

Hereford & Worcester Fire Authority

Statement of Accounts

2013/14

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EXPLANATORY FOREWORD

1. Originally formed as an independent corporate body on 1 April 1998, as a result of Local Government Reorganisation, Hereford & Worcester Fire Authority (the FRA) is now constituted under the Fire and Rescue Services Act 2004. The FRA sets its own budget requirement, receives a share of Retained Business Rates and Revenue Support Grant, and issues its own Council Tax Precept.
2. The Statement of Accounts that follows covers the FRA's financial year ending 31 March 2014. 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 2013/14, comprise a group of Core Financial Statements:
 - Comprehensive Income & Expenditure Statement (CIES)
 - Movement in Reserves Statement (MiRS)
 - Balance Sheet
 - Cash Flow Statement
 - Notes to the Core Statements
3. In addition there is a Supplementary Financial Statement in respect of the Firefighters Pension Account.
4. The purpose of the Core Financial Statements is as below:

Comprehensive Income and Expenditure Statement (CIES)

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

Movement in Reserves Statement (MiRS)

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

Balance Sheet

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

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

Cash-flow Statement

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

Revenue Budget

7. The approved budget for 2013/14 was £32.549m to which additional agreed expenditure of £0.068m funded from earmarked reserves has been added, bringing the total budget to £32.617m. These resources are those available for the FRA to spend on provision of services under the statutory accounting regime, within which the FRA is required to manage resources.
8. In setting the 2013/14 budget the FRA was aware of (and has planned for) significant reductions in future grant, and spending during the year has been subject to severe restraint as a preparation for the future financial position. There has been a planned under spending which has been reported to the Policy and Resources Committee throughout the year, and finally to the full FRA in June 2014.
9. A summary of the budget and out-turn is given overleaf:

	Revised Budget £m	Actual £m	Variance £m
Employee Costs	22.804	22.736	(0.068)
Running Costs	7.186	6.116	(1.070)
Capital Financing Costs	2.627	2.377	(0.250)
Gross Budget	32.617	31.229	(1.388)
<u>Resources</u>			
Fire Revenue Grant	(1.263)	(1.246)	0.017
Council Tax Transformation Grant	(0.061)	(0.061)	0.000
Business Rate Income	(2.254)	(2.385)	(0.131)
Revenue Support Grant	(10.184)	(10.223)	(0.039)
2013/14 Council Tax Freeze Grant	(0.210)	(0.210)	0.000
Net Council Tax Precept	(18.577)	(18.577)	0.000
Rural Service Grant		(0.013)	(0.013)
Transparency Code Set Up Grant		(0.002)	(0.002)
Collection Fund Loss Reserve		0.130	0.130
	0.068	(1.358)	(1.426)
<u>Budgeted Use of Reserves:</u>			
Development Reserve	(0.012)	(0.024)	(0.012)
New Dimensions Reserve	(0.056)	(0.104)	(0.048)
	0.000	(1.486)	(1.486)
Transfer to Pension Tribunal Reserve		0.400	0.400
Transfer to Budget Reduction Reserve		0.733	0.733
Transfer to General Fund Reserve		0.353	0.353
		0.000	0.000

10. Of the Core Budget under-spending of £1.388m, this relates to managed savings by budget holders and the phasing of capital finance. The resources received by the Authority in 2013/14 are higher than originally budgeted for this is mainly due to higher Revenue Support Grant being received than anticipated and an increase in the amount of Business Rate income collected by the Billing Authorities.
11. A sum of £0.130m has been transferred to an earmarked reserve to cover potential collection fund losses, relating to higher NNDR deficits occurring in billing authorities than originally anticipated. These deficits will materialise as lower business rate receipts for the Fire Authority in 2015/16. There has also been a variation in the use of reserves, which has been higher than that originally budgeted for following a decision to fund additional expenditure relating to the integration of Droitwich Fire Station and the Urban Search and Rescue (USAR) Unit. This leaves an overall underspend of £1.486m These underspends are then transferred to reserves to assist with the anticipated grant reductions in future years.
12. This sum of £1.486m differs slightly from the £1.537 under-spend reported to the Policy and Resources Committee in June 2014, the difference relates to the following:-

	Actual £m
Amount Reported to Policy & Resources Committee	(1.537)
Discontinued capital projects recharged to Revenue	0.055
Stock Adjustment	0.004
	(1.486)

General Reserve

13. The general reserve stood at £1.485m at 31 March 2013 (4.5% of core budget), and although at the lower end of the spectrum of stand-alone fire authorities, the level is considered adequate and not requiring further significant increase throughout the MTFP period. As a consequence the balance at the end of 2013/14 will increase slightly to £1.838m (5.6% of core budget).
14. During financial year 2013/14, a new reserve, the Pension Tribunal Reserve, has been set up with a balance of £0.400m. This reserve has been set up following action taken by HMRC in other Fire Authorities, relating to the retirement of Fire fighters from whole time service before reaching 55, if they remain employed as retained Fire Fighters. HMRC are stating that the individual loses their protected status for tax treatment. Professional opinion obtained by this and a number of other Fire Authorities disagrees with the HMRC view. This reserve will cover any potential costs that will arise from this challenge.

Firefighters' Pensions

15. 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.
16. The employer contribution and certain costs in relation to injury pensions still fall on the General Fund Balance.

Capital Programme Budget

17. During 2013/14 £2.772m was spent on new assets or improvements to existing ones. Expenditure was incurred on the approved vehicle programme, the new Command and Control system, minor property works and small equipment and IT schemes. The majority of the programme was, as planned, funded by grant.

Balance Sheet

18. At 31 March 2013 the FRA held Long Term Assets with a net book value of £41.409m. Professional advice has not identified any further impairment due to changes in the economic climate, and adjusting for disposals, depreciation, revaluation and capital expenditure, Fixed Assets are valued at £41.440m at 31 March 2014.
19. Long Term borrowing has remained unchanged, although some individual loans now fall due with 12 months. All borrowing is from the Public Works Loans Board (PWLB). The total value of Long Term loans (excluding short term accrued interest) at £14.471m remains well below the value of Long Term Assets.
20. The Balance Sheet shows liabilities in respect of the four pension schemes provided for staff.
21. The £6.177m liability on the Local Government Scheme will be covered by the continued level of employer contributions.
22. The Firefighters' schemes are statutory un-funded ones and the significant total liability of £289.400 is a result of this position. There is no requirement, or legal powers, for the FRA to fund this deficit, and any costs not financed by employee or employer contributions are met by direct government grant. More details on pensions can be found on pages 40-46.

Corporate Governance Arrangements

23. The FRA is responsible for ensuring that its business is conducted in accordance with relevant legislation and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, Members and Senior Officers are responsible for putting in place proper procedures for the governance of the FRA's affairs and the stewardship of the resources at its disposal.
24. During 2013/14 the FRA has reviewed the systems and processes it has in place to ensure sound corporate governance and to confirm that they are consistent with the principles outlined in the CIPFA/SOLACE Framework '*Corporate Governance in Local Government: A Keystone for Community Governance*.' The latest review of compliance with the code was approved by the FRA Audit Committee on 26 September 2013.
25. Many of the elements of the code had been in place since the creation of the FRA such as: Codes of Conduct, Codes of Practice, Policy Statements, Standing Orders, Financial Regulations, Internal Audit arrangements and Risk Management arrangements which have been strengthened as referred to in the Annual Governance Statement on pages 63-67.

Restatement

26. It has been necessary to restate the 2012/13 accounts, due to a revision of International Accounting Standard 19, this does not impact on the General Fund Balance and the resources available for service delivery. Information to show the impact of this restatement is included in Notes to the Accounts - Note 2 – Restatement of the Comprehensive Income and Expenditure Statement.
27. The restatement relates solely to the Local Government Pension Scheme, and has amended the following figures provided by the scheme's Pension Actuary, Mercers .

	Original £'m	Restated £'m
Current Cost of Service	0.608	0.623
Pension Admin Cost	0.000	0.010
Interest on Plan Assets	0.722	0.591

Memorandum of Understanding (MoU)

28. 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.
29. 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 are currently on track to be delivered by December 2014.

Post Balance Sheet Events

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

A STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

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

The Treasurer's Responsibilities

2. The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code') is required to provide a true and fair view of the financial position of the Authority at 31 March 2014 and its income and expenditure for the year ended 31 March 2014.
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 2014 and its income and expenditure for the year ended 31 March 2014.
5. In accordance with the Accounts and Audit Regulations 2011 10(2) I certify that the Statement of Accounts 2013/14 provides a true and fair view of the financial position of the Authority at 31 March 2014 and its income and expenditure for the year 2013/14.

Signature on original copy

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

Date

Issue Date

6. The date that these financial statements are authorised for issue is 24th September 2013. All known material events that have occurred up to and including this date which relate to 2013/14 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 2013/14 on 24th September 2014.

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 2013/14, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and International Financial Reporting Standards (IFRS).

Debtors and Creditors

2. The accounts of the FRA are maintained on an accruals basis, thus sums due to, or amounts owing by the FRA in respect of goods and services rendered but not paid for at 31 March are included in the accounts.
 - Creditors are included in the Balance Sheet and charged to the Comprehensive Income and Expenditure Statement (CIES) when goods or services have been received but not invoiced at the year end.
 - Debtors are included in the Balance Sheet and CIES where services have been provided but not reimbursed at the year end.
3. Exceptions to this policy are as follows:
 - Utilities (gas, telephone, electricity etc) and other annual fees, where invoices will be accounted for in the year they fall, providing that only one annual, four quarterly or twelve monthly invoices are charged in any one year.
 - Existing contracts for aerial sites where income will be accounted for in the year it falls providing that only one twelve monthly invoice is charged in any one year. New contracts of a material nature will be treated on a full accruals basis.
 - Employee expenses paid through payroll where the cut-off date for claim is 20th of the month, but where twelve months' claims will be included in the Comprehensive Income and Expenditure Statement.
4. Individual invoices of less than £500 are accounted for in the year they fall.

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.

VAT

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

Overheads and Support Services

7. 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.

8. 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)

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

Impairment

14. 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.
15. 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.
16. 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.

17. 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

18. 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.
19. 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.
20. 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.
21. 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.
22. 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

23. Heritage assets are those that are intended to be preserved in trust for future generations because of their cultural, environmental, educational or historical associations. They include historical buildings, civic regalia, orders and decorations (medals), military equipment and works of art.
24. Authorities are required to account for tangible heritage assets in accordance with FRS30 Heritage Assets
25. 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.
26. 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

27. 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

28. A depreciation charge is reflected within the Net Cost of Services in the Comprehensive Income and Expenditure Statement (CIES) and is calculated on all PP&E and Intangible assets according to the following policy:

- A charge is made for all fixed assets with a finite useful life. This charge is calculated using the straight line method.
- Land is not normally depreciated.
- Buildings are depreciated in accordance with IAS 16 – Property, Plant and Equipment, using the estimated life from the most recent valuation report, on a straight line basis over this period.
- Operational vehicles, plant and equipment have an asset life between 5 and 10 years. Fire appliances have an asset life of between 10 and 15 years. Both classes are depreciated on a straight line basis over these periods.
- Information technology assets have an average asset life of 5 years and are depreciated on a straight line basis over this period.
- Other equipment assets have an average life of 5-7 years, but depreciation is based on the expected life of each individual asset, on a straight line basis.
- Some equipment assets carried on fire appliances have a 15 year life and are depreciated accordingly.
- Newly acquired assets are depreciated from the year of acquisition.
- Assets in the course of construction are not depreciated until brought into use.
- Intangible assets are amortised over their average economic life (5 years).

29. Specific exceptions to this policy relate to a small number of low value properties have been valued without land being split out, and therefore land is being depreciated contrary to IFRS. The sums however are small and immaterial; the total amount of depreciation on both land and buildings in 2013/14 is £19,000 (2012/13 £19,000).

Financing of Capital Expenditure

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

Redemption of Debt

31. The FRA finances a proportion of its capital investment by raising loans. In accordance with the Local Government and Housing Act 1989, the Income and Expenditure Account is charged annually with a sum to provide for the eventual repayment of those loans. This sum is known as the Minimum Revenue Provision (MRP).
- Since 2008/09, under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, the FRA has been required to determine an appropriate MRP policy, which has been broadly to set aside sufficient funds over the life of the assets funded from net borrowing.
 - All expenditure from 2008/09 onwards - MRP using an 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.

Leasing Charges

32. 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.

33. During 2013/14 the Authority held both finance and operating leases under the definition of IAS 17 Leases. Finance leases are accounted for in accordance with IAS 17, operating leases are not capitalised and rentals are charged directly to the CIES in the year to which they relate. Finance leases are capitalised with transactions reflected on the Balance Sheet as fixed assets and deferred liabilities and through the CIES as interest payable and similar charges.

Non Current Assets held for Sale

34. 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.
35. 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

36. 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

37. 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

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

Types of pension schemes

39. 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.
40. The Authority participates in four schemes:
- The Firefighters' Pension Scheme (FFPS) (the "1992 Scheme"). This is a statutory un-funded defined benefit final salary scheme and has been closed to new entrants since 6 April 2006.
 - The New Firefighters' Pension Scheme (NFPS) (the "2006 Scheme") – is open to all uniformed staff (except Fire Control) and is also a statutory un-funded defined benefit final salary scheme, with differing benefits.
 - The Firefighters' Compensation Scheme (FFCS) (the Injury Scheme) – another statutory un-funded defined benefit scheme covering existing and new injury pensions.
 - The three Firefighters' schemes are unfunded meaning that there are no investment assets built up to meet the pensions' liabilities and cash has to be

generated to meet the actual pensions' payments as they eventually fall due. The arrangements are determined by the Department of Communities and Local Government.

- The Local Government Pension Scheme (LGPS) – subject to qualifying criteria, open to staff not covered by the Firefighters' schemes. This scheme is administered by Worcestershire County Council and is a funded defined benefit final salary scheme. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- In accordance with IAS 19 the Authority recognises the cost of retirement benefits within the Net Cost of Services, in the CIES, when they are earned, rather than when benefits are actually paid as pensions. However the charge to be made to the Council Tax, via the precepts, is based on the amount payable in the year. The difference is reversed out in the General Fund.

Interest on Balances

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

Government Grants and Contributions

42. Government grants and contributions are recognised in the CIES when conditions attached to the grant or contribution has been satisfied. Government grants and contributions that have not been satisfied are carried in the Balance Sheet as creditors.
43. 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

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

Collection Fund Adjustment Account

48. 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.

49. 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.
50. The IFRS treatment differs from the statutory accounting arrangement, where the FRA precepts directly on the Billing Authority and has no direct debtor or creditor relationship with individual council tax-payers.

Employee Benefits

Accumulating Compensating Absences

51. 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

52. 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

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

Reserves

54. At 31 March 2014 a general reserve is held to meet expenditure which may arise from unforeseen events.
55. In addition the FRA holds a variety of earmarked reserves to meet specific known future costs. The value and nature of the current reserves are disclosed in the Notes to the Core Financial Statements on pages 47-49.

Capital Accounting Reserves

56. Since 1 April 2007 there are two capital accounting reserves as part of the system of capital accounting. These are:

- **The Capital Adjustment Account**

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

- **The Revaluation Reserve**

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

Operating Segments

57. The CIPFA Code of Practice on Local Authority Accounting 2013/14 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.
58. Due to the nature of its operation, as a single purpose Authority, the FRA and the Service management team manage the organisation as an entity, and do not have relevant operating segments to report upon.

Exceptional Items

59. Where an item of expenditure, which due to its size or significance, would have a distorting effect on the CIES, this will be shown separately with an explanatory note. There are no such items in 2012/13 or 2013/14.

Actuarial Gains and Losses

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		2012/13 restated			2013/14		
	Notes	Gross Expd £000	Gross Income £000	Net Expd £000	Gross Expd £000	Gross Income £000	Net Expd £000
Gross Expenditure, Gross Income and Net Expenditure on Continuing Operations							
Operations & Rescues		29,318	(1,514)	27,804	29,739	(1,675)	28,064
Community Safety		4,842	(85)	4,757	4,662	(70)	4,592
Emergency Planning		95	(2)	93	93	(1)	92
Corporate & Democratic Core		1,296	(25)	1,271	1,299	(22)	1,277
Other Operating Expenditure		43	0	43	1,652	0	1,652
		35,594	(1,626)	33,968	37,445	(1,768)	35,677
Past Service Cost							
<i>Curtailment Costs (LGPS)</i>		102	0	102	23	0	23
<i>Transfer Benefit (NFPS)</i>		322	0	322	29	0	29
Cost of Services		36,018	(1,626)	34,392	37,497	(1,768)	35,729
Financing & Investment Income and Expenditure	3	13,522	(616)	12,906	14,201	(638)	13,563
Taxation & Non-Specific Grant Income	4		(33,822)	(33,822)		(32,381)	(32,381)
Deficit/(Surplus) on Provision of Services		49,540	(36,064)	13,476	51,698	(34,787)	16,911
Deficit/(Surplus) on revaluation of non-current assets	26-27			(181)			(1,046)
Actuarial gains/losses on Pensions Assets/Liabilities	67-71			35,549			(23,936)
Other Comprehensive Income and Expenditure				35,368			(24,982)
Total Comprehensive Income and Expenditure				48,844			8.071

The 2012/13 figures have been restated for the reasons outlined in paragraphs 24 to 26 on page 6

MOVEMENT IN RESERVES STATEMENT FOR THE 12 MONTHS ENDING 31 MARCH 2014

Note	General Fund 83 £000	Ear-marked Rev Res 84-87 £000	Unapplied Grant 88 £000	Cap Rcpts Reserve 89 £000	Total Useable 82 £000	Revaln. Reserve 91-92 £000	Capital Adj Acct 93-96 £000	Pensions Reserve 97-98 £000	Coll Fund Adj Acct 99 £000	Acc. Abs. Adj Acct 100 £000	Total Un-useable 90 £000	All Reserves £000
Balance at 31-Mar-2013	1,485	4,561	2,709	0	8,755	5,071	19,390	(302,053)	28	(160)	(277,724)	(268,969)
Surplus/(Deficit) on Provision of Services	(16,911)				(16,911)						0	(16,910)
Other Comprehensive Income & Expenditure					0	1,046					1,046	1,046
Surplus on revaluation of non-current assets					0			23,935			23,935	23,935
Movement in Pensions Reserve					0							
Reversal of items in the CIES												
<i>to be removed for determining movement in General Fund</i>												
Relating to Depreciation/Amortisation	2,079				2,079		(2,079)				(2,079)	0
Relating to Depreciation on un-realised gains					0	(103)	103				0	0
Relating to Revaluation/Impairment Losses	69				69		(69)				(69)	0
Relating to Retirement Benefits	21,036				21,036			(21,036)			(21,036)	0
Relating to assets held for sale w/off on disposal	133				133	(37)	(96)				(133)	0
Relating to Non-current assets w/off on disposal	1,520				1,520	(276)	(1,244)				(1,520)	0
Relating to Capital Receipts	(135)			135	0						0	0
Relating to Unapplied Capital Grants/Contributions	(904)		904		0						0	0
Relating to Grants used to Finance Expd			(1,606)		(1,606)		1,606				1,606	0
Relating to Capital Receipts used to Finance Expd					0						0	0
Relating to Council Tax Income	(172)				(172)				172		172	0
Relating to Non-domestic rates income	166				166				(166)		(166)	0
Relating to Compensated absences	(73)				(73)					73	73	0
Insertion of items in the CIES												
<i>to be included for determining movement in General Fund</i>												
Employers Contribution to Pension Schemes	(3,575)				(3,575)			3,575			3,575	0
Statutory Provision for Debt Repayment	(1,071)				(1,071)		1,071				1,071	0
Revenue Financing of Capital	(676)				(676)		676				676	0
Transfers Between Earmarked Reserves	(1,135)	1,135			0						0	0
Balance at 31-Mar-2014	1,837	5,696	2,007	135	9,675	5,701	19,358	(295,579)	34	(87)	(270,573)	(260,898)

SUMMARY OF MOVEMENTS

Balance at 31-Mar-2013	1,485	4,561	2,709	0	8,755	5,071	19,390	(302,053)	28	(160)	(277,724)	(268,969)
Movement in Reserves during 2011/12												
Deficit/(Surplus) on Provision of Services	(16,910)	0	0	0	(16,910)	0	0	0	0	0	0	(16,910)
Other Comprehensive Income & Expenditure	0	0	0	0	0	1,046	0	23,935	0	0	24,981	24,981
Total Comprehensive Income & Expenditure	(16,910)	0	0	0	(16,910)	1,046	0	23,935	0	0	24,981	24,981
Adjustments between accounting basis and funding basis under regulations	18,397	0	(702)	135	17,830	(416)	(32)	(17,461)	6	73	(17,830)	0
Net change before Earmarked Reserve Transfers	1,487	0	(702)	135	920	630	(32)	6,474	6	73	7,151	8,071
Earmarked Reserves Transfers	(1,135)	1,135	0	0	0	0	0	0	0	0	0	0
Net Movement in Year	352	1,135	(702)	135	920	630	(32)	6,474	6	73	7,151	8,071
Balance at 31-Mar-2013 Carried Forward	1,837	5,696	2,007	135	9,675	5,701	19,358	(295,579)	34	(87)	(270,573)	(260,898)

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

Note	General Fund 83 £000	Ear-marked Rev Res 84-87 £000	Unapplied Grant 88 £000	Cap Rcpts Reserve 89 £000	Total Useable 82 £000	Revaln. Reserve 91-92 £000	Capital Adj Acct 93-96 £000	Pensions Reserve 97-98 £000	Coll Fund Adj Acct 99 £000	Acc. Abs. Adj Acct 100 £000	Total Un-useable 90 £000	All Reserves £000
Balance at 31-Mar-2012	1,399	2,744	2,330	0	6,473	5,000	19,500	(250,977)	27	(148)	(226,598)	(220,125)
Surplus/(Deficit) on Provision of Services	(13,476)				(13,476)						0	(13,476)
Other Comprehensive Income & Expenditure												
Surplus on revaluation of non-current assets					0	181					181	181
Movement in Pensions Reserve					0			(35,549)			(35,549)	(35,549)
Reversal of items in the CIES												
<i>to be removed for determining movement in General Fund</i>												
Relating to Depreciation/Amortisation	2,314				2,314		(2,314)				(2,314)	0
Relating to Depreciation on un-realised gains					0	(99)	99				0	0
Relating to Revaluation/Impairment Losses	243				243	(11)	(232)				(243)	0
Relating to Retirement Benefits	19,083				19,083			(19,083)			(19,083)	0
Relating to Non-current assets w/off on disposal	65				65		(65)				(65)	0
Relating to Capital Receipts	(32)			32	0						0	0
Relating to Unapplied Capital Grants/Contributions	(1,169)		1,169		0						0	0
Relating to Grants used to Finance Expd			(790)		(790)		790				790	0
Relating to Capital Receipts used to Finance Expd				(32)	(32)		32				32	0
Relating to Council Tax Income	(1)				(1)				1		1	0
Relating to Compensated absences	12				12					(12)	(12)	0
Insertion of items in the CIES												
<i>to be included for determining movement in General Fund</i>												
Employers Contribution to Pension Schemes	(3,556)				(3,556)			3,556			3,556	0
Statutory Provision for Debt Repayment	(1,275)				(1,275)		1,275				1,275	0
Revenue Financing of Capital	(305)				(305)		305				305	0
Transfers Between Earmarked Reserves	(1,817)	1,817			0						0	0
Balance at 31-Mar-2013	1,485	4,561	2,709	0	8,755	5,071	19,390	(302,053)	28	(160)	(277,724)	(268,969)

SUMMARY OF MOVEMENTS

Balance at 31-Mar-2012	1,399	2,744	2,330	0	6,473	5,000	19,500	(250,977)	27	(148)	(226,598)	(220,125)
Movement in Reserves during 2011/12												
Deficit/(Surplus) on Provision of Services	(13,476)	0	0	0	(13,476)	0	0	0	0	0	0	(13,476)
Other Comprehensive Income & Expenditure	0	0	0	0	0	181	0	(35,549)	0	0	(35,368)	(35,368)
Total Comprehensive Income & Expenditure	(13,476)	0	0	0	(13,476)	181	0	(35,549)	0	0	(35,368)	(48,844)
Adjustments between accounting basis and funding basis under regulations	15,379	0	379	0	15,758	(110)	(110)	(15,527)	1	(12)	(15,758)	0
Net change before Earmarked Reserve Transfers	1,903	0	379	0	2,282	71	(110)	(51,076)	1	(12)	(51,126)	(48,844)
Earmarked Reserves Transfers	(1,817)	1,817	0	0	0	0	0	0	0	0	0	0
Net Movement in Year	86	1,817	379	0	2,282	71	(110)	(51,076)	1	(12)	(51,126)	(48,844)
Balance at 31-Mar-2013 Carried Forward	1,485	4,561	2,709	0	8,755	5,071	19,390	(302,053)	28	(160)	(277,724)	(268,969)

BALANCE SHEET

	Notes	31-Mar-2013 £000	31-Mar-2014 £000
Property Plant & Equipment	26-29	40,996	41,070
Intangible Assets	30-33	413	370
Long Term Assets		41,409	41,440
Inventories	56	200	147
Short Term Debtors	57	2,203	2,640
Assets Held for Sale	60	133	0
Cash & Cash Equivalents	58-59	7,509	8,477
Current Assets		10,045	11,264
Short Term Borrowing	37-45	(502)	(502)
Short Term Creditors	61	(3,255)	(3,419)
Current Liabilities		(3,757)	(3,921)
Long Term Creditors		0	0
Provisions	103-110	(46)	(34)
Long Term Borrowing	43	(14,567)	(14,065)
Other Long Term Liabilities	68-81	(302,053)	(295,579)
		0	0
Long Term Liabilities		(316,666)	(309,678)
Net Assets		(268,969)	(260,895)
Useable Reserves	82-89	8,755	9,678
Un-useable Reserves	90-100	(277,724)	(270,573)
Total Reserves		(268,969)	(260,895)

CASH-FLOW STATEMENT FOR 12 MONTHS ENDING 31 MARCH 2014

	Notes	Restated 2012/13 £000	2013/14 £000
Net (surplus) or deficit on the provision of services		13,335	16,910
Adjustments to net surplus or deficit on the provision of services for non cash movements		(17,600)	(21,417)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	112	(166)	481
Net cash flows from operating activities		(4,431)	(4,026)
Investing Activities	113	2,941	1,926
Financing Activities	114	703	1,133
Net increase or decrease in cash and cash equivalents		(787)	(967)
Cash and cash equivalents at the beginning of the period		(6,722)	(7,509)
Net increase or decrease in cash and cash equivalents in the Period		(787)	(967)
Cash and cash equivalents at the end of the reporting period		(7,509)	(8,476)

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The following issued accounting standards have not yet been adopted:

- IFRS 13 Fair Value Measurements – IFRS 13 defines fair value and sets out a framework for measuring fair value. It also identifies new disclosures in respect of fair value measurements. It provides a fair value hierarchy to be used in the valuation of assets and liabilities which will enable users to assess the valuation method used and its impact on the Balance Sheet and Comprehensive Income and Expenditure Statement. The changes will be presentational.
- IAS 32 – Financial Instruments: Presentation – IAS 32 outlines the accounting requirements for the presentation of financial instruments, particularly their classification into financial assets, financial liabilities and equity instruments. It also prescribes strict rules for offsetting financial assets and liabilities within the balance sheet. The changes will be presentational.

2. **Re-statement of the CIES**

In 2012/13 a revision has been made to the accounting treatment of Pensions, relating to an amendment to International Accounting Standard 19 (IAS19). This re-statement relates solely to the treatment of costs within the Local Government Pension Scheme. The re-statement does not affect the net cost of service and therefore there is no impact on the balance sheet.

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

	2012/13 as published			re-statement effect			2012/13 as restated		
	Gross Expd £000	Gross Income £000	Net Expd £000	Gross Expd £000	Gross Income £000	Net Expd £000	Gross Expd £000	Gross Income £000	Net Expd £000
Gross Expenditure, Gross Income and Net Expenditure on Continuing Operations									
Operations & Rescues	29,305	(1,514)	27,791	13		13	29,318	(1,514)	27,804
Community Safety	4,840	(85)	4,755	2		2	4,842	(85)	4,757
Emergency Planning	95	(2)	93				95	(2)	93
Corporate & Democratic Core	1,296	(25)	1,271				1,296	(25)	1,271
<i>sub-total</i>	35,536	(1,626)	33,910	15		15	35,551	(1,626)	33,925
Other Operating Expenditure	33	0	33	10	0	10	43	0	43
	35,569	(1,626)	33,943	25	0	25	35,594	(1,626)	33,968
Curtailment Costs (LGPS)	102		102			0	102		102
Transfer Benefits (NFPS)	322		322			0	322		322
Cost of Services	35,993	(1,626)	34,367	25	0	25	36,018	(1,626)	34,392
Financing & Investment Income and Expenditure	13,537	(747)	12,790	(15)	131	116	13,522	(616)	12,906
Taxation & Non-Specific Grant Income		(33,822)	(33,822)			0		(33,822)	(33,822)
Deficit/(Surplus) on Provision of Services	49,530	(36,195)	13,335	10	131	141	49,540	(36,064)	13,476
Loss on disposal of fixed assets			(181)			0			(181)
Actuarial gains/losses on Pensions Assets/Liabilities			35,690			(141)			35,549
Other Comprehensive Income and Expenditure			35,509			(141)			35,368
Total Comprehensive Income and Expenditure			48,844			0			48,844

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

	2012/13 £'000	2013/14 £'000
Interest payable and similar charges	615	608
Interest receivable and similar income	(25)	(36)
Pensions net interest cost and expected return on pensions assets	12,200	12,991
	12,790	13,563

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

	2012/13 £'000	2013/14 £'000
Council Tax income	20,923	18,749
National Non-Domestic Rates (NNDR) income and expenditure		4,934
Re-distributed National Non-Domestic Rates (NNDR)	10,893	
Council Tax Transition Grant		61
Capitalisation Provision Redistribution Grant		39
Transparency Code Set Up Grant		2
Rural Service Grant		13
2012/13 Council Tax Freeze Grant	626	
2013/14 Council Tax Freeze Grant		210
Revenue Support Grant (RSG)	211	7,469
	32,653	31,477
Non-specific Capital Grant	1,169	904
Total Grants	33,822	32,381

Members Allowances

5. The total amount paid to Members as Allowances and expenses under the adopted scheme was £52,016 (2012/13 £52,794). Details in respect of 2012/13 are given below:

			BASIC ALLOW.	SPEC. ALLOW.	EXPENSES	TOTAL
MR RC Adams	from	22-May-13	1,000.88		34.93	1,035.81
Ms PA Agar	from	17-May -13	1,016.52			1,016.52
Mr A Amos	from	17-May-13	1,016.52		23.60	1,040.12
Mr TJ Bean	to	06-May-13	115.73	134.74		250.47
Mr MH Broomfield	from	22-May-13	1,000.88		74.13	1,075.01
Mrs M Bunker	to	06-May-13	115.73		58.20	173.93
Mr JM Cairns	to	06-May-13	115.73			115.73
Mr JP Campion	to	23-May-13	168.90			168.90
Mr SC Cross	to	19-Jun-13	911.42			911.42
Mrs L Duffy			1,163.52	1,354.68	95.85	2,614.05
Mrs EA Eyre	to	23-May-13	168.90		23.85	192.75
Mr A Fry	from	17-May-13	1,016.52			1016.52
Mr DW Greenow	to	24-May-13	189.72			189.72
Mr WP Gretton	from	22-May-13	1,000.88		36.00	1036.88
Mr PS Grove	from	22-May-13				
	to	01-Mar-14	907.05		271.80	1,178.85
Mr AI Hardman			1,163.52			1,163.52
Mrs AT Hingley	from	22-May-13	1,000.88			1,000.88
Mrs LC Hodgson	to	23-May-13	168.90			168.90
Mrs GF Hopkins	to	06-May-13	115.73		55.80	171.53
Miss RE Jenkins	from	25-May-13	997.75		60.75	1,058.50
Brigadier P Jones CBE			1,163.52	5,418.96	348.75	6,931.23
Mrs MD Lloyd-Hayes			1,163.52		164.70	1,328.22
Mr RI Matthews			1,163.52		162.90	1,326.42
Mrs FM Oborski			1,163.52	1,064.93	154.80	2,383.25
Mr SR Peters	from	23-May-13	997.75		214.30	1,212.05
Mrs JA Potter	to	06-May-13	115.73			115.73
Mr D Prodger MBE			1,163.52	9,031.56	197.87	10,392.95
Prof JW Raine	from	23-May-13	997.75		25.20	1,022.95
Mr PJ Sinclair-Knipe	from	24-May-13	994.62		175.50	1,170.12
Mr TA Spencer	to	06-May-13	115.73	134.74	10.80	261.27
Mr CB Taylor			1,163.52	1,354.68	76.95	2,595.15
Mr DC Taylor			1,163.52	1,354.68	94.50	2,612.70
Mr JW Thomas	to	06-May-13	115.73		14.40	130.13
Mr PA Tuthill	from	22-May-13	1000.88		73.80	1074.68
Mr R Udall			1,163.52	1,064.93		2,228.45
R PJ Watts	to	01-Mar-14	1,066.56		132.30	1198.86
Mr TA Wells	to	23-May-13	188.92			188.92
Mr GC Yarranton	to	23-May-13	168.90		94.50	263.40
			28,426.41	20,913.90	2,676.18	52,016.49

Corresponding details in respect of 2012/13 were:

			BASIC ALLOW.	SPEC. ALLOW.	EXPENSES	TOTAL
Mr TJ Bean			1,163.52	1,354.68	-	2,518.20
Mr RAA Bullock	to	01-Mar-13	1,069.69	-	65.48	1135.17
Mrs M Bunker			1,163.52		0.00	1,163.52
Mr JM Cairns			1,163.52		0.00	1,163.52
Mr JP Campion			1,163.52		0.00	1,163.52
Mrs L Duffy			1,163.52	1,354.68	103.80	2,622.00
Mrs EA Eyre			1,163.52		173.18	1,336.70
Mr DW Greenow			1,163.52		64.35	1,227.87
Mr Al Hardman			1,163.52		34.92	1,198.44
Mrs LC Hodgson			1,163.52		37.42	1,200.94
Mrs GF Hopkins			1,163.52		249.31	1,412.83
Brigadier P Jones CBE			1,163.52	5,418.96	611.35	7,193.83
Mrs MD Lloyd-Hayes			1,163.52		219.02	1,382.54
Mr RI Matthews			1,163.52		176.49	1,340.01
Mrs FM Oborski			1,163.52		0.00	1,163.52
Mrs JA Potter			1,163.52		106.04	1,269.56
Mr D Prodger MBE			1,163.52	9,031.56	64.70	10,259.78
Mr CT Smith	to	03-Dec-12	785.06		0.00	785.06
Mr TA Spencer			1,163.52	714.97	145.24	2,023.73
Mr CB Taylor			1,163.52	1,354.68	66.93	2,585.13
Mr DC Taylor			1,163.52	1,354.68	488.83	3,007.03
Mr JW Thomas			1,163.52		158.48	1,322.00
Mr R Udall			1,163.52		0.00	1,163.52
Mr PJ Watts			1,163.52		173.99	1,337.51
Mr TA Wells	from	03-Dec-12	381.58		0.00	381.58
Mr GC Yarranton			1,163.52		233.29	1,396.81
			28,997.29	20,584.21	3,172.82	52,754.32
Independent Members of Standards Committee						
Mr RJ Gething			-	-	40.13	40.13
			-	-	40.13	40.13
			28,997.29	20,584.21	3,212.95	52,794.45

Officers' Emoluments

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

£	2012/13 No. of Staff	2013/14 No. of Staff
50,000 - 54,999	13	22
55,000 - 59,999	6	5
60,000 - 64,999	2	
65,000 - 69,999		
70,000 - 74,999	2	3
75,000 - 79,999		
80,000 - 84,999	1	1
85,000 - 89,999	1	
90,000 - 94,999		1
95,000 - 99,999	1	1
100,000 - 104,999		
105,000 - 109,999		
110,000 - 114,999		
115,000 - 119,999		
120,000 - 124,999	1	1
	27	34

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

Senior Officers

2013/14			Benefit		Pension	Total
Post Title		Salary	in Kind	Sub-Total	Contrib.	incl Pension
		£	£	£	£	£
Chief Fire Officer/Chief Executive	<i>U</i>	121,199	824	122,023	25,815	147,838
Deputy Chief Fire Officer	<i>U</i>	96,959	1,113	98,072	20,652	118,724
Assistant Chief Fire Officer	<i>U</i>	90,899	1,003	91,902	19,361	111,263
Director of Finance & Assets	<i>NU</i>	75,752	4,730	80,482	13,938	94,420
Head of Legal Services	<i>NU</i>	53,789	-	53,789	9,897	63,686
<i>U : Uniformed; NU : Non-Uniformed</i>		438,598	7,670	446,268	89,663	535,931
2012/13			Benefit		Pension	Total
Post Title		Salary	in Kind	Sub-Total	Contrib.	incl Pension
		£	£	£	£	£
Chief Fire Officer/Chief Executive	<i>U</i>	121,199	827	122,026	25,815	147,841
Deputy Chief Fire Officer						
Ceased Employment 31/07/2012	<i>U</i>	21,624	60	21,684	3,871	25,555
Deputy Chief Fire Officer	<i>U</i>	98,064	916	98,980	20,888	119,868
Assistant Chief Fire Officer	<i>U</i>	68,287	617	68,904	14,545	83,449
Acting Director of Corporate Services						
Ceased Employment 06/07/2012	<i>NU</i>	19,246	1,055	20,301	3,445	23,746
Director of Finance & Assets	<i>NU</i>	75,896	5,014	80,910	13,585	94,495
Monitoring Officer	<i>NU</i>	53,256	-	53,256	9,533	62,789
<i>U : Uniformed; NU : Non-Uniformed</i>		457,572	8,489	466,061	91,682	557,743

- The Deputy Chief Fire Officer post was filled on a temporary basis but this became permanent on 20 September 2012, following the resignation of the previous postholder.
 - The Assistant Chief Fire Officer was filled on a temporary basis from 9 July 2012, this became permanent on the 21 September 2012.
 - From July 2012 the Clerk/Monitoring Officer has also carried out the function of Head of Legal Services (the costs shown in the table include both roles). Prior to this date this service was provided by purchase from external suppliers.
 - Pension contributions in the above tables relate to average scheme contribution rates and not an individual pension pot. Uniformed staff (except the Deputy Chief Fire Officer who ceased employment in July 2012) are members of the Firefighters Pension scheme (FFPS), all other senior officers are members of the Local Government Scheme (LGPS).
8. Uniformed staff enjoy a preferential tax status (relating to their continuous duty system and requirement to respond to emergencies) in respect of cars, which means that the measured benefit in kind is substantially less than for non-uniform staff. The actual cost to the FRA of cars provided to each officer is not dissimilar.

Related Party Transactions

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

External Audit Fees

13. During 2013/14 Hereford & Worcester Fire Authority incurred the fees below in respect of external audit and statutory inspection, in accordance with the Audit Commission Act 1998.

	2012/13 £'000	2013/14 £'000
Fees payable to the Audit Commission:		
in respect of external audit services : 2011/12 Accounts	(4)	
In respect of external audit services : 2012/13 Accounts	(6)	
Fees payable to Grant Thornton:		
in respect of external audit services : 2012/13 Accounts	44	
in respect of external audit services : 2013/14 Accounts		44
	34	44

Leases

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

	31-Mar-13 £'000	31-Mar-14 £'000
Vehicles, Plant, Furniture and Equipment	19	0
	19	0

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

	31-Mar-13 £'000	31-Mar-14 £'000
Finance lease liabilities (net present value of minimum lease payments:		
Current	24	0
Non-current	0	0
Finance costs payable in future years	(1)	0
	23	0

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2012/13 £'000	2013/14 £'000	2012/13 £'000	2013/14 £'000
Not later than one year	24	0	23	0
Later than one year and not later than 5 years	0	0	0	0
Later than 5 years	0	0	0	0
	24	0	23	0

18. The minimum lease payments would not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. However, the FRA has no such leases.
19. The FRA has entered into Operating Leases for the provision of emergency and ancillary vehicles. The total rentals paid to lessors on Operating leases in the year totalled £55,470 (2012/13 £118,130).
20. The future minimum lease payments due under non-cancellable operating leases in future years are:

	31-Mar-2013 £'000	31-Mar-2014 £'000
Not later than one year	57	24
Later than one year and not later than 5 years	72	49
Later than 5 years	0	0
	129	73

Future Lease Commitment

21. The Authority has entered into a lease with the Police & Crime Commissioner for West Mercia, on 3rd April 2014 for the use of the Emergency Services Centre, Slideslow Drive, Bromsgrove. The lease is for a term of 30 years with an option to renew at an annual rent of £249,485.

Capital Expenditure

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

	2012/13 £'000	2013/14 £'000
New Buildings & Adaptations	1,250	2,346
Vehicles (including fitted equipment)	1,153	185
IT and Communication Equipment	834	186
Other Equipment	178	55
Total Capital Expenditure	3,415	2,772

23. Capital expenditure was financed as follows:

	2012/13 £'000	2013/14 £'000
Net Borrowing	2,288	490
Capital Receipts	32	0
Capital Grant	790	1,606
Revenue Contributions	305	676
	3,415	2,772

24. Capital Financing Requirement

	2012/13			2013/14		
	Owned £'000	Leased £'000	Total £'000	Owned £'000	Leased £'000	Total £'000
Opening CFR	15,958	116	16,074	17,064	23	17,087
Capital investment						
Operational assets	2,783		2,783	1,218		1,218
Assets not yet Operational	632		632	1,554		1,554
Sources of Finance						
Capital receipts	(32)		(32)			
Government grants and other contributions	(790)		(790)	(1,606)		(1,606)
Sums set aside from Revenue - Direct Revenue Financing	(305)		(305)	(676)		(676)
	2,288	0	2,288	490	0	490
Sums set aside from Revenue - Minimum Revenue Provision	(1,182)	(93)	(1,275)	(1,048)	(23)	(1,071)
Change in CFR	1,106	(93)	1,013	(558)	(23)	(581)
Closing CFR	17,064	23	17,087	16,506	0	16,506
Explanation of movements in year						
Increase in underlying need to borrow: unsupported by government financial assistance	1,106	n/a		(558)		
Increase in Capital Financing Requirement	1,106			(558)		

Capital Commitments

25. At 31 March 2014 the FRA had the following material commitments to capital schemes, for which budget provision has been provided:

- Replacement Malvern Station £0.485m
- Strategic Training Facilities £0.109m
- UPS Enhancement £0.107m

Property, Plant and Equipment

26. Movements in 2013/14

	Land and Buildings	Vehicles Plant, Furniture and Equipment	Surplus Assets	Assets not yet Operational	TOTAL Tangible Assets
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at 01 April 2013	32,199	20,060	673	766	53,698
Additions	792	402		1,554	2,748
Revaluation increases/(decreases) recognised in the Revaluation Reserve	855				855
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services:	(79)				(79)
Reclassifications	390	68	100	(558)	0
Reclassifications - to current assets held for sale					
Reclassifications - to intangible assets					
Disposals	(1,381)	(598)		(120)	(2,099)
At 31 March 2014	32,776	19,932	773	1,642	55,123
Accumulated Depreciation and Impairment at 01 April 2013	(1,202)	(11,320)	(180)	0	(12,702)
Reclassifications	5		(5)		0
Depreciation Charge for 2013-14	(533)	(1,432)	(47)		(2,012)
Depreciation written out to Revaluation Reserve	192				192
Depreciation written out to the Surplus/Deficit on Provision of Services	10				10
Derecognition - disposals	75	384			459
At 31 March 2014	(1,453)	(12,368)	(232)	0	(14,053)
Balance Sheet amount at 01 April 2013	30,997	8,740	493	766	40,996
Balance Sheet amount at 31 March 2014	31,323	7,564	541	1,642	41,070

27. Comparative Movements in 2012/13

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

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

29. Details of Assets Owned

	31-Mar-13	31-Mar-14
Buildings		
Fire Stations	27	27
Training and Development Centre	1	1
Service Headquarters	1	1
Logistics Facility (Workshop/Stores)	1	1
Houses – in use as offices	5	5
Houses – in use (residential)	2	1
Building temporary storage	1	1
Building – surplus asset	0	1
Other building in operational use	0	1

Intangible Assets

30. The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item or Property, Plant and Equipment.
31. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are 5 years.
32. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £67,000 charged to revenue in 2013/14 was charged to the IT cost centre and then absorbed as an overhead in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.
33. The movement on Intangible Asset balances during the year is as follows:

	2012/13 £000	2013/14 £000
Balance at start of year:	124	413
- Gross carrying amount	637	1,016
- Accumulated amortisation	(513)	(603)
Net carrying amount at start of year	124	413
Additions	226	24
Reclassification	173	0
Disposals	(21)	(2)
Accumulated amortisation on disposal	21	2
Amortisation for the period	(110)	(67)
Net carrying amount at end of year	413	370
Comprising:		
- Gross carrying amount	1,016	1,036
- Accumulated amortisation	(603)	(666)
	413	370

Heritage Assets

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

Financial Instruments

37. The classification of financial instruments included in the Balance Sheet and their carrying amounts are shown overleaf. (Additional information in respect of the Long Term Loans is given at notes 43-45):

	31-Mar-13			31-Mar-14		
	Long-term £000	Current £000	Total £000	Long-term £000	Current £000	Total £000
Short Term Deposits						
loans to WCC		7,492	7,492		7,750	7,750
	0	7,492	7,492		7,750	7,750
Loans & Receivables <i>(at amortized cost)</i>						
Trade Debtors		48	48		117	117
	0	48	48		117	117
	0	7,540	7,540		7,867	7,867
Financial Liabilities <i>(at amortized cost)</i>						
PWLB Borrowing	14,471	500	14,971	13,971	500	14,471
Trade Creditors		2,226	2,226		1,044	1,044
	14,471	2,726	17,197	13,971	1,544	15,515
Other Long Term Liabilities						
Finance Lease Liabilities	0	23	23	0	0	0
	0	23	23	0	0	0

Fair Value of Assets and Liabilities carried at amortised cost

38. Financial liabilities, financial assets represented by loans and receivable and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.
39. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.
40. The Fair Value of the loans at 31 March 2014 was £16.486m (£18.228m at 31 March 2013) as estimated by PWLB by reference to the “premature repayment” set of rates in force on 31 March 2014 (31 March 2013). For all other Financial Assets and Liabilities the Fair Value is equal to the Carrying Value.
41. The fair value of the liabilities is higher than the carrying amount because the Authority’s portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the balance sheet date (new loan rates).

Financial Instruments Gains and Losses

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

	Interest Expense 2012/13 £'000	Interest Income 2012/13 £'000	Interest Expense 2013/14 £'000	Interest Income 2013/14 £'000
Financial Liabilities				
PWLB Borrowing	609		607	
Finance Lease Interest	6		1	
Total	615	0	608	0
Short Term Deposits		25		36
	0	25	0	36

Long and Short Term Borrowing

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

	31-Mar-13			31-Mar-14		
	Long Term £'000	Short Term £'000	TOTAL £'000	Long Term £'000	Short Term £'000	TOTAL £'000
Loan Source						
Public Works Loans Board	14,471	500	14,971	13,971	500	14,471
	14,471	500	14,971	13,971	500	14,471
Analysis by Maturity						
Less than 1 year		500	500		500	500
Between 1 and 2 years	500		500	834		834
Between 2 and 5 years	2,834		2,834	2,500		2,500
Between 5 and 10 years	5,091		5,091	4,802		4,802
Over 10 years	6,046		6,046	5,835		5,835
Total of Loans	14,471	500	14,971	13,971	500	14,471
Accrued Interest	96	2	98	94	2	96
Balance Sheet Total	14,567	502	15,069	14,065	502	14,567

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

Financial Instruments – Exposure to Risk

46. The Authority's activities expose it to a variety of financial risks:
- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.
 - Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
 - Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.
47. The CIPFA Code of Practice on Treasury Management has been adopted by the FRA, and under the Service Level Agreement with Worcestershire County Council the County Council is obliged to, and does, adopt the Code also. In this way risks are actively managed.

Credit Risk

48. Under the Treasury Management SLA, the FRA invests surplus cash with WCC, but in return for receiving an average investment rate based on the Council's portfolio of investments the FRA shares risk in proportion to its value of the total portfolio. Credit risk also arises from credit exposures to the Authority's customers.
49. Amounts invoiced to customers are of relatively low value and are actively pursued by the in-house legal service.
50. The following analysis summarises the FRA's potential maximum exposure to credit risk based on actual experience in terms of deposits and percentage of debt which has been written off as unrecoverable in the last three years in terms of debtors (total £7,919).

	31-Mar-14 £'000	Written off in last 3 years £'000	Historical Default £'000
Loans to WCC	7,750	0	0%
Customers	117	8	4%
Total	7,867	8	

51. Of the £117,000 due from customers at 31 March 2014 the following table analyses the due dates.

	£'000
Not yet due	96
Less than 1 month overdue	0
1 to 2 months overdue	0
more than 2 months overdue	21
	117

Liquidity Risk

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

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

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

Market Risk

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

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

56. **Inventories**

	Equip & Uniform £'000	Fuel £'000	Vehicle Parts £'000	Total £'000
Balance outstanding at 31 March 2012	81	52	69	202
Purchases	121	176	32	329
Recognised as an expense in the year	(145)	(148)	(33)	(325)
Written off balances			(6)	(6)
Reversals of write-offs in previous years			1	1
Balance outstanding at 31 March 2013	57	80	63	200
Purchases	148	107	36	292
Recognised as an expense in the year	(147)	(164)	(31)	(342)
Written off balances			(4)	(4)
Reversals of write-offs in previous years	2			2
Balance outstanding at 31 March 2014	60	23	64	148

57. **Debtors**

	31-Mar-13 £'000	31-Mar-14 £'000
Central Government Bodies	386	406
Other Local Authorities	593	876
NHS	0	0
Public Corporations and Trading Funds	698	834
Other entities and individuals	526	524
	2,203	2,640

Cash and Cash Equivalents

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

	31-Mar-13 £'000	31-Mar-14 £'000
Cash held by the Authority	17	5
Bank Current Accounts	0	722
Short term deposits - loans to WCC	7,492	7,750
	7,509	8,477

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

60. **Assets Held for Sale**

	Current	
	2012-13	2013-14
	£000	£000
Balance outstanding at start of year	0	133
Assets newly classified as held for sale:		
Property Plant and Equipment	180	0
Revaluation Losses	(8)	0
Assets Sold	(39)	(133)
Balance outstanding at year-end	133	0

61. Creditors

	31-Mar-13 £'000	31-Mar-14 £'000
Central Government Bodies	503	791
Other Local Authorities	601	745
NHS	0	0
Public Corporations and Trading Funds	0	0
Other entities and individuals	2,151	1,883
	3,255	3,419

Termination Benefits and Packages

62. As a result of a redundancy process the FRA terminated the contracts of 15 employees, incurring liabilities of £0.136m.
63. The numbers of exit packages with the total cost per band are set out in the table below. The FRA did not pay any other exit packages.

	No. of Staff	Redundancy Payments £	Compromise Agreement £	Actuarial Strain £	Pay in lieu of Notice £	Total £
£0 to £20,000	14	63,747	3,500	5,336	29,444	102,027
£20,000 to £40,000	1	11,641	250	16,770	5,511	34,172
		75,388	3,750	22,107	34,954	136,199

Pension Arrangements

64. As part of the terms and conditions of employment of its staff, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.
65. The Authority participates in four schemes:
- The Firefighters' Pension Scheme (FFPS) (the "1992 Scheme"). This is a statutory un-funded defined benefit final salary scheme and has been closed to new entrants since 6 April 2006.
 - The New Firefighters' Pension Scheme (NFPS) (the "2006 Scheme") – is open to all uniformed staff (except Fire Control) and is also a statutory un-funded defined benefit final salary scheme, with differing benefits.
 - The Firefighters' Compensation Scheme (FFCS) (the Injury Scheme) – another statutory un-funded defined benefit scheme covering existing and new injury pensions.
 - The three Firefighters' schemes are unfunded meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet the actual pensions payments as they eventually fall due. The arrangements are determined by the Department of Communities and Local Government.
 - The Local Government Pension Scheme (LGPS) – subject to qualifying criteria, open to staff not covered by the Firefighters' schemes. This scheme is administered by Worcestershire County Council and is a funded defined benefit final salary scheme. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
66. The retirement benefits are recognised in the Net Cost of Service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax precept is based on the cash payable in the year, (as described in paragraph 65

below) so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement (MiRS).

67. Charges made to the Income and Expenditure Account for council tax precept purposes are as below:
- LGPS – the employer's contribution payable to the Pension Fund.
 - FFPS/NFPS – the notional employer's contribution payable into the Pension Account as explained in Paragraphs 13-14 on page 5 of the Explanatory Forward.
 - FFCS – the actual injury pensions and any RDS ill-health pensions payable.
68. Transactions made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement (MiRS) during the year are shown in the tables overleaf:

	LGPS 2013/14 £'000	FFPS 2013/14 £'000	NFPS 2013/14 £'000	FFCS 2013/14 £'000	TOTAL 2013/14 £'000
Income and Expenditure Account					
Net Cost of Services:					
Current Service Cost	741	4,860	1,690	690	7,981
Transfers In			28		28
Curtailment Cost	23				23
Other Operating Expenditure comprising					
Administration Expenses	13				13
Financing and Investment Income and Expenditure					
Net Interest Expense	361	10,830	540	1,260	12,991
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	1,138	15,690	2,258	1,950	21,036
Remeasurement of the net defined benefit liability comprising:					
Actuarial (gains)/losses on assets in the Firefighter Schemes (employee and employer contributions)		(4,916)	790		(4,126)
Experience (gains)/losses	304	(4,870)	(80)	(2,630)	(7,276)
Return on plan assets (excluding the amount included in the net interest expense)	(1,157)				(1,157)
Actuarial (gains) and losses arising on changes in demographic assumptions	160				160
Actuarial (gains) and losses arising in financial assumptions	(2,276)	(6,490)	(990)	(1,780)	(11,536)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(1,831)	(586)	1,978	(2,460)	(2,899)
Movement in Reserves Statement					
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(1,138)	(15,690)	(2,258)	(1,950)	(21,036)
Actual Amount charged against the General Fund Balance for pensions in the year:					
Employer's contribution payable to scheme	621	1,829	433		2,883
Retirement Benefits payable to Pensioners				692	692
Net Charge to General Fund	621	1,829	433	692	3,575

	LGPS 2012/13 £'000	FFPS 2012/13 Re-stated £'000	NFPS 2012/13 Re-stated £'000	FFCS 2012/13 Re-stated £'000	TOTAL 2012/13 Re-stated £'000
Income and Expenditure Account					
Net Cost of Services:					
Current Service Cost	623	3,970	1,220	520	6,333
Transfers In			322		322
Curtailment Cost	102				102
Other Operating Expenditure comprising Administration Expenses	10				10
Financing and Investment Income and Expenditure					
Net Interest Expense	336	10,420	390	1,170	12,316
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	1,071	14,390	1,932	1,690	19,083
Remeasurement of the net defined benefit liability comprising:					
Actuarial (gains)/losses on assets in the Firefighter Schemes (employee and employer contributions)		3,484	(643)		2,841
Experience (gains)/losses		(5,760)	960	(570)	(5,370)
Return on plan assets (excluding the amount included in the net interest expense)	(1,126)				(1,126)
Actuarial (gains) and losses arising on changes in demographic assumptions	239				239
Actuarial (gains) and losses arising in financial assumptions	2,127	36,130	1,480	4,910	44,647
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	2,311	48,244	3,729	6,030	60,314
Movement in Reserves Statement					
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(1,071)	(14,390)	(1,932)	(1,690)	(19,083)
Reversal of net charges made to Other Comprehensive Income and Expenditure for post-employment benefits in accordance with the Code					
Actual Amount charged against the General Fund Balance for pensions in the year:					
Employer's contribution payable to scheme	635	1,840	404		2,879
Retirement Benefits payable to Pensioners				677	677
Net Charge to General Fund	635	1,840	404	677	3,556

Pensions Assets and Liabilities Recognised in the Balance Sheet

	Funded Liability LGPS 2013/14 £'000	Un-funded Liability FFPS 2013/14 £'000	Un-funded Liability NFPS 2013/14 £'000	Un-funded Liability FFCS 2013/14 £'000	TOTAL 2013/14 £'000
Present value of the defined benefit obligation	21,560	250,364	13,133	25,903	310,960
Fair Value of Plan assets	(15,383)	0	0	0	(15,383)
Net liability arising from defined benefit obligation	6,177	250,364	13,133	25,903	295,577

	Funded Liability LGPS 2012/13 £'000	Un-funded Liability FFPS 2012/13 £'000	Un-funded Liability NFPS 2012/13 £'000	Un-funded Liability FFCS 2012/13 £'000	TOTAL 2012/13 £'000
Present value of the defined benefit obligation	22,103	252,780	11,589	29,055	315,527
Fair Value of Plan assets	(13,474)	0	0	0	(13,474)
Net liability arising from defined benefit obligation	8,629	252,780	11,589	29,055	302,053

Assets and Liabilities in relation to post-employment benefits

69. Reconciliation of the present value of scheme liabilities:

	Funded Liabilities (LGPS) 2013/14 £'000	Un-funded Liabilities (FFPS) 2013/14 £'000	Un-funded Liabilities (NFPS) 2013/14 £'000	Un-funded Liabilities (FFCS) 2013/14 £'000	TOTAL 2013/14 £'000
at 1 April	22,103	252,780	11,589	29,055	315,527
Current Service Cost	741	4,860	1,690	690	7,981
Interest Cost	963	10,830	540	1,260	13,593
Employee Contributions	220	1,096	367		1,683
Remeasurement Gains and Losses					
Experience (Gains) and Losses	304				304
Actuarial (Gains) and Losses arising on changes in demographic assumptions	160	(4,870)	(80)	(2,630)	(7,420)
Actuarial (Gains) and Losses arising on changes in financial assumptions	(2,276)	(6,490)	(990)	(1,780)	(11,536)
Past Service Costs (transfers in)			28		28
Losses/(Gains) on curtailments	23				23
Pensions Paid	(678)	(7,842)	(11)	(692)	(9,223)
at 31 March	21,560	250,364	13,133	25,903	310,960

	Funded Liabilities (LGPS) 2012/13 £'000	Un-funded Liabilities (FFPS) 2012/13 £'000	Un-funded Liabilities (NFPS) 2012/13 £'000	Un-funded Liabilities (FFCS) 2012/13 £'000	TOTAL 2012/13 £'000
at 1 April	18,243	213,344	6,978	23,702	262,267
Current Service Cost	623	3,970	1,220	520	6,333
Interest Cost	927	10,420	390	1,170	12,907
Employee Contributions	232	1,006	315	0	1,553
Remeasurement Gains and Losses					
Experience (Gains) and Losses	0	(5,760)	960	(570)	(5,370)
Actuarial (Gains) and Losses arising on changes in demographic assumptions	239				239
Actuarial (Gains) and Losses arising on changes in financial assumptions	2,127	36,130	1,480	4,910	44,647
Past Service Costs (transfers in)			322		322
Losses/(Gains) on curtailments	102				102
Pensions Paid	(390)	(6,330)	(76)	(677)	(7,473)
at 31 March	22,103	252,780	11,589	29,055	315,527

Reconciliation of fair value of scheme assets:

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

	Funded Liabilities (LGPS) 2013/14 £'000	Un-funded Liabilities (FFPS) 2013/14 £'000	Un-funded Liabilities (NFPS) 2013/14 £'000	Un-funded Liabilities (FFCS) 2013/14 £'000	TOTAL 2013/14 £'000
Fair value at 1 April	13,474	0	0	0	13,474
Interest Income	602				602
Remeasurement gain/loss					
Return on plan assets (excluding the amount included in the net interest expense)	1,157				1,157
Remeasurements gains/(losses)					
Firefighter schemes (employees and employers contributions)		4,917	(789)		4,128
Other (administration expenses)	(13)				(13)
Employer Contributions	621	1,829	433	692	3,575
Employee Contributions	220	1,096	367		1,683
Benefits Paid	(678)	(7,842)	(11)	(692)	(9,223)
at 31 March	15,383	0	0	0	15,383

	Funded Liabilities (LGPS) 2012/13 £'000	Un-funded Liabilities (FFPS) 2012/13 £'000	Un-funded Liabilities (NFPS) 2012/13 £'000	Un-funded Liabilities (FFCS) 2012/13 £'000	TOTAL 2012/13 £'000
Fair value at 1 April	11,290	0	0	0	11,290
Interest Income	591	0	0	0	591
Employer Contributions					
Remeasurement gain/loss					
Return on plan assets (excluding the amount included in the net interest expense)	1,126	0	0	0	1,126
Remeasurements gains/(losses)					
Firefighter schemes (employees and employers contributions)		3,484	(643)	677	3,518
Other (administration expenses)	(10)				(10)
Employer Contributions	635	1,840	404		2,879
Employee Contributions	232	1,006	315		1,553
Benefits Paid	(390)	(6,330)	(76)	(677)	(7,473)
at 31 March	13,474	0	0	0	13,474

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

72. Reconciliation of Movements in Net Pensions Liability:

	Funded Liabilities (LGPS) 2013/14 £'000	Un-funded Liabilities (FFPS) 2013/14 £'000	Un-funded Liabilities (NFPS) 2013/14 £'000	Un-funded Liabilities (FFCS) 2013/14 £'000	TOTAL 2013/14 £'000
at 1 April	8,629	252,780	11,589	29,055	302,053
Current Service Cost	741	4,860	1,690	690	7,981
Employer Contributions	(621)	(1,829)	(433)	(692)	(3,575)
Past Service Costs (Transfers In)	0	0	28	0	28
Administration Expenses	13	0	0	0	13
(Gain)/Loss from Curtailments	23	0	0	0	23
Interest on Liabilities	963	10,830	540	1,260	13,593
Interest on Assets	(602)	0	0	0	(602)
Net remeasurement gains and losses	(2,969)	(16,277)	(281)	(4,410)	(23,937)
at 31 March	6,177	250,364	13,133	25,903	295,577

	Funded Liabilities (LGPS) 2012/13 £'000	Un-funded Liabilities (FFPS) 2012/13 £'000	Un-funded Liabilities (NFPS) 2012/13 £'000	Un-funded Liabilities (FFCS) 2012/13 £'000	TOTAL 2012/13 £'000
at 1 April	6953	213,344	6,978	23,702	250,977
Current Service Cost	623	3,97	1,220	520	6,333
Employer Contributions	(635)	(1,840)	(404)	0	(2,879)
Past Service Costs (Transfers In)	0	0	322	0	322
Administration Expenses	10				10
Gain)/Loss from Curtailments	102				102
Interest on Liabilities	927	10,420	390	1,170	12,907
Interest on Assets	(591)	0	0	0	(591)
Net remeasurement gains and losses	1,240	26,886	3,083	3,663	34,872
at 31 March	8,629	252,780	11,589	29,055	302,053

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

74. Scheme History

	31-Mar 2010 £'000	31-Mar 2011 £'000	31-Mar 2012 £'000	31-Mar 2013 £'000	31-Mar 2014 £'000
Present value of liabilities:					
LGPS : Local Government Pension Scheme	17,655	16,879	18,243	22,103	21,560
FFPS : Firefighters' 1992 Scheme	212,108	194,462	213,344	252,780	250,364
NFPS : Firefighters' 2006 Scheme	4,230	4,850	6,978	11,589	13,133
FFCS : Firefighters' Injury Scheme	24,418	20,758	23,702	29,055	25,903
	258,411	236,949	262,267	315,527	310,960
Fair value of assets in the LGPS	10,309	11,111	11,290	13,474	15,383
	10,309	11,111	11,290	13,474	15,383
Net Liabilities of the scheme:					
LGPS : Local Government Pension Scheme	7,346	5,768	6,953	8,629	6,177
FFPS : Firefighters' 1992 Scheme	212,108	194,462	213,344	252,780	250,364
NFPS : Firefighters' 2006 Scheme	4,230	4,850	6,978	11,589	13,133
FFCS : Firefighters' Injury Scheme	24,418	20,758	23,702	29,055	25,903
Total	248,102	225,838	250,977	302,053	295,577

75. The liabilities show the underlying commitments that the FRA has in the long run to pay retirement benefits. The total liability of £295.577m has a substantial impact on the net worth of the FRA as recorded in the Balance Sheet, resulting in a negative overall balance of £260.895m

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

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

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

Basis for Estimating Liabilities

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

	LGPS 2013/14	FFPS 2013/14	NFPS 2013/14	FFCS 2013/14
Long-term expected rate of return on assets in the scheme				
Equity investments	7.00%	n/a	n/a	n/a
Government Bonds	3.40%	n/a	n/a	n/a
Other Bonds	4.30%	n/a	n/a	n/a
Property	6.20%	n/a	n/a	n/a
Cash/liquidity	0.50%	n/a	n/a	n/a
Mortality assumptions:				
Longevity at 65 for current pensioners				
Male	23.3	23.5	23.5	23.5
Female	25.7	25.5	25.5	25.5
Longevity at 65 for future pensioners				
Male	25.5	25.5	26.6	26.6
Female	28.0	28.6	28.6	28.6
Rate of inflation (RPI)				
Rate of inflation (CPI)	2.40%			
Rate of increase in salaries	3.90%	4.50%	4.50%	4.50%
Rate of increase in pensions	2.40%	2.50%	2.50%	2.50%
Rate for discounting scheme liabilities	4.60%	4.40%	4.40%	4.40%
Take-up of option to convert annual pension into retirement lump sum:				
take maximum cash	50%	n/a	n/a	n/a
take 3/80ths cash	50%	n/a	n/a	n/a

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

A change in underlying assumptions in the Fire Pension schemes have resulted in actuarial losses of £33.632m in 2013/14, compared to a loss of £34.209m in 2011/12.

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

	31-Mar-13	31-Mar-14
Cash and Cash Equivalents	502	372
Equities	12,226	14,164
Bonds	856	978
Total	13,584	15,514

Injury Awards

81. 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

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

	31-Mar-13 £'000	31-Mar-14 £'000
General Fund	1,485	1,838
Earmarked Reserves	4,561	5,697
Unapplied Grants	2,709	2,008
Capital Receipts Reserve	0	135
	8,755	9,678

83. General Fund Balance

	2012/13 £'000	2013/14 £'000
Balance at 01 April	1,399	1,485
Transfers from CIES	86	353
Transfers to CIES		
Balance at 31 Mar	1,485	1,838

Earmarked Reserves

84. Earmarked revenue reserves are held for a variety of purposes, the nature and value of these is outlined below:
- **Pensions Reserve** – To meet the potential cost of the Retained Firefighters' national settlement in relation to Unfair Treatment of Part-time Workers.
 - **New Fire Control Reserve** – Government has allocated significant capital grant to this project as well as a small revenue grant. The revenue grant will be used to offset specific annual revenue costs over a number of years once the new system is operational.
 - **Operational Activity Reserve** – To fund exceptional activity costs arising from spate conditions e.g. prolonged fires in the Malvern Hills or flooding.
 - **New Dimensions Reserve** – planned to be used to create additional training facilities and fund exercises in respect of New Dimensions.
 - **ICP Work-wear Reserve** – To match the budgeted routine replacement of non-PPE work-wear with the charging profile under the national Integrated Clothing Project (ICP). – The majority of this was utilised in 2012/13.

- **YFA Reserve** – Held for the Young Firefighters' Association to smooth annual expenditure.
- **Development Reserve** – To provide funding for capacity building or “invest to save” type initiatives to prepare for future grant reductions.
- **Capital Finance Phasing Reserve** – this arises from savings in capital financing costs as a result of re-phasing of the Major Buildings programme due to delays outside the control of the FRA. This will be used to finance capital expenditure in 2014/15 in accordance with the MTFP.
- **Property Maintenance Reserve** – to be utilised in 2014/15 to complete the programme of station maintenance planned and budgeted in 2013/14.
- **Budget Reduction Reserve** - in expectation of significant future pressures and the restructuring necessary to meet them, a reserve has been created to help smooth the transformation over the next few years.
- **Collection Fund Loss Reserve** – to meet the potential deficit arising at billing authorities following the increase in the anticipated arrears position, which will result in lower than budgeted for 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

85. The following reserves were utilised in 2012/13 and are now closed

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

86. A summary of movements is shown below.

	Balance at 31-Mar-13 £000	From/(to) Rev 13/14 £000	13/14 Savings £000	Balance at 31-Mar-13 £000
Pensions Reserve	422			422
New Fire Control Reserve	267			267
Operational Activity Reserve	300			300
New Dimensions Reserve	576	(104)		472
ICP Workwear Reserve	4			4
YFA Reserve	17			17
	1,586	(104)		1,482
Development Reserve	409	(24)		385
Capital Finance Phasing Reserve	575			575
Property Maintenance Reserve	213			213
Collection Fund Loss Reserve	0	130		130
Pension Tribunal Reserve	0		400	400
	1,197	106	400	1,703
Budget Reduction Reserve	1,778		733	2,511
	1,778	0	733	2,511
	4,561	2	1,133	5,696

87. The comparative movements for 2012/13 are summarised overleaf:

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

88. Unapplied Grant

	LPSA1 (Worcs) Reward Grant (Capital) £'000	Formula Capital Grant £'000	Control Rooms Funding £'000	CLG E&D Grant £'000	TOTAL £'000
Balance at 31 March 2012	332	1,173	789	36	2,330
Grant Received in Year		1,169			1,169
Used to Finance Capital Expenditure in 2012/13	(249)	0	(514)	(27)	(790)
Balance at 31 March 2013	83	2,342	275	9	2,709
Grant Received in year		904			904
Used to Finance Capital Expenditure in 2013/14	(83)	(1,461)	(53)	(9)	(1,606)
Balance at 31 March 2014	0	1,785	222	0	2,007

89. Capital Receipts

	2012/13 £'000	2013/14 £'000
Balance at 01 April	0	0
Net Proceeds from sale of fixed assets	32	135
Used to Finance capital expenditure	(32)	0
Balance at 31 March	0	135

90. Unusable Reserves

	31-Mar-13 £000	31-Mar-14 £'000
Revaluation Reserve	5,071	5,699
Capital Adjustment Account	19,390	19,358
Pensions Reserve	(302,053)	(295,579)
Collection Fund Adjustment Account	28	34
Accumulated Absences Adjustment Account	(160)	(87)
	(277,724)	(270,575)

Revaluation Reserve

91. The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:
- revalued downwards or impaired and the gains are lost;
 - used in the provision of services and the gains are consumed through depreciation, or;
 - disposed of and the gains are realised.
92. The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2012/13	2013/14
	£'000	£'000
Balance at 1 April	5,000	5,071
Upward revaluation of assets	251	1,071
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(70)	(25)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	5,181	6117
Difference between fair value depreciation and historical cost depreciation	(99)	(103)
Accumulated gains on assets sold	(4)	(37)
Accumulated gains on assets derecognised		(276)
Amounts written off to the Capital Adjustment Account	(7)	
Balance at 31 March	5,071	5,701

Capital Adjustment Account

93. The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.
94. The Account contains accumulated gains and losses on Investment Properties and gains recognised as donated assets that have yet to be consumed by the Authority.
95. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.
96. The table below provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2012/13	2013/14
	£'000	£'000
Balance at 1 April	19,500	19,390
Charges for depreciation and impairment of non-current assets	(2,204)	(2,011)
Revaluation gains/(losses) on Property, Plant and Equipment	(232)	(69)
Amortisation of intangible assets	(110)	(67)
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		(97)
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	(65)	(1,243)
	16,889	15,903
Adjusting amounts written out to the Revaluation Reserve - <i>difference in depreciation on historical & current cost basis</i>	99	103
	16,988	16,006
<u>Capital financing applied in the year:</u>		
Use of the Capital Receipts Reserve to finance new capital expenditure	32	0
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to to capital financing	790	1,606
Statutory provision for the financing of capital investment charged against the General Fund balance.	1,275	1,071
Capital expenditure charged against the General Fund balance	305	676
Balance at 31 March	19,390	19,359

Pensions Reserve

97. The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.
98. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing for years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	250,977	302,053
Actuarial gains or losses on pensions assets & liabilities	35,690	(23,935)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services the CIES	18,942	21,036
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,556)	(3,575)
Balance at 31 March	302,053	295,579

Collection Fund Adjustment Account

99. 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.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	27	28
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	1	172
Non-Domestic Rates		(166)
Balance at 31 March	28	34

Accumulated Absences Account

100. The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	(148)	(160)
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	(12)	73
Balance at 31 March	(160)	(87)

Contingent Liabilities

101. On 17th June 2010 FRAs were informed by the NJC that negotiations with representatives of RDS personnel in respect of the Unfair Treatment of Part-Time workers ruling were almost (but are not yet finally) completed. There were two parts to this agreement:
- A compensation payment, the costs of which have been accrued in the CIES, and;
 - Reversal of the unlawful exclusion of RDS personnel from the Firefighters' Pension Scheme before 2006.

102. On the latter point, no details of this element of the settlement have been given but the costs could be very significant. An earmarked reserve has been created for any actual costs that do arise.
103. 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.
104. Following guidance obtained from the Authority's Pension Advisors, it had been determined that the Authority faces no additional liability for taxation liability for these pensions, as the Fire fighters can not 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.
105. 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.

Provisions

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

Retirement Costs Provision

107. The provision was created in 2009/10 to reflect the potential liability arising from the circumstances surrounding the retirement of the then Chief Fire Officer.
108. The movement in the year represents the costs that have been incurred this year.
109. The remaining balance will meet the known future costs until they cease in 2015/16.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	37	25
Expenditure incurred in year	(12)	(12)
Contributions from Constituent Authorities		
Transfer back to CIES		
Balance at 31 March	25	13

Redundancy Provision

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

	2012/13 £'000	2013/14 £'000
Balance at 1 April	187	0
Transfer from CIES	(187)	0
Balance at 31 March	0	0

Settlement Provision

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

	2012/13 £'000	2013/14 £'000
Balance at 1 April	250	0
Net expenditure incurred	(132)	
Transfer from/(to) CIES	(118)	
Balance at 31 March	0	0

Clerk Costs Provision

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

	2012/13 £'000	2013/14 £'000
Balance at 1 April	0	21
Transfer from CIES	21	0
Balance at 31 March	21	21

Specific Government Grants

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

	2012/13 £'000	2013/14 £'000
Flood Rescue National Enhancement Project		
Fire Revenue Grant - New Dimensions	1,003	1,006
Fire Revenue Grant - Future Control Rooms		
Fire Revenue Grant - Firelink	223	257
Future Control Rooms Funding		
New Burdens - Council Tax Reform	27	
	1,253	1,263

Cashflow Statement – Operating Activities

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

	2012/13 £'000	2013/14 £'000
Interest Paid	(610)	(610)
Interest Received	25	29
Capital Grants	379	904
Proceeds of Sale of Capital Items	40	158
	(166)	481

115. Cashflow Statement – Investing Activities

	2012/13 £'000	2013/14 £'000
Purchase of Property, Plant & Equipment	3,384	3,017
Capital Grants received	(378)	(904)
Interest Received	(25)	(29)
Proceeds of sales of Property Plant & Equipment - Capital Receipts	(32)	(135)
Proceeds of sales of Property Plant & Equipment - Other	(8)	(23)
	2,941	1,926

116. Cashflow Statement – Financing Activities

	2012/13 £'000	2013/14 £'000
Interest Paid	610	610
Principal Payments on Finance Leases	93	23
Long Term Loans Raised	0	
Long Term Loans Repaid	0	500
	703	1,133

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

117. The Statement of Accounts contains estimated figures that are based on assumptions made by the FRA about the future or that are otherwise uncertain. Estimates are made based on past experience, current trends and other relevant factors. As some balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.
118. The items in the balance sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are set out below. The list does not include items which are carried at fair value based on recently observed market prices, such as land and buildings, for which the FRA relies on independent advice from specialist valuers.
119. Action has been taken by HMRC in other Fire Authorities, which relates to the retirement of whole time firefighters before reaching the age of 55, if they remain employed as Firefighters on the Retained Duty System. HMRC are stating that the individual loses their protected status for tax exemption as they have been re-employed. However, guidance has been sought from the Authority's Pension Advisors who have determined that the employee has not broken their service and so have not been re-employed. A reserve has been set up to cover any potential losses or costs that could arise in relation to this.
120. The Actuaries have provided an assessment of the effect of changes in the assumptions used in estimating the pension and assets included in the Accounts according to the requirements of IAS19.
- There are a range of actuarial assumptions which is acceptable under IAS19, particularly in respect of expected salary increases and demographic factors. The assumptions made are the responsibility of the FRA, after taking advice of the Actuaries. There are risks and uncertainties associated with whatever assumptions are adopted, as the assumptions are effectively projections of future investment returns and demographic experience many years into the future. Inevitably this involves a great deal of uncertainty about what constitutes a "best estimate" under IAS19. The Actuaries interpret this as meaning that the proposed assumptions are neutral, i.e. there is an equal chance of actual experience being better or worse than the assumptions used.

- The assumptions used are largely prescribed and reflect market conditions at 31 March 2014. 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.

121. Approximate increase in Net Liability

Change in financial assumptions 2012/13: Firefighters' Schemes		
	£'000	%
0.5% Decrease in rate of return in excess of earnings	7,235	2.50%
0.5 % Decrease in rate of return in excess of pensions	21,705	7.50%
2 years Increase in Member Life Expectancy	11,576	4.00%

Change in financial assumptions 2013/14 : LGPS		
	£'000	%
0.1% Increase in real discount rate	(454)	-7.50%
0.1% Increase in rate of increase in salaries	464	7.67%
1 Year Increase in Member Life Expectancy	394	6.51%

Property, Plant and Equipment

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

Critical Judgements in Applying Accounting Policies

124. 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:
125. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied. The House of Lords which declared retained firefighters were engaged in broadly similar work as wholtime firefighters and were therefore unlawfully excluded from access to the Firefighters Pension Scheme before 2006. Once a settlement is reached there will be potential pension costs to the Authority relating to the financial periods between July 2000 and April 2014. No details of costs are yet known, but a reserve has been created to meet some of the potential costs.

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

Kings Court EMC Ltd

125. The FRA is a member of Kings Court EMC Ltd, which manages ground maintenance on the common areas of the office site where the Headquarters building is located. The company is one that is limited by guarantee, for which the maximum liability to the FRA is £1. The turnover of the company for 2013/14 was £10,638 (2012/13 £10,638), and the FRA has appointed the unpaid Director of Finance and Assets as its director.

SUPPLEMENTARY FINANCIAL STATEMENT

Firefighters' Pension Fund

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

Firefighters' Pension Fund Account

	2012/13 £000	2013/14 £000
Contributions receivable		
Fire & Rescue Authority		
Contributions in relation to pensionable pay	(2,213)	(2,189)
Other	(31)	(87)
Firefighters' Contributions	(1,321)	(1,464)
	(3,565)	(3,740)
Transfers in from other schemes	(322)	(29)
Benefits Payable		
Pensions	5,777	6,053
Commutations & lump sum retirement benefits	570	1,751
Lump sum death benefits	59	63
Payments to and on account of leavers		
Transfers out to other schemes	10	3
Net amount payable for the year	2,529	4,101
Top-up grant payable by government	(2,529)	(4,101)
	0	0

Firefighters' Pension Fund Statement of Net Assets

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

	31-Mar-13 £000	31-Mar-14 £000
Current Assets		
Debtors		
Employer Contributions Due	96	105
Employee Contributions Due	58	72
Other		
Top Up receivable from the government	56	136
Prepayments		
Pensions paid in advance	489	522
Creditor		
<i>Amounts due to General Fund</i>	(699)	(835)
	0	0

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

To be completed

To be completed

To be completed

ANNUAL GOVERNANCE STATEMENT 2013/14

To be completed

To be completed

To be completed

To be completed

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 FRA but which are unpaid at the end of the financial year

DCLG/CLG

Department of Communities and Local Government. The Government department that was responsible for aspects of Local Authority and Fire and Rescue Authority activity.

Debtors

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

Depreciation

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

Fair Value

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

Fixed Assets

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

FRA

The Fire and Rescue Authority

FRS

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

GAD

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

ICP – Integrated Clothing Project

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

International Accounting Standard (IAS)

International Financial Reporting Standards (IFRS)

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

Impairment

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

Intangible Assets

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

LASAAC

The Local Authority (Scotland) Accounts Advisory Committee.

Long Term Borrowing

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

Operational Leasing

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

Provision

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

Reserve

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

Revenue Expenditure and Income

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

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 FRA to provide support for major incidents involving building collapse.