Staffordshire
Fire and Rescue Service
preventing • protecting • responding

Statement of Accounts
2013/14

Contents

Explanatory Foreword

Introduction

The purpose of the Explanatory foreward is to provide the reader with a broad understanding of the Authority's financial performance for the year ended 31 March 2014, by clearly explaining the Authority's funding position, and how this funding is spent in order to deliver the priorities as set out with the Corporate Safety Plan.

The Statement of Accounts sets out the financial activities of the Authority for the year ended 31 March 2014, and includes comparative figures for the previous year. The Statement of Accounts have 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 the International Financial Reporting Standards (IFRS). The Code of Practice and relevant guidance notes specifies the principles and practices of accounting required to give a "true and fair" view of the financial position and transactions of the Authority.

Due to the complex nature of the accounts a simpler version has been prepared and this can be obtained at www.staffordshirefire.gov.uk. This simplified statement has no formal legal standing but does provide a quick overview of the Authority's financial activities and eliminates many of the technical accounting adjustments.

Background

Stoke on Trent and Staffordshire Fire and Rescue Authority is responsible for the finances of Staffordshire Fire and Rescue Service (SFRS), with a net revenue budget of £42.5m for 2013/14. The Authority is responsible for providing fire and rescue services to a population of over one million people in the City of Stoke on Trent and the County of Staffordshire and attends approximately 9,000 emergency incidents per year. The Authority manages its affairs to ensure that proper arrangements are in place for delivering value for money through; securing financial resilience and challenging how it secures economy, efficiency and effectiveness. It is imperative that the Authority continues to play a leading role in the communities that it serves and through the continued provision of a high quality service will ensure that Staffordshire remains one of the safest places to be.

Accounting Statements

The Statement of Accounts is published to present fairly the financial position and transactions of the Authority in a fair and transparent manner. Its format is prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA). A glossary to explain some of the technical terms is included at the back of this report.

The main statements consist of:

- **Statement of Responsibilities for the Statement of Accounts** which sets out the responsibilities of the Authority and the Treasurer for the accounts;

- **Annual Governance Statement** which assesses the adequacy of the Authority's governance arrangements and identifies where improvements can be made;

- **Statement of Accounting Policies** which sets out the basis for recognising, measuring and disclosing transactions in the accounts;

- **Comprehensive Income and Expenditure Statement** which summarises income and expenditure on the Authority's services during 2013/14; and presents all the recognised gains and losses of the Authority during 2013/14;

- **Movement in Reserves Statement** which reconciles the Income and Expenditure Account with General Fund Balances taking into account contributions to reserves committed for future expenditure;

- **Balance Sheet** which sets out the Authority's financial position as at 31 March 2014;

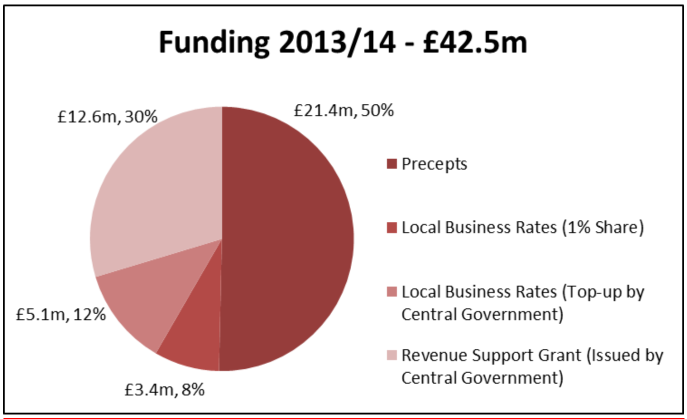
- **Cash Flow Statement** which summarises the inflows and outflows of cash in the year.

Where the funding came from

The Authority receives a 1% share of local business rates in addition to a Settlement Funding Allowance from Central Government, which includes an additional share of business rates (known as a top-up) and also a Revenue Support Grant; it also levies a precept on the nine local authorities within Stoke on Trent and Staffordshire. In addition to this it receives other income from partnerships and charges as a direct contribution to expenditure incurred.

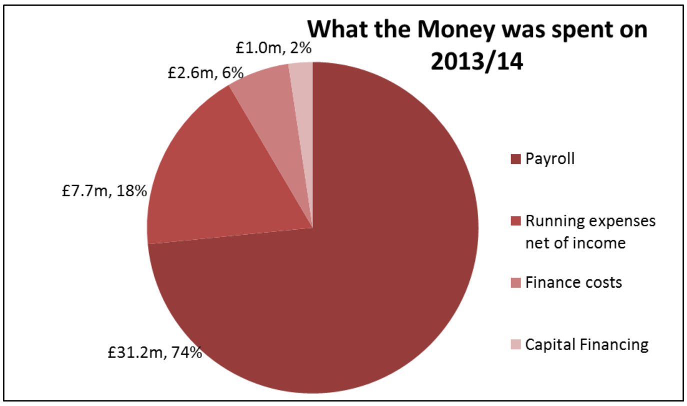
During 2013/14 the Authority agreed to freeze council tax resulting in a band D council tax remaining unchanged at £67.64 (less than £1.30 per week per property). The Government agreed to compensate those Authorities who held council tax at the same level as 2012/13, and compensation of £0.2m was received in the year.

Actual funding received in 2013/14 was as follows:



What the funding was spent on:

The Authority's actual revenue costs net of other income in 2013/14 can be summarised as follows:



Revenue Expenditure and the General Reserve

The Authority is required to prepare the accounts within the framework published by the Chartered Institute of Public Finance and Accountancy (CIPFA), the International Financial Reporting Standards (IFRS) and the Government, the results of which are a deficit for the year of £23.836m (2012/13 was a deficit of £12.902m). However, this includes pensions and depreciation costs which are not chargeable to tax payers (nationally and locally) and when these amounts are excluded, the final position for the financial year is break even and is set out in the following table:

	Actual £m
Revenue Expenditure	
Net Expenditure (Including net contribution to reserves)	42.5
Government grant & precept income	42.5
Deficit for the Year	0.0
Adjustments to Deficit for Taxation purposes from Statement of Movement on the General Fund Balance	0.0

	Actual £m
General Reserves	
General Reserves balance 1 April 2013	1.9
Break Even for the Year	0.0
General Reserves balance 31 March 2014	**1.9**
Other (useable) Reserves	
Other Reserves balance 1 April 2013	8.6
Net decrease in Reserves	(0.2)
Other (useable) Reserves balance 31 March 2014	**8.4**

This means that the General Reserve brought forward from 2012/13 remains at £1.9 million at the end March 2014. The Other (Useable) Reserve has reduced by £0.2m in the year, however £1.1m has been utilised as a contribution to capital spend, reducing the long term debt position for the Authority and also reducing the requirement for future provisions for repayment of debt.

The Useable Reserves will provide some financial resilience allowing investment in projects to enable future savings to be delivered by the Service in response to the significant funding reductions imposed on local Government, as part of the Central Government's ongoing austerity agenda, which has already reduced the funding for this Authority by almost £4m.

Capital Expenditure

In 2013/14 the Authority spent £2.3m on capital projects and these can be summarised as follows:

	£m	%
Land and Buildings	0.8	35
Vehicles, Plant and Equipment	0.8	35
Information Technology	0.3	13
Risk Reduction Equipment	0.4	17
Total Capital Expenditure	**2.3**	**100**

The capital programme for 2013/14 was reduced by £2m following the work carried out by the Business Transformation Team within the Emergency Response department and the Engineering Workshop. The savings resulted from a reduction in the number of vehicles and appliances procured during the year.

Land and buildings included £0.3m for the minor refurbishment of Eccleshall Fire Station, and also the completion of enabling works at Leek Fire Station prior to the new PFI2 build in 2015. A further £0.3m has been spent on minor building enhancements.

Risk reduction spend of £0.4m included equipment to support our Home Fire Risk Checks (HFRC) programme (e.g. smoke alarms, sprinklers). Around 28,000 HFRC's were completed free of charge within our communities during 2013/14, helping to support our vision of Staffordshire being one of the safest places to be, and also the Service to achieve another positive year with 27 deaths and injuries reported during the year (20 reported 2012/13, 27 reported 2013/14). Importantly the lowest level of accidental dwelling fires were recorded during 2013/14 in the history of the Service.

The capital expenditure was financed from two sources: £1.1m in year revenue contribution to capital, and £1.2m from government grants and other contributions. The Authority has not increased borrowing for the last three years and is actively engaged in reducing its Capital Financing Requirements and gross debt position, and utilising internal funding where possible. The Capital Financing Requirements has reduced by £1.3m year on year (see note 29).

Pensions

Accounting standards require the full cost of pension benefits as they are earned to be reported in the accounts. The impact of this requirement on the accounts is significant with the total liability for pensions amounting to £404 million and this is the main reason for the excess of £373 million worth of liabilities over assets.

In respect of the firefighters pension scheme the annual cost after contributions excluding the cost of ill health and injury awards are met from a top up grant from Central Government.

Financial Position

The net spending on revenue and capital during 2013/14 has maintained the Authority's general reserve as £1.9 million at 31 March 2014. This provides the Authority with flexibility in operating an emergency service that is faced by demand led activities and is vital to ensure that operational risks are adequately covered. In addition there is £11.6 million in other reserves of which £8.4 million are useable by the Service, earmarked to meet future specific costs, to be used as investment into spend to save projects, or general funding requirements for the Revenue or Capital Programme.

The overall reserves position has been increased during the last four years due to the commitment of this Authority to reduce costs alongside our ambitious Business Transformation Programme. This will ensure that the Authority is prepared for the significant funding cuts that are being imposed by central Government. As at 31 March 2014 this Authority has already experienced funding reductions amounting to £2.3m, with a further £1.6m announced for 2014/15 with further significant reductions of £1.5m forecast for 2015/16 and beyond.

The Business Transformation Team led by the Director for Organisational Development was established during 2010/11, and has been looking at new and innovative ways of improving the business processes within the Service, and has been instrumental in delivering the targeted savings programme with £3m of recurring revenue savings budgeted and delivered during the last three years.

From the 31 March 2014, all emergency “999” calls for West Midlands and Staffordshire fire and rescue services are now handled by a new joint shared fire control service following a successful project which has enabled the two organisations to merge their fire control rooms into one shared service operating from Vauxhall Road in Birmingham. Alongside Fire Control in the new shared service is the Home Safety Centre which has responsibility for receiving and managing calls about general home fire safety and take bookings for home safety checks from the communities of Staffordshire and the West Midlands. This ambitious project will deliver combined savings estimated at £1.5m per annum compared to the previous arrangements, helping both Services to meet the financial challenges currently faced.

The Service is also engaging in a number of workstreams, reviewing our overall strategic cover across Stoke on Trent and Staffordshire. Employees from across all disciplines have been involved in key review areas, looking at new and innovative ways of ensuring that we continue to provide a high quality service to the communities that we serve in Stoke on Trent and Staffordshire; but ensuring that our future response arrangements are fully aligned and commensurate to the risk that exists within the communities that we serve.

The Chief Fire Officer remains firmly committed to achieving the business transformation savings without compromising community or firefighter safety, whilst protecting as many livelihoods as possible.

Investments

The Authority is continuing to take a very cautious approach in investing its surplus cash in line with the Treasury Management Strategy. The approved lending list is restricted to UK Government backed deposits and AAA rated money market funds which reflect our risk averse approach to investments.

Future Developments

Staffordshire Fire and Rescue has continued with an ambitious investment programme supporting the Corporate Safety Plan and Medium Term Financial Strategy of the Authority. This Integrated Asset and Development Strategy (IADS) include a programme to update fire stations through a combination of Private Finance Initiative (PFI) and borrowing.

PFI 1

In 2006, the Authority successfully bid for £50m PFI credits to build three brand new fire stations and rebuild seven existing stations. The contract was awarded to Fire Support, and increased the number of fire stations in the Authority’s area from 30 to 33. The three new stations were built in new locations in response to information gathering and risk profiling. The ten stations in the project are now fully operational, delivered on time, on budget and to the required quality, with the last station (Newcastle) being handed over to the Authority on 25 November 2011. The other stations in the scheme were at Hanley, Burslem, Kidsgrove, Cannock, Tamworth, Mercia (Tamworth Retained), Sandyford and Uttoxeter. The stations have a clear community focus and community groups are encouraged to use the facilities at the stations.

PFI 2

In July 2013, the Authority achieved financial close on the second PFI deal, with £45m of PFI Credits was secured. This funding will enable ten further stations to be rebuilt across the County at Longton, Burton upon Trent, Lichfield, Leek, Chase Terrace, Penkridge, Kinver, Rugeley, Stone and Codsall and to build a brand new station at Loggerheads which will replace the current station at Ashley.

The phase two contractor is blue[3] consortium, formed through a partnership between Kier and Calderpeel. The consortium is responsible for the design, construction and ongoing maintenance of the buildings.

The new stations will be equipped with hi-tech operational facilities and have space for more community safety activities such as Student Firefighter courses. All of the new stations also incorporate dedicated rooms and amenities for the benefit of community groups, while stations crewed round the clock will have fitness equipment that can be used by supervised groups.

Community use

By 2016 the Authority will have 27 community fire stations across the County of Staffordshire all of which have some space made available, free of charge, to community groups and partners for activities which support the priorities of Staffordshire Strategic Partnership. The policy to provide facilities to the communities of Stoke on Trent and Staffordshire is underpinned by the county-wide strategic partnership objectives that "Staffordshire will have a thriving economy" and "Staffordshire will be a safe, healthy and aspirational place to live".

The application process ensures that groups run by the community for the benefit of the community and to date the community use is exceeding our expectations, with over 1700 hours of community use on average per month, allowing the Service to fully engage and better understand the needs of our communities. Community stations are providing a meeting place for more than 200 different groups, charities and public sector organisations across the country ranging from Staffordshire Police, the NHS, Citizens Advice Bureau and housing associations to music for the Turkish community, creative writing and gardening.

Through both PFI projects Stoke-on-Trent and Staffordshire Fire and Rescue Service will have a total of twenty one new or rebuilt stations by 2016, which is in addition to the station refurbishment programme which has already seen six stations fully refurbished as at March 2014.

Community Interest Company

Following the completion of the PFI1 project in 2011 the Authority established a Community Interest Company (CIC). The company is known as The Stoke on Trent & Staffordshire Safer Communities Community Interest Company. It was formed in partnership between public, private and voluntary sector with the primary purpose of providing opportunities to improve the health, safety, social and economic wellbeing of the communities of Stoke-on-Trent and Staffordshire. Its vision is to support active citizenship and financial sustainability through social enterprise and income generation.

The CIC is in its infancy and the financial position of the company is not material in terms of the overall financial position of the Authority therefore their figures do not form part of the Authority's Statement of Accounts. However, the position of the CIC might be of interest to the user and further details about the company's trading results can be found in note 28 on Page 54.

Further Information

The purpose of the Statement of Accounts is to give the reader a clear understanding of the Authority's finances. In this report I have attempted to provide analyses of what I believe are the key issues in a way that I hope is meaningful. I always welcome comments which would help improve the information hence a questionnaire has been included in the accounts.

Further information about the Accounts is available from the Finance Department, Pirehill, Stone, ST15 0BS. Also, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the Accounts for inspection is advertised in the local press throughout the County.

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David Greensmith ACMA CGMA
Director of Finance, Assets and Resources, Section 151 Officer, Treasurer to the Authority

Date: 9th September 2014

Audit Certificate

Independent Auditor's report to the Members of Stoke on Trent and Staffordshire Fire and Rescue Authority

Opinion on the Authority financial statements

We have audited the financial statements of Stoke on Trent and Staffordshire Fire and Rescue Authority for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 8. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Stoke on Trent and Staffordshire Fire and Rescue Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance, Assets and Resources and auditor

As explained more fully in the Statement of the Director of Finance, Assets and Resources Responsibilities, the Director of Finance, Assets and Resources is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance, Assets and Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Stoke on Trent and Staffordshire Fire and Rescue Authority as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Stoke on Trent and Staffordshire Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of Stoke on Trent and Staffordshire Fire and Rescue Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

James Cook
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

29th September 2014

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For this authority, the responsibility of Chief Financial Officer is allocated to the Director of Finance, Assets and Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

Chairman’s Certificate

I certify that the 2013/14 Statement of Accounts for Stoke on Trent and Staffordshire Fire and Rescue Authority were approved by the Audit Committee on 9th September 2014.

…………………………………………….

Mr P R Davies
Chairman of the Audit Committee

Date: 9th September 2014

The Chief Financial Officer Responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper accounting practices as set out in CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP). The Chief Financial Officer is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2014.

In preparing this statement of accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the local authority Code of Practice.

The Chief Financial Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Chief Financial Officer's Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Stoke on Trent and Staffordshire Fire and Rescue Authority as at 31 March 2014 and the income and expenditure for the year ending 31 March 2014.

……………………………………………..

David Greensmith ACMA CGMA
Director of Finance, Assets and Resources, Section 151 Officer, Treasurer to the Authority

Date: 9th September 2014

Annual Governance Statement

Scope of Responsibility

The Authority is responsible for ensuring that:

- Business is conducted in accordance with the law and proper standards,
- Public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging these overall responsibilities, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Authority has approved and adopted an updated Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework “Delivering Good Governance in Local Government”. Copies of the Code can be obtained from the Secretary to the Authority.

This statement explains how the Authority has complied with the Code and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The Governance Framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Governance Framework has been in place at the Authority for the year ended 31st March 2014 and up to the date of approval of the 2013/14 Statement of Accounts.

The Governance Framework

The Authority’s Governance Framework is made up of many systems, policies, procedures and operations. The key elements are as follows:

<u>Stoke-on-Trent and Staffordshire Corporate Safety Plan 2011-2014</u>

The Authority has consolidated the IRMP (Integrated Risk Management Plan) and the Strategic Plan into one document now called the Corporate Safety Plan that has established our Corporate Aims and Objectives for the three years to 2013/14. This Plan was approved by the Fire Authority on 22nd March 2011, and sets out the objectives and strategic priorities of the Authority based on extensive consultation with all stakeholders, and fulfills the requirements of the Fire & Rescue Service National Framework Document.

Performance Management

A well established and robust performance management system is in place throughout the Authority with regular performance monitoring being carried out by Directors. A detailed financial presentation is incorporated into the agenda of the Service Delivery Board which meets on a monthly basis and includes key stakeholders from across the Service.

A detailed Resource Control Report is published internally on a monthly basis and incorporates all of the key information expected as part of a commercially focused set of Management Accounts. The Resource Control Report closely monitors the performance of the Authority and achievement of actual savings realised through its robust Business Transformation Programme.

Revenue and Capital financial reports are presented to, and scrutinised by Members of the Authority's Strategy and Resources Committee on a quarterly basis.

As part of its corporate planning the Authority sets out the key performance indicators both quantitative and qualitative that measure the delivery of its strategic objectives. Achievements against these key performance indicators are reported monthly to the Service Delivery Board and regular monitoring reports are sent to the Scrutiny and Performance Committee. Performance reports inform resource allocation decisions.

Framework

The framework for running the Authority and Service are embodied in various statutes, standing orders, financial regulations, scheme of delegation, and there are Codes of Conduct for both members and staff. These are regularly reviewed and induction and training are provided where appropriate. The Authority has Terms of Reference for its Committees which are reviewed annually by the full Authority.

There are a range of policies including anti fraud and corruption, anti money laundering and a confidential reporting code (whistle-blowing) which are all reviewed and updated as appropriate.

The Authority has a robust process for risk management and business continuity with strategic risks that are linked into corporate objectives.

The Authority has well established methods of communication with various stakeholders and has invested in the development of a robust communications team.

Review of Effectiveness

The review of the effectiveness of internal control is informed by the work of Directors who have responsibility for the development and maintenance of the internal control environment, as well as the Authority's Monitoring Officer, Internal Audit and Managers who have day to day responsibility for ensuring the Governance Framework is functioning properly. Additional comments are made by external audit and other review agencies and inspectorates.

The Service Delivery Board, the Service Management Board, the Authority and its Committees have maintained their governance by setting the Annual Performance Plan and budget for 2013/14. During the financial year they have received, reviewed and scrutinised reports. Performance delivery and budget management have been kept under regular review and where appropriate remedial action and resource reallocation has been instigated. The Authority held a number of Member Development Workshops throughout the year to ensure that all Members were kept fully up to date with current issues affecting the Service, therefore maximising the effectiveness of Members and importantly their contribution to development and improvement of the Service.

Throughout the year Internal Audit has carried out a range of planned reviews of systems and internal controls across the Service. During 2013/14, twelve audit reviews were undertaken and Table 1 summarises the systems coverage against the Audit Plan and associated opinions:

Table 1

System Description	Opinion			
	Substantial	Satisfactory	Limited	Consultancy
National Fraud Initiative				√
Bank Account Reconciliation	√			
General Ledger	√			
Firefighter Pensions - Payroll Data Migration (Appendix 1)	√			
Payroll Processing Procedures	√			
Budgetary Control, Financial Monitoring & Reporting	√			
Performance Management Framework (Appendix 1)	√			
Procurement /Contracts – Property Maintenance Contracts		√		
Personnel System - Recruitment	√			
Training & Development	√			
Proactive Fraud & Corruption Checks	DRAFT			
Firewatch System Implementation Project Review		DRAFT		
Total Audits Delivered (12)	**9**	**2**	**0**	**1**

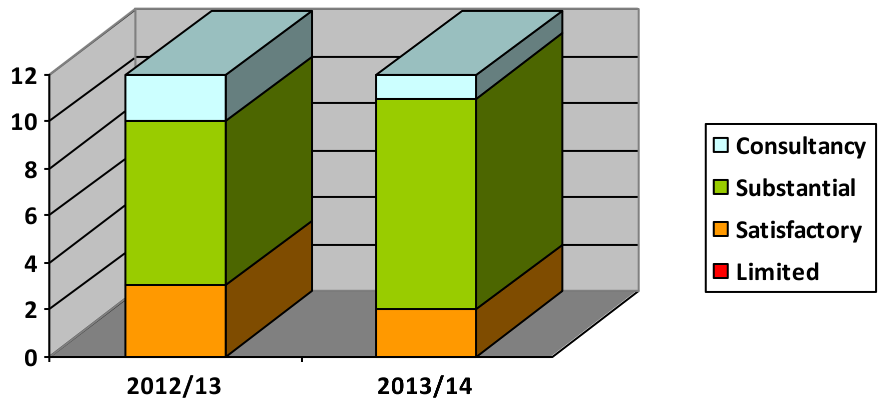
In addition to the above, a fraud awareness session was undertaken during 2013/14 for Members of the Audit Committee to provide an overview of fraud risks affecting Fire Authorities.

The opinions for the reviews completed have all been positive in that substantial assurance has been given to nine audits and satisfactory assurance for a further two audits. For the remaining review, no opinion was given due to the nature of the work undertaken.

No high level recommendations were made in the previous year, 2012/13, and therefore no follow-up work was necessary.

In relation to our planned internal audit work in 2013/14, one high level recommendation has been made as part of our review, this recommendation will be followed up during 2014/15 to ensure its satisfactory implementation.

A comparison of the internal audit opinions issued year on year is shown in the chart below and demonstrates an increase in the percentage of reports that resulted in a substantial opinion. In 2012/13, these accounted for 58% of reports issued, where as in 2013/14, 75% of reviews carried out have been awarded a substantial opinion in relation to the system and application of internal controls.



Based upon and limited to the results of Internal audit work undertaken in 2013/14, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes, together with the fact that there were no irregularities referred to Internal Audit during this period, a "substantial assurance" opinion has been given to Stoke on Trent and Staffordshire Fire Authority's system of internal control for the 2013/14 financial year.

Performance against the UK Public Sector Internal Audit Standards *(PSIAS)*

The UK PSIAS came into force on 1st April 2013 with the aim of promoting further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. A Local Government Application Note has also been developed by CIPFA to provide further explanation and practical guidance on how to apply the standards within Local Government organisations including Fire Authorities.

The UK PSIAS include a number of requirements including a specific requirement to maintain a quality assurance and improvement programme (QAIP), which is designed to assess the efficiency and effectiveness of internal audit as well as identify opportunities for improvement. There are three key elements to the QAIP:

- **On-going and periodic internal assessment** – Ongoing and periodic assessment of the entire spectrum of audit and consulting work performed by the internal audit activity. Periodic assessments should be undertaken by other officers of the organisation who have sufficient knowledge of internal audit practices

- **Five-yearly external assessment** – External assessments of internal audit should be undertaken every five years. The assessment should to be performed by qualified and independent assessors or assessment teams that are external to the organisation. They can be undertaken as a full external evaluation or a self-assessment with independent external validation

- **Improvement programme** - If the assessments' results indicate areas for improvement, the HIA will implement the improvements through the QAIP

This is the first year of assessment against the new UK PSIAS and CIPFA Local Government Application Note which contain additional requirements over and above those previously included within the CIPFA Code of Practice for Internal Audit (2006). The HIA has carried out the first self-assessment exercise against the new standards, the results of which are summarised below. It can be seen that 89% of the standards are deemed to be fully in place.

Process/control In-Place	Process/control Partially In Place	Process/control Not In Place	Process/control Not Applicable
274 (89%)	11*** (4%)	19*** (6%)	4 (1%)

For those areas of partial/non-compliance a detailed action plan has been produced, although none of these are considered to significantly affect the effectiveness of Internal Audit. The key areas where improvements have been identified relate to:-

- Determining the arrangements relating to the future five yearly external assessment;
- The need to formalise Internal Audit's approach to using other sources of assurance i.e. assurance mapping;

- The need to review current reporting arrangements including a statement on conformance with the UK PSIAS on an annual basis; and
- The need to review the performance appraisal arrangements in place for the HIA

The full results of this self- assessment exercise are reported to the Audit Committee within the annual review of the effectiveness of internal audit.

External Audit

On 25 November 2012 the Strategy and Resources Committee considered the Annual Audit Letter for 2012/13.

The Audit Commission issued an unqualified opinion within the Annual Audit Letter for the Financial Statements stating that Staffordshire Fire and Rescue Service has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources for the year ended 31 March 2013.

Within the determination the Audit Commission considered the following two areas, to ensure that the Authority has proper arrangements in place for securing value for money, through:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness

Ongoing Review and Governance Arrangements

We propose over the coming year to keep our governance arrangements under review by supplying periodic reports to members of the Audit Committee.

……………………………………

L W Bloomer
Chair of Stoke on Trent and
Staffordshire Fire and Rescue Authority:

Date: 9th September 2014

…………………………………….

P Dartford
Chief Fire Officer / Chief Executive:

Date: 9th September 2014

……………………………………..

D Greensmith ACMA CGMA
Director of Finance, Assets and Resources /Section 151 Officer /Treasurer to the Authority

Date: 9th September 2014

Statement of Main Accounting Policies

1. General Principles

The Statement of Accounts have 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 the International Financial Reporting Standards (IFRS).

2. Property, Plant and Equipment

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.

PP&E valued 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). Assets included on the Balance Sheet are revalued sufficiently regularly, as a minimum every five years. In 2013/14 the entire land and buildings portfolio, with the exception of the eleven PFI2 sites, have had a full valuation. The PFI2 sites will be valued on completion, five in 2014/15 and the remaining six in 2015/16.

Revaluation gains are taken to the revaluation reserve and revaluation losses are written off against any balance on the revaluation reserve for that asset or to the Comprehensive Income and Expenditure account if the balance on the revaluation reserve is less than the loss.

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.

The Authority has a de-minimus of £10,000.

Component accounting

From the 1st April 2010 the Authority has adopted component accounting, as set out in IAS 16 – Property, Plant & Equipment. The Authority has componentised all Property, Plant and Equipment where the components have a distinctly different economic life. This enables 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.

Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts have been grouped together.

Where a component of an existing asset has to be de-recognised and the component amount is not known, then an estimate using a reasonable basis has been used. The component calculation is established using the replacement cost of the component, indexed back to the original component's inception and adjusted for any subsequent depreciation and impairment.

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.

3. Intangible Assets

The Authority defines intangible assets as identifiable non-monetary asset without physical substance; as per IAS 38. The intangible assets (e.g. computer software) are measured at cost.

4. Basis of Charge for the use of Assets

A depreciation charge is reflected in the 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. According to the most recent valuation report, all buildings have an asset life of 60 years and are depreciated 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 11 and 15 years. Both classes are depreciated on a straight line basis over these periods.

- Information technology assets have an asset life of 3-5 years and are depreciated on a straight line basis over this period.

- Newly acquired assets are depreciated from the year following acquisition. Assets in the course of construction are not depreciated until used.

- Intangible assets are amortised over their economic life (between 3 and 10 years).

5. Revenue Provision for the Repayment of Debt

In accordance with the requirements of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 the Authority is required to calculate a 'prudent' level for the repayment of debt. This is achieved through an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. This charge is calculated as follows:

- For capital expenditure incurred before 1st April 2008 or which in the future is supported capital expenditure, the Minimum Revenue Provision (MRP) policy is to set aside a provision equal to 4% of the previous year's Capital Financing Requirement.

- From 1st April 2008 for all unsupported borrowing, excluding finance leases, the MRP policy uses the Asset Life Method i.e. MRP will be an annual charge based on the estimated life of the assets. The provision is set aside in the year following the capital expenditure.

6. Leasing Charges

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.

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

7. Non current assets held for sale

Non-current assets are 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.

The asset is revalued and carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

8. Capital Receipts

Capital receipts from the disposal of assets are treated in accordance with the provisions of the Local Government Act 2003.

9. Inventories

Workshop, Fuel and Stores inventories are maintained, and where material, are shown in the Balance Sheet. The workshop inventory is valued at the lower of cost or net realisable value. The stores' inventory is valued at the weighted average and the fuel is valued at cost. Other immaterial inventories, e.g. stationery, are fully charged to the CIES in the year of purchase.

The Authority does not currently provide for obsolescence or loss in value since amounts written off remain fairly constant and therefore equate to an annual provision.

10. Debtors and Creditors

The Accounts have been prepared on an accruals basis and provision for sums due to or owed by the Authority is included in the accounts where the cash has not actually been received or paid during the year. Income has only been included in the accounts when it can be realised with reasonable certainty. Proper allowance is made for known losses or liabilities where these are material and can be reasonably estimated otherwise these are disclosed by way of note as contingent liabilities.

11. Pensions

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

Types of pension schemes

The Authority participates in two different pension schemes, which meet the needs of employees.

a) Firefighters

   This scheme is unfunded and the charge to the accounts represents the Authority's (as employer) contribution to the fund for the year.

b) Other Pensionable Employees

   Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The pension costs that are charged to the Authority's accounts in respect of these employees are equal to the contributions paid to the funded pension scheme for these employees.

In accordance with IAS 19 the authority recognises the cost of retirement benefits within the Net Cost of Services, 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.

12. Interest on Balances

During the year surplus money was invested and the interest earned credited to the Comprehensive Income and Expenditure Statement.

13. Government Grants and Contributions

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. 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.

14. Changes in Accounting Policies

The Authority has reviewed its accounting policies in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors which sets out the principles to be adopted and disclosures that are required within the Statement of Accounts. Any appropriate changes have been applied.

15. Financial Liabilities

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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure in the CIES in the year of repurchase/settlement.

However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts are charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

16. Financial Assets

Financial assets are recognised when the Authority becomes party to a financial instrument contract and are de-recognised when the contractual rights have expired.

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to CIES is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the CIES.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the CIES.

17. Collection Fund Adjustment Account

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.

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.

18. Private Finance Initiative (PFI)

PFI transactions are treated in the Authority’s accounts in accordance with latest recommended practice of Control of Assets (IFRIC12 – Service concession arrangements).

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI scheme and the ownership of the fixed assets will pass to the Authority at the end of the contract for no additional charge, the Authority carries the fixed assets used under the contract on the Balance Sheet.

Fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year (known as Unitary Charges) are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the CIES
- Finance costs – an interest charge of an agreed % on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the CIES
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the CIES
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- Lifecycle replacement costs (regular planned refurbishments) – recognised as fixed assets on the Balance Sheet.

19. Employee Benefits – Accumulating Compensating Absences

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.

20. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the Authority’s cash management.

21. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover unexpected events and contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When the expenditure to be financed from reserves is incurred, it is charged to the appropriate service line in the Comprehensive Income and Expenditure Statement (CIES) in that year, to score against the Surplus or Deficit on the Provision of Services in the CIES. The corresponding amount is then transferred from the reserve account back into the General Fund to ensure that there is no net charge on the council tax for the expenditure.

The Authority holds the following Usable Reserves:

- **General Reserve** – a risk assessment of the pressures likely to face the Authority is undertaken, and the current balance on this reserve represents those identified high and medium risks, in proportion to the probability of their occurrence.

- **Earmarked Reserves Revenue Grants** – the balance held represents grants received which have no outstanding conditions but have not been fully utilised in the year; the grant is fully recognised in the CIES.

- **Capital Grants Unapplied** – the balance held represents grants received and fully recognised in the CIES but have not been applied to an acquisition.

- **Civil Contingency Reserve** – this reserve is made up of budgeted contributions and unspent balances from previous years. It is held as a contingency to cover unexpected occurrences.

- **Other Reserve** – the balance held represents invest to save and efficiency drive targets to fund initiatives as part of our Business Transformation Programme, other future projects or future uncertainties in funding. It is made up of budgeted contributions and planned efficiency savings from previous years.

The Authority holds the following Unusable Reserves:

- **Collection Fund Adjustment Account** – the balance held represents the accrued council tax income presented in the CIES.

- **Capital Adjustment Account** – the balance held represents 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.

- **Pension 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.

- **Revaluation Reserve** – contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment, and Intangible Assets.

22. Overheads and Support Services

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 for Local Authorities 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 costs of discretionary benefits awarded to employees retiring early.

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.

23. Heritage Assets

The Authority holds a number of heritage assets. The assets are held in secure locations, either Fire Stations or the local City Museum.

The assets are appropriately and sensitively preserved and insured 20% above the valuation. The Authority does not seek to acquire assets of this nature, and has no intention of disposing of the assets currently held.

The assets have been valued by an independent specialist based on current open market sale value.
Due to the value of the assets held they are not recognised in the balance sheet in accordance with the code.

24. Accounting Standards That Have Been Issued But Not Yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom has introduced several changes in accounting policies that need to be disclosed. The Code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

- **IFRS 10 Consolidated Financial Statements**
  This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The Authority does not have any subsidiaries and there is therefore no impact as a result of these changes.

- **IFRS 11 Joint Arrangements**
  This standard addresses the account for a ‘joint arrangement’, which is defined as an arrangement over which two or more parties have joint control. These are classified as either a joint venture or joint operations. In addition proportionate consolidation can no longer be used for jointly controlled entities. This change will have no effect as the Authority already account for its share of the assets, liabilities, revenue and expenses of the Joint Control Room arrangement within these accounts – which is prescribed under the joint operations approach.

- **IFRS 12 Disclosures of Involvement with Other Entities**
  This is a consolidation disclosure standard requiring a range of disclosures about an entity’s interests in subsidiaries, joint arrangements, associates and unconsolidated ‘structured entities’. The adoption of this IFRS does not materially affect the Authority as the nature of the Joint Control Room with West Midlands Fire is already disclosed within the Authority’s accounting policies and in Note 34 on page 58.

- **IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures**
  These statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements, there is therefore no impact as a result of these changes.

- **IAS 32 Financial Instruments Presentation**
  The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and no further disclosure is required.

- **IAS 1 Presentation of the Financial Statements**
  The changes clarify the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the Statement of Accounts.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	Note	General Fund (GF) Balance £'000	Earmarked GF Reserves £'000	TOTAL USABLE RESERVES £'000	UNUSABLE RESERVES £'000	TOTAL AUTHORITY RESERVES £'000
Balance as at 31 March 2013		1,906	11,843	**13,749**	(393,066)	**(379,317)**
Movement in reserves during 2013/14						
Surplus or (deficit) on provision of services		(23,836)		**(23,836)**	**0**	**(23,836)**
Other Comprehensive Income & Expenditure				**0**	**30,293**	**30,293**
Total Comprehensive Income & Expenditure		(23,836)	0	**(23,836)**	**30,293**	**6,457**
Adjustments between accounting basis & funding basis under regulations	1	23,616	0	**23,616**	(23,616)	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves		(220)	0	**(220)**	6,677	**6,457**
Transfers to/from Earmarked Reserves		220	(220)	**(0)**	**0**	**(0)**
Increase / Decrease in year		(0)	(220)	**(220)**	6,677	**6,457**
Balance as at 31 March 2014 c/f		1,906	11,623	**13,529**	(386,389)	**(372,860)**

	General Fund (GF) Balance £'000	Earmarked GF Reserves £'000	TOTAL USABLE RESERVES £'000	UNUSABLE RESERVES £'000	TOTAL AUTHORITY RESERVES £'000
Balance as at 31 March 2012	1,906	9,866	**11,772**	(320,924)	**(309,152)**
Movement in reserves during 2012/13					
Surplus or (deficit) on provision of services	(12,902)		**(12,902)**	0	**(12,902)**
Other Comprehensive Income & Expenditure			**0**	(57,263)	**(57,263)**
Total Comprehensive Income & Expenditure	**(12,902)**	**0**	**(12,902)**	(57,263)	**(70,165)**
Adjustments between accounting basis & funding basis under regulations	14,879	0	**14,879**	(14,879)	**0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**1,977**	**0**	**1,977**	(72,142)	**(70,165)**
Transfers to/from Earmarked Reserves	(1,977)	1,977	**0**	0	**0**
Increase / Decrease in year	0	1,977	**1,977**	(72,142)	**(70,165)**
Balance as at 31 March 2013 c/f	**1,906**	**11,843**	**13,749**	(393,066)	**(379,317)**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing service in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

The Authority raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2012/13			2013/14			
Published £,000	Restated £,000		Gross Expenditure £,000	Gross Income £,000	Net Expenditure £,000	Note
10,293	10,392	Community Safety	12,439	(703)	11,736	
35,803	36,195	Fire Fighting & Rescue Operations	43,646	(2,244)	41,402	
(20)	(20)	Fire Service Emergency Planning	579	(616)	(37)	
8,280	8,280	Management & Support Services	8,571	0	8,571	
(8,280)	(8,280)	- Recharged to service areas	(8,571)	0	(8,571)	
278	278	Corporate and Democratic Core	243	0	243	
46,354	**46,845**	**Net Cost of Services**	**56,907**	**(3,563)**	**53,344**	
147	147	Other Operating Expenditure			2,748	4
17,643	18,074	Financing and Investment Income and Expenditure			19,327	5
(52,164)	(52,164)	Taxation and Non-Specific Grant Income			(51,582)	6
11,980	**12,902**	**Deficit on Provision of Services**			**23,836**	1
31	31	Surplus or deficit on revaluation of non-current assets			(10,410)	7
57,232	57,232	Remeasurements on pension fund assets and liabilities			(19,880)	36
57,263	**57,263**	**Other Comprehensive Income and Expenditure**			**(30,290)**	
0	0	Prior year adjustment			0	
69,243	**70,165**	**Total Comprehensive Income and Expenditure**			**(6,454)**	

Note 2

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories.

The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

2012/13				2013/14
Published	**Restated**			
£,000	**£,000**		**Note**	**£,000**
90,259	90,259	Property, Plant & Equipment	7	90,583
269	269	Intangible Assets	9	304
90,528	**90,528**	**Long Term Assets**		**90,887**
541	541	Inventories	12	503
2,576	2,576	Short Term Debtors	13	3,286
5,352	5,352	Cash & Cash Equivalents	14	6,863
8,469	**8,469**	**Current Assets**		**10,652**
(151)	(151)	Bank overdraft	14	(1,259)
0	(91)	Short Term Borrowing		(92)
(7,242)	(4,790)	Short Term Creditors	16	(4,624)
0	(1,708)	Receipts in Advance	16	(1,545)
(7,393)	**(6,740)**	**Current Liabilities**		**(7,520)**
(20,550)	(20,550)	Long Term Borrowings	11	(20,550)
(43,915)	(43,404)	Other Long Term Liabilities	30	(41,955)
(407,620)	(407,620)	Pension liability	36	(404,374)
(472,085)	**(471,574)**	**Long Term Liabilities**		**(466,879)**
(380,481)	**(379,317)**	**NET ASSETS**		**(372,860)**
10,989	13,749	Usable Reserves	17	13,529
(391,470)	(393,066)	Unusable Reserves	18	(386,389)
(380,481)	**(379,317)**	**TOTAL RESERVES**		**(372,860)**

Note 2

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by the way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2012/13			2013/14	
Published	Restated			
£'000	£'000		£'000	note
11,980	**12,902**	**Net Deficit on the Provision of Services**	**23,836**	
(18,961)	(21,083)	Adjust net deficit on the provision of services for non-cash movements	(29,981)	
1,436	3,558	Adjust for items included in the net deficit on the provision of services that are investing or financing activities	3,245	
(5,545)	**(4,623)**	**Net Cash flows from operating activities**	**(2,900)**	
2,922	2,922	Investing Activities	874	19
2,329	1,531	Financing Activities	1,623	20
(294)	**(170)**	***Net increase or decrease in cash and cash equivalents***	**(403)**	
(444)	5,031	Cash and Cash equivalents and bank overdraft at the beginning of the reporting period	5,201	14
(150)	5,201	Cash and Cash equivalents and bank overdraft at the end of the reporting period	5,604	14

Notes to the Core Financial Statements

1. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2013/14

	General Fund (GF) Balance	Earmarked Other GF Reserves	CCU Reserves	Earmarked grant GF Reserves	TOTAL MOVEMENT IN UNUSABLE RESERVES
	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CIES):					
Charges for depreciation and revaluation of non-current assets	(7,758)				**7,758**
Revaluation losses on Property Plant and Equipment	(1,842)				**1,842**
Amortisation of intangible assets	(7)				**7**
Capital grants & contributions applied	1,182				**(1,182)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(2,748)				**2,748**
Insertion of items not debited or credited to the CIES:					
Statutory provision for the financing of capital investment	1,342				**(1,342)**
Direct Revenue Financing of Capital	1,141				**(1,141)**
Capital expenditure charged against the General Fund	1,623				**(1,623)**
Adjustments primarily involving the Pension Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES	(28,460)				**28,460**
Government firefighter grant	7,101				**(7,101)**
Employer's pensions contributions and direct payments to pensioners payable in the year	4,725				**(4,725)**
Adjustments primarily involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	85				**(85)**
	(23,616)	**0**	**0**	**0**	**23,616**
Transfer to/from earmarked reserves	(220)	136	(37)	121	**0**
TOTAL ADJUSTMENTS	**(23,836)**	**136**	**(37)**	**121**	**23,616**

2012/13	Published	Restated				
	General Fund (GF) Balance	**General Fund (GF) Balance**	**Earmarked Other GF Reserves**	**CCU Reserves**	**Earmarked grant GF Reserves**	**TOTAL MOVEMENT IN UNUSABLE RESERVES**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement (CIES):						
Charges for depreciation and impairment of non-current assets	(4,267)	(4,267)				**4,267**
Revaluation losses on Property Plant and Equipment	0	0				**0**
Amortisation of intangible assets	(35)	(35)				**35**
Capital grants & contributions applied	1,690	1,473				**(1,473)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(147)	(147)				**147**
Insertion of items not debited or credited to the CIES:						
Statutory provision for the financing of capital investment	1,228	1,228				**(1,228)**
Direct Revenue Financing of Capital						**0**
Capital expenditure charged against the General Fund	2,347	1,532				**(1,532)**
Adjustments primarily involving the Pension Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	(24,912)	(24,912)				**24,912**
Government firefighter grant	5,846	5,846				**(5,846)**
Employer's pensions contributions and direct payments to pensioners payable in the year	4,524	4,524				**(4,524)**
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(121)	(121)				**121**
	(13,847)	**(14,879)**	**0**	**0**	**0**	**14,879**
Transfer to/form earmarked reserves	1,867	1,977	(2,095)	(20)	138	**0**
TOTAL ADJUSTMENTS	**(11,980)**	**(12,902)**	**(2,095)**	**(20)**	**138**	**14,879**

2. PRIOR PERIOD ADJUSTMENTS

The following explains the material differences between the amounts presented in the 2012/13 financial statements and the comparative amounts presented in the 2013/14 financial statements.

During the 2013/14 preparation the PFI1 accounting model has been reviewed. The profile of the interest and capital payment has changed due to an error in the repayment profiling calculation identified during the review. The overall liability remains the same and will be paid off in line with the original timetable. The impact in-year was to increase the interest charge to the CIES by £741,000 (£815,000 in 2012/13) and reduce the capital repayment element. This has resulted in a shift in the liability moving from a reported £42.5m in 2012/13 financial statements to a restated £44.1m.

In addition the PFI grant has been reclassified, from a liability to a reserve, due to confirmation that conditions had been met and should have been classified as a reserve in line with SORP requirements in the previous year. This results in a presentational change on the balance sheet and a change in the treatment within the Comprehensive Income and Expenditure Statement.

Other presentational changes on the balance sheet have been applied, being the short term borrowings and the receipts in advance shown separately and a reshuffle in the Movement in Reserves Statement to transfer revenue grants and earmarked reserves to the appropriate line.

The effects of the above changes on the core statements are as follows:

	Published 2012/13 £000	PFI liability adjustment revised model £000	short term PFI liability restate £000	PFI Grant £000	short term borrowings £000	Receipts in Advance £000	**Restated 2012/13 £000**
Short Term Borrowings	**-**				(91)		**(91)**
PFI	(1,936)		653				(1,283)
Finance lease	(339)						(339)
Receipts in Advance	-					(1,708)	(1,708)
Other Creditors	(4,967)				91	1,708	(3,168)
Short Term Creditors	**(7,242)**						**(6,498)**
PFI	(40,622)	(1,596)	(653)				(42,871)
PFI grant	(2,760)			2,760			-
Finance lease	(533)						(533)
Long Term Liabilities	**(43,915)**						**(43,404)**
Usable Reserves	**10,989**			2,760			**13,749**
Other Unusable Reserves	(403,536)						(403,536)
Capital Adjustment Account	12,066	(1,596)					10,470
Unusable Reserves	**(391,470)**						**(393,066)**

	Published 2012/13					Adjustments						Restated 2012/13				
	General fund	**E'mrkd reserves**	**CCU reserves**	**E'mrkd grant reserves**	**Movement in unusable reserves**	remove original model	remove original grant	insert revised model	insert grant	revenue grants	e'mrkd reserves	**General fund**	**E'mrkd reserves**	**CCU reserves**	**E'mrkd grant reserves**	**Movement in usable reserves**
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net Cost of Services	**46,354**					(1,357)	2,483	1,049	(1,685)			**46,845**				
Other Operating Expenditure	147											147				
Financing and Investment Income & Expenditure	17,643					(1,980)	1438	3,103	(2,130)			18,074				
Taxation and Non-specific grant income	(52,164)											(52,164)				
(Surplus) / Deficit on Provision of Services	**11,980**											**12,902**				
Movement in Usable Reserves																
Adjustments involving the CAA:																
Depreciation	(4,267)				4,267							(4,267)				**4,267**
Amortisation	(35)				35							(35)				**35**
capital grants & contributions	1,690			138	(1,828)					(217)	(138)	1,473			-	**(1,473)**
non-current assets written off	(147)				147							(147)				**147**
Statutory provision for capital investment	1,228				(1,228)							1,228				**(1,228)**
capital expenditure charges	2,347				(2,347)	(2,022)		1,207				1,532				**(1,532)**
Adjustments involving the pension reserve:					-							-				**-**
reversal of items	(24,912)				24,912							(24,912)				**24,912**
government firefighter grant	5,846				(5,846)							5,846				**(5,846)**
employers pensions contributions	4,524				(4,524)							4,524				**(4,524)**
Adjustments involving the CFAA:					-							-				**-**
Amounts by which the council tax adj	(121)				121							(121)				**121**
	(13,847)	**-**	**-**	**138**	**13,709**							**(14,879)**	**-**	**-**	**-**	**14,879**
Transfer to/from earmarked reserves	1,867	(2,202)	(20)		355				(107)	217	138	1,977	(2,095)	(20)	138	**-**
Total Adjustments	**(11,980)**	**(2,202)**	**(20)**	**138**	**14,064**							**(12,902)**	**(2,095)**	**(20)**	**138**	**14,879**

3. AUTHORISATION OF ACCOUNTS FOR ISSUE

These financial statements replace the unaudited financial statements certified by David Greensmith, Director of Finance, Assets & Resources on 26th June 2014. Events after the balance sheet date have been considered up to the 9th September 2014, in preparing the accounts.

In line with statutory requirements the accounts and supporting documentation were made available for public inspection for a period of 20 working days from 2nd July to 29th July.

4. OTHER OPERATING EXPENDITURE

Due to the progress being made on the PFI2 project five stations were demolished by the year end, being Chase Terrace, Longton, Kinver, Rugeley and Stone, resulting in a disposal of £2,576,000. The remaining loss on disposal refers to vehicle disposal.

2012/13 £,000		**2013/14 £,000**
147	Loss on disposal of fixed assets	2,748
147		**2,748**

5. FINANCING AND INVESTING INCOME AND EXPENDITURE

2012/13 £,000		**2013/14 £,000**
875	Interest payable on debt	875
51	Interest payable on finance leases	37
3,102	Interest payable on PFI Unitary payments	3,050
(2,130)	Grant for interest on PFI payments	(2,133)
16,207	Net interest on the net defined benefit liability	17,529
(31)	Investment Interest Income	(31)
18,074		**19,327**

6. TAXATION AND NON-SPECIFIC GRANT INCOME

2012/13 £,000		2013/14 £,000
(1,689)	Recognised capital grants and contributions	(1,448)
(24,391)	Council Tax	(21,614)
(18,529)	Non-domestic rates redistribution	(8,433)
(371)	Revenue Support Grant	(12,631)
(1,338)	Compensatory Funding	(335)
0	Non-domestic rates adjustment	86
0	Small business rates relief	(106)
(5,846)	Gain on pension grant	(7,101)
(52,164)		**(51,582)**

7. PROPERTY, PLANT AND EQUIPMENT

Movements in 2013/14

	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	**Total Property, Plant and Equipment** £000	PFI assets included in PP&E £000
Value at 1 April 2013	79,471	26,513	1,020	107,004	41,915
- Additions	453	1,355	473	2,281	0
- Donated Assets				0	0
- Disposals	(2,904)	(2,537)		(5,441)	0
- Revaluations	3,156			3,156	(523)
- Impairment				0	0
- Reclassification of assets to assets held for sale				0	0
- Transfers	522	227	(749)	0	0
Gross Book Value at 31 March 2014	**80,698**	**25,558**	**744**	**107,000**	**41,392**
Depreciation:					
- Cumulative net to 31 March 2013	(4,056)	(12,689)	0	(16,745)	(1,165)
- Disposals	328	2,345		2,673	
- On revaluations	5,413			5,413	(641)
- For the Year	(5,377)	(2,381)		(7,758)	(1,166)
- Reclassification of assets to assets held for sale				0	
- On assets sold				0	
Depreciation at 31 March 2014	**(3,692)**	**(12,725)**	**0**	**(16,417)**	**(2,972)**
Net Book Value at 31 March 2014	**77,006**	**12,833**	**744**	**90,583**	**38,420**

Movements in 2012/13

	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	**Total Property, Plant and Equipment**	PFI assets included in PP&E
	£000	**£000**	**£000**	**£000**	**£000**
Value at 1 April 2012	**78,627**	**24,630**	**123**	**103,380**	**41,915**
- Additions	1,258	2,144	951	4,353	0
- Donated Assets	0	0	0	0	0
- Disposals	(92)	(261)	0	(353)	0
- Revaluations	(376)	0	0	(376)	0
- Impairment	0	0	0	0	0
- Reclassification of assets to assets held for sale	0	0	0	0	0
- Transfers	54	0	(54)	0	0
Gross Book Value at 31 March 2013	**79,471**	**26,513**	**1,020**	**107,004**	**41,915**
Depreciation:					
- Cumulative net to 31 March 2012	(2,387)	(10,699)	0	(13,086)	0
- On revaluations	66	0	0	66	0
- For the Year	(1,742)	(2,246)	0	(3,988)	(1,165)
- Reclassification of assets to assets held for sale	0	0	0	0	0
- On assets sold	7	256	0	263	0
Depreciation at 31 March 2013	**(4,056)**	**(12,689)**	0	**(16,745)**	**(1,165)**
Net Book Value at 31 March 2013	**75,415**	**13,824**	**1,020**	**90,259**	**40,750**

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Buildings – 60 years
- Components of buildings – 10-25 years
- Appliances and appliance equipment – 10-15 years
- Vehicles – 5 years
- Furniture, plant and equipment – 10-20 years

To comply with IPSAS32 the construction of the 11 stations in PFI2 have not been included in the organisations assets as Assets Under Construction. However, due to the progress made five stations were demolished before the year end and the value of the building written off and the remaining six stations have had their Useful Economic Life reduced to one year. This has resulted in a charge to the Comprehensive Income and Expenditure Statement of £3,199,000.

Capital Commitments

At 31 March 2014 there is contractually committed capital expenditure of £316,000 to be incurred in 2014/15. £85,000 of this relates to building works, £173,000 relates to ICT equipment and the remaining £58,000 relates to the purchase of operational equipment.

Valuation of non-current assets

The Authority has engaged Cameron Butler BLE (Hons) MRICS, of FHP Property Consultants to value the entire land and buildings portfolio, with the exception of the eleven PFI2 stations, to ensure all assets held on the Balance Sheet comply with as per IAS16 by being revalued sufficiently regularly.

The valuations had been carried out in accordance with the Royal Institute of Chartered Surveyors' current Appraisal and Valuation Standards manual. The sources and assumptions made when producing the valuations are set out in the valuation certificates and reports.

The revaluation has resulted in an upward revaluation of £10,410,000 and an impairment charged to the Comprehensive Income and Expenditure Statement of £1,842,000, as follows:

	upward revaluation	**Impairment**
	£000	£000
Abbots Bromley	148	34
Barton	27	3
Belgrave	146	138
Biddulph	21	10
Brewood	171	29
Burslem	5	180
Cannock	179	-
Cheadle	392	8
Eccleshall	246	11
Gnosall	19	21
Hanley	134	478
Ipstone	382	-
Kidsgrove	119	15
Longnor	312	-
Newcastle	143	35
Rising Brook	-	544
Sandyford	431	149
Stafford	2,382	-
Staffs Fire HQ	2,271	-
Tamworth Mercia	58	9
Trentham Lakes workshop	1,874	33
Tutbury	220	-
Uttoxeter	76	29
Wombourne	656	116
	10,410	**1,842**

8. DETAILS OF ASSETS OWNED BY THE FIRE AUTHORITY

During the year, three vehicles were disposed of and six were acquired. These included four Appliances and two senior management team cars.

Due to the progress being made on the PFI2 project five stations were demolished by the year end. However the stations are fully operational using on-site decant facilities. The decant stations are Chase Terrace, Longton, Kinver, Rugeley and Stone.

2012/13		**2013/14**
1	Fire Headquarters	1
33	Fire Stations	33
1	Workshops	1
191	Vehicles	196
0	Asset Held for Sale - Fire Station	0

9. INTANGIBLE ASSETS

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 of Property, Plant and Equipment. The intangible assets include both purchased licences and general software.

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 software are:

2012/13 £,000		2013/14 £,000
260	3 years	300
0	5 years	0
9	10 years	4
269		**304**

The carrying amount of intangible assets is amortised on a straight-line basis. The movements during the year are as follows:

2012/13 £,000		2013/14 £,000
428	Gross Book Value at 1 April	686
258	- Additions	42
0	- Disposals	(79)
(382)	- Cumulative amortisation to 31 March	(417)
0	- Amortisation on disposals	79
(35)	- Amortisation for the year	(7)
269	Net Book Value at 31 March	**304**

10. HERITAGE ASSETS

The Authority currently owns two heritage vehicles and a collection of memorabilia which is held around the County. The Authority displays three further heritage vehicles; one for Eccleshall Parish Council (displayed at Eccleshall Fire Station) one for The Burton Heritage Society (displayed at Burton Fire Station) and one for the Newcastle Brampton Museum (displayed at Newcastle Fire Station).

Of the two heritage assets owned, one is a Leyland Ajax pump escape 1939, one of the last open topped Leyland machines to leave the production line, and the second is a Merryweather horse drawn steam pump fire engine c1894, currently being displayed at The Potteries Museum and Art Gallery, Stoke-on-Trent. The value of the vehicles has been determined as £15,000 and £30,000 respectively.

The assets have been independently valued by an external specialist, John Holland FRICS FAAV of Thimbleby & Shorland, Reading. The values were based on current open market sale value as at 31 March 2012.

The Authority does not seek to acquire assets of this nature, and has no intention of disposing of the assets currently held.

Due to the value of the heritage assets held they have not been recognised in the Balance Sheet in accordance with the Code.

11. FINANCIAL INSTRUMENTS

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement are made up as follows:

	Financial Liabilities	Financial Assets		
	measured at amortised cost	Loans and receivables	Available-for-sale assets	TOTAL
	£000	**£000**	**£000**	**£000**
Interest expense	(1,829)	0	0	(1,829)
Losses on derecognition	0	0	0	0
Impairment losses	0	0	0	0
Total Expense in Deficit on the Provision of Services	**(1,829)**	**0**	**0**	**(1,829)**
Interest income	0	31	0	31
Gains on derecognition	0	0	0	0
Total Income in Deficit on the Provision of Services	**0**	**31**	**0**	**31**
Gains/Losses on revaluation	0	0	0	0
Net Gain/ (loss) for the year	**(1,829)**	**31**	**0**	**(1,798)**

Categories of financial instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31-Mar-13 £'000	**31-Mar-14 £'000**	**31-Mar-13 £'000**	**31-Mar-14 £'000**
Investments				
Loans and receivables	0	0	5,351	6,862
Available-for-sale financial assets	0	0	0	0
Unquoted equity investment at cost	0	0	0	0
Financial assets at fair value through profit & loss	0	0	0	0
Total investments	**0**	**0**	**5,351**	**6,862**
Debtors				
Loans and receivables	0	0	1,674	2,056
Financial assets carried at contract amounts			0	0
Total Debtors	**0**	**0**	**1,674**	**2,056**
Borrowings				
Financial liabilities at amortised costs	20,550	20,550	151	1,259
Financial liabilities at fair value through profit and loss	0	0	0	0
Total Borrowings	**20,550**	**20,550**	**151**	**1,259**
Other Long Term Liabilities				
PFI liabilities	42,870	41,625		
Finance lease liabilities	534	330		
Total Other Long Term Liabilities	**43,404**	**41,955**		
Creditors				
Financial liabilities at amortised costs	0	0	4,202	3,914
Financial liabilities at contract amount	0	0	0	0
Total Creditors	**0**	**0**	**4,202**	**3,914**

Fair Values of Assets and Liabilities

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.

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.

For financial assets the fair value is determined by calculating the Net Present Value of future cashflows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the calculation is equal to the current rate in relation to the same instrument from a comparable lender. The Authority's investments are all at fixed rates and have therefore been calculated using the comparable fixed deposit rates as at 31 March 2014.

The fair value of the liabilities is lower than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the balance sheet date (new loan rates).

The summary portfolio position of financial assets and financial liabilities as at 31 March 2014 is as follows:

	Nominal/ Principal		Fair Value	
	31-Mar-13	31-Mar-14	31-Mar-13	31-Mar-14
	£'000	£'000	£'000	£'000
Financial Assets				
Cash	1,000	1,207	1,001	1,207
Fixed Term Deposits	2,476	3,655	2,475	3,654
Money Market Funds	1,875	2,000	1,876	2,000
Debtors	2,576	3,286	2,576	3,286
Total	**7,927**	**10,148**	**7,928**	**10,147**
Financial Liabilities				
Market Loans - LOBO	1,000	1,000	791	936
PWLB Maturity Loans	19,550	19,550	18,579	20,247
Creditors	4,967	3,174	4,967	3,174
Bank Overdraft	151	1,259	151	1,259
Total	**25,668**	**24,983**	**24,488**	**25,616**

Nature and extent of risks arising from financial instruments

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 the 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

The risks in relation to the Fire Authority are detailed below:

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers.

The authority does not generally allow credit for customers, such that £101,000 of the £3,286,000 debtors' balance is past its due date for payment.

The past due amount can be analysed by age as follows:

	£000
Aged as follows:	
Less than three months	100
Three to six months	1
Six months to one year	0
More than one year	0
	101

Liquidity risk

As the authority has ready access to borrowings, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All trade and other payables are due to be paid in less than one year.

Market risk

The authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. However all its long term borrowing is on fixed rate contracts.

During 2013/14, if interest rates had been 1% higher with all other variables held constant, the impact on the CIES would be an increase in interest of c.£95,000.

12. INVENTORIES

The value of inventories included in the balance sheet for 2013/14 is £503,000 (£541,000 in 2012/13), as follows:

	Stores HQ		Stores Workshop		Fuel		Total	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	**2012/13**	**2013/14**
Balance outstanding at start of the year	296	414	59	65	119	62	474	**541**
Purchases	813	506	56	75	341	383	1,210	**964**
Recognised as an expense in the year	(695)	(559)	(50)	(69)	(398)	(374)	(1,143)	**(1,002)**
Balance outstanding at end of the year	414	361	65	71	62	71	541	**503**

13. AMOUNTS OWED TO THE AUTHORITY BY DEBTORS

31-Mar-13 £,000		31-Mar-14 £,000
545	General Debtors	531
438	Payments in Advance	766
690	FF Government Top-up Grant	760
903	Council Tax Billing Authority	1,229
2,576		**3,286**

The general debtors figure is net of a provision for bad and doubtful debts of £1,205 (£3,540 in 2012/13). This provision ensures that sufficient resources are available should unpaid debtor accounts be deemed unrecoverable. The adequacy of this provision is reviewed annually and has been reduced in 2013/14. The general debtors figure also includes VAT at £362,000 and the Cycle Scheme at £22,000.

The Fire Fighter Government Top-up Grant is underfunded at year end and is presented with the Authority's debtors. This will be provided for in the 2014/15 grant provision.

In addition the Authority also accounts for a proportionate share of the risks that the council tax and non-domestic rates collected by the billing authorities have incurred, being £1,229,000 (£903,000 in 2012/13). This includes a provision for doubtful debts for council tax of £1,003,000 (£823,000 in 2012/13) and non-domestic rates of £83,000 in addition to an appeal provision for non-domestic rates of £202,000. These calculations are based on the policies of the billing authorities.

The Debtors can be further analysed as follows:

31-Mar-13 £,000		31-Mar-14 £,000
1,088	Central government bodies	1,205
903	Other local authorities	1,229
585	Other entities and individuals	852
2,576		**3,286**

14. CASH AND CASH EQUIVALENTS

The Cash and Cash Equivalents include temporary investments of £6,862,000 (£5,351,000 2012/13) as disclosed in note 11.

The cash in hand represents petty cash of £1,000 (£1,000 in 2012/13) which is held at various locations.

The cash book balance of £1,259,000 overdrawn (£151,000 overdrawn in 2012/13) takes account of cheques yet to be presented to the Authority's bank for payment at 31 March 2014 and is held in Current Liabilities.

15. ASSETS HELD FOR SALE

There are no assets held for sale.

16. AMOUNTS OWED BY THE AUTHORITY TO CREDITORS

31-Mar-13 £,000		31-Mar-14 £,000
983	General Creditors	1,158
1,421	Accruals	1,117
764	Council Tax Billing Authority	899
1,708	Receipts in advance	1,545
1,284	PFI liability	1,246
338	Finance Lease liability	204
6,498		**6,169**

The general creditors figure includes the supplier creditor accounts at £555,000 (£338,000 2012/13), Payroll HMRC at £534,000 (£578,000 2012/13) and retentions held.

The Authority also accounts for a proportionate share of the rewards that the council tax and non-domestic rates collected by the billing authorities have incurred, being £899,000 (£764,000 2012/13, council tax only).

The creditors can be further analysed as follows:

31-Mar-13 £,000		31-Mar-14 £,000
2,287	Central government bodies	2,079
763	Other local authorities	899
3,448	Other entities and individuals	3,191
6,498		**6,169**

17. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserve Statement.

31-Mar-13 £,000		31-Mar-14 £,000
1,906	General Fund (1)	1,906
1,906	**General Fund**	**1,906**
460	Earmarked reserves - grants	485
2,760	Earmarked reserves - PFI grant	2,614
40	CCU Reserve	76
8,583	Other Reserves (2)	8,448
11,843	**Earmarked Reserves**	**11,623**
13,749	**Total Usable Reserves**	**13,529**

(1) General Reserves - held to protect against any spate or emergency conditions which may arise. The level held is based on a risk assessment.
(2) Other Reserves – held to fund transformation initiatives, invest to save and is utilised against non-recurring revenue spend. It is generated from budgeted contributions and planned efficiency savings from previous years.

Earmarked Reserves

The resources are available to meet future costs on specific projects.

2013/14	Opening balance £'000	Transfers from £'000	Transfers to £'000	movement in year £'000	Closing balance £'000
Invest to save	8,057	(592)	413	(179)	7,878
PFI1 unitary charge reserve	2,760	(146)	0	(146)	2,613
Civil contingencies unit	40	0	37	37	77
Earmarked reserves PFI2	462	0	0	0	462
PFI1 contingency reserve	65		43	43	107
Earmarked grants:					
- New Dimensions Grant	158	(178)	120	(58)	100
- Enhanced logistic support project	61	(62)	72	10	71
- Transparency code set up	0	0	3	3	3
- Small business rates relief	0	0	84	84	84
- Localising council tax transitional fund	0	0	6	6	6
- New Burden council tax reform grant	22	0	0	0	22
- Partnership Income	220	(90)	70	(20)	200
	11,843	**(1,069)**	**849**	**(220)**	**11,623**

2012/13	Opening balance £'000	Transfers from £'000	Transfers to £'000	movement in year £'000	Closing balance £'000
Invest to save	6,282	(462)	2,238	1,776	8,057
PFI1 unitary charge reserve	2,867	(107)		(107)	2,760
Civil contingencies unit	20		20	20	40
Earmarked reserves PFI2	0		462	462	462
PFI1 contingency reserve	100	(35)		(35)	65
Earmarked grants:					
- New Dimensions Grant	303	(264)	119	(145)	158
- Enhanced logistic support project	76	(91)	76	(16)	61
- New Burden council tax reform grant	0	(5)	27	22	22
- Partnership Income	220	(220)	220	0	220
	9,866	**(1,184)**	**3,161**	**1,977**	**11,843**

18. UNUSABLE RESERVES

31-Mar-13 £,000		31-Mar-14 £,000	Note
3,945	Revaluation Reserve	13,709	
10,470	Capital Adjustment Account	4,051	
(407,620)	Pensions Reserve	(404,374)	36
139	Collection Fund Adjustment Account	225	
(393,066)		**(386,389)**	

Revaluation Reserve

The Revaluation Reserve contains revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated in the balance on the Capital Adjustment Account.

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.

The balance on the Revaluation Reserve is accounted for on an individual asset basis.

31-Mar-13 £,000		£,000	31-Mar-14 £,000
4,060	Balance as at 1 April		3,945
0	Upward revaluation of assets	10,410	
(42)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	(525)	
(42)	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		9,885
(73)	Different between fair value depreciation and historical cost depreciation	(121)	
(73)	**Amount written off to the Capital Adjustment Account**		(121)
3,945	**Balance as at 31 March**		**13,709**

The downward revaluation of £525,000 refers to the demolition and disposal of five PFI2 stations and the related revaluation reserve released.

Capital Adjustment Account

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 costs of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement.

The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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.

As the Authority did not inherit debt from the County Council the depreciation charged to the Income and Expenditure Account is greater than the revenue provision for repayment of debt. This results in a large debit balance on the Capital Adjustment Account.

31-Mar-13 £,000		£,000	31-Mar-14 £,000
10,602	Balance as at 1 April		10,470
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(4,297)	Charges for depreciation and impairments of non-current assets	(7,758)	
0	Revaluation losses on Property, Plant and Equipment	(1,841)	
(35)	Amortisation of intangible assets	(7)	
	Revenue expenditure funded from capital under statue	0	
1,532	Lease payments	1,624	
(147)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,748)	
(2,947)			(10,730)
115	Adjusting amounts written out of the Revaluation Reserve		646
7,770	**Net written out amount of the cost of non-current assets consumed in the year**		**386**
	Capital financing applied in the year:		
1,472	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,182	
	Direct revenue contributions	1,141	
1,228	Statutory provision for the financing of capital investment charged against the General Fund	1,342	3,665
10,470	**Balance at 31 March**		**4,051**

Collection Fund Adjustment Account

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

The following table presents the movements in the CFAA:

31-Mar-13 £,000		31-Mar-14 £,000
261	Balance as at 1 April	139
(122)	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	172
0	Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	(86)
139		**225**

19. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for investing activities include the following items:

31-Mar-13 £,000		31-Mar-14 £,000
4,611	Purchase of property, plant and equipment and intangible assets	2,322
(1,689)	Other receipts from investing activities	(1,448)
2,922	**Cash outflows from Investing Activities**	**874**

20. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for financing activities include the following items:

31-Mar-13 £,000		31-Mar-14 £,000
324	Cash Payments for the reduction of the outstanding liabilities relating to finance leases	339
1,207	Cash Payments for the reduction of the outstanding liabilities relating to PFI contracts	1,284
1,531	**Cash outflows from Financing Activities**	**1,623**

21. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

During 2013/14 the Authority presented the financial position on a monthly basis to the Service Delivery Board and the Strategy and Resources Committee on a quarterly basis. In addition a monthly set of management accounts, called the Resource Control report, was produced and was available to all staff via the intranet. The management reports were analysed at Directorate level and all budget holders within each directorate were provided with monthly reports and had access to the live system to enable ad-hoc reporting and monitoring.

The Authority's budget is split into a 'recurring budget' and a 'non recurring budget'. The distinction being that the non-recurring are externally funded projects or those funded by reserves. Therefore, the non-recurring budget would usually be cost neutral.

The Authority financial report for 31 March 2014 is as follows:

SUMMARY REVENUE (All Directorates) 2013/14

	Annual Budget			YTD Actual			YTD Variance		
	Recurring	Non-Recurring	Total Budget	Recurring	Non-Recurring	Total	Recurring	Non-Recurring	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Pay									
Pay Costs	29,636	628	30,264	29,478	790	30,268	158	(162)	(4)
Other Employee Costs	1,865	1	1,866	1,735	13	1,748	130	(12)	118
Efficiency Savings	(800)	0	(800)	0	0	0	(800)	0	(800)
	30,701	**629**	**31,330**	**31,213**	**803**	**32,016**	**(512)**	**(174)**	**(686)**
Non Pay									
Premises Costs	2,468	0	2,468	2,355	91	2,446	113	(91)	22
Transport Costs	1,174	3	1,177	983	9	992	191	(6)	185
Supplies & Services Costs	4,217	246	4,463	3,612	266	3,878	605	(20)	585
Unitary Charge	1,597	0	1,597	1,497	0	1,497	100	0	100
Other Running Costs	459	0	459	344	0	344	115	0	115
Efficiency Savings	(500)	0	(500)	0	0	0	(500)	0	(500)
	9,415	**249**	**9,664**	**8,791**	**366**	**9,157**	**624**	**(117)**	**507**
Income									
Income - general	(607)	(231)	(838)	(1,478)	(473)	(1,951)	871	242	1,113
Interest received	(17)	0	(17)	(31)	0	(31)	14	0	14
	(624)	**(231)**	**(855)**	**(1,509)**	**(473)**	**(1,982)**	**885**	**242**	**1,127**
Capital Charges	2,683	0	2,683	2,619	0	2,619	64	0	64
Total before Use of Reserves	**42,175**	**647**	**42,822**	**41,114**	**696**	**41,810**	**1,061**	**(49)**	**1,012**
Less Use of Reserves	0	(647)	(647)	0	(592)	(592)	0	(55)	(55)
Transfer to Reserves	300	0	300	300	0	300	0	0	0
Total Revenue Budget	**42,475**	**0**	**42,475**	**41,414**	**104**	**41,518**	**1,061**	**(104)**	**957**
Government Grant	21,033	0	21,033						
Council Tax	21,442	0	21,442						
Total Financing	**42,475**	**0**	**42,475**						

The following reports analyse the information by the five Directorates:

	Response	People	Prevent & Protect	Organisational Development	Assets and Resources	**TOTAL AUTHORITY**
	£000	£000	£000	£000	£000	£000
Pay						
Pay Costs	24,574	674	1,585	623	2,811	30,267
Other Employee Costs	466	1,090	10	2	181	1,749
Efficiency Savings	0	0	0	0	0	0
	25,040	**1,764**	**1,595**	**625**	**2,992**	**32,016**
Non pay						
Premises	1,668	0	0	0	777	2,445
Transport Costs	920	12	8	3	49	992
Supplies & Services Costs	985	278	409	112	2,093	3,877
Unitary Charge	1,497	0	0	0	0	1,497
Other Running Costs	0	117	0	0	227	344
Efficiency Savings	0	0	0	0	0	0
	5,070	**407**	**417**	**115**	**3,146**	**9,155**
Income						
Income - general	(675)	(147)	(442)	0	(685)	(1,949)
Interest Receivable	0	0	0	0	(31)	(31)
	(675)	**(147)**	**(442)**	**0**	**(716)**	**(1,980)**
Capital Charges	0	0	0	0	2,619	2,619
Total before use of reserves	**29,435**	**2,024**	**1,570**	**740**	**8,041**	**41,810**
Less Use of Reserves	0	0	(127)	(37)	(428)	(592)
Transfer to Reserves				0	300	300
Total Revenue Budget	**29,435**	**2,024**	**1,443**	**703**	**7,913**	**41,518**

Reconciliation of Net Cost of Services in Comprehensive Income and Expenditure Statement

	£000
Management Accounts Revenue position presented	41,518
Add services not included in the main analysis	0
Add amounts not reported to management	0
Remove items reported to management but included in Other Operating Expenditure or Financing and Investment Income and Expenditure	11,826
Net Cost of Services in Comprehensive Income & Expenditure Statement	**53,344**

Reconciliation to subjective analysis

	Management Accounts £000	Items excluded from Net Cost of Service £000	**NET Cost of Services** £000
Pay	32,016	6,205	38,221
Premises	2,445		2,445
Transport Costs	992		992
Supplies & Services Costs	3,877		3,877
Other Running Costs	1,497		1,497
Unitary Charge	344		344
Income	(1,980)		(1,980)
Capital Charges	2,619	4,844	7,463
Use of Reserves	(292)	777	485
	41,518	11,826	53,344

The Authority financial report for 31 March 2013 is as follows:

SUMMARY REVENUE (All Directorates) 2012/13

	Annual Budget			**YTD Actual**			**YTD Variance**		
	Recurring £000	Non-Recurring £000	Total Budget £000	Recurring £000	Non-Recurring £000	Total £000	Recurring £000	Non-Recurring £000	Total £000
Pay									
Pay Costs	29,823	904	30,727	29,018	1,208	30,226	805	(304)	501
Other Employee Costs	1,929	14	1,943	1,808	28	1,836	121	(14)	107
Efficiency Savings	(800)	0	(800)	0	0	0	(800)	0	(800)
	30,952	**918**	**31,870**	**30,826**	**1,236**	**32,062**	**126**	**(318)**	**(192)**
Non Pay									
Premises Costs	2,344	11	2,355	2,486	160	2,646	(142)	(149)	(291)
Transport Costs	1,273	3	1,276	1,147	9	1,156	126	(6)	120
Supplies & Services Costs	4,450	145	4,595	3,534	461	3,995	916	(316)	600
Other Running Costs	311	30	341	207	0	207	104	30	134
Unitary Charge	1,451	0	1,451	1,451	0	1,451	0	0	0
Efficiency Savings	(500)	0	(500)	0	0	0	(500)	0	(500)
	9,329	**189**	**9,518**	**8,825**	**630**	**9,455**	**504**	**(441)**	**63**
Income									
Income - general	(1,720)	(203)	(1,923)	(2,057)	(577)	(2,634)	337	374	711
Interest received	(17)	0	(17)	(31)	0	(31)	14	0	14
	(1,737)	**(203)**	**(1,940)**	**(2,088)**	**(577)**	**(2,665)**	**351**	**374**	**725**
Capital Charges	2,606	0	2,606	2,539	0	2,539	67	0	67
Total before Use of Reserves	**41,150**	**904**	**42,054**	**40,102**	**1,289**	**41,391**	**1,048**	**(385)**	**663**
Less Use of Reserves	2,261	(904)	1,357	2,426	(981)	1,445	(165)	77	(88)
Total Revenue Budget	**43,411**	**0**	**43,411**	**42,528**	**308**	**42,836**	**883**	**(308)**	**575**
Government Grant	18,899	0	18,899						
Council Tax	24,512	0	24,512						
Total Financing	**43,411**	**0**	**43,411**						

The following reports analyse the information by the five Directorates:

	Response	People	Prevent & Protect	Organisational Development	Assets and Resources	**TOTAL AUTHORITY**
	£000	£000	£000	£000	£000	£000
Pay						
Pay Costs	24,705	773	1,541	621	2,587	30,227
Other Employee Costs	465	1,163	3	0	205	1,836
Efficiency Savings	0	0	0	0	0	0
	25,170	**1,936**	**1,544**	**621**	**2,792**	**32,063**
Non pay						
Premises	1,926	3	0	0	717	2,646
Transport Costs	1,090	13	11	6	37	1,157
Supplies & Services Costs	1,025	272	346	45	2,306	3,994
Unitary Charge	1,451	0	0	0	0	1,451
Other Running Costs	0	88	0	0	119	207
Efficiency Savings	0	0	0	0	0	0
	5,492	**376**	**357**	**51**	**3,179**	**9,455**
Income						
Income - general	(595)	(149)	(253)	0	(1,637)	(2,634)
Interest Receivable	0	0	0	0	(31)	(31)
	(595)	**(149)**	**(253)**	**0**	**(1,668)**	**(2,665)**
Capital Charges	0	0	0	0	2,539	2,539
Total before use of reserves	**30,067**	**2,163**	**1,648**	**672**	**6,842**	**41,392**
Less Use of Reserves	0	(5)	(312)	1,320	441	1,444
Total Revenue Budget	**30,067**	**2,158**	**1,336**	**1,992**	**7,283**	**42,836**

Reconciliation of Net Cost of Services in Comprehensive Income and Expenditure Statement

	£000
Management Accounts Revenue position presented	42,836
Add services not included in the main analysis	0
Add amounts not reported to management	0
Remove items reported to management but included in Other Operating Expenditure or Financing and Investment Income and Expenditure	4,009
Net Cost of Services in Comprehensive Income & Expenditure Statement	**46,845**

Reconciliation to subjective analysis

	Management Accounts	Items excluded from Net Cost of Service	**NET Cost of Services**
	£000	£000	£000
Pay	32,063	4,181	36,244
Premises	2,646		2,646
Transport Costs	1,157		1,157
Supplies & Services Costs	3,994		3,994
Other Running Costs	0		0
Unitary Charge	1,658		1,658
Income	(2,665)		(2,665)
Capital Charges	2,539	(329)	2,210
Use of Reserves	1,444	157	1,601
	42,836	4,009	46,845

22. AGENCY INCOME AND EXPENDITURE

The Authority acts as an agent for other Fire Authorities under Sections 13 and 16 of the Fire Services Act 1947. Where assistance provided is greater than that received charges are made. For 2013/14 income and expenditure totalled:

2012/13 £,000		2013/14 £,000
47	Payments to West Midlands	53
	Income from West Midlands	(61)
(17)	Income from Derbyshire	0
(4)	Income from Cheshire	0
26		**(8)**

Staffordshire Fire and Rescue Service administer the Staffordshire Civil Contingencies Unit (CCU) on behalf of the local authorities within the county.

The CCU funds are included in the Authority's Comprehensive Income and Expenditure Statement and the Balance Sheet. The expenditure for 2013/14 amounted to £579,000 (£580,000 in 2012/13) and income totalled £616,000 (£600,000 in 2012/13) leaving a net surplus position of £37,000 (£20,000 net surplus in 2012/13).

The accumulated reserves balance at 31st March is £76,000 (£40,000 in 2012/13) which is held in the Authority's short term investments.

23. MEMBERS ALLOWANCES

The Authority has paid the following amounts to members during the year.

2012/13 £,000		2013/14 £,000
139	Allowances	133
1	Expenses	1
140		**134**

24. OFFICERS' REMUNERATION

The following table sets out the remuneration for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year:

For the Year of 2013/14	**Salary** (Including fees & allowances)	**Benefits in Kind** (e.g. Car Allowance)	**Total Remuneration** excluding pension contributions	**Pensions Contributions**	**Total Remuneration** including pension contributions	**Note**
	£	£	£	£	£	
Chief Fire Officer	149,183	0	149,183	30,858	180,041	1
Deputy Chief Fire Officer	91,285	0	91,285	19,444	110,729	2
Deputy Chief Fire Officer / Director of Organisational Development	84,355	0	84,355	17,968	102,323	3
Secondment to DCLG / Director of Response	76,318	0	76,318	16,256	92,574	4
Director of Prevent & Protect	76,318	0	76,318	16,256	92,574	
Director of Response	54,056	0	54,056	11,386	65,442	5
Director of People	71,230	4,169	75,399	12,323	87,722	
Director of Finance, Assets & Resources	71,230	5,398	76,628	12,323	88,951	
Total Senior Officers between £50,000 and £150,000	**673,975**	**9,567**	**683,542**	**136,814**	**820,356**	

Note 1: CFO salary includes a recognition payment of £4310. The substantive salary remains unchanged since 2008/9
Note 2: Retired as DCFO on 14/01/14, annualised salary is £115,898
Note 3: Promoted to DCFO on 01/01/14 with an annualised salary of £108,655. Previously Director of Organisational Development to 31/12/13 with an annualised salary of £76,508
Note 4: Seconded to DCLG from Feb 2014 (part funded by DCLG). Previous post Director of Response.
Note 5: Temporary promotion to Director of Response from 10/02/14 with an annualised salary of £64,736

For the Year of 2012/13	Salary (Including fees & allowances	Benefits in Kind (e.g. Car Allowance)	Total Remuneration excluding pension contributions	Pensions Contributions	Total Remuneration including pension contributions
	£	£	£	£	£
Chief Fire Officer	144,873	0	144,873	30,858	175,731
Deputy Chief Fire Officer	115,898	0	115,898	24,686	140,584
Director of Response	75,563	0	75,563	16,095	91,658
Director of Prevent & Protect	75,563	0	75,563	16,095	91,658
Director of Organisational Development	74,821	0	74,821	15,937	90,758
Director of People	70,525	0	70,525	11,848	82,373
Director of Finance, Assets & Resources	70,525	0	70,525	11,848	82,373
Total Senior Officers between £50,000 and £150,000	**627,768**	**0**	**627,768**	**127,367**	**755,135**

There are no Senior Officers whose salary is £150,000 or more per year.

The numbers of employees whose remuneration, excluding employer's pension contribution, was £50,000 or more in bands of £5,000, were as follows. These include both Senior Officers and Other Officers.

	2012/13	2013/14
Remuneration Band	No of Employees	No of Employees
£50,000 - £54,999	5	14
£55,000 - £59,999	11	6
£60,000 - £64,999	3	4
£65,000 - £69,999	-	-
£70,000 - £74,999	3	-
£75,000 - £79,999	2	4
£80,000 - £84,999	-	1
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	1	1
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	1	1
£145,000 - £149,999	-	-
	26	**31**

In 2013/14 7 of the 31 employees above left in year (2012/13 4 of the 26 left in year).

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13	**2013/14**	2012/13	**2013/14**	2012/13	**2013/14**	2012/13	**2013/14**
£0 - £20,000			3	6	3	6	£32,904	£74,184
£20,001 - £40,000			3	14	3	14	£95,155	£371,287
£40,001 - £60,000			-	-	-	-	-	-
£60,001 - £80,000			-	-	-	-	-	-
£80,001 - £100,000			-	1	-	1	-	£86,279
£100,001 - £150,000			-	2	-	2	-	£240,888
£150,001 - £200,000			-	-	-	-	-	-
£200,001 - £250,000			-	1	-	1	-	£216,730
Total	0	0	6	24	6	24	£128,059	£989,367

The exit packages included within the bands £100,001 to £250,000 relate to three posts being the Deputy Chief Fire Officer, who retired in January 2014, and two Group Managers.

25. EXTERNAL AUDIT COSTS

In 2013/14 the Authority incurred the following external audit and inspection fees:

2012/13 £,000		**2013/14 £,000**
41	Fees payable to Grant Thornton for external audit services carried out by the appointed auditor	41
0	- in respect of statutory inspections	0
0	- in respect of certification of grant claims and returns	0
0	- in respect of other services	0
41	Total Audit and Inspection Fee net of grant	**41**

26. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14.

2012/13 £,000		**2013/14 £,000**
76	CLG - Enhanced Logistic Support Project	73
1,472	CLG - General Capital Grant	1,092
0	CLG - Capital Provision Grant	66
119	CLG - New Dimensions	120
0	The Environment Agency - protection unit	24
0	various partnership income	(20)
22	CLG - Council Tax reform	0
0	CLG - Small business rates relief	84
0	CLG - Transparency Code set up	3
0	CLG - Council Tax transitional grant	6
1,689		**1,448**

The Authority received a grant for the Fire Control Project and has utilised £317,000 in 2013/14. The balance is held in Receipts in Advance at year end and income will be recognised in the year it is utilised.

2012/13 £,000		2013/14 £,000
1,800	Balance at 1 April	1,708
(92)	Grant released in year	(317)
1,708	**Total held in Receipts in Advance**	**1,391**

The conditions of the grant have been satisfied and the remaining grant will be expended completely during 2014/15.

The Authority has received a number of grants, contributions and donations that have no conditions attached and have not been completely expended. These are held in the reserves within the Earmarked Reserves and the Capital Grant Unapplied Account.

The balance at year end for revenue grants held in Earmarked Reserves is as follows:

2012/13 £,000		2013/14 £,000	£,000
598	Balance at 1 April	460	
	Grant received in year not expended		
118	- New Dimensions	120	
76	- Enhanced Logistic Support Project	73	
27	- New Burden - council tax reform	0	
17	- various partnership contributions	0	
0	- Transparency Code set-up	3	
0	- Small business rates relief	84	
0	- Council Tax transitional funding	6	
0	- various partnership contributions	70	
238			356
	Grants released in year		
(92)	- Enhanced Logistic Support Project	(62)	
(264)	- New Dimensions	(179)	
(5)	- New Burden - council tax reform	0	
(15)	- various partnership contributions	(90)	
(376)			(331)
460	**Total held in Earmarked Reserves at 31 March**		**485**

The balance at year end for capital grants held in Capital Grants Unapplied Reserves is as follows:

2012/13 £,000		2013/14 £,000	
0	Balance at 1 April	0	
	Grant received in year		
1,472	- CLG General capital Grant	1,092	
0	- CLG Capital Provision Grant	66	
1,472			1,158
	Grants released in year		
(1,472)	- CLG General capital Grant	(1,092)	
0	- CLG Capital Provision Grant	(66)	
(1,472)			(1,158)
0	**Total held in Capital Unapplied Account 31 March**		**0**

27. RELATED PARTY TRANSACTIONS

The Authority is required to disclose material transactions with related parties, bodies, or individuals that have the potential to control or influence the Authority or be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government
Central Government has effective control over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Authority has with other parties. Details of transactions with government departments are set out in the Foreword and the Cash Flow Statement and associated notes.

Members
Members and Senior Officers of the Authority have direct control over its financial and operating policies and are required to disclose details of any transactions that the Authority has with any individuals with whom they may have a close relationship or any company in which they may have an interest. Members and Senior Officers are aware of the requirement of this disclosure and have declared that they have not been involved in any such related party transactions.

Outsourcing of pension scheme administration
The Authority has outsourced the administration of the Fire Fighters Pension Scheme to Capita effective from 1st April 2009. This contract expired on 31st March 2014 and not renewed. The pension services will be provided by Staffordshire County Council from 1st April 2014. The amount paid in 2013/14 to Capita was £81,000 which included £26,000 for the preparation of migration data for Staffordshire County Council (£55,000 in 2012/13).

The Authority contracts with Staffordshire County Council for the provision of various administrative support. The amount paid in 2013/14 was £263,000 (£152,000 in 2012/13). This is a significant increase to the previous year partly as a result of the implementation and migration work in preparation for the administration of the Fire Fighters Pension Scheme to go live from 1st April 2014, in addition to an increase in the property support service charges.

During the financial year amounts were paid to the Local Government Pension Scheme managed on behalf of the Authority by Staffordshire County Council. Details of the amounts paid are shown in Note 36 below.

Community Interest Company
The Authority hold shares in The Stoke on Trent & Staffordshire Safer Communities Community Interest Company which was established following the completion of the PFI1 project in 2011. The Stoke on Trent & Staffordshire Safer Communities Community Interest Company is a company limited by shares. Like all CICs, it has some unique and important additional features to safeguard its social mission that it was set up for. The shares have a nominal value in the accounts. The distribution of those shares is as follows:

Party	No. of Shares	No. of Directors	Vision
Staffordshire Fire & Rescue Service	55	Two	To make Staffordshire the safest place to live and work
Fire Support (Stoke on Trent & Staffordshire Holdings Ltd)	25	Two	Supporting fire rescue, education and prevention
Groundwork West Midlands	20	One	A society of sustainable communities which are vibrant, healthy and safe and where individuals and enterprise prosper

The CIC also has a “lock” on its assets. This prevents profits from being distributed to its members or shareholders other than in certain limited circumstances. It also means that all assets must be used for the community purpose or, if they are sold, open market value must be obtained for them and the proceeds used for the community purposes. In addition, if the CIC is wound up, its assets must be transferred to another, similarly asset-locked body.

During 2013/14 the value of transactions entered into between the Authority and the CIC company was income of £33,843 (2012/13 £33,587) with expenditure to match as cost recovery only is in operation. No invoices owed at 31st March 2014 (debtors at the 31st March 2013 at £34,022).

Financial Statements have been prepared for the CIC.

28. INTEREST IN COMPANIES

The Stoke on Trent & Staffordshire Safer Communities Community Interest Company is a company limited by shares. The company was established following the completion of the PFI1 project in 2011. It was formed in partnership between public, private and voluntary sector with the primary purpose of providing opportunities to improve the health, safety, social and economic wellbeing of the communities of Stoke-on-Trent and Staffordshire. Its vision is to support active citizenship and financial sustainability through social enterprise and income generation.

The company is considered to be a related party to the Authority and details of transactions between the two entities have been disclosed in Note 27.

For the year ending December 2013 the company achieved a profit of £10,119 (2012 £19,438) and holds net assets of £29,657. The key financial information for the CIC is below:

For the year ending 31 December	2012 £000	2013 £000
Profit and Loss		
Turnover	58	50
Operating Profit	24	13
Profit on ordinary activities after taxation	19	10
Balance Sheet		
Net Current Assets	20	30

A copy of the accounts can be obtained for further information.

29. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirements (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

The CFR is analysed as follows:

2012/13 £,000		2013/14 £,000
29,518	**Opening Capital Financing Requirement**	31,092
	Capital investment	
258	Intangible Assets	42
4,353	Property, Plant & Equipment	2,281
	Sources of finance	
(337)	Capital receipts	0
(1,472)	Government grants and other contributions	(1,182)
0	Direct Revenue Financing	(1,141)
(1,228)	Revenue Provision	(1,342)
31,092	**Closing Capital Financing Requirement**	**29,750**
	Explanation of movements in the year	
1,574	Increase in underlying need to borrow (unsupported by Government financial assistance)	(1,342)
1,574	**Increase in Capital Financing Requirement**	**(1,342)**

30. OTHER LONG TERM LIABILITIES

The Other Long Term Liabilities include finance leases and the PFI Liability as disclosed in notes 31 and 32. The following schedule analyses the liability:

2012/13 Total Liability £,000	2012/13 Payable less than 1 year £,000	2012/13 Payable more than 1 year £,000		2013/14 Total Liability £,000	2013/14 Payable less than 1 year £,000	2013/14 Payable more than 1 year £,000
873	339	534	Finance Lease	534	204	330
44,154	1,284	42,870	PFI Liability	42,870	1,245	41,625
45,027	**1,623**	**43,404**		**43,404**	**1,449**	**41,955**

The liabilities payable less than one year are included in the Short Term Creditors.

31. LEASES

Finance Leases

The assets acquired under finance lease are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2012/13 £,000		**2013/14 £,000**
1,307	**Opening Net Value at 1 April**	**1,044**
0	Additions	0
0	Revaluations	0
(263)	Depreciation	(263)
0	Disposals	(192)
1,044	**Value at 31 March**	**589**

The Authority acquired fire appliances under the terms of finance leases. The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while liability remains outstanding.
The minimum lease payments will be payable over the following periods:

	Minimum Lease 31-Mar-13 **£,000**	Minimum Lease 31-Mar-14 **£,000**	Finance Lease Liabilities 31-Mar-13 **£,000**	Finance Lease Liabilities 31-Mar-14 **£,000**
Obligations payable not later than one year	378	226	339	204
Obligations payable later than one year and not later than five years	582	353	534	330
Obligations payable later than five years	0	0	0	0
	960	**579**	**873**	**534**

The rentals payable under these arrangements in 2013/14 were £376,000 (£376,000 in 2012/13), charged to the Comprehensive Income and Expenditure Statement as £37,000 and £339,000 relating to the write-down of obligations to the lessor charged to the General Fund.

Operating Lease

The Authority currently has no operational vehicles or equipment financed under the terms of operating leases. The last payment was made in 2012/13 of £51,000.

32. PRIVATE FINANCE INITIATIVES (PFI)

The PFI transactions are treated in the Authority's accounts in accordance with the latest recommended practice with the adaptation of IFRIC12 (Service Concession Arrangements).

The contract to build ten new community fire stations in Staffordshire as part of the first PFI project was officially signed on 15 October 2009 by representatives of the Authority and the consortium delivering the project, Fire Support. The project will benefit from £50 million of PFI credits from CLG.

The project has seen seven fire stations rebuilt as well as the construction of an additional three new stations. All ten stations are now operational; five being built in 2010/11 and the remaining built in 2011/12.

Property, Plant and Equipment

The assets used to provide services at the fire stations are recognised on the Authority's Balance Sheet.

Payments

The Authority makes an agreed payment annually which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract are as follows:

Future Unitary Payments	Operating Costs	Contingent Rental/ Interest	Lifecycle Replacement	Capital Repayment	Total Unitary Charge
	£'000	£'000	£'000	£'000	£'000
within 1 year	1,106	2,990	42	1,246	**5,383**
2-5 years	4,871	11,331	622	5,139	**21,962**
6-10 years	7,062	12,659	1,498	7,281	**28,501**
11-15 years	8,168	10,435	2,043	9,163	**29,809**
16-20 years	9,326	7,539	2,344	12,079	**31,288**
21-25 years	5,223	2,298	1,164	7,963	**16,648**
	35,755	**47,252**	**7,714**	**42,870**	**133,592**

Although the payments made to the contractor are described as unitary payment, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed.

The liability outstanding to pay the contractor's liability for capital expenditure incurred is £42,870,000 over the next 23 years, as stated in the above table.

Transactions under the scheme during 2013/14 were:

2012/13 £'000		2013/14 £'000
1,049	Fair Value of Services	1,077
3,016	Finance Costs	2,935
87	Contingent Rent	116
4,152	**Revenue Unitary Payments**	**4,128**
-	Other Revenue Expenditure	-
1,166	Depreciation	1,166
5,318	**Total Expenditure**	**5,294**
(3,814)	PFI Special Grant	(3,814)
-	Other Contributions	-
1,504	**(Surplus)/Deficit Amount in Income & Expenditure Account**	**1,480**
	Statement of Movement on the General Fund Balance	
(1,166)	Amounts required by statue to be Excluded - depreciation	(1,166)
1,207	amounts required by statue to be Included - MRP	1,283
(107)	Transfer to/(from) Earmarked Reserves	(146)
(66)	**Net Charge to the General Fund**	**(29)**
-	Interest Earned on Balance	-
-	Interest Accrued from Previous Years	-

33. CONTINGENT LIABILTIES

The Authority has contingent liabilities totaling £197,500 relating to pending insurance claims. These cases are still being progressed through the legal process and final decisions are not yet known. Were these liabilities to crystallise, the authority would be reimbursed through their insurance policy, and liable only for the insurance excess of c£5,000 on each claim up to a maximum of £45,000 for the nine claims.

34. REGIONAL CONTROL CENTRE

West Midlands and Stoke-on-Trent and Staffordshire Fire and Rescue Authorities signed a formal agreement in November 2011 to work in partnership to develop a shared Fire Control Service covering the Staffordshire and West Midlands areas, in order to maximise both efficiency and increase operational resilience following cessation of the national Fire Control Project in December 2010.

Following on from the formal agreement the project team has now successfully delivered this ambitious project with the two organisations having merged their fire control rooms into one shared service operating from Vauxhall Road in Birmingham. From the 31 March 2014, all emergency calls for West Midlands and Staffordshire fire and rescue services are now handled by the new shared fire control service. Alongside fire control in the new shared service is the Home Safety Centre which has responsibility for receiving and managing calls about general home fire safety and take bookings for home safety checks from the communities of Staffordshire and the West Midlands.

The project was supported by a grant of £3.6m received from the Department for Communities and Local Government.

35. TERMINATION BENEFITS

In 2013/14 the Authority incurring liabilities of £989,000 for twenty-three voluntary redundancies and one exit due to a senior management restructure, as disclosed in Note 24.

36. PENSION SCHEMES

INCOME AND EXPENDITURE COSTS

Uniformed Fire-fighters

This is an unfunded scheme which means that there are no investment assets to match with the liability. Cash has to be generated to meet actual pension payments as they fall due. The fire-fighters pension scheme is a defined benefit scheme. Any annual surplus or deficit on the scheme is paid to or met by the Department of Communities and Local Government (DCLG).

Other Pensionable Employees

In 2013/14 the Authority paid an employer’s contribution of £849,000 into the Staffordshire County Pension Fund (£818,000 in 2012/13). The fund gives members defined benefits related to pay and service. The contribution rate is determined by the fund's actuary based on the triennial actuarial valuation.

The costs of providing pensions are charged to the service revenue accounts as they are earned over the service lives of scheme members. Any variations from regular costs are spread over the remaining working life of current members using the percentage of salary method.

The Authority is responsible for all pension payments for added year’s benefits it has awarded along with related increases. In 2013/14 these amounted to £65,000 (£64,000 in 2012/13).

IAS19 - Post Employment Benefits requires the Authority to disclose its share of assets and liabilities relating to its employee pension schemes. The Fire Authority participates in four schemes, these are:

a) Three fire-fighters’ schemes that are administered by Capita, from 1st April 2009. Staffordshire County Council to administer the scheme from 1st April 2014.

   i. Pension Scheme 1992 (FF'92)
   ii. Pension Scheme 2006 (FF'06) which includes whole time and retained staff as members
   iii. Compensation Scheme 2006 (FF'CS) with non-contributory provisions covering death and injury on duty

b) A Local Government Pension Scheme (LGPS) for other employees that is administered by Staffordshire County Council.

The cost of the retirement benefits in the Cost of Services represents the cost of benefits earned during the year and past service costs, which represent the estimated liability of discretionary benefits awarded by the employer. The charge to the Council Tax is based upon employers contribution paid in the year to the Pension Fund, so the real cost of retirement benefits is reversed out of the Comprehensive Income and Expenditure Statement after Net Operating Expenditure. The following transactions were made in the income and expenditure account during the year.

	Local Government Pension Scheme		Fire Fighters 1992 Pension Scheme		Fire Fighters 2006 Pension Scheme		Compensation Scheme 2006		**Total Scheme**	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	**2012/13**	**2013/14**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	**£'000**
Comprehensive Income and Expenditure Statement										
Net Cost of Services:										
- Current service costs	956	1,224	4,820	5,750	1,990	2,680	860	1,120	**8,626**	**10,774**
- curtailments	79	156	0	0	0	0	0	0	**79**	**156**
Financing and Investment Income and Expenditure:										
- net interest on the net defined benefit liability	267	570	13,940	14,690	620	830	1,380	1,440	**16,207**	**17,530**
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,302	1,950	18,760	20,440	2,610	3,510	2,240	2,560	**24,912**	**28,460**
Remeasurement of the net defined benefit liability comprising:										
- Return on plan assets, excluding amounts included in net interest on the net defined benefit liability	2,026	(177)	0	0	0	0	0	0	**2,026**	**(177)**
- changes in demographic assumptions	0	(1,000)	40	150	(10)	40	(5,670)	2,230	**(5,640)**	**1,420**
- changes in financial assumptions	(4,658)	(995)	(40,880)	7,710	(2,430)	1,640	0	(10)	**(47,968)**	**8,345**
- other experience	70	1,042	(6,770)	6,400	(800)	90	1,850	2,760	**(5,650)**	**10,292**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(2,562)	(1,130)	(47,610)	14,260	(3,240)	1,770	(3,820)	4,980	**(57,232)**	**19,880**
- Employers contributions	(818)	(1,083)	(2,198)	(2,112)	(633)	(648)			**(3,649)**	**(3,843)**
- Retirement benefits paid to Pensioners	0	0	(10,379)	(11,728)			(820)	(820)	**(11,199)**	**(12,548)**
- Unfunded benefits	(64)	(65)							**(64)**	**(65)**
Actual amount charged against the General fund Balance for pensions in the year	(882)	(1,148)	(12,577)	(13,840)	(633)	(648)	(820)	(820)	**(14,912)**	**(16,456)**

The cumulative actuarial gain recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2014 is £19.8m (2012/13 loss £57.2m).

THE AUTHORITY'S ASSETS AND LIABILITIES

The underlying assets and liabilities of the Authority are as follows:

	2012/13				**2013/14**			
	LGPS	**FF'92**	**FF'06**	**FF'CS restated**	**LGPS**	**FF'92**	**FF'06**	**FF'CS**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Scheme liabilities	37,947	343,930	17,806	33,315	41,597	339,680	20,118	30,075
Unfunded liabilities	0	0	0	0	0	0	0	0
Total Liabilities	37,947	343,930	17,806	33,315	41,597	339,680	20,118	30,075
Estimated assets	25,378	0	0	0	27,096	0	0	0
Net liabilities	**12,569**	**343,930**	**17,806**	**33,315**	**14,501**	**339,680**	**20,118**	**30,075**

The liability shows the underlying commitments the Authority has to pay as retirement benefits.

The total liability of £404.37m reduces the Authority's net worth significantly as shown in the Balance Sheet and results in overall negative balance of £372.86m at 31 March 2014. The Government top up grant required to balance to the Pension Fund Account of £7.1m has not been included in the net liabilities above or in the Balance Sheet.

However, a statutory arrangement for funding the deficit means the financial position of the Authority remains healthy. The LGPS deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme's actuary.

The LGPS Scheme's liabilities have been valued by Hymans Robertson, an independent and professionally qualified firm of actuaries. The Unfunded Scheme's liabilities have been re-valued using the Projected Unit Method by the Government's Actuary Department.

BASIS FOR ESTIMATING ASSETS

The principal assumptions used by the actuary have been:

	2012/13				2013/14			
	LGPS	FF'92	FF'06	FF'CS	LGPS	FF'92	FF'06	FF'CS
Mortality:								
Longevity at 65 for current pensioners:								
- Men	21.2	23.5	23.5	23.5	22.1	23.5	23.5	23.5
- Woman	23.4	25.4	25.4	25.4	24.3	25.5	25.5	25.5
Longevity at 65 for future pensioners:								
- Men	23.3	26.7	26.7	26.7	24.3	26.6	26.6	26.6
- Woman	25.6	28.4	28.4	28.4	26.6	28.6	28.6	28.6
Financial assumptions:								
Price Increases	2.8%	2.5%	2.5%	2.5%	2.8%	2.5%	2.5%	2.5%
Salary Increases	5.1%	4.7%	4.7%	4.7%	4.6%	4.5%	4.5%	4.5%
Pension Increases	2.8%	2.5%	2.5%	2.5%	2.8%	2.5%	2.5%	2.5%
Discount Rate	4.5%	4.3%	4.3%	4.3%	4.3%	4.4%	4.4%	4.4%
Expected Return on Assets	4.5%	(unfunded schemes)			4.3%	(unfunded schemes)		

Note, the previously presented Long-term Expected Rate of Return on Assets has been replaced by a figure that would be applicable if the expected return on assets assumption was equal to the discount rate.

For the LGPS an allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Scheme Profile and funding liability:

LGPS:	Active members	Deferred members	Pensioner members	
Liability split	56.4%	18.0%	25.6%	100%
Weighted Average Duration	23.5	24.4	13.2	20.7

Fire Fighter Pension:	Active members	Deferred members	Pensioner members
Number	680	104	597
Total Salaries in membership data (pa) (£m)	20.38		
Total accrued pensions (£m)	4.90		
Total deferred pension (pa) (£m)		0.26	
Total pension (pa) (£m)			8.79

The Actuary estimates the Employer's contributions for the year to 31st March 2015 for LGPS and FF Pensions will be approximately £890,000 and £2,623,000 respectively.

Sensitivity analysis:

	LGPS		FF'92		FF'06	
Change in assumptions at 31 March 2014	Approx. % increase to Employer Liability	Approx. monetary amount	Approx. % increase to Employer Liability	Approx. monetary amount	Approx. % increase to Employer Liability	Approx. monetary amount
		£m		£m		£m
0.5% decrease in Real Discount Rate	11%	4.6	10.2%	34.0	18.3%	3.7
1 year increase in member life expectancy	3%	1.2	1.7%	6.0	1.4%	0.3
0.5% increase in the Salary Increase Rate	4%	1.5	1.4%	5.0	10.1%	2.0
0.5% increase in the Pension Increase Rate	7%	3.1	8.7%	30.0	8.2%	1.6

SCHEME HISTORY

	2009/10	2010/11	2011/12	2012/13	2013/14
Present Value of liabilities	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
LGPS	(32,746)	(28,307)	(31,213)	(37,947)	(41,597)
FF92	(296,363)	(266,295)	(286,721)	(343,930)	(339,680)
FF06	(6,991)	(8,401)	(11,463)	(17,806)	(20,118)
FF Compensation	(29,715)	(25,255)	(28,075)	(33,315)	(30,075)
Fair Value of Assets	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
LGPS	18,199	20,437	21,626	25,378	27,096
Surplus/(deficit) in the scheme	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
LGPS	(14,547)	(7,870)	(9,587)	(12,569)	(14,501)
FF92	(296,363)	(266,295)	(286,721)	(343,930)	(339,680)
FF06	(6,991)	(8,401)	(11,463)	(17,806)	(20,118)
FF Compensation	(29,715)	(25,255)	(28,075)	(33,315)	(30,075)
Experience gains and losses on assets	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
LGPS	4,487	389	(502)	2,026	(177)
% of assets at end of year	%	%	%	%	%
LGPS	0.2	0.0	-0.0	0.1	-0.0
Experience gains and losses on liabilities	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
LGPS	(36)	238	(326)	70	1,042
FF92	6,940	9,580	3,530	(6,770)	6,400
FF06	170	620	420	(800)	90
FF Compensation	(3,010)	1,840	(510)	1,850	2,760
% of liabilities at end of year	**%**	**%**	**%**	**%**	**%**
LGPS	0.1	-0.8	1.0	-0.2	-2.5
FF92	2.3	3.6	1.2	-2.0	1.9
FF06	2.4	7.4	3.7	-4.5	0.4
FF Compensation	-10.1	7.3	-1.8	5.5	9.2

LOCAL GOVERNMENT PENSION SCHEME

Year Ended:		**31-Mar-13**	**31-Mar-14**
		£'000	**£'000**
Opening Defined Benefit Obligation		**31,213**	**37,947**
Current Service Cost		956	1,224
Interest Cost		1,513	1,728
Contributions by scheme participants		324	325
Remeasurement gains and losses		4,588	953
Losses / (Gains) on Curtailments		79	156
Estimated Unfunded Benefits Paid		(64)	(65)
Estimated Benefits Paid		(662)	(671)
Closing Defined Benefits Obligation		**37,947**	**41,597**

<u>The Scheme Assets</u>

Year Ended:		**31-Mar-13**	**31-Mar-14**
		£'000	**£'000**
Opening Fair Value of Employer Assets		**21,626**	**25,378**
Interest income on plan assets	*	1,049	1,158
Contributions by scheme participants		324	325
Contributions by the employer		818	1,083
Contributions in respect of Unfunded Benefits		64	65
Remeasurement gains and losses	*	2,223	(177)
Unfunded Benefits Paid		(64)	(65)
Benefits Paid		(662)	(671)
Closing Fair Value of Employer Assets		**25,378**	**27,096**

* Please note under IAS19R, effective from 1st January 2013, the ‘Expected return on assets’ item has now been replaced with an ‘interest income on asset’ item. The rebased figure results in a difference of £197,000. The comparative figure for 2012/13 of ‘Expected Return on assets’ of £1,246,000 and the ‘actuarial gain/loss’ of £2,026,000 have now been restated above with £1,049,000 and £2,223,000 respectively. This change has no effect on the employer’s closing asset value. The change is presentational only.

Fair value of employers' assets:

	Period Ended 31 March 2013				Period Ended 31 March 2014			
Asset Category	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets
Equity Securities:								
Consumer	2,334.4	-	2,334.4	9%	2,058.2	-	2,058.2	8%
Manufacturing	1,424.8	-	1,424.8	6%	1,924.4	-	1,924.4	7%
Energy and Utilities	1,063.3	-	1,063.3	4%	1,133.9	-	1,133.9	4%
Financial Institutions	1,946.0	-	1,946.0	8%	2,033.3	-	2,033.3	8%
Health and Care	1,320.2	-	1,320.2	5%	1,418.2	-	1,418.2	5%
Information Technology	1,057.1	-	1,057.1	4%	1,238.5	-	1,238.5	5%
Other	550.7	-	550.7	2%	570.9	-	570.9	2%
Debt Securities:								
Corporate bonds (investment grade)	1,922.6	-	1,922.6	8%	2,027.7	-	2,027.7	7%
Corporate bonds (non-investment grade)	-	-	-	0%	-	-	-	0%
UK government	-	-	-	0%	-	-	-	0%
Other	-	-	-	0%	-	-	-	0%
Private Equity:								
All	-	811.7	811.7	3%	-	848.8	848.8	3%
Real Estate:								
UK Property	-	1,975.3	1,975.3	8%	-	1,990.7	1,990.7	7%
Overseas Property	-	-	-	0%	-	-	-	0%
Investment funds and Unit Trusts:								
Equities	7,770.1	-	7,770.1	31%	8,017.8	-	8,017.8	30%
Bonds	1,291.4	-	1,291.4	5%	1,316.9	-	1,316.9	5%
Hedge Funds	-	465.2	465.2	2%	-	513.3	513.3	2%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	-	-	0%	-	-	-	0%
Other	-	851.6	851.6	3%	-	853.4	853.4	3%
Derivatives:								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	-	-	-	0%	-	-	-	0%
Other	-	-	-	0%	-	-	-	0%
Cash and Cash Equivalents:								
All	593.6	-	593.6	2%	1,150.1	-	1,150.1	4%
Total	**21,274**	**4,104**	**25,378**	**100%**	**22,890**	**4,206**	**27,096**	**100%**

The movement in the net pension's deficit for the LGPS for the year can be analysed as follows:

	2012/13 £'000	2013/14 £'000
Net surplus/(deficit) at the beginning of year	**(9,587)**	**(12,569)**
Movement in the year:		
Current service cost	(956)	(1,224)
Contributions by the employer	818	1,083
Net return on assets (after Interest on pension liabilities)	(267)	(570)
Past Service Costs	0	0
Impact of settlements and curtailments	(79)	(156)
Unfunded Benefits	64	65
Actuarial gains/(loss)	(2,562)	(1,130)
Change in valuation of pension fund assets	0	0
Net surplus/(deficit) at the end of year	**(12,569)**	**(14,501)**
The actuarial gain/loss can be analysed as follows:		
- Return on plan assets, excluding amounts included in net interest on the net define	2,026	(177)
- changes in demographic assumptions	0	(1,000)
- changes in financial assumptions	(4,658)	(995)
- other experience	70	1,042
Actuarial gain/(loss)	**(2,562)**	**(1,130)**

Further information can be found in the Staffordshire County Council Superannuation Fund Annual Report, which is available upon request from the County's Finance Directorate, Eastgate Street, Stafford.

FIREFIGHTER PENSION SCHEMES

The movement in the net pension's deficit for the Unfunded Firefighters' Schemes for the year can be analysed as follows:

	2012/13			2013/14		
	FF'92 £'000	**FF'06 £'000**	**FF'CS £'000**	**FF'92 £'000**	**FF'06 £'000**	**FF'CS £'000**
Net deficit - start of year	**(286,721)**	**(11,463)**	**(28,075)**	**(343,930)**	**(17,806)**	**(33,315)**
Transfer provision for injury awards	0	0	0	0	0	0
Movement in the year:						
Current service cost	(4,820)	(1,990)	(860)	(5,750)	(2,680)	(1,120)
Contributions by scheme participants	(1,149)	(509)	0	(1,220)	(570)	0
Past service cost	0	0	0	0	0	0
Pension transfers-in	0	(44)	0	0	(82)	0
Pension/benefits paid	10,310	60	820	11,650	80	820
Interest on pension liabilities	(13,940)	(620)	(1,380)	(14,690)	(830)	(1,440)
Actuarial gains/(loss)	(47,610)	(3,240)	(3,820)	14,260	1,770	4,980
Net deficit - end of year	**(343,930)**	**(17,806)**	**(33,315)**	**(339,680)**	**(20,118)**	**(30,075)**

The actuarial gain/(loss) can be analysed as follows:

	2012/13			2013/14		
	FF'92 £'000	**FF'06 £'000**	**FF'CS £'000**	**FF'92 £'000**	**FF'06 £'000**	**FF'CS £'000**
Return on plan assets, excluding amounts included in net	0	0	0	0	0	0
changes in demographic assumptions	40	(10)	(5,670)	150	40	2,230
changes in financial assumptions	(40,880)	(2,430)	0	7,710	1,640	(10)
other experience	(6,770)	(800)	1,850	6,400	90	2,760
Actuarial gain/(loss)	**(47,610)**	**(3,240)**	**(3,820)**	**14,260**	**1,770**	**4,980**

Pension Reserve

To comply with IAS19 the Local Government and Firefighters Pension Scheme values are included in the Balance Sheet.

	LGPS	FF '92	FF '06	FF 'CS	Totals
	£000	**£000**	**£000**	**£000**	**£000**
Balance brought forward	(12,569)	(343,930)	(17,806)	(33,315)	(407,620)
Transfer provision for injury awards	0	0	0	0	0
Actuarial Gain	(1,130)	14,260	1,770	4,980	19,880
Contribution to Revenue Accounts	(802)	(10,010)	(4,082)	(1,740)	(16,634)
Balance carried forward	**(14,501)**	**(339,680)**	**(20,118)**	**(30,075)**	**(404,374)**

37. PENSION LIABILITY

At 31st March 2014, 19 employees of the Authority who are members of the Firefighters' Pension Scheme were eligible for voluntary retirement, having reached age 50 and completed 25 years' service.

If all were to exercise their right to retire in the 2014/15 financial year, the Authority would have to make payments amounting to £2.6 million. The total includes lump sum payments of £2.3 million and annual pension payment of £0.3 million assuming that everyone retired on 1 April 2014.

Firefighters' Pension Fund

2012/13		2013/14	
£'000		£'000	£'000
	Contributions receivable		
	From employer		
(2,831)	- normal	(2,760)	
0	- early retirements	0	
0	- other	0	
(2,831)			(2,760)
(1,658)	From members		(1,785)
	Transfers in		
(44)	- individual transfers in from other schemes	(82)	
0	- other	0	
(44)			(82)
	Benefits payable		
8,315	- pensions	8,863	
1,961	- commutations and lump sum retirement benefits	2,629	
0	- lump sum death benefits	15	
10,276			11,507
	Payments to and on account of leavers		
1	- refunds of contributions	1	
102	- individual transfers out to other schemes	220	
103			221
5,846	**Net amount payable for the year before top-up grant receivable to sponsoring department**		**7,101**
(5,846)	Top-up grant payable by the Government		(7,101)
0	**Fund Account Balance**		**0**

Net Assets Statement

2012/13		2013/14
£'000		£'000
	Net Current Assets and Liabilities	
690	Top-up receivable/(payable) to the Government	760
(690)	Amount owing (to)/from General Fund	(760)
0		**0**

Statement of Accounting Policies

1. The fund accounts have been prepared on an accruals basis.

2. An exception to the accruals basis is the transfer values which are on a cash basis. Note: transfer payments between English fire authorities were repealed by Regulation 36 of 1810/2006. Therefore transfer payments which arise will relate to Firefighters transferring to/from Welsh and Scottish authorities or transferring out of the Firefighters Pension Scheme entirely.

3. The fund has been valued by the Government Actuary's Department using the Projected Unit Credit method. The actuarial assumptions are shown in Note 36 to the Core Financial Statements.

4. The pension fund accounts do not take account of the obligation to pay pensions and benefits which fall due after the end of the financial year. The liabilities are shown in Note 35 IAS19 disclosure in the core financial statements.

Notes to the Pension Fund Account

1. Legal Status of the Pension Fund

The Pension Fund was established under the Firefighters Pension Fund Regulations 2006 (SI1810/2006) and from 1st April 2009 is administered by Northgate Arinso.

2. Management of the Fund

During the year the pension fund is managed by the Director of Finance, Assets and Resources.

3. Pension Benefits Payable from the Fund

The pension benefits payable from the fund include:

- Fire Fighters 1992 Scheme
- Fire Fighters 2006 Scheme

The injury benefits are payable from the main authority accounts rather than the pension fund.

4. Unfunded Scheme

The Firefighters' pension scheme is an unfunded scheme, consequently:

- the fund has no investment assets;
- benefits payable are funded by contributions from employers and employees;
- any difference between benefits payable and contributions receivable is met by top-up grant from the Home Office/Department for Communities and Local Government (DCLG).

5. Statutory Restrictions

The pension fund is statutorily prevented from including interest on cashflows and administration expenses in the pension fund and that these expenses are borne by the fire authority main accounts.

6. Pension Fund Scheme Contribution Levels

Employees and employers contribution levels are set nationally by the Home Office/DCLG and subject to triennial revaluation by the Government Actuary's Department.

7. Government 'Top-Up' Grant

The pension fund account receives contributions from the Authority, as the employer, and from scheme members, with any deficit being funded by a 'top-up' grant from Government or by paying over the surplus to the Government sponsoring department. The Government grant balances the fund to nil. The net assets statement shows £0.76m grant to be paid to the Authority as this is the deficit balance on the fund.

8. IFRS

As a result of the introduction of The IFRS Code there are no material changes to the pension statements arising from the transition.

Glossary

Accrual
A sum included in the final accounts to cover income or expenditure attributable to an accounting period for goods or work done, but for which payment has not been received/made by the end of an accounting period.

Capital Charge
A charge to service expenditure accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure
Expenditure on the acquisition of significant fixed assets that will be of use or benefit to the authority in providing its services beyond the year of account.

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

Capital Receipts
Proceeds from the sale of an asset e.g. Land and Buildings which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within regulations set by Central Government.

CIPFA
The Chartered Institute of Public Finance and Accountancy.

Contingent Liabilities
A potential liability at the balance sheet date when the accounts are submitted for approval the outcome of which is uncertain. If material the liability will be disclosed as a note to the accounts.

Deferred Charges
An item in a balance sheet where there is no tangible asset. It also represents outstanding borrowing in respect of a capital asset which has been disposed of but where the proceeds have been insufficient to clear the outstanding debt.

Deferred Liabilities
Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time.

Leasing
A method of financing capital expenditure where a rental charge is paid for a specified period of time. There are two main types of leasing arrangements:

a) Finances leases which transfer the risks and rewards of ownership of a fixed asset to the lessee and such assets are included within the fixed assets in the balance sheet.

b) Operating leases where the ownership of the asset remains with the leasing company and the annual rental is charged direct to the income and expenditure account

LOBO
A longer term loan which, at set points during its term, gives the lender the option to change the interest rate and the borrower the option to continue or end the agreement.

Minimum Revenue Provision – Prudent Level
The minimum amount which must be charged to the revenue account each year to set aside for provision for credit liabilities, previously 4% of the capital financing requirement.

Public Works Loan Board (PWLB)
A government agency which provides longer term loans to local authorities, at interest rates below market rate. It also acts as a lender of last resort (at a higher rate of interest).

'Prudent' Level
In this instance the term relates to amount charged to the Income and Expenditure Account for the provision for the repayment of debt. This is a more cautious approach thus linking borrowing to asset lives rather than just the standard 4% charge in previous years regardless of asset life.

Revaluation Reserve
Records unrealised revaluation gains arising (since 1 April 2007) from holding fixed assets.

Revenue Contribution to Capital Outlay / Direct Revenue Financing (RCCO) / (DRF)
A contribution to the financing of capital expenditure by a charge to the income and expenditure account, i.e. as a source of capital expenditure funding also can be used to avoid borrowing.

Virement
The transfer of resources between budget heads.

Work in Progress
The cost of work done on an uncompleted project at a specified date that has not been recharged to the appropriate account at that date.