Mar 15 (Restated) £000
Property Plant & Equipment	44,026	(412)	43,614
Intangible Assets	449		449
<b>Long Term Assets</b>	<b>44,475</b>	<b>(412)</b>	<b>44,063</b>
Inventories	172		172
Short Term Debtors	4,238	(996)	3,242
Assets Held for Sale	985		985
Cash & Cash Equivalents	8,268		8,268
<b>Current Assets</b>	<b>13,663</b>	<b>(996)</b>	<b>12,667</b>
Short Term Borrowing	(834)		(834)
Short Term Creditors	(4,882)	996	(3,886)
<b>Current Liabilities</b>	<b>(5,716)</b>	<b>996</b>	<b>(4,720)</b>
Long Term Creditors	0		0
Provisions	(298)		(298)
Long Term Borrowing	(13,137)		(13,137)
Other Long Term Liabilities	(329,785)		(329,785)
<b>Long Term Liabilities</b>	<b>(343,220)</b>	<b>0</b>	<b>(343,220)</b>
<b>Net Assets</b>	<b>(291,210)</b>	<b>0</b>	<b>(291,210)</b>
Useable Reserves	11,240		11,240
Un-useable Reserves	(302,038)	412	(302,450)
<b>Total Reserves</b>	<b>(290,798)</b>	<b>412</b>	<b>(291,210)</b>

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

## CASH-FLOW STATEMENT FOR 12 MONTHS ENDING 31 MARCH 2015

	Notes	2014/15 £000	Revaluation Adjustment £000	Restated 2014/15 £000
Net (surplus) or deficit on the provision of services		10,607	315	10,922
Adjustments to net surplus or deficit on the provision of services for non cash movements	106.1	(15,700)	(315)	(16,015)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	106.2	1,080		1,080
Net cash flows from operating activities		<b>(4,013)</b>	<b>0</b>	<b>(4,013)</b>
Investing Activities	107	3,722		3,722
Financing Activities	108	500		500
Net increase or decrease in cash and cash equivalents		<b>209</b>	<b>0</b>	<b>209</b>
Cash and cash equivalents at the beginning of the period		<b>(8,477)</b>		<b>(8,477)</b>
Net increase or decrease in cash and cash equivalents in the Period		209		209
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(8,268)</b>		<b>(8,268)</b>

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

	<b>2014/15 £'000</b>	<b>Revaluation Adjustment £'000</b>	<b>2014/15 (restated) £'000</b>
Depreciation	(1,872)		(1,872)
Downward revaluations	(26)	(315)	(341)
Amortisations	(91)		(91)
Increase/decrease in creditors	(485)		(485)
Increase/decrease in debtors	637		637
Increase/decrease in inventories	25		25
Movement in pensions liability	(12,899)		(12,899)
Carrying amount of non-current assets sold or derecognised	(812)		(812)
Other non-cash items charged to the net surplus or deficit on the provision of services	(177)		(177)
	<b>(15,700)</b>	<b>(315)</b>	<b>(16,015)</b>

## 6. Property, Plant and Equipment – Land and Buildings

	Land and Buildings  £'000	Revaluation Adjustment  £'000	Land and Buildings (restated) £'000
<b>Cost or Valuation at 01 April 2014</b>	<b>32,769</b>		<b>32,769</b>
Additions	869		869
Revaluation increases/(decreases) recognised in the			
Revaluation Reserve	749	(84)	665
Revaluation increases/(decreases) recognised in the			
Surplus/Deficit on the Provision of Services:	79	(328)	(249)
Reclassifications	1,114		1,114
Reclassifications - to current assets held for sale	(1,682)		(1,682)
Reclassifications - to intangible assets			
Disposals	(219)		(219)
<b>At 31 March 2015</b>	<b>33,679</b>	<b>(412)</b>	<b>33,267</b>
<b>Accumulated Depreciation and Impairment at 01 April 2014</b>	<b>(1,447)</b>	<b>0</b>	<b>(1,447)</b>
Reclassifications			
Depreciation Charge for 2014-15	(524)		(524)
Depreciation written out to Revaluation Reserve	1,313	(13)	1,300
Depreciation written out to the Surplus/Deficit on Provision			
of Services	592	13	605
Derecognition – disposals	66		66
<b>At 31 March 2015</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance Sheet amount at 01 April 2013</b>	<b>31,322</b>	<b>0</b>	<b>31,322</b>
<b>Balance Sheet amount at 31 March 2014</b>	<b>33,679</b>	<b>1,642</b>	<b>33,267</b>

The restatement has been required to correct the accounting entries made in the Statement of Accounts for the year ended 31<sup>st</sup> March 2015, for an adjustment required to correct a valuation error.

## Reserves

### Revaluation Reserve

7. This valuation adjustment relates to a correction to the asset valuations.

	2014/15 £'000	Valuation Adjustment £'000	2014/15 (restated) £'000
<b>Balance at 1 April</b>	<b>5,717</b>	<b>0</b>	<b>5,717</b>
Upward revaluation of assets	4,341	(51)	4,290
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,279)	(46)	(2,325)
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services</b>	<b>7,779</b>	<b>(97)</b>	<b>7,682</b>
Difference between fair value depreciation and historical cost depreciation	(95)		(95)
Accumulated gains on assets sold			
Accumulated gains on assets derecognised	(49)		(49)
Amounts written off to the Capital Adjustment Account	0		
<b>Balance at 31 March</b>	<b>7,635</b>	<b>(97)</b>	<b>7,538</b>



8. Capital Adjustment Account

	2014/15 £'000	Valuation Adjustment £'000	2014/15 (restated) £'000
<b>Balance at 1 April</b>	<b>19,291</b>	<b>0</b>	<b>19,291</b>
Charges for depreciation and impairment of non-current assets	(1,871)		(1,871)
Revaluation gains/(losses) on Property, Plant and Equipment	671	(315)	356
Amortisation of intangible assets	(91)		(91)
Amounts of current assets (assets held for sale) written off on	(697)		(697)
Disposal or sale as part of the gain/loss on disposal in the Comprehensive Income and Expenditure Statement	0		0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal in the Comprehensive Income and Expenditure Statement	(650)		(650)
<b>Adjusting amounts written out to the Revaluation Reserve</b>	<b>16,653</b>	<b>(315)</b>	<b>16,338</b>
<i>- difference in depreciation on historical &amp; current cost basis</i>	95		95
<b><u>Capital financing applied in the year:</u></b>	<b>16,592</b>	<b>(315)</b>	<b>16,433</b>
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to to capital financing	1,917		1,917
Statutory provision for the financing of capital investment charged against the General Fund balance.	1,090		1,090
Capital expenditure charged against the General Fund balance	448		448
<b>Restated Balance at 31 March</b>	<b>20,203</b>	<b>(315)</b>	<b>19,888</b>

9. Unusable Reserves

	<b>31-Mar-15</b>	<b>Revaluation</b>	<b>31-Mar-15</b>
	<b>£000</b>	<b>Adjustment</b>	<b>(restated)</b>
		<b>£000</b>	<b>£000</b>
Revaluation Reserve	7,635	(97)	7,538
Capital Adjustment Account	20,203	(315)	19,888
Pensions Reserve	(329,784)		(329,784)
Collection Fund Adjustment Account	5		5
Accumulated Absences Adjustment Account	(97)		(97)
<b>Restatement</b>	<b>(302,038)</b>	<b>(412)</b>	<b>(302,450)</b>

10. Debtors

This restatement relates to previously detailed changes relating to pension and the adjustment relating to GAD v Milne

	<b>31-Mar-15</b>	<b>Pension</b>	<b>31-Mar-15</b>
	<b>£'000</b>	<b>Adjustment</b>	<b>restated</b>
		<b>£'000</b>	<b>£'000</b>
Central Government Bodies	1,788	(996)	792
Other Local Authorities	259		259
Public Corporations and Trading Funds	964		964
Other entities and individuals	1,227		1,227
	<b>4,238</b>	<b>(996)</b>	<b>3,242</b>

11. Creditors

This restatement relates to previously detailed changes relating to pension and the adjustment relating to GAD v Milne

	<b>31-Mar-15</b>	<b>Pension</b>	<b>31-Mar-15</b>
	<b>£'000</b>	<b>Adjustment</b>	<b>restated</b>
		<b>£'000</b>	<b>£'000</b>
Central Government Bodies	801		801
Other Local Authorities	713		713
NHS	15		15
Other entities and individuals	3,353	(996)	2,357
	<b>4,882</b>	<b>(996)</b>	<b>(3,886)</b>

To be inserted when audited and approved.

To be inserted when audited and approved

To be inserted when audited and approved

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

**Page 1**

To be inserted on completion of the audit

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEREFORD AND  
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**Page 2**

To be inserted on completion of the audit

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## **GLOSSARY OF TERMS**

### **Accruals**

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

### **Capital Adjustment Account**

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

### **Capital Expenditure**

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

### **Capital Receipts**

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

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

The principal accountancy body dealing with local government finance.

### **Creditors**

Amounts owed by the Authority 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, until 5<sup>th</sup> January 2016 when this responsibility passed to the Home Office.

### **Debtors**

Amounts due to the Authority 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 Authority for a period of more than one year.

### **Authority**

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 Authorities

**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 Authority – 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 Authority.

**SeRCOP**

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

**SORP**

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

**Unapplied Capital Grant**

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

**USAR (Urban Search and Rescue)**

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