



HEREFORD & WORCESTER Fire Authority

Audit and Standards Committee

AGENDA

Monday, 04 July 2016

10:30

Conference Suites

**Headquarters, 2 Kings Court, Charles Hastings Way,
Worcester, WR5 1JR**

ACTION ON DISCOVERING A FIRE

- 1 Break the glass at the nearest **FIRE ALARM POINT**.
(This will alert Control and other Personnel)
- 2 Tackle the fire with the appliances available – **IF SAFE TO DO SO**.
- 3 Proceed to the Assembly Point for a Roll Call –

CAR PARK OF THE OFFICE BUILDING ADJACENT TO THE CYCLE SHED TO THE LEFT OF THE ENTRANCE BARRIER TO 2 KINGS COURT.

- 4 Never re-enter the building – **GET OUT STAY OUT**.

ACTION ON HEARING THE ALARM

- 1 Proceed immediately to the Assembly Point

CAR PARK OF THE OFFICE BUILDING ADJACENT TO THE CYCLE SHED TO THE LEFT OF THE ENTRANCE BARRIER TO 2 KINGS COURT.

- 2 Close all doors en route. The senior person present will ensure all personnel have left the room.
- 3 Never re-enter the building – **GET OUT STAY OUT**.

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ACCESS TO INFORMATION – YOUR RIGHTS. The press and public have the right to attend Local Authority meetings and to see certain documents. You have:

- the right to attend all Authority and Committee meetings unless the business to be transacted would disclose “confidential information” or “exempt information”;
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- the right to inspect agenda and public reports at least five days before the date of the meeting (available on our website: <http://www.hwfire.org.uk>);
- the right to inspect minutes of the Authority and Committees for up to six years following the meeting (available on our website: <http://www.hwfire.org.uk>); and
- the right to inspect background papers on which reports are based for a period of up to four years from the date of the meeting.

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WELCOME AND GUIDE TO TODAY’S MEETING. These notes are written to assist you to follow the meeting. Decisions at the meeting will be taken by the **Councillors** who are democratically elected representatives and they will be advised by **Officers** who are paid professionals. The Fire and Rescue Authority comprises 25 Councillors and appoints committees to undertake various functions on behalf of the Authority. There are 19 Worcestershire County Councillors on the Authority and 6 Herefordshire Council Councillors.

Agenda Papers - Attached is the Agenda which is a summary of the issues to be discussed and the related reports by Officers.

Chairman - The Chairman, who is responsible for the proper conduct of the meeting, sits at the head of the table.

Officers - Accompanying the Chairman is the Chief Fire Officer and other Officers of the Fire and Rescue Authority who will advise on legal and procedural matters and record the proceedings. These include the Clerk and the Treasurer to the Authority.

The Business - The Chairman will conduct the business of the meeting. The items listed on the agenda will be discussed.

Decisions - At the end of the discussion on each item the Chairman will put any amendments or motions to the meeting and then ask the Councillors to vote. The Officers do not have a vote.



HEREFORD & WORCESTER
HWR
FIRE AND RESCUE SERVICE

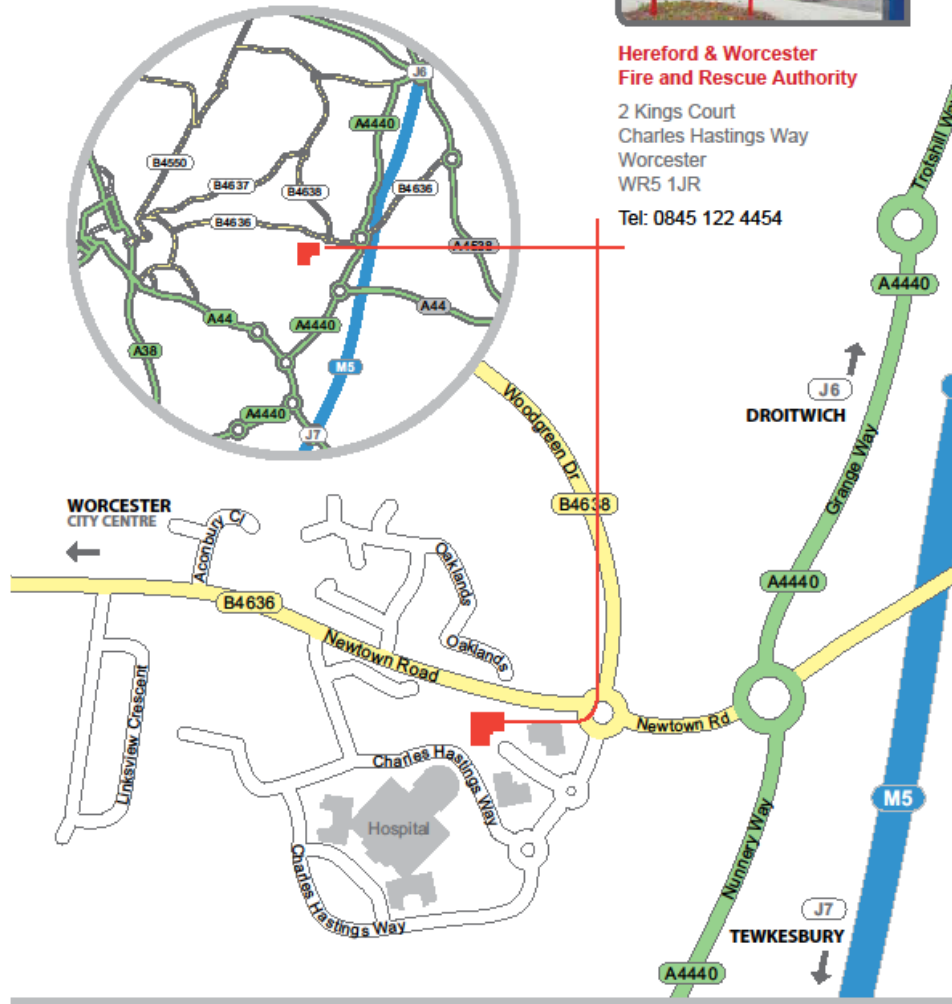
Service Headquarters



Hereford & Worcester Fire and Rescue Authority

2 Kings Court
Charles Hastings Way
Worcester
WR5 1JR

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Hereford & Worcester Fire Authority

Audit and Standards Committee

Monday, 04 July 2016, 10:30

Agenda

Councillors

Ms L R Duffy (Chairman), Mr G C Yarranton (Vice Chairman), Ms P Agar, Mr A Amos, Mr S C Cross, Ms K S Guthrie, Mr A I Hardman, Mrs A T Hingley, Mr R I Matthews, Professor J W Raine, Mr G J Vickery, Mr S D Williams,

No.	Item	Pages
1	Apologies for Absence To receive any apologies for absence.	
2	Named Substitutes To receive details of any Member of the Authority nominated to attend the meeting in place of a Member of the Committee.	
3	Declarations of Interest (if any) This item allows the Chairman to invite any Councillor to declare an interest in any of the items on this Agenda.	
4	Confirmation of Minutes To confirm the Minutes of the Audit and Standards Committee meeting held on 13 April 2016.	7 - 9

5	Internal Audit Annual Report 2015/2016	10 - 20
	<p>To provide the Committee with:</p> <ul style="list-style-type: none"> • overall results in terms of meeting Internal Audit objectives as set out in the Internal Plan for 2015/2016; and • an audit opinion and commentary on the overall adequacy and effectiveness of the internal control environment. 	
6	Internal Audit Plan 2016/17	21 - 25
	To provide the committee with a draft Internal Audit Plan for 2016/17	
7	Strategic Risk Register	26 - 38
	To provide Audit & Standards Committee with an annual update on the Strategic Risk Register and to outline the new approach to managing the risk registers.	
8	Health and Safety Audit	39 - 46
	To inform the Audit and Standards Committee on progress against the 12 recommendations made from the CFOA West Midlands Regional Health and Safety Audit undertaken in January 2015.	
9	Provisional Annual Statement of Accounts 2015/2016	47 - 132
	To present a draft of the Annual Statement of Accounts for discussion.	
10	Annual Governance Statement 2015/2016	133 - 163
	<ul style="list-style-type: none"> • To consider evidence compiled during self-assessment review which provides the assurances that sit behind the Annual Governance Statement. • To put forward the Draft Annual Governance Statement 2015/2016 for approval. 	



Hereford & Worcester Fire Authority

Audit and Standards Committee

Wednesday, 13 April 2016, 10:30

Minutes

Members Present: Ms L R Duffy, Ms K S Guthrie, Mrs A T Hingley, Mr G C Yarranton, Ms P Agar, Mr G J Vickery, Mr R I Matthews, Mr S C Cross, Mr A Amos, Mr S D Williams

Substitutes: none

Absent: none

Apologies for Absence: Mr W P Gretton, Professor J W Raine

Declarations of Interest: none

37 Confirmation of Minutes

RESOLVED that the minutes of the Audit and Standards Committee held on 18 January 2016 be confirmed as a correct record and signed by the Chairman.

38 Internal Audit Monitoring Report 2015/2016

The Head of Internal Audit Shared Services reported progress against the 2015/16 plan and highlighted to Members that since the last report a further five audits had been finalised and there were no high priority recommendations. Outcomes and assurance will continue to be reported to the committee until the plan is satisfied.

[10:38 Councillor Amos entered the room]

RESOLVED the Internal Audit Monitoring Report 2015/2016 be noted.

39 External Audit Plan 2015/16

Members were advised that work was on track to meet the key phases of the 2015/16 audit delivery schedule and in fact some aspects of work had

been brought forward to avoid a summer peak.

Members were reassured that although the MTFP gap had been identified as an area of significant risk within the report, the Auditors concerns had since been allayed following a meeting between the External Audit Partner, the Treasurer and the Chief Fire Officer. The meeting took place after the report had been submitted.

Some Members queried where responsibility lay with regards to governance of joint ventures such as Place Partnership Ltd. Members were reassured by the Head of Legal Services that the Fire Authority was already involved in the governance of Place Partnership Ltd. via representation on the Executive Board and it was expected that PPL would submit annual reports to the Partners. The Internal Auditor also highlighted that WIASS were preparing to bring Internal Audit summaries of Place Partnership Ltd. to the Fire Authority on a regular basis.

RESOLVED the External Audit Plan 2015/16 be noted.

40 Informing the Audit Risk Assessment

Members were advised to note that there were no areas in the Audit Risk Assessment 2015/16 that were of concern to the Treasurer or External Auditor.

The Chairman queried whether it would be beneficial for Members to meet with External Auditors without Officers present. The Head of Legal Services highlighted concerns about this from a governance perspective. This would be considered further at a later date.

RESOLVED the External Auditor's report 'Informing the Audit Risk Assessment' be noted.

41 Annual Report on Compliments/Complaints and Concerns 2015/2016

Members were informed of the compliments, donations, complaints and concerns made by the public over the past 12 months. Reassurance was given that there were no significant recurring themes or trends in concerns or complaints to give any cause for concern.

RESOLVED that the the Annual Compliments, Complaints and

Concerns 2015/16 Report be noted.

42 Member Development Programme 2016/2017

Members were presented with a draft Development Plan for 2016 and reminded that this was the final year in the three year Development Strategy. Members were advised that the focus for the next 12months is Firefighter Safety.

RESOLVED that the Member Development Plan 2016 be approved subject to the inclusion of the following additions;

**Annual Member Code of Conduct refresher; and
Updates covering Strategic Risk Management and Business
Continuity.**

The Meeting ended at: 11:33

Signed:.....

Date:.....

Chairman

Report of the Internal Auditor

5. Internal Audit Annual Report 2015/16

Purpose of Report

1. To provide the Committee with:
 - the overall results in terms of meeting Internal Audit's (IA's) objectives as set out in the internal audit plan for 2015/2016, and,
 - provide an audit opinion and commentary on the overall adequacy and effectiveness of the internal control environment.
-

Recommendation

The Treasurer recommends it be noted that the audit plan delivered in 2015/16 has provided an assurance level of “significant” for all relevant audits.

Introduction and Background

2. The Authority is responsible for maintaining or procuring an adequate and effective internal audit of the activities of the Authority under Regulation 5 of the Accounts and Audit (England) Regulations 2015. This includes considering, where appropriate, the need for controls to prevent and detect fraudulent activity. These should also be reviewed to ensure that they are effective. This duty has been delegated to the Treasurer, and, Internal Audit was provided by Worcestershire Internal Audit Shared Service (WIASS). Management is responsible for the system of internal control and should set in place policies and procedures to ensure that the system is functioning correctly. The Authority is required to publish an Annual Governance Statement to accompany the accounts by the 30th September. During 2015/16 the provision for the Internal Audit function was delivered on a 12 month extended contract of Internal Audit provision by WIASS. During 2015/16 further progress was made to arrange for Hereford and Worcester Fire and Rescue Authority to become a partner within the Shared Service from 1st April 2016.

Objectives of Internal Audit

3. The Chartered Institute of Public Finance and Accounts (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom defines internal audit as: “an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the control

environment as a contribution to the proper, economic and effective use of resource”.

Internal Audit

Aims of Internal Audit

4. The objectives of WIASS are to:
 - Examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the Fire Service and recommend arrangements to address weaknesses as appropriate;
 - Examine, evaluate and report on arrangements to ensure compliance with legislation and the Fire Service’s objectives, policies and procedures.
 - Examine, evaluate and report on procedures that the Fire Service’s assets and interests are adequately protected and effectively managed.
 - Undertake independent investigations into allegations of fraud and irregularity in accordance with Fire Service’s policies and procedures and relevant legislation.
 - Advise upon the control and risk implications of new systems or other organisational changes.
5. WIASS is committed to providing an audit function which conforms to the Public Sector Internal Audit Standards 2013.
6. We recognise there are other review functions providing other sources of assurance (both internally and externally) over aspects of the Council’s operations. Where possible we seek to place reliance on such work thus reducing the internal audit coverage as required.
7. To try to reduce duplication of effort we understand the importance of working with the External Auditors. The audit plan was shared with the external auditors for information.

Summary of the prime features

2015/2016 Key Internal Audit planned Inputs for WIASS

8. A summary of the position is provided at Appendix 1

2015/2016 Key Internal Audit planned Outputs for WIASS

9. During 2015/16 Internal Audit was required to:

- Complete ten systems audits (including Health Check audits) of which four needed to suitably assist the External Auditor reach their “opinion”.
 - provide sufficient audit resources for other operational areas which assist the Fire Service maintaining/improving its control systems and risk management processes or implementing / reinforcing its oversight of such systems, i.e:-provide an on-going consultancy to managers on internal control, for example where system changes are being made;
 - meet Internal Audit’s external work requirements;
 - achieve a benchmark of delivery for 2015/2016 of all audits as agreed in the operational programme as agreed at the September 2015 Committee.
10. The majority of audits, on completion, are assigned an assurance using a predefined definition and all reported recommendations are given a priority. The audit assurance and recommendation priority is agreed with Management before the final report is published. An example of the assurance and priority definitions is provided at Appendix 2 for information.

Productive Work

11. During 2015/2016 there were 104 productive audit days delivered by WIASS against an overall budget of 111 days. The remainder of the days have been delivered during April and May 2016 to complete the plan as a whole and will not feature in the 2016/17 plan. These days were required to finalise two audits that were at clearance stage so they could be discussed with management, a management response obtained and final report issued. Appendix 1 gives a break down of the annual budgeted days for systems work. WIASS has achieved what was required according to the 2015/2016 audit plan and completed all audits to final report stage. The appendix shows for each audit report the overall assurance attained as well and providing an overall assurance analysis. Appendix 2 provides an explanation of assurance categorisation. The overall assurance that has been attributed to the various areas that have been audited in regard to the 2015/16 programme and reflects the fact there have been no ‘high’ priority recommendations to report.
12. Consultancy, advice and guidance are demand led activities and can fluctuate from year to year but have been contained within the agreed budget.
13. Follow up in respect of audits which were provided to the Fire and Rescue Service as part of the year 1 and 2 delivery from WIASS were included as part of the 2015/16 audit programme and have been undertaken during the past twelve months for example Operations Assurance (September 2016), ICT (February 2016), Risk Management (February 2016) as well as the core financial reviews.
14. Internal audit has worked with external audit to try and avoid duplication of effort, provide adequate coverage for the 2015/16 financial year so that an internal audit opinion can be reached, and, support External Audit by carrying

out reviews in support of the accounts opinion work.

Work of interest to the External Auditor

15. The results of the work that we performed on four systems audits during 2015/16 was of direct interest to External Audit. Audit reports are passed to the external auditor on request for their information and for them to inform their opinion.
16. Dialogue continues with the External Auditor to ensure that the IA work will continue to provide the assurance they seek at an acceptable standard.

Quality Measures – internal

17. Managers are asked to provide feedback on systems audits as the audit progresses. Comments have been received from a number of Managers who have expressed their appreciation of the audit approach and the fact that it will assist them to add value to their service area. WIASS analyse the returns during the year to ensure that the audit programme continues to add value. No formal questionnaires have been issued to date as feedback has been immediately forthcoming from the appropriate Managers. The Treasurer, Chief Accountant and External Audit have also confirmed a high satisfaction with the audit product during discussions with the Chief Internal Auditor.
18. WIASS internal audit activity is organisationally independent. Internal Audit reports to the Treasurer but has a direct and unrestricted access to senior management and the Audit Committee Chair if required.
19. Further quality control measures embedded in the service include individual audit reviews and regular Client Officer feedback. WIASS staff work to a given methodology and have access to the internal audit manual and Charter which has been updated to reflect the requirements of the standards.
20. The Client Officer Group (i.e. management board) meet on a regular basis and consider the performance of the Shared Service including progress against the Service Plan and promote continuous improvement of the Service.
21. To further assist the Committee with their assurance of the overall delivery WIASS conforms to the Public Sector Internal Audit Standards 2013.
22. Appendix 3 provides the audit opinion and commentary which provides further assurance to the Committee.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	There are financial issues that require consideration as the contractual arrangement has concluded and H&WFRS have joined the Shared Service as a full partner from April 2016. The financial details are not fully detailed in this report.
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	None There are legal issues e.g. joining as a partner in the shared service required consideration but are not fully detailed in this report.
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	Yes, whole report.
Consultation (identify any public or other consultation that has been carried out on this matter)	N/A – no policy change is recommended
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	N/A

Supporting Information

N/a

Contact Officer

Andy Bromage

Head of Internal Audit Shared Service

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Appendix 1

Worcestershire Internal Audit Shared Service Audit Plan Performance for 2015/16

Service Area	System	Budgeted Days	Overall Assurance	Delivery
	Main Systems			
Accountancy and Finance Systems	Payroll & Pensions incl. GARTAN system	13	Significant	Final Report issued 16th February 2016
	Creditors	8	Significant	Final Report issued 11 th January 2016
	Debtors	5	Significant	Final Report issued 11th January 2016
	Main Ledger & Budgetary Control (and Training Budget)	8	Significant	Final Report issued 11th January 2016
Corporate Governance	IT Audit	10	Moderate	Draft Report issued 20th April 2016
	Corporate Governance (Annual Statement)	16	Critical Friend	Clearance meeting 29/06/16
System Management Arrangements /	Cash Float/Imprest Account	5	Significant	Final Report issued 17th March 2016
	Stores/Operational Logistics	10	Significant	Draft Report issued 28th April 2016
	Human Resources	9	Critical Friend	Draft Report issued 10 th March 2016
	Risk Management	8	Moderate	Draft Report issued 29th April 2016
General	Follow Ups	7	N/a	2015/16
	Advice & Guidance	1	N/a	2015/16
	Audit Committee & Management Reporting	11	N/a	2015/16
Total Contracted Days		111		
Total days delivered during 2015/16		104		

*7 days will be delivered as part of the finalisation of the audits during 2016/17 but will not be shown in the 2016/17 plan.

Summary of 2015/16 Audit Assurance Levels

2015/16	Number of Fire and Rescue Service Audits	Assurance	Overall % (rounded)
From 10 audits	0	Full	0%
	6	Significant	60%
	2	Moderate	20%
	0	Limited	0%
	0	No	0%
	0	To be finalised i.e. remains at clearance	0%
	2	Critical Friend	20%

Note:

Asset Management, Annual Report, Follow Up, Advice, Audit Committee Support and management reporting areas are not included in the above figures.

Overall Conclusion:

- 100% of the finalised audits undertaken for 2015/16 which have been allocated an assurance returned a level of moderate or above. This figure includes the 'critical friend' reviews, and, draft reports as the assurance is not expected to change.
- Managers and the Treasurer are satisfied with the audit process and service delivery from the feedback received.

Audit Reports 2015/16

Definition of Audit Opinion Levels of Assurance

Opinion	Definition
Full Assurance	<p>The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively.</p> <p>No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.</p>
Significant Assurance	<p>There is a generally sound system of internal control in place designed to meet the organisation's objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk.</p> <p>Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
Moderate Assurance	<p>The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet it's objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
Limited Assurance	<p>Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
No Assurance	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>

Definition of Priority of Recommendations

Priority	Definition
H	<p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.</p> <p>Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.</p>
M	<p>Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.</p>
L	<p>Control weakness that has a low impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation is desirable as it will improve overall control within the system.</p>

Audit Opinion and Commentary for 2015/16

**Hereford and Worcester Fire and Rescue Service
Commentary and Audit Opinion 2015/16**

1. Internal Audit: Hereford and Worcester Fire and Rescue Service's responsibility for maintaining an adequate and effective internal audit function is set out in Regulation 5 of the Accounts and Audit (England) Regulations 2015.
2. The Internal Audit function is provided by the Worcestershire Internal Audit Shared Service (WIASS) which was set up as a shared service in 2010/11, and hosted by Worcester City for 5 district councils. 2015/16 was the fourth full year of audit function delivery for the Fire and Rescue Service since it was transferred from Worcestershire County Council. The shared service operates in accordance with, and conforms to, the Public Sector Internal Audit Standards 2013. It objectively reviews, on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Fire and Rescue Service objectives and contributes to the proper, economic and effective use of resources.
3. The Internal Audit Plan was agreed with External Audit, the Treasurer and s151 Officer and was approved by the Audit and Standards Committee on the 28th September 2015. It included:
 - a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion'
 - other corporate systems for example governance and risk management.
4. Based on the audits performed by WIASS in accordance with the approved audit plan the Head of Internal Audit Shared Service can report that the Hereford and Worcester Fire and Rescue Service governance framework arrangements during 2015/2016 have provided assurance outturns of either predominantly 'significant' or 'moderate', meaning, there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified.
5. No areas reviewed as part of the 2015/2016 plan recorded 'limited' or 'no' assurance. Outstanding issues were being addressed as part of the process of continuous improvement and clear management actions plans had been agreed, where appropriate, for review areas.
6. It should be noted that as part of the risk based approach WIASS delivered all the audits expected in the 2015/16 plan. During the previous year the Fire and Rescue Service changed its payroll provider which obviously attracted an increased risk exposure. Clear and robust mitigation was put in place to ensure the risks associated with such a transfer were managed. There remains a clear

understanding that work is to be done in this area but to date the service has provided a satisfactory payroll solution.

7. In relation to the ten reviews that have been undertaken all have been completed and discussed with management with reports issued either in draft or finalised form. Risk management continues to feature prominently with regular reports continuing to be brought before the Committee. Work continues to ensure that it becomes fully embedded throughout the organisation.
8. The Head of Internal Audit Shared Service has concluded that internal control arrangements during 2015/2016 effectively managed the principal risks identified in the audit plan and can be reasonably relied upon to ensure that the Fire and Rescue Service corporate objectives have been met. None of the work WIASS has carried out in support of the 2015/2016 plan identified any fundamental weaknesses in the areas WIASS audited leading to either a 'limited' or 'no' assurance outcome. There were no 'high' priority recommendations reported to committee during 2015/16 in regard to 2015/2016 audits.
9. WIASS can conclude that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance based on the audits performed in accordance with the approved plan and the scoping therein.

Andy Bromage
Head of Internal Audit Shared Service
June 2016

Report of the Internal Auditor

6. Internal Audit Draft Audit Plan 2016/17

Purpose of report

1. To provide the Committee with the Draft Audit Plan for 2016/17.
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Recommendation

The Treasurer recommends that the 2016/17 Draft Internal Audit Plan be approved.

Introduction and Background

2. The Authority is responsible for maintaining or procuring an adequate and effective internal audit of the activities of the Authority under the Accounts and Audit (England) Regulations 2015. This includes considering, where appropriate, the need for controls to prevent and detect fraudulent activity. These should also be reviewed to ensure that they are effective. This duty has been delegated to the Treasurer, and, Internal Audit is provided by Worcestershire Internal Audit Shared Service (WIASS). Management is responsible for the system of internal control and should set in place policies and procedures to ensure that the system is functioning correctly.

Objectives of Internal Audit

3. The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom defines internal audit as: “an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness to achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic and effective use of resource”. WIASS is committed to satisfying/achieving the requirement of the CIPFA Code of Practice for Internal Audit and conforms to the Public Sector Internal Audit Standards.

Aims of Internal Audit

4. The objectives of WIASS are to:
 - Examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the Fire Service and recommend arrangements to address weaknesses as appropriate;
 - Examine, evaluate and report on arrangements to ensure compliance with legislation and the Fire Service’s objectives, policies and procedures;

- Examine, evaluate and report on procedures that the Fire Service's assets and interests are adequately protected and effectively managed;
 - Undertake independent investigations into allegations of fraud and irregularity in accordance with Fire Service's policies and procedures and relevant legislation; and,
 - Advise upon the control and risk implications of new systems or other organisational changes.
5. Internal audit will work with external audit to avoid duplication of effort, provide adequate coverage for the 2016/17 financial year so that an internal audit opinion can be reached, and, support External Audit by carrying out reviews in support of the accounts opinion work.

Audit Planning

6. To provide audit coverage for 2016/17 an audit operational programme to be delivered by WIASS was discussed and agreed with the Treasurer and the Senior Management Board and will be provided to External Audit. The audit programme provides a total audit provision of 111 audit days; 95 operational and 16 management days. As the audits and follow up reviews are completed summary update reports will be brought before Committee along with an extract of the 'high' priority recommendations. Full reports will be provided to the Chairperson of the Committee for perusal on request.
7. The Internal Audit Plan for 2016/17, which is included at Appendix 1, is a risk based plan which takes into account the adequacy of the Authority's risk management, performance management and other assurance processes. It has been based upon the risk priorities per the corporate risk register as well as upon an independent risk assessment of the audit universe by Internal Audit. The Internal Audit Plan for 2016/17 has been agreed with the Fire and Rescue Service Section 151 Officer and Treasurer and placed before Senior Management Board for discussion.
8. Appendix 1 provides the Committee with a breakdown of the draft 2016/17 internal audit plan.
9. Appendix 2 provides the Committee with an over view and comparison of the audits delivered over the past 3 ½ years.

Conclusion/Summary

10. Operational progress against the Internal Audit Plan for 2016/17 will be closely monitored by the Service Manager of the Worcestershire Internal Audit Shared Service and will be reported to the Audit Committee on a quarterly basis and, for information, also included will be any 'high' priority recommendations.

Corporate Considerations:

Resource Implications (identify any financial, legal, property or human resources issues)	There are financial issues that require consideration as the Authority has joined the Shared Service as a partner from 1 st April 2016 but these are not fully detailed in this report.
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	None There are legal issues e.g. Collaborative Agreement that require consideration but are not fully detailed in this report as they are contained within the Agreement.
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	Yes, whole report.
Consultation (identify any public or other consultation that has been carried out on this matter)	N/A – no policy change is recommended
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	N/A

Supporting Information

Appendix 1 - 2016/17 Draft Internal Audit Plan

Appendix 2 - Summary of audit coverage

Contact Officer

Contact Officer

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APPENDIX 1

FIRE & RESCUE SERVICE Draft Audit Plan for 2016/17 WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE INTERNAL AUDIT PLAN FOR THE FIRE & RESCUE SERVICE 2016/17

Audit Area	Source (max risk score 45)	Planned days 2016/17	Preferred Audit Quarter
Accountancy & Finance Systems			
Main Ledger (incl. Budgetary Control & Bank Rec)	Risk Score 28	8	Q3
Creditors	Risk Score 28	8	Q3
Debtors	Risk Score 25	5	Q3
Payroll & Pensions (incl. GARTAN)	Risk Score 35	13	Q3
VAT	Risk Score 27	3	Q4
SUB TOTAL		37	
Corporate Governance (incl Health & Safety arrangements)			
Corporate Governance (AGS)	Risk Score 25	10	Q2
ICT Audit	Risk Score 36	10	Q4
System / Management Arrangements			
Safeguarding	Risk Score 30	8	Q2
Training Centre	Risk Score 33	8	Q4
Property & Asset Mngt (Client Side)	Risk Score 31	9	Q2
Fees and Charges (Value for Money)	Risk Score 25	5	Q4
Technical Fire Safety (Commercial)	Risk Score 24	8	Q4
SUB TOTAL		58	
General			
Follow up 2014/15 & 2015/16 Reviews	Routine & s151	5	Q1 to Q4 inclusive
Advice, Guidance, Consultation, Investigations	n/a	2	Q1 to Q4 inclusive
Audit Cttee Support	n/a	5	Q1 to Q4 inclusive
Reports & Meetings	n/a	4	Q1 to Q4 inclusive
SUB TOTAL		16	
TOTAL CHARGEABLE		111	

Note: GAD has been not included ~ conformity to be provided by Worcestershire County Council.

Note: In addition to the plan above there will be an additional review in regard to the Pensions to ensure the CARE system is operating satisfactorily.

Appendix 2

Summary of audits delivered since WIASS became responsible for the internal audit delivery:

Audit Review	Year Undertaken					Proposed 2016/17 <i>Or 2017/18</i>
	Handover year from County	Contractual delivery to H&WFRS by WIASS				
Payroll & Pensions	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Debtors	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Creditors	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Petty Cash Imprest/Floats		2012/13			2015/16	
Main Ledger incl. Budgets & Budgetary Control	2011/12 (Not Main Ledger)	2012/13	2013/14	2014/15	2015/16	2016/17
Property & Asset Management		2012/13				2016/17 (Client Side)
Capital Programme			2013/14			
Follow up	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Risk Management Arrangements		2012/13	2013/14	2014/15	2015/16	
Business Continuity		2012/13				2017/18
Corporate Governance / Management (different areas each year)		2012/13	2013/14	2014/15	2015/16	2016/17
Procurement / Contracts		2012/13				2017/18
Members Allowances		2012/13				
Computer Audit		2012/13	2013/14	2014/15	2015/16	2016/17
Community Safety			2013/14			2016/17?
Urban Search and Rescue			2013/14			2016/17?
Operational Logistics incl. Fleet			2013/14			2017/18
Stores					2015/16	
Transformational Planning (20/20 Plan)				2014/15		2017/18
Building Maintenance				2014/15		
Equality and Diversity				2014/15		
Operations				2014/15		
Human Resources					2015/16	
Training Centre (Droitwich)						2016/17
Technical Fire Safety						2016/17
Fees and Charges						2016/17
VAT						2016/17
Safeguarding						2016/17
Partnership Working						2017/18

Report of the Head of Operational Support

7. Strategic Risk Register

Purpose of report

1. To provide Audit & Standards Committee with an annual update on the Strategic Risk Register and to outline the new approach to managing the risk registers.

Recommendations

It is recommended that:

- i) **the Strategic Risk Register be approved; and**
- ii) **the actions taken following recommendations made in the recent audit by Worcestershire Internal Audit Shared Service (March 2016) be noted.**

Background

2. The Emergency Planning and Resilience Officer is responsible for co-ordinating Departmental Risk Registers, Directorate Risk Registers and the Strategic Risk Register. This annual review of the Strategic Risk Register meets the requirements of the Audit & Standards Committee's terms of reference to monitor and review the Authority's risk management arrangements.
3. The purpose of strategic risk management is to effectively identify strategic or large scale risks successfully for the organisation and to put in place effective control measures to mitigate their effect.

Audit of Risk Management Processes (March 2016)

4. On the 21st March 2016 an Internal Audit was conducted on the Services risk management systems by the Worcestershire Internal Audit Shared Service. The audit focussed on the risk registers and the processes by which these were populated, managed and archived.
5. The executive summary of the audit report gave the opinion of moderate assurance in this area. This level of assurance meant the auditors felt the Service generally has a sound system of internal control, with the need for some improvements in certain processes. In four areas recommendations were made by the auditors, which were further subdivided into specifics for each area (Appendix 2).

6. Following changes implemented that were based on the outcomes of the audit, the Service believes it has largely addressed all the main issues outlined by the auditors. A wider examination of this subject across the sector has highlighted some notable practice which has been incorporated into the new risk register process. Revised maintenance and recording systems have been developed which should fully meet the recommendations of the audit, and will be subject to a future review by the internal audit team in the near future. Additionally following the departure of the previous Emergency Planning and Resilience Officer, a new person has been employed in this role following a significant period of absence. This will bring a new approach and provide a resource into this subject area that will support the future maintenance of these improvements.

Risk Management Strategy

6. The Risk Management Strategy Policy is in place for recording a wide range of risks within the Authority. The overall objective of the strategy is to ensure that the Service identifies strategic risks, on behalf of the Authority, and applies the most cost-effective control mechanisms to manage those risks. This ensures that identified risks are either eliminated or managed to within an acceptable level and that systems are in place to monitor and report against such risks. This strategy is also currently under review to ensure it is aligned with the recent alterations to the risk management process.
7. Utilising a “bottom up” approach to risk management, Departments, Area Commanders and Directors all review the risks within their work areas. The highest and/or most prevalent risks are then elevated as appropriate to the Strategic Risk Register through the Service’s Senior Management Board (SMB).

Strategic Risk Register

8. The overall responsibility for ensuring risks are managed effectively lies with the Authority as professionally advised by Officers. The Strategic Risk Register is a dynamic document that outlines the risk scoring for both likelihood and impact of each significant risk along with recording of quarterly reviews and other relevant, salient information in its new format. Many other risks will be listed in departmental risk registers and whilst some of these risks may be significant in isolation they will not normally be noted on the strategic register unless they have a Service wide impact and/or cannot be controlled effectively.
9. Information on the register not only reflects local risks but also reflects the updated National Risk Register which is intended to capture the range of emergencies that may have an impact on all or significant parts of the UK, as well as internal risks. The National Risk Register drives the County and Community Risk Registers held by West Mercia Local Resilience Forum (WMLRF) and is recognised in the Service’s live Strategic Risk Register, as appropriate.

10. WMLRF is a multi-agency group comprising bodies within West Mercia such as Local Authorities, National and Local Health Agencies, the three Emergency Services and the Environment Agency.
The purpose of the LRF is to ensure effective delivery of the duties of the Civil Contingencies Act (CCA) 2004. This requires partner agencies to co-operate and co-ordinate information.
11. Risks are continually monitored and reviewed regularly by SMB. This was most recently conducted on the 31st May 2016, where SMB agreed the new format for the Risk Registers, which include a new methodology to record and monitor these risks. Notable practice from within the Sector will now steer SMB to consider strategic risks in the following broad risk headings, on a quarterly basis (not definitive):
- Absence or loss of staff, including, widespread illness, severe weather and industrial action.
 - Death or serious injury of staff or the public from our activities.
 - Inability to respond to operational incidents
 - Financial governance and related risks
 - Loss or damage to assets
 - Failure to consult properly
 - Failure to have competent staff in the workplace
 - Guidance and Policy failures
 - Legislative failures including, H&S, Employment, Procurement, Data and Information Security etc.
 - Failure to manage Fire Safety enforcement appropriately
 - Safeguarding
 - Key supplier dependencies
 - Project related risks
 - Risks related to partners that could significantly impact the Service.
12. Appendix 1 currently demonstrates notable risks that SMB have agreed to log on the Strategic Risk Register. The assessment of these risks may alter as the environment around each risk changes. For this reason all registers are reviewed quarterly, and risks are re-evaluated, and new risks developed. Identified risks may escalate from Departmental level to Directorate level and then onto the Strategic Risk Register as appropriate at any time. Conversely when a risk is no longer deemed to be notable or active, it should remain on the register for the rest of the business year, and will be archived at the end of the annual review period for reference and assurance.
13. It should be noted that Business Continuity plans are directly aligned to the risk registers and are in place. It is not the aim of the risk register to duplicate or replace Business Continuity plans but to inform and compliment them. In many cases the Business Continuity plan will play a major role in the controlling of a specific risk.

14. The 2020 project board have highlighted risks around both transformational bids projects regarding the HQ move to Hindlip and the Wyre Forest proposal, which are now noted on the register, but require regular review and development as more detail emerges.

Conclusion/ Summary:

15. A robust process is now in place and resourced to ensure that there is a process of continual monitoring and reviewing taking place across the Service at all appropriate levels. This will ensure that identified risks are being used to drive business and actively managed to reduce or eliminate notable risks where possible.
16. The Authority's Strategic Risk Register will be formally reported to Members annually, with significant changes being reported to the Audit & Standards Committee in a risk update, as appropriate.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	The improvement to this area of work requires additional capacity in terms of resources from across all departments in the Service which can be managed locally.
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	This area of work directly support the aims of the Service and has links in to every area of strategic policy, with the aim of identifying and where possible mitigating risk to strategic policy.
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	This report is made through the process of risk management.
Consultation (identify any public or other consultation that has been carried out on this matter)	N/A
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	N/A

Supporting Information:

Appendix 1 – Strategic Risk Register 2014/15

Appendix 2 - Internal Audit Report Recommendations and Actions (21st March 2016)

Contact Officer

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Appendix 1 - Overview of Strategic Risk Register. (Full Risk Register provided as a separate document.)

Reference No	Risk Descriptor	Trigger	Consequence
SRR1	A widespread event or situation that leads to a significant loss of workforce in the workplace	An event that in its nature means that a large part of the workforce are either unable or not willing to attend the workplace	Inability to deliver core purpose and over a longer term the inability to maintain core systems and/or deliver Service infrastructure and obligations (e.g. financial, legislative, departmental such as Fleet and ICT)
SRR1A	Major ill health epidemic affecting service levels	1) A contagious disease or virus that affects a % of the workforce 2) A contagious disease or virus that affects the communities bound by Hereford and Worcester Fire and Rescue Service	Loss of a percentage of front line and/or support staff resulting in a reduction or loss in the ability to deliver the service that Hereford and Worcester Fire and Rescue Service provides, including but not exhaustive to Prevention and Service Delivery
SRR1B	Severe weather event(s) affecting service delivery	1) Severe weather including but not limited to: a) Snow/Ice b) Flooding c) Heatwave	1) Loss of a percentage of staff due to several factors including, but not limited to a) Inability for staff to travel into work b) School closures leading to a reduction in service delivery
SRR1C	Industrial disputes	1) Disputes with union(s) regarding a number of topics with an inability to reach an agreement either nationally or locally	1) Strike action for an unknown period of time of a percentage of frontline and or support staff 2) A period of action short of strike for an indefinite period of time which may result in a loss of extra activities such as but not limited to overtime. These may potentially result in an inability to provide services to the public as outlined in the FRSA 2004

SRR1D	Inability to recruit or retain key parts of the workforce.	<p>This could be either in suitable numbers or those bespoke staff with key skills in risk critical areas:</p> <ul style="list-style-type: none"> • Depts such as Fleet, Finance or ICT. • Fire Control • RDS On-Call staff resulting in numerous fire stations with reduced availability. • Volunteers for resilience duties. • Loss of support from key partners 	An inability to deliver and maintain core functions and systems, and/or significant impact on service delivery in core areas.
SRR2	Death or serious injury of Member of Public through Service activities	An event whereby the Services activities (operational or non-operational) result in or is suspected to have caused the death (or serious injury) to a member of the public. This could be through any activity undertaken by a member of staff in their normal work or an operational incident.	<p>1) Impact on other employees carrying out similar duties (e.g. Driving).</p> <p>2) Reputational loss</p> <p>3) Investigations, legal proceedings and prosecutions.</p> <p>4) Financial implications of claims made</p> <p>5) Departmental resilience issues</p>
SRR3	Death or serious injury of a member of staff whilst at work as a result of their work activities.	Where a member of staff dies or is seriously injured (or suspected to have been) as a result of undertaking their work based activities.	<p>1) Impact on other employees carrying out similar duties (e.g. Driving).</p> <p>2) Reputational loss</p> <p>3) Investigations and legal proceedings and prosecutions.</p> <p>4) Financial implications of claims made</p> <p>5) Departmental resilience issues</p>

SRR 3A	Death of a member of staff as a consequence of an operational incident	As above but directly related to an operational incident. This could have additional areas of scrutiny such as: 1) Service policy in this area 2) Training 3) Risk information 4) Lack of suitable and sufficient risk assessment. 5) Unexpected Hazards. 6) Terrorism/deliberate act	1) Impact on other employees carrying out similar duties (e.g. BA wearing). 2) Reputational loss 3) Governmental and HSE scrutiny 4) Investigations, legal proceedings and prosecutions. 5) Financial implications of claims made 6) Workforce loss of confidence in organisation 7) Media Scrutiny
SRR4	Reduction in real terms of grants and/or other income affecting service delivery	1) Change of Government 2) Governmental policy 3) Change in budget by Government/local council 4) Variations in funding mechanisms and local taxation changes	1) Unable to deliver the same level of service/ Reduction in service 2) Having to source funding from elsewhere 3) Potential redundancies/ voluntary redundancies
SRR4(A)	Loss of Section 31 National Resilience grant	Notification would be received with relatively short notice that funding will be changed nationally and then the local impact, up to removal of all funding, would subsequently be issued. It is likely that lead times on this matter would be limited.	Loss of funding causes: 1) Removal of assets and capabilities provide for NR incidents. 2) Inability to utilise these assets in local response plans a reduction in the services ability to provide an operational response to Local and National Section 31 incidents. 3) Additional staff paid for through NR funding would become over establishment and require removal from Service establishment 4) Interim funding would be required to manage these posts to avoid redundancy.

SRR5	Significant changes to national policy which mean local reaction outside of planned work loads	Significant changes to Policies which affect Hereford and Worcester Fire and Rescue Services' Service Delivery and Support functions. This may be related to a national event that requires immediate changes to training or equipment or major changes to national policy that change the current ways or working and resource allocation.	1) Not correctly adhering to national policy which could mean that Hereford and Worcester Fire and Rescue Service are not fulfilling statutory or legal or moral duties, under one or more national policies.
SRR6	20/20 Project Risk: Kidderminster Wyre Forest	Project risk to be highlighted through 2020 board	1) Inability to complete project with incurred abortive financial losses 2) Industrial Action 3) Reputational damage
SRR7	20/20 Project Risk: Hindlip	Project risks to be highlighted through 2020 board	1) Inability to complete project with incurred abortive financial losses 2) Reputational damage 3) Potential efficiency savings not met

Appendix 2 – Internal Audit Report Recommendations and Actions (21st March 2016)

Ref.	Finding	Risk	Recommendation	Management Response and Action Plan
1	<p>Risk Management Guidance</p> <p>The audit review highlighted that new risks are still not being fully considered for the individual risk registers.</p> <p>On review of the Senior Management Board (SMB) meetings there was little evidence of risk review in the recent meetings.</p> <p>Similarly, new risks are not being routinely considered in 1-2-1 meetings between the Directors and their Heads of Service</p> <p>The lack of new risks being added to the risk registers can be partly explained by the lack of any detailed information in the most recent 'Guide to Risk Management' on SharePoint explaining how to add new risks to the risk registers.</p> <p>Furthermore, this document was last reviewed by the Emergency Planning and Resilience Officer in August 2012.</p>	Reputational risks if the risk registers are not kept up to date and used as a tool in everyday management of the Fire and Rescue Service.	<p>Ensure all Management Board Meetings always include consideration of risks on their standing agendas.</p> <p>The 1-2-1 meetings to be recommenced between the new and departmental heads/directors.</p> <p>Update the 'Guide to Risk Management' on SharePoint and ensure it has sufficient detail to assist risk owners in adding new risks to the individual risk registers.</p>	<p>Responsible Manager: EPRO/GC Ops Policy</p> <p>Actions:</p> <ul style="list-style-type: none"> • Incorporated Risk Register review as a part of all Management Board Meetings • 1-2-1 meetings facilitated by EPRO for quarterly reviews of the Risk Register for each department and directorate • 'Guide to Risk Management' will be updated September 2016 <p>Implementation date: Recommendations to be in place by Sept 16</p>

2	<p>Effective Management of Risk</p> <p>Audit testing highlighted that although the Risk Management Strategy is fit for purpose, the strategy is not being strictly adhered to in relation to the population of the individual risk registers.</p> <p>There are a number of control issues identified:</p> <ul style="list-style-type: none"> a) The quarterly review dates are not being denoted in the 'Date Reviewed' column on the individual risk registers; the review date is often not the latest one. In addition, the name of the reviewer is not being stated. b) The review dates on the risk registers are not in line with those on the Risk Register Completion schedules. In fact, testing confirmed the Risk Register Completion schedule itself is not currently working effectively as a control. c) All the relevant boxes on the risk registers are not being completed for the individual risks in the majority of 	<p>Reputational risks if the risk registers are not kept up to date and used as a tool in everyday management of the Fire and Rescue Service.</p>	<p>Ensure that the Risk Registers are comprehensively populated with all the relevant boxes being completed.</p> <p>Analyse the current process of reviewing the risks and populating the risk registers to ensure it is fit for purpose.</p> <p>Consideration to be given to clearly denoting each quarterly review of the individual risks in the 'date reviewed' column. Then, every 2 years the risk registers to be rolled over and a full risk assessment to be undertaken.</p> <p>Analyse the effectiveness of the Risk Register Completion schedule to ensure it is fit for purpose.</p>	<p>Responsible Manager: EPRO/GC Ops Policy</p> <p>Actions : Formal presentation/training will be provided by EPRO for managers/risk owners to ensure correct completion of registers in each quarter</p> <p>Implementation date: Within next 12 months</p> <p>Columns added in the Risk Register relating to 'Date risk added' and the 'Date Reviewed' each quarter. The full risk assessment will be completed at the end of every financial year and any changes archived and a new copy of the Risk Register being made live</p> <p>Implementation date: September 16</p> <p>Risk register has been reviewed to include quarterly reviews with archiving functions at the end of the financial years by EPRO</p> <p>Implementation date: June 16</p>
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	<p>individual risk registers. Many of the risks on the risk registers do not have the actions in place to mitigate the risk or the outstanding exposures relevant to the risk noted in their respective columns.</p> <p>Similarly, not all the risks on the risk register have been assigned an owner.</p> <p>d) The Risk assessment date populated in the risk registers is haphazard, generally it is 2012/13 but this varies up to 2015. Currently, there is no routine risk assessment timetabled for each risk register.</p>			
3	<p>Risk Review and Monitoring</p> <p>Testing has highlighted a lack of an audit trail with sufficient supporting documentation throughout the whole current risk management process.</p> <p>Currently, there are just the current individual risk registers which are simply being overwritten when there are changes made to them.</p>	<p>Risks may be incorrectly scored if there is no archiving; this may lead to confusion and the potential for risks not to be mitigated appropriately which could lead to financial loss and reputation damage to the Fire and Rescue service..</p>	<p>Ensure that all aspects of the risk management process are supported by sufficient back up documentation.</p> <p>Consideration for archiving in order to provide transparency throughout the process.</p>	<p>Responsible Manager: EPRO/GC Ops Policy</p> <p>Actions: Review and re-design of BC SharePoint pages concerned with risk register review will to provide more audit information with the archived risk registers stored. Risk Management SharePoint will also be reviewed to be clearer to navigate</p> <p>Implementation date:</p>

	<p>There is presently no archiving of any of the relevant documents, such as the elevation of risks and the updating of risk scores for a risk when elevating the risk to another risk register.</p> <p>Equally, there is very little supporting documentation for the reasons behind the risk score populated.</p>			<p>Sept 16</p> <p>Creation of an archive facility where registers are periodically saved allowing retrospective viewing on the 'F' drive or SharePoint</p> <p>Implementation date: Sept 16</p>
4	<p>Embedding of Risk Management</p> <p>There is currently no regular training on risk management taking place.</p> <p>Initial training was given to staff in 2012/13 with the introduction of the new Risk Management Strategy.</p> <p>However, there have been a number of changes in staff responsible for risk since the introduction of the new strategy in 2012/13; therefore a number of risk owners have not received appropriate training on risk management.</p>	<p>The drive to embed risk management throughout the organisation and for officers to actively use it as a management tool may be hindered.</p>	<p>Consideration for undertaking further risk training (or workshop) to ensure risk management remains embedded, particularly after the current risk management documentation has been updated.</p> <p>This training should focus in particular on how to add new risks and how to escalate or de-escalate risks, and should be tailored according to the needs of the individual risk owner.</p>	<p>Responsible Manager: EPRO/GC Ops Policy</p> <p>Actions: Formal presentation/training to be provided for managers/risk owners to ensure correct completion of registers during the quarterly reviews with the EPRO</p> <p>Implementation date: Within next 12 months</p>

Report of the Head of Operations Support

8. Regional Health and Safety Audit of Hereford & Worcester Fire and Rescue Service

Purpose of report

1. To inform the Audit and Standards Committee on progress against the 12 recommendations made from the CFOA West Midlands Regional Health and Safety Audit undertaken in January 2015.

Recommendations

It is recommended that:

- i) the substantial progress towards implementing the recommendations of the Health and Safety Audit undertaken by CFOA West Midlands Region in 2015 be noted; and
- ii) the discharge of the remaining four recommendations from the audit be overseen by the Health and Safety Committee.

Background

2. Hereford & Worcester Fire and Rescue Service (HWFRS) works collaboratively within the Chief Fire Officers Association (CFOA) West Midlands region on matters of health and safety through the Regional Health and Safety (H&S) Committee.
3. During 2014, the Regional H&S Committee commissioned a piece of work to introduce a Fire and Rescue Service Health and Safety Management Audit Protocol which could be utilised between Fire and Rescue Services (FRS) within the region. The protocol allows each FRS within the region to share resources for H&S auditing and provides an opportunity for peer challenge which is a well established tool for improvement and shared learning. This type of challenge demonstrates a strong commitment towards health and safety management, exhibiting greater accountability and transparency.
4. The protocol has been designed to give each FRS the opportunity to review areas they feel would be worthwhile being audited against, primarily building upon firefighter safety. Within the protocol are 14 key areas covering the most common hazards. Each FRS has the autonomy to select two areas in which they would like to be audited.
5. In January 2015, HWFRS became the first FRS within the region to undergo the new style audit with the two areas being:

- Personal Protective Equipment (Firefighting PPE)
- Water Rescue

6. These areas were selected based on historical operational activity and on reports following H&S investigations carried out by internal Specialist Investigators (SI).
7. In June 2015 following the audit the outcome presented 12 recommendations which were subsequently agreed at Audit and Standards Committee. The actions from these recommendations would then be monitored by the Health and Safety Committee to discharge the recommendations of the CFOA Regional Audit report. This report aims to update Audit and Standards Committee on the progress made after one year and proposes to pass the conclusion of this matter to the H&S Committee.

Audit Findings

8. The audit team found a clear commitment to health and safety at all levels and evidence of a positive health and safety culture. All personnel were welcoming, had a positive outlook and fully engaged in the audit process.
9. The audit found that HWFRS is performing well in the areas audited but also identified certain areas that could be improved leading to the audit team making 12 recommendations. (Appendix 1).

Progress

10. The 12 recommendations made by the audit team were considered by the Health and Safety Committee and have been allocated to individual managers for action. The progress against each recommendation has been tracked by the Health and Safety Committee.
11. Significant progress has been made against the 12 recommendations with 8 being recorded as closed. (Appendix 1)
12. The remaining 4 recommendations are considered low risk and have significantly progressed, but are reliant on an IT solution which is currently still in development. These 4 recommendations primarily concern the improved management of risk assessments. Members should be assured that the risk assessments are in place, are appropriate and available. However use of these risk assessments could be better served by an IT solution which would enhance the ability to share the risk assessments between users, allow for online (immediate) updates and amendments, and would be easily accessible for auditing.

Conclusions

13. The CFOA West Midlands Regional Health and Safety Audit had concluded that the Service is performing well but has also identified areas for improvement and gives 12 specific recommendations relating to the two work

areas audited, of which 8 are deemed complete and closed. The remaining 4 recommendations (Appendix 1) not deemed closed, will be continually monitored via the Health & Safety Committee until completion.

Financial Considerations

Consideration	Yes/No	Reference in Report i.e. paragraph no.
There are financial issues that require consideration	No	Within budgets

Legal Considerations

Consideration	Yes/No	Reference in Report i.e. paragraph no.
There are legal issues e.g. contractual and procurement, reputational issues that require consideration	No	

Additional Considerations

The table below sets out any additional issues arising from the proposals contained in this report and identifies the relevant paragraphs in the report where such issues are addressed.

Consideration	Yes/No	Reference in Report i.e. paragraph no.
Resources (e.g. Assets, ICT, Human Resources, Training & Development, Sustainability).	Yes	Resources may be required to supply suitable ICT system
Strategic Policy Links (e.g. IRMP, Authority Plan, Equality & Diversity, Partnerships, Environmental Impact).	No	
Risk Management / Health & Safety (e.g. risk management and control measures, risk register score).	Yes	See - 12 recommendations (Appendix 1)
Consultation with Representative Bodies	Yes	

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Appendix 1 CFOA Regional H&S Audit Recommendations

No	Recommendation from CFOA audit team	Assigned to	Actions & Progress	Status
1.	The dust mask guidance does not reflect the current operational practice. In particular there appeared to be a misunderstanding on the protection that is being provided by the comfort wear arrangements that are in place. The review of the available guidance and development of operational practice needs to be reviewed.	Ops Policy & Ops Logistics GC Palmer/Sherry	Review/Revise current SPI and level of PPE – Create a specific policy for respirators to include levels of RPE/PPE SPI has been created and is out for consultation SPI now live 2/9/15 Closed	Closed
2.	The evidence provided during the audit suggested that training for the use and maintenance of PPE had been omitted from the Phase 1 development module for trainee firefighters.	Training Centre GC Lown	Introduce/cover during Phase 1 course GC Lown – This forms part of the Phase 1 course Closed	Closed
3.	The PPE checks carried out by Bristol should include PPE used by flexi duty officers and non-station based personnel.	Ops Logistics GC Sherry	Introduce a monthly check at Command Group meetings. GC Palmer - This has now been agreed to be six monthly and forms part of the Command Group briefing – check to be recorded on CTR system Closed	Closed
4.	There are many documents that appear to be outdated and overdue for review. This isn't unique to a particular type of document but was seen in policies, procedures, guidance notes, risk assessments and PowerPoint presentations/training materials.	Ops Assurance GC Marshall	Review with department heads as part of the information strategy to ensure monitoring checks are in place Closed	Closed

5.	Where documents require dates, names or signatures, these are often missing. Where a review date is indicated, it is unclear if it refers to the review being due or being completed. The addition of a word or two would improve clarity.	Health & Safety GC Palmer	H&S Advisor tasked to update forms accordingly Closed	Closed
6.	Interdependencies need to be identified, to enable assessment of the impact of new, reviewed and amended documents and to ensure the availability of a single version. In some cases, there isn't a standard document used, for example, the crew record form, which is inconsistent in recording checks carried out on PPE.	Health & Safety GC Palmer	New tracking system used within P&I will address the issue and regulation of policy documents and forms. Note: IT are also revising the management for SharePoint and this will additionally support management of documentation. Closed	Open
7.	When changes are made, all relevant groups/sites need to know. An example of this was a recent communication for personnel to complete the PPE training package. There are two live versions of this package, on different SharePoint sites. Personnel may have reviewed the wrong version. Consideration should be given to ensure there is only one live version available. Some evidence was found of local records being developed in addition to corporate systems. This loses control but also creates work for personnel, as they acknowledge it is difficult to keep their local records up to date	Ops Assurance GC Marshall	Audit required by assurance GC to evaluate document management within all departments – findings to influence future information management strategy. Ops Logistics to remove current PPE PowerPoint hosted on their internal SharePoint site GC Palmer – PowerPoint has been removed. Assurance in this area is captured within the new Station Audit process Closed	Closed

8.	Opportunities exist to take a more holistic approach to reviewing documents when improvements have been identified. For example, accident investigations, debrief outcomes and audits may make recommendations for improvement. The opportunity could be taken to also review related documents, policies, risk assessments and training material to extend the 'review date'.	Ops Policy GC Palmer	Tier two debrief to include a check of current Service literature - post review, all documentation to be updated and signed off by AC responsible for the debrief H&S Advisor (GC) to update paperwork Closed	Closed
9.	Opportunities exist to streamline some risk assessments. For example, different stations carry out their own assessments of training venues. The potential exists for multiple assessments for each venue, possibly with different information and risks contained within.	Health and Safety GC Palmer	Create a single SharePoint site for Risk Assessments GC Palmer - This action will require a commitment from IT dept. 2/9/15 - Resources allocated and work is now in progress to develop a new IT single point RA's system.	Open
10.	Communication of the temporary risks at training venues appears good within the individual station, but consideration needs to be given to wider sharing of this information with other stations that also use the same venue.	Service Delivery & Training GC Lown / AC Ball	When created host training RAs for training venues on the Risk Assessment SharePoint site 2/9/15 - Resources allocated and work is now in progress to develop a new IT single point RA's system.	Open
11.	Risk assessments and procedures should be readily available to all personnel; therefore consideration should be given to storing these documents in a shared library.	Health and Safety GC Palmer	Create a single SharePoint site for Risk Assessments 2/9/15 - Resources allocated and work is now in progress to develop a new IT single point RA's system.	Open

12.	A risk register has been created in relation to reviewing out of date procedures with a plan to review these over 3, 6 or 9 months. However this is not necessarily being adhered to.	Ops Assurance GC Marshall	<p>Monitor and update SMB directorate lead</p> <p>GC Palmer – this is now managed by P&I and there is an acceptance that some SPIs cannot be delivered within the timeframe due to capacity</p> <p>Closed</p>	Closed
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Report of the Treasurer

9. Provisional Annual Statement of Accounts 2015/16

Purpose of report

1. To present a draft of the Annual Statement of Accounts for discussion and to seek approval for a revision to the Accounting Policies
-

Recommendation

It is recommended that the Treasurer bring back a further report when the accounts have been audited.

Introduction

2. The Account and Audit Regulations 2013 require that the Annual Statement of Accounts is presented for approval on completion of the Audit and before 30 September in the year of account.
3. The Audit and Standards Committee is not required to formally consider and approve the Statement of Accounts until completion of the Audit, and prior to the 30th September. This report is therefore an interim position to promote discussion and understanding prior to the formal request for approval at the September meeting of this Committee.
4. At the point of issue of these papers the Statements although largely complete are not yet finalised. The Audit Regulations require that the completed Accounts are signed by the Treasurer by the 30th June and work is on track to meet this deadline.
5. As Members will be aware, the Code of Practice on Local Authority Accounting - Statement of Recommended Practice (SORP) requires that the Accounts are prepared on the basis of International Finance Reporting Standards (IFRS). This differs significantly from the statutory framework used for Council Tax and Grant purposes. This is explained further below.
6. The Accounts are produced based on the Accounting Policies as set out in the Statements, these were originally approved by Audit Committee and change in these is now proposed.
7. It has also been necessary to restate the prior year Accounts to reflect different accounting treatments, which whilst not impacting at all on the overall financial position of the Authority do have a significant impact on the disclosure notes.

Prior Year Restatement

8. The 2014/15 comparative figures are restated to match the accounting treatment adopted for 2015/16 in respect of
 - Property, Plant and Equipment
 - Pension Adjustments relating to GAD v Milne
9. An error was made by the Authority's independent valuer, during the 2015 valuation cycle, from which the 2014/15 accounting valuation adjustments were calculated. The 2014/15 accounting entries for these assets have been restated using the amended valuation figures.
10. Following the publication of a decision by the Pension Ombudsman in respect of GAD v Milne, which resulted in the recalculation of commutation rates for Firefighters retiring between December 2001 and August 2006, with additional sums and their related interest being payable to these individuals.
11. In accordance with the CIPFA Accounting Code of Practice the expenditure and the corresponding grant was accrued into the 2014/15 accounts. Government has subsequently instructed Authorities to include entries within the 2015/16 Pension Fund. The 2014/15 Statement of Accounts have been restated to comply with this new directive.

Statement of Accounts

12. As stated in paragraph 5 above, Accounts are prepared on the basis of IFRS, which differs significantly from the statutory framework used for Council Tax and Grant purposes.
13. The principal effect of this is that the Comprehensive Income and Expenditure Statement (CIES) exhibits a significant net deficit because the Statutory Accounting arrangements which are used by the FRA in council tax setting have precedence over IFRS.
14. There are charges, e.g. depreciation, and the liability on pension schemes which are not chargeable in the statutory accounts. The Government does not recognise IFRS for grant allocations or as part of the statutory budget setting arrangements.
15. The differences between IFRS and Statutory Accounting are reconciled in the Movement in Reserves Statement and do not affect the underlying financial position.
16. The Balance Sheet shows a negative balance which arises from the identified liabilities in the Pension Schemes.
17. The FRA is, however, not required or empowered to fund these deficits immediately. The Local Government Pension Scheme (LGPS) is covered by future payments of the employer's contribution and the Firefighters' Schemes are covered by the new financing arrangements commencing from 1 April 2006

which effectively means that the liability will be met by direct government grant, as it arises.

Further Progress

18. The final draft of the Accounts will be signed by the Treasurer on 30th June.
 1. The final accounts audit will be undertaken by Grant Thornton in the two weeks commencing the 13th July. On publication, the Statement of Accounts will contain the approved Annual Governance Statement, which is subject to a separate approval process.
19. Subject to no matters arising from the public inspection period of 1 July 2016 to 11th August 2016, the External Auditor will be able to issue the audit opinion and the accounts will be published as soon as practical after this.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	N/A
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	N/A
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	N/A
Consultation (identify any public or other consultation that has been carried out on this matter)	N/A
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	N/A

Supporting Information

Appendix 1 – Draft Statement of Accounts 2015/16

Background papers

None

Contact Officer

Martin Reohorn, Treasurer
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Email: mreohorn@hwfire.org.uk

Hereford & Worcester Fire Authority

Statement of Accounts

2015/16 (Un-Audited)

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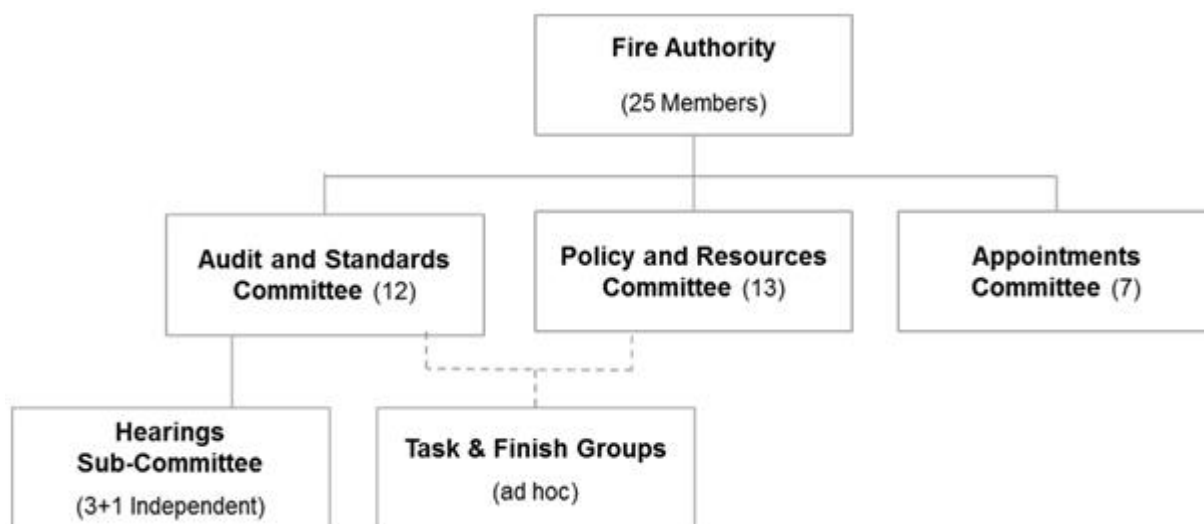
NARRATIVE REPORT

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



The Fire Authority

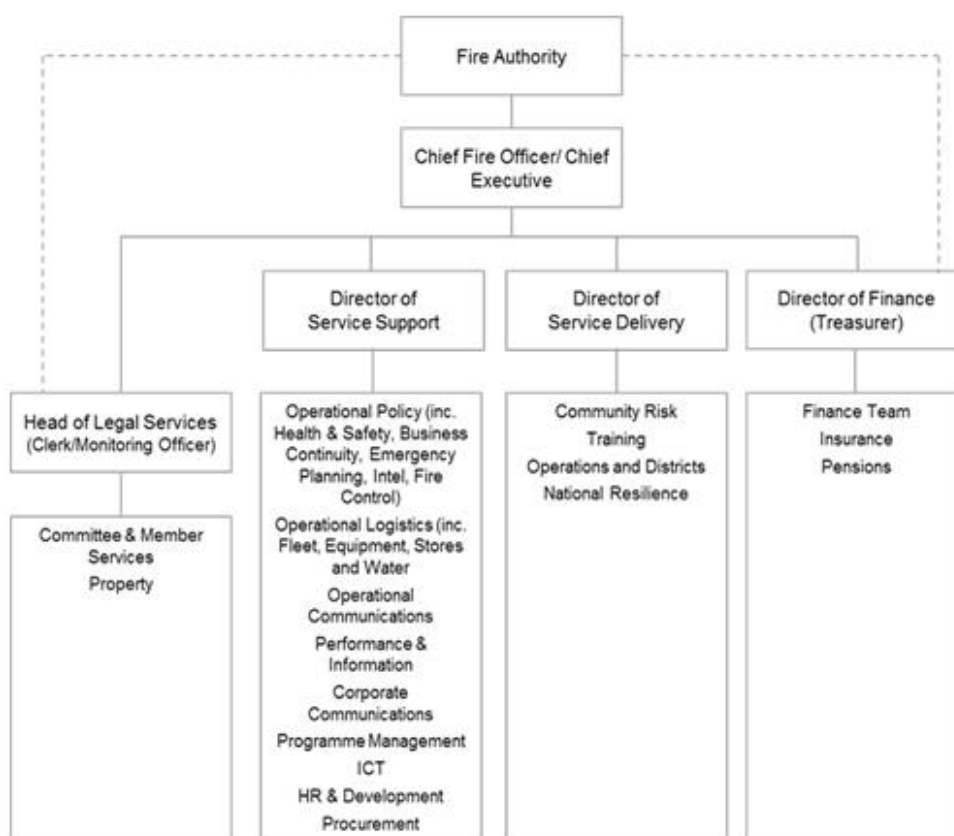
4. Hereford & Worcester Fire Authority is the governing body of the Fire and Rescue Service and is the legal entity responsible for carrying out duties as set out in the Fire and Rescue Services Act 2004, in relation to fire prevention, fire safety, firefighting and rescues (including from road traffic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



The Fire and Rescue Service

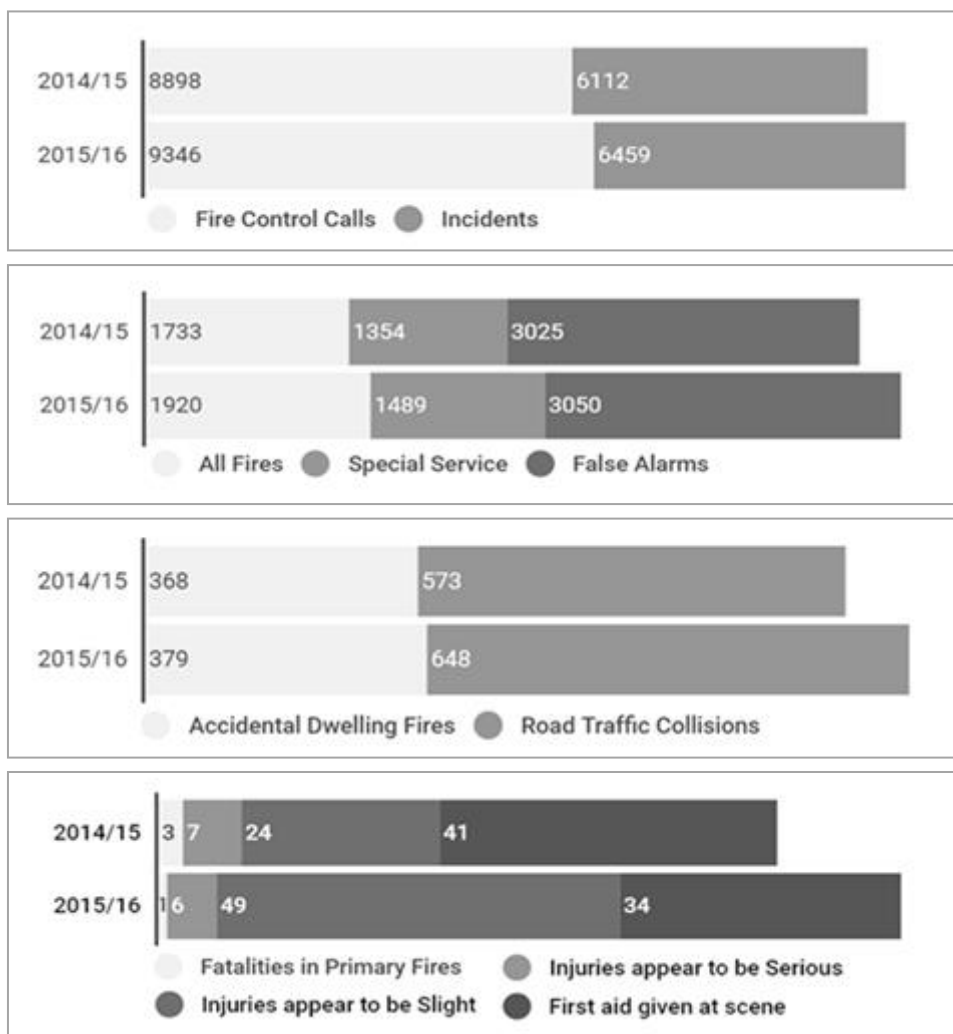
8. The Service is led by the Chief Fire Officer/Chief Executive with the support of the Senior Management Board. The Service employs just over 750 full-time and part-time staff, most of whom are highly trained firefighters (approximately 80 per cent of the total workforce).
9. In addition to Service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

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



Our Performance

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



Collaboration and the Policing and Crime Bill 2015/16

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

The Accounting Statements

16. The Statement of Accounts that follows covers the Authority's financial year ending 31 March 2016. The accounts, which are prepared in accordance with International Financial Reporting Standards (IFRS) as guided by the CIPFA Code of Practice on Local Authority Accounting 2015/16, comprise a group of Core Financial Statements:
 - Comprehensive Income & Expenditure Statement (CIES)

- Movement in Reserves Statement (MiRS)
- Balance Sheet
- Cash Flow Statement
- Notes to the Core Statements

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

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

Comprehensive Income and Expenditure Statement (CIES)

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

Movement in Reserves Statement (MiRS)

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

Balance Sheet

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

Cash-flow Statement

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

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

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

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

Budget Savings

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

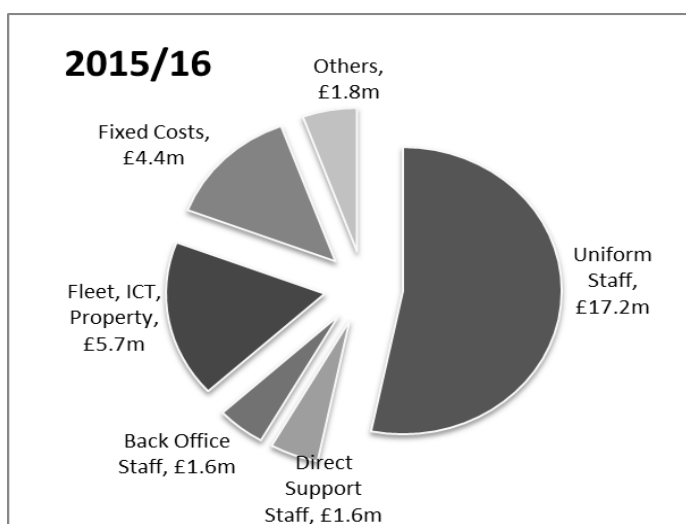
22. In order to meet these pressures, we have made reductions in our workforce, including managers and support staff, made changes to crewing at fire stations, cut our spending budgets and removed two fire engines from the fleet. By 2019-20 the full implementation of these measures will be saving £6.7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

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

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

2015/16 Revenue Budget

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



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

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

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

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

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

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

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

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

General Reserve

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

Firefighters' Pensions

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

Capital Programme Budget

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

Balance Sheet

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

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

Corporate Governance Arrangements

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

Restatement

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

Memorandum of Understanding (MoU)

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

Post Balance Sheet Events

50. There have been no post balance sheet events

A STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

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

The Treasurer's Responsibilities

2. The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code') is required to provide a true and fair view of the financial position of the Authority at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.
3. In preparing this Statement of Accounts the Treasurer has:
 - selected suitable accounting policies and then applied them consistently;
 - made judgements and estimates that were reasonable and prudent; and
 - complied with the Code of Practice.
4. The Treasurer has also:
 - kept proper accounting records which were up to date;
 - taken reasonable steps for the prevention and detection of fraud and other irregularities; and
 - ensured the Statement of Accounts provides a true and fair view of the financial position of the Authority at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.
5. In accordance with the Accounts and Audit Regulations 2011 10(2) I certify that the Statement of Accounts 2015/16 provides a true and fair view of the financial position of the Authority at 31 March 2016 and its income and expenditure for the year 2015/16.

Signature on original copy

24th June 2016

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

Date

Issue Date

6. The date that these financial statements are authorised for issue is 30th September 2016. All known material events that have occurred up to and including this date which relate to 2015/16 or before have been reflected in the accounts.

AUTHORITY APPROVAL

7. In accordance with Regulation 10 (3)b of the Accounts and Audit Regulations 2011 I certify that the Audit Committee of the Fire and Rescue Authority approved the Statement of Accounts 2015/16 on 28th September 2016.

Signature on original copy

Presiding Chairman of the
Audit Committee meeting

Date

STATEMENT OF ACCOUNTING POLICIES

General Principles

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

Accrual of Income and Expenditure

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

Cash and Cash Equivalents

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

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

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

Events After the Reporting Period

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

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

VAT

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

Overheads and Support Services

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

Property, Plant and Equipment (PP&E)

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

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

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

Impairment

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

Component accounting

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

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

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

Heritage Assets

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

Intangible Assets

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

Basis of Charge for the use of Assets

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

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

Financing of Capital Expenditure

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

Redemption of Debt

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

Joint Operation

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

Leases

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

Operating leases

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

Non Current Assets held for Sale

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

Capital Receipts

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

Inventories

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

Pension Arrangements

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

Types of pension schemes

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

- The Firefighters' Pension Scheme (FFPS) (the "1992 Scheme"). This is a statutory un-funded defined benefit final salary scheme and has been closed to new entrants since 6 April 2006.
- The New Firefighters' Pension Scheme (NFPS) (the "2006 Scheme") – this is also a statutory un-funded defined benefit final salary scheme.
- The Firefighters' Care Scheme (FF CARE) (the "2015 scheme") – is open to all uniformed staff (except Fire Control) and is a statutory un-funded defined benefit Career Average Revalued Earnings Scheme. Members starting after the 1st April 2015, and members of the 1992 and 2006 Final Salary Schemes will move into the 2015 scheme, unless protection applies.
- The Firefighters' Compensation Scheme (FFCS) (the Injury Scheme) – another statutory un-funded defined benefit scheme covering existing and new injury pensions.
- The Firefighters' schemes are unfunded meaning that there are no investment assets built up to meet the pensions' liabilities and cash has to be generated to meet the actual pensions' payments as they eventually fall due. The arrangements are determined by the Department of Communities and Local Government.
- The Local Government Pension Scheme (LGPS) – subject to qualifying criteria, open to staff not covered by the Firefighters' schemes. This scheme is administered by Worcestershire County Council and is a funded defined benefit final salary scheme. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- In accordance with IAS 19 the Authority recognises the cost of retirement benefits within the Net Cost of Services, in the CIES, when they are earned, rather than when benefits are actually paid as pensions. However the charge to be made to the Council Tax, via the precepts, is based on the amount payable in the year. The difference is reversed out in the General Fund.

Interest on Balances

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

Government Grants and Contributions

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

Financial Liabilities

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

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

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

Collection Fund Adjustment Account

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

Employee Benefits

Accumulating Compensating Absences

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

Termination Benefits

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

Provisions

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

Reserves

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

Capital Accounting Reserves

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

- **The Capital Adjustment Account**

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

- **The Revaluation Reserve**

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

Operating Segments

62. The CIPFA Code of Practice on Local Authority Accounting 2015/16 guidance on applying IFRS, requires that where an organisation considers and manages financial, operating and performance information in material segments, then additional financial information must be provided on these segments.
63. Due to the nature of its operation, as a single purpose Authority, the Authority and the Service management team manage the organisation as an entity, and do not have relevant operating segments to report upon.

Post Employment Benefits

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

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

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

SUMMARY OF MOVEMENTS

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

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

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

SUMMARY OF MOVEMENTS

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

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

BALANCE SHEET

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

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

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

CASH-FLOW STATEMENT

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

2. Re-statement of the Core Financial Statements

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

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

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

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

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

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

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

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

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

Members Allowances

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

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

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

Officers' Emoluments

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

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

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

Senior Officers

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

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

Related Party Transactions

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

External Audit Fees

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

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

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

Leases

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

Operating Leases

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

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

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

Capital Expenditure

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

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

21. Capital expenditure was financed as follows:

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

22. Capital Financing Requirement

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

Capital Commitments

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

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

Property, Plant and Equipment

24. Movements in 2015/16

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

25. Comparative Movements in 2014/15

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

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

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

Intangible Assets

27. The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item or Property, Plant and Equipment.
28. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are 5 years.

29. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £82,000 charged to revenue in 2015/16 was charged to the IT cost centre and then absorbed as an overhead in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.
30. The movement on Intangible Asset balances during the year is as follows:

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

Heritage Assets

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

Financial Instruments

34. The classification of financial instruments included in the Balance Sheet and their carrying amounts are shown overleaf. (Additional information in respect of the Long Term Loans is given at notes 40-41):

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

Fair Value of Assets and Liabilities carried at amortised cost

35. Financial liabilities, financial assets represented by loans and receivable and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.
36. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.
37. The Fair Value of the loans at 31 March 2016 was £16.430m (£17.399m at 31 March 2015) as estimated by PWLB by reference to the "premature repayment" set of rates in force on 31 March 2016 (31 March 2015). For all other Financial Assets and Liabilities the Fair Value is equal to the Carrying Value.
38. The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the balance sheet date (new loan rates).

Financial Instruments Gains and Losses

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

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

Long and Short Term Borrowing

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

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

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

Financial Instruments – Exposure to Risk

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

Credit Risk

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

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

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

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

Liquidity Risk

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

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

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

Market Risk

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

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

52. Debtors

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

53. Assets Held for Sale

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

Cash and Cash Equivalents

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

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

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

56. Creditors

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

Termination Benefits and Packages

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

2015/16

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

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

2014/15

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

Pension Arrangements

59. As part of the terms and conditions of employment of its staff, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.
60. The Authority participates in four schemes:
- The Firefighters' Pension Scheme (FFPS) (the "1992 Scheme"). This is a statutory un-funded defined benefit final salary scheme and has been closed to new entrants since 6 April 2006.

- The New Firefighters' Pension Scheme (NFPS) (the "2006 Scheme") – is open to all uniformed staff (except Fire Control) and is also a statutory unfunded defined benefit final salary scheme, with differing benefits.
 - The Firefighters' Compensation Scheme (FFCS) (the Injury Scheme) – another statutory unfunded defined benefit scheme covering existing and new injury pensions.
 - The three Firefighters' schemes are unfunded meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet the actual pensions payments as they eventually fall due. The arrangements are determined by the Department of Communities and Local Government.
 - The Local Government Pension Scheme (LGPS) – subject to qualifying criteria, open to staff not covered by the Firefighters' schemes. This scheme is administered by Worcestershire County Council and is a funded defined benefit final salary scheme. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
61. The retirement benefits are recognised in the Net Cost of Service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax precept is based on the cash payable in the year, (as described in paragraph 67 below) so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement (MiRS).
62. Charges made to the Income and Expenditure Account for council tax precept purposes are as below:
- LGPS – the employer's contribution payable to the Pension Fund.
 - FFPS/NFPS – the notional employer's contribution payable into the Pension Account as explained in Paragraphs 31-32 on page 9 of the Narrative Report.
 - FFCS – the actual injury pensions and any RDS ill-health pensions payable.
63. Transactions made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement (MiRS) during the year are shown in the tables below:

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

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

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

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

Assets and Liabilities in relation to post-employment benefits

64. Reconciliation of the present value of scheme liabilities:

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

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

65. Reconciliation of fair value of scheme assets:

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

66. The expected rate of return on assets (LGPS only) is based on market expectations, at the beginning of the period, for investment returns over the life of the entire life of the related obligation. The assumption used is the average of the assumptions shown in table 73 appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class as shown in table 74. Note that rates quoted are gross of expenses. The actual return on schemes' assets in the year was £1.280m (2014/15 £1.959m).

67. Reconciliation of Movements in Net Pensions Liability:

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

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

68. Scheme History

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

69. The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £290,445m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £246,909m.
70. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:
- The deficit on the LGPS will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
 - Finance is only required to be raised to cover Firefighters' pensions when the pension is actually paid.

Basis for Estimating Liabilities

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

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

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

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

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

Injury Awards

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

Usable Reserves

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

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

77. General Fund Balance

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

Earmarked Reserves

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

- **Pensions Reserve** – To meet the potential cost of the Retained Firefighters' national settlement in relation to Unfair Treatment of Part-time Workers.
- **New Fire Control Reserve** – Government has allocated significant capital grant to this project as well as a small revenue grant. The revenue grant will be used to offset specific annual revenue costs over a number of years.
- **Operational Activity Reserve** – To fund exceptional activity costs arising from spate conditions e.g. prolonged fires in the Malvern Hills or flooding.
- **New Dimensions Reserve** – planned to be used to create additional training facilities and fund exercises in respect of New Dimensions.
- **Equipment Reserve** – To fund additional equipment required within the service. This has been increased by £0.094m during 2015/16. The revenue budget during this financial year contained provision for the replacement of fireground radios, but continuing un-certainty around the full scope of the new national emergency services radio replacement scheme (ESMCP) means that replacement has been postponed until there is clarity. The allocated funding is reserved until that time.
- **ICP Work-wear Reserve** – To match the budgeted routine replacement of non-PPE work-wear with the charging profile under the national Integrated Clothing Project (ICP). – The majority of this was utilised in 2012/13.
- **YFA Reserve** – Held for the Young Firefighters' Association to smooth annual expenditure.
- **Development Reserve** – To provide funding for capacity building or "invest to save" type initiatives to prepare for future grant reductions.
- **Capital Finance Phasing Reserve** – this arises from savings in capital financing costs as a result of re-phasing of the Major Buildings programme due to delays outside the control of the Authority.
- **Property Maintenance Reserve** – to be utilised in future years to ensure the completion of planned station maintenance.
- **Transformation Reserve** – this reserve will be used to smooth the effect of the front-loading of the grant reductions over the period of the medium term financial plan.
- **Budget Reduction Reserve** – this reserve is being used to fund the short term costs to implement the measures necessary to achieve long term sustained budget reductions.
- **Collection Fund Loss Reserve** – to meet the potential deficit arising at billing authorities following the increase in the anticipated arrears position, which has resulted in lower NNDR receipts in financial year 2015/16.
- **Pension Tribunal Reserve** – to meet the potential costs of employing fire Fighters who retired before reaching the age of 55, on the retained fire fighter duty system.
- **Fleet Funding Reserve** – financing of the capital programme is predicated on using receipts from the sale of old assets to part fund their replacement. However, any individual receipt below £0.010m is technically not a capital receipt and is treated as revenue. This reserve makes those revenue receipts available to fund capital expenditure as planned.
- **Insurance Reserve** – This reserve is created to fund the excess of any long-tail claims for the period since the Authority ceased insuring jointly with Worcestershire County Council, to 2015/16. Future provision will be made within the on-going revenue budget

79. A summary of movements is shown below.

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

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

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

81. Unapplied Grant

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

82. Capital Receipts

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

83. **Unusable Reserves**

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

Revaluation Reserve

84. The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation, or;
- disposed of and the gains are realised.

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

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

Capital Adjustment Account

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

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

Pensions Reserve

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

the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

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

Collection Fund Adjustment Account

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

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

Accumulated Absences Account

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

	2014/15 £'000	2015/16 £'000
Balance at 1 April	(87)	(97)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory provisions	(10)	(90)
Balance at 31 March	(97)	(187)

Contingent Liabilities

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

Provisions

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

Retirement Costs Provision

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

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

NNDR Appeals Provision

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

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

Specific Government Grants

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

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

Cashflow Statement – Operating Activities

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

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

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

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

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

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

106. **Cashflow Statement – Investing Activities**

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

107. **Cashflow Statement – Financing Activities**

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

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

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

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

- The assumptions used are largely prescribed and reflect market conditions at 31 March 2016. Changes in market conditions can have a significant effect on the value of liabilities reported. For example, a reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. The effect of changes in financial assumptions made by the relevant Actuary is shown in the table.
- With regard to the LGPS, it is also relevant to note that IAS19 requires the discount to be set with reference to the yields on high quality corporate bonds irrespective of the actual investment strategy of the Fund. Therefore the balance sheet position may change significantly due to relative changes in the equity and AA corporate bond markets at the reporting date.

112. Approximate increase in Net Liability

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

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

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

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

Property, Plant and Equipment

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

Critical Judgements in Applying Accounting Policies

115. In applying the accounting policies set out previously in this document, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:
116. There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be significantly impaired as a result of a need to close facilities and reduce levels of service provision.

Kings Court EMC Ltd

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

SUPPLEMENTARY FINANCIAL STATEMENT

Firefighters' Pension Fund

1. Since 2006/07 Firefighters' pensions are paid out of a separate account into which the employee's contributions and an employer's contribution are paid. Any deficit on this account is made up by direct government grant.
2. A detailed explanation of the schemes can be found on pages 41-42, but although they are all statutory, national un-funded defined benefit schemes, they are administered locally by each Authority.
3. The Schemes are currently established under the Firefighters' Pension Scheme (Amendment) (England) Order 2006.
4. The employer's contribution is borne by the CIES for Council Tax Precept setting purposes.
5. Employees' and employers' contribution levels are based on percentages of pensionable pay set nationally by DCLG/WAG and subject to triennial revaluation by the Government Actuary's Department.
6. In accordance with the requirements of IAS19 the employer's contribution is replaced by the current service cost of pensions in the CIES, and reversed out again in the MiRS.
7. Although the scheme remains an un-funded one, Government has determined that this account is deemed a Pension Fund separate from the income and expenditure account and is thus reported on separately. As an un-funded scheme there are no assets and the difference between income and expenditure is met by the direct government grant.
8. The accounts are prepared in accordance with the same Code of Practice and accounting policies as outlined in the Statement of Accounting Policies set out on pages 14-22.
9. Any Government grant payable is paid in two instalments, 80% of the estimated annual amount at the start of the year, and the actual balance paid following completion of the accounts for the year.
11. The following Statement shows the income and expenditure for the year. It does not take account of liabilities to pay pensions and other benefits after the year end. These are calculated in accordance with IAS 19 and are included in the Balance Sheet on page 26 and detailed in the Notes to the Core Financial Statements on pages 41-50.

Firefighters' Pension Fund Account

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

Firefighters' Pension Fund Statement of Net Assets

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

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

Restatement of Accounts

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

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

The Restatement has impacted the following statements and notes

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

Comprehensive Income and Expenditure Statement Restatement Adjustments

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

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

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

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

	General Fund	Ear-marked Rev Res	Unapplied Grant	Cap Rcpts Reserve	Total Useable	Revaln. Reserve	Capital Adj Acct	Pensions Reserve	Coll Fund Adj Acct	Acc. Abs. Adj Acct	Total Un-useable	All Reserves
Note	83	84-87	88	89	82	91-92	93-96	97-98	99	100	90	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000

SUMMARY OF MOVEMENTS

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

3. Balance Sheet Adjustments

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

BALANCE SHEET as at 31st March 2015

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

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

CASH-FLOW STATEMENT FOR 12 MONTHS ENDING 31 MARCH 2015

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

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

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

6. Property, Plant and Equipment – Land and Buildings

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

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

Reserves

Revaluation Reserve

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

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

8. Capital Adjustment Account

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

9. Unusable Reserves

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

10. Debtors

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

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

11. Creditors

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

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

To be inserted when audited and approved.

To be inserted when audited and approved

To be inserted when audited and approved

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

Page 1

To be inserted on completion of the audit

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

Page 2

To be inserted on completion of the audit

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Page 3

To be inserted on completion of the audit

GLOSSARY OF TERMS

Accruals

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Receipts

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

The principal accountancy body dealing with local government finance.

Creditors

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

DCLG/CLG

Department of Communities and Local Government. The Government department that was responsible for aspects of Local Authority and Fire and Rescue Authority activity, until 5th January 2016 when this responsibility passed to the Home Office.

Debtors

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

Depreciation

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

Fair Value

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

Fixed Assets

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

Authority

The Fire and Rescue Authority

FRS

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

GAD

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

ICP – Integrated Clothing Project

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

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

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

Impairment

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

Intangible Assets

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

LASAAC

The Local Authority (Scotland) Accounts Advisory Committee.

Long Term Borrowing

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

Operational Leasing

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

Provision

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

Reserve

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

Revenue Expenditure and Income

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

SeRCOP

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

SORP

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

Unapplied Capital Grant

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

USAR (Urban Search and Rescue)

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

Report of the Head of Legal Services

10. Draft Annual Governance Statement 2015/16

Purpose of report

1. To consider evidence compiled during the self assessment review which provides the assurances that sit behind the Annual Governance Statement .
 2. To put forward the Draft Annual Governance Statement 2015/16 for approval.
-

Recommendations

It is recommended that the Draft Annual Governance Statement 2015/16 be approved.

Introduction and Background

3. Governance is about how the Authority ensures that it is doing the right thing, in the right way for the right people in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, cultures and values, by which the Authority is directed and controlled and through which it accounts to and engages with its communities.
4. The Accounts and Audit (England) Regulations 2015 require that the Fire Authority reviews its arrangements for governance and systems of internal control at least on an annual basis. To meet this requirement, the operation of the Authority's governance arrangements is subject to an annual self assessment against the CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) framework.
5. The annual self assessment review sets out the evidence of how the Authority has performed against the CIPFA/SOLACE framework and identifies any actions that are needed for the forthcoming year. Following the review the Authority is required to develop an annual governance statement which must be published alongside the unaudited statement of accounts at the beginning of the period for public inspection, which commences in early July.

Annual Governance Statement

6. The Annual Governance Statement is essentially a summary of the governance arrangements of which Members are familiar. It reports publicly on the extent to which the Authority's governance arrangements have met the values, principles and best practice, as set out in the Authority's Code of Corporate Governance.

Likewise, should the Authority have any significant governance weaknesses these will also be disclosed publicly within the Annual Governance Statement.

7. The Annual Governance Statement is a backward looking document up to the date of the approval of the Statement of Accounts i.e. 27 September 2016. The draft Annual Governance Statement is attached at Appendix 1.
8. It includes how the Authority has monitored the effectiveness of its governance arrangements, setting out any planned changes for the current period and sets out to:
 - identify the Authority's obligations and objectives;
 - identify tasks to achieve those objectives;
 - establish controls to manage risks; and
 - ensure the controls are working effectively.
9. The Annual Governance Statement will be audited by the External Auditors who will examine it as part of their work on the financial statements and the Value for Money Conclusion, which are included in the External Audit Findings 2015/16 to be reported to the Committee in September 2016.
10. In addition to the Annual Governance Statement, the Authority is required to publish an Annual Statement of Assurance, as required by the revised Fire and Rescue National Framework that was published by Government in July 2012. The Annual Statement of Assurance will be reported to the Committee in September 2016.

Self- Assessment

11. The evidence compiled during the self assessment review forms the assurances that sit behind the Annual Governance Statement and is attached at Appendix 2. The self assessment document also includes an Action Plan for 2016/17 to incorporate any areas that need to be developed in the forthcoming year.
12. The self assessment uses the CIPFA/SOLACE Framework that sets out 55 requirements for the Authority to meet. Officers have assessed existing arrangements and documents against these requirements and the status of how the Authority complies with each requirement is included.
13. Members will note from the self-assessment that the Authority has provided evidence of compliance with all the core and supporting principles of good governance. There are no areas where immediate action was required. However, there are two areas which indicate the Authority complies with the requirements but some minor actions are necessary as the review of some documents and arrangements have not yet been completed. These areas include the following minor actions that have been incorporated as actions for 2016/17:
 - continue review Standing Orders for Regulation of Contracts; and
 - the Financial Regulations to be reviewed.

14. Members will note that there are two areas where the direction of travel have improved during 2015/16:
- the policy on staff interests, including the gifts and hospitality protocol, has been reviewed; and
 - the Authority's Whistleblowing Policy has been reviewed and awareness raising undertaken amongst staff.
15. Further assurances are included at Appendix 3. These assurances relate to the expanded requirements from the Chief Financial Officer Statement as reflected in the local Code of Corporate Governance.

Conclusion/Summary

16. The Annual Governance Statement reports publicly on the extent to which the Authority's governance arrangements have met the values, principles and best practice, as set out in the Authority's Code of Corporate Governance. Likewise, should the Authority have any significant governance weaknesses these will also be disclosed publicly within the Annual Governance Statement.
17. The Committee has delegated responsibility to approve the Annual Governance Statement which will accompany the Statement of Accounts that will be published alongside the unaudited statement of accounts at the beginning of the period for public inspection, commencing in early July. The draft Annual Governance Statement is attached together with the relevant assurances for consideration.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	The Annual Governance Statement provides assurance for Members that effective governance arrangements are in place.
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications)	The Annual Governance Statement links with 'Our Strategy' as it demonstrates how the Authority ensures the delivery of quality services.
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores)	The Annual Governance Statement provides assurance for Members that effective governance arrangements are in place.
Consultation (identify any public or other consultation that has been carried out on this matter)	The Annual Governance Statement incorporates comments from both Internal and External Auditors and will be published for public inspection.
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	No this has not been necessary as the Annual Governance Statement is a summary of existing arrangements. There are no new proposals set out that would need to be assessed in terms of equalities.

Supporting Information

Appendix 1 – Draft Annual Governance Statement
Appendix 2 – Annual Governance Statement Assurances
Appendix 3 – Chief Financial Officer Statement

Background papers:
Accounts and Audit (England) Regulations 2015
CIPFA/SOLACE Framework
Hereford & Worcester Fire Authority Code of Corporate Governance

Contact Officer

Alison Hughes, Committee & Members' Services Manager
(01905 368209)
Email: ahughes@hwfire.org.uk

Appendix 1 DRAFT ANNUAL GOVERNANCE STATEMENT 2015/16

1. Scope of Responsibility

- 1.1 The Fire Authority (the Authority) has a responsibility to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. To do this the Authority must ensure that proper arrangements exist for the governance of its affairs. This includes maintaining a sound system of internal control and that robust arrangements for the management of risk are in place.
- 1.2 This Annual Governance Statement sets out how the Authority has complied with these requirements and also the requirements of regulation 6(2), (3) and (4) of the Accounts and Audit Regulations 2015.

2. The Purpose of the Governance Framework

- 2.1 Governance is about how the Authority ensures that it is doing the right thing, in the right way for the right people in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, cultures and values, by which the Authority is directed and controlled and through which it accounts to and engages with its communities.
- 2.2 The system of internal control is designed to manage risk to a reasonable level (rather than to eliminate all risk). The Authority maintains a sound system to protect against risks and mitigate their impact. The systems are regularly reviewed and updated.

3. Key Elements of the Governance Framework and Internal Control System

- 3.1 The Authority has adopted a Code of Corporate Governance, which sets out how the Authority promotes good governance. A copy of the code is available at hwfire.cmis.uk.com/hwfire/Documents/DocumentLibrary.aspx or may be obtained from Hereford & Worcester Fire and Rescue Service Headquarters, 2 Kings Court, Charles Hastings Way, Worcester, WR5 1JR.
- 3.2 The Authority has established the following protocols and processes to ensure a robust internal control system and governance framework are in place:
- **Constitution** - defines the roles and responsibilities of the Authority, Committees, Members and Officers and the protocols to be followed. The Constitution is published at: hwfire.cmis.uk.com/hwfire/Documents/DocumentLibrary.aspx
 - **Audit & Standards Committee** - reviews arrangements for identifying and managing the Authority's business risks and the approval of policies in respect of the Authority's governance framework.

- **Monitoring Officer** - provides advice on the scope of the powers and responsibilities of the Authority. The Monitoring Officer has a statutory duty to ensure lawfulness and fairness of decision making and also to receive allegations of breaches of the Code of Conduct by Authority Members.
- **Chief Financial Officer (Treasurer)** - ensures the sound administration of the financial affairs of the Authority, as required by the statutory duties associated with s.151 of the Local Government Act 1972, the Local Government Finance Act 1988 and the Accounts and Regulations 2011.
- **Ethical Framework and Code of Conduct** - in place for all staff and familiarisation is included in the local induction.
- **Members' Code of Conduct and Registers of Interests** – a local Code of Conduct for all Members has been agreed by the Authority and a Register of Financial Interests for each Member can be viewed on the profile pages at <https://hwfire.cmis.uk.com/hwfire/AuthorityMembers.aspx>
- **Whistleblowing Policy** - in place for receiving and investigating complaints from staff and/or contractors.
- **Complaints System** - in place for receiving and investigating complaints from the public. The procedure is published at www.hwfire.org.uk/your-right-to-know/comments-and-complaints/
- **Fire Authority Annual Report** (Corporate Plan) - incorporates the annual performance of the Authority, the future outlook and objectives for the forthcoming year in addition to performance over the previous year. The Report is published at www.hwfire.org.uk/your-right-to-know/our-publications/
- **Performance Management Framework** - measures the quality of service for users ensuring that it is delivered in accordance with the Authority's objectives and best use of resources.
- **Risk Management Strategy** - ensures that the Authority identifies strategic risks and applies the most cost effective control mechanisms to manage those risks.
- **Business Continuity Plan** - incorporates the risk management system.
- **Strategic Risk Register** - identifies controls to mitigate inherent identified risks and is monitored on an on-going basis with exception reporting to the Senior Management Board and to the Audit & Standards Committee.
- **Departmental Risk Registers** - reviewed throughout the year.

- **Internal Auditors** - Worcestershire Internal Audit Shared Service Audit Team provides the internal audit function for the Authority.
- **External Auditors** - Grant Thornton UK LLP provides the external audit services to the Authority.

4. Review of Effectiveness

- 4.1 The Authority has prepared the Annual Governance Statement in accordance with the “Delivering Good Governance in Local Government Framework” published by CIPFA (Chartered Institute for Public Finance and Accountancy). As part of the process the Audit & Standards Committee [will consider] the self-assessment review of its corporate governance arrangements against the CIPFA framework to ensure that the Authority’s governance arrangements are working correctly and are relevant to the current environment.
- 4.2 The Authority is satisfied that its financial management arrangements conform with the governance requirements of the CIPFA Statement of the Role of the Chief Financial Officer in Local Government. In addition, the key financial systems are continually reviewed by the Internal Auditor. There were no major weaknesses identified in the 2015/16 financial year.
- 4.3 Budget Monitoring reports have been presented to the Policy and Resources Committee throughout the financial year and have shown that the budget pressures are being controlled within the overall total and final out-turn is consistent with those reports.
- 4.4 The Chief Financial Officer and the Monitoring Officer have provided assurances on their respective areas of statutory responsibility. All Members of the Senior Management Board have also provided assurances on their areas of responsibility.
- 4.5 The Monitoring Officer received no complaints regarding member conduct in 2015/16.

5. Significant Governance Issues

- 5.1 Based on the information provided above there are no significant governance issues identified at this time. We are satisfied that the need for improvements will be addressed and we will thereafter monitor the implementation and operation of any agreed recommendations as part of our next annual review.

.....
Chief Fire Officer/Chief Executive

.....
Chairman of the Fire Authority

Date: 27 September 2016

Appendix 2 Annual Governance Statement Assurances 2015/16 and Action Plan 2016/17 - Updated April 2016

Status of Compliance Key:



=action needed



=minor actions needed



=no action required

No change= →


Improvements made=↑

1. Core Principle: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

Supporting Principle	Requirement for Authority	Evidence of compliance	Status of compliance	Progress on 2015/16 Actions	2016/17 Actions
1. Exercising strategic leadership by developing and clearly communicating the Authority's purpose, vision and its intended outcome for citizens and service users.	a. Develop and promote the Authority's purpose and vision.	<ul style="list-style-type: none"> Authority Annual Report Media & Communications Strategy Our Strategy Annual Assurance Statement Social Media Policy Service website 	→		
	b. Review on a regular basis the Authority's vision for the local area and its implications for the Authority's governance arrangements.	<ul style="list-style-type: none"> Annual adoption of Authority Annual Report CRMP Consultation Fire Cover Review Wyre Forest Hub Consultation Head of Legal / Monitoring Officer reviews governance arrangements Annual Assurance Statement 	→		
	c. Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners	<ul style="list-style-type: none"> Local Strategic Partnership agreement (Worcestershire) Memos of Understanding e.g. Shropshire Fire Control Project West Midlands Regional Collaborative Statement Joint Operations and Command Centre Project Board Hindlip Transformation Bid Place Partnership Ltd Joint Board Tri-Service Principal Officer meetings (6 weekly basis) 	→		

	d. Publish an annual report on a timely basis to communicate the Authority's activities and achievements, its financial position and performance.	<ul style="list-style-type: none"> • Fire Authority Annual Report • Statement of Accounts • Annual Performance Report considered by the Authority • Annual Assurance Statement 	→		
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Supporting Principle	Requirement for Authority	Evidence of compliance	Status of compliance	Progress on 2015/16 Actions	2016/17 Actions
2. Ensuring that users receive a high quality of service whether directly, or in partnership or by commissioning.	a. Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available.	<ul style="list-style-type: none"> • Joint Citizen's Panel (Viewpoint) • CRMP Consultation • Wyre Forest Consultation • Complaints Procedure • Performance Management Framework • After the Incident Surveys and end of year reports 	→		
	b. Put in place effective arrangements to identify and deal with failure in service delivery.	<ul style="list-style-type: none"> • Complaints process in place published on the website • Complaints are monitored and reported to SMB on an exception basis with an annual report to Audit & Standards Committee • Complaints statistics reported to Members in Members' Bulletin • Risk Registers 	→		

<p>3. Ensuring that the Authority makes the best use of resources and that tax payers and service users receive excellent value for money.</p>	<p>a. Decide how value for money is to be measured and make sure that the Authority or partnership has the information needed to review value for money and performance effectively.</p>	<ul style="list-style-type: none"> • Medium Term Financial Strategy • Annual Audit Letter • Value for Money – Auditors' Conclusion • Performance Management Framework • Procurement Strategy • West Midlands Contractor Framework • Standing Orders for Regulation of Contracts • Fire Authority reports • Quarterly performance and quarterly budget monitoring reported to Policy & Resources Committee • Internal Quality Assurance process (station audits) • Health & Safety Audits 			<p>Continue review Standing Orders for Regulation of Contracts</p>
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2. Core Principle: Members and officers working together to achieve a common purpose with clearly defined functions and roles

Supporting Principle	Requirement for Authority	Evidence of compliance	Status of compliance	Progress on 2015/16 Actions	2016/17 Actions
<p>1. Ensuring effective leadership throughout the Authority and being clear about executive and non-executive functions of the roles and responsibilities of the scrutiny function.</p> <p>Note: the Fire Authority is not able to adopt an Executive Model</p>	<p><i>N/A as Executive Model not in place</i> [Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the Authority's approach towards putting this into practice]</p> <p>a. Set out a clear statement of the respective roles and responsibilities of other Authority Members, members generally, senior officers and of the leadership team and its members individually.</p>	<ul style="list-style-type: none"> • Member Development Strategy • Members' Role Description • Members' Induction Session and Pack • Senior Management Board Terms of Reference and Membership • Senior Management Job Descriptions • Terms of Reference for Group Leaders' Meetings included in Constitution for information • P&R Committee met in scrutiny mode for the first time November 2013 as part of the CRMP consultation • CRMP amended following Members' input • IPDR for SMB 	→		
<p>2. Ensuring that a constructive working relationship exists between Elected Members and officers and that responsibilities of Authority Members and officers are carried out to a high standard.</p>	<p>a. Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the Authority taking account of relevant legislation and ensure that it is monitored and updated when required.</p>	<ul style="list-style-type: none"> • Scheme of Delegations to Officers in place • Matters reserved for the Authority in Constitution • Committee Structure and Terms of Reference • Standing Orders • Protocol for Member/Officer Relations • In house Head of Legal / Monitoring Officer in place to ensure the Scheme of Delegation is monitored and to propose changes to the Authority where necessary • Publishing officer decisions 	→		

	b. Make a Chief Executive or equivalent responsible and accountable to the Authority for all aspects of operational management.	<ul style="list-style-type: none"> • Scheme of Delegations to Officers • Senior Management Board Terms of Reference and Membership 	→		
	c. Develop protocols to ensure that the leader and chief executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.	<ul style="list-style-type: none"> • Protocol for Member / Officer Relations • Performance appraisal process for statutory officers • CFO meetings with Chairman and Group Leaders • Terms of Reference for Group Leaders' Meeting included in Constitution 	→		
	d. Make the Chief Financial Officer responsible to the Authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.	<ul style="list-style-type: none"> • Director of Finance & Assets appointed as S151 Officer (Treasurer) • Annual Audit Letter • Value for Money Opinion • Budget Holders' Surgeries • Budget Monitoring Reports to Policy & Resources Committee 	→		
	e. Make a senior officer (usually the Monitoring Officer) responsible to the Authority for ensuring agreed procedures are followed and that all applicable statutes and regulations are complied with.	<ul style="list-style-type: none"> • Monitoring Officer Role Description • Monitoring Officer appointed by the Authority • Deputy Monitoring Officer in place 	→		

Supporting Principle	Requirement for Authority	Evidence of compliance	Status of compliance	Progress on 2015/16 Actions	2016/17 Actions
3. Ensuring relationships between the Authority, its partners and the public are clear so that each know what to expect of each other.	a. Develop protocols to ensure effective communication between Members and officers in their respective roles.	<ul style="list-style-type: none"> Protocol for Member/Officer relations 	→		
	b. Set out the terms and conditions for remuneration of Members and officers and an effective structure for managing the process including an effective remuneration panel.	<ul style="list-style-type: none"> Members' Allowances Scheme considered annually by Authority and payments published Constituent Authorities' Independent Remuneration Panels in place Pay Policy Statement for Officers 	→		
	c. Ensure that effective mechanisms exist to monitor service delivery.	<ul style="list-style-type: none"> Performance Management Framework Senior Officer appraisals Quarterly performance reports to Policy & Resources Committee Complaints process Quality assurance audits Electronic Incident De-brief Process Active Incident Monitoring Process 	→		

	<p>d. Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms and in consultation with the local community and other key stakeholders and that they are clearly articulated and disseminated.</p>	<ul style="list-style-type: none"> • CRMP Consultation • Media & Communications Strategy • Our Strategy • Consultation with staff representatives on strategic matters such as CRMP • 20/20 Vision Programme Board • Service website 	→		
	<p>e. When working in partnership ensure that Members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Authority</p>	<ul style="list-style-type: none"> • Partnership Board Terms of Reference • Project Arrow Joint Board 	→		
	<p>f. When working in partnership:</p> <ul style="list-style-type: none"> • Ensure that there is clarity about the legal status of the partnership. • Ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions. 	<ul style="list-style-type: none"> • Potential strategic partnerships considered by Authority e.g. Place Partnership Ltd • In house Head of Legal Services to advise on legal status 	→		

3. Core Principle: Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour					
Supporting Principle	Requirement for Authority	Evidence of compliance	Status of compliance	Progress on 2015/16 Actions	2016/17 Actions
1. Ensuring Authority Members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	a. Ensure that the Authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect.	<ul style="list-style-type: none"> • SMB Sharepoint Site • Ask the Chief Facility • SMB Visits to Stations and Departments • Audit & Standards Committee • Authority Member Role Description • Governance sessions for Middle Managers • Ethical Framework in place and included in Members' Induction 	→		
	b. Ensure that standards of conduct and personal behaviour expected of Members and staff, of work between Members and staff and between the Authority, its partners and the community are defined and communicated through codes of conduct and protocols.	<ul style="list-style-type: none"> • Code of Conduct in place and covered in Members' Induction • Member Training on Code of Conduct by Councils monitored • Ethical Framework in place – training rolled out to staff and Members • Member/Officer Protocol • Equality Scheme • Disciplinary Policy • Capability Policy • Bullying and Harassment Policy • Anti-Fraud and Corruption Policy 	→		

	<p>c. Put in place arrangements to ensure that Members and employees of the Authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.</p>	<ul style="list-style-type: none"> • Whistleblowing Policy • National Fraud Initiative • Gifts and Hospitality Register for Members and Staff • Financial Regulations • Members Registers • Standing Orders for Regulation of Contracts • Equality Impact Assessments (EIAs) – included in corporate considerations section of Authority reports. Awareness of relationship between Public Sector Equality Duty and EIAs raised at Members' Induction 	→		<p>Continue review Standing Orders for Regulation of Contracts</p> <p>Financial Regulations to be reviewed.</p>
2. Ensuring that organisational values are put into practice and are effective.	<p>a. Develop and maintain shared values including leadership values both for the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners.</p>	<ul style="list-style-type: none"> • Ethical Framework • Codes of Conduct • Authority Plan • Media & Communications Strategy • CRMP Consultation • Wyre Forest Consultation • Social Media Policy • Service Bulletin • Members' Bulletin • Service website 	→		
	<p>b. Put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.</p>	<ul style="list-style-type: none"> • Equality & Diversity Scheme • Equality Impact Assessments • Ethical Framework • Employment Monitoring Information reported annually to Policy & Resources Committee • Whistleblowing Policy 	→		

	c. Develop and maintain an effective standards committee.	<ul style="list-style-type: none"> • Audit & Standards Committee in place • Independent Persons in place • Monitoring Officer in place as lead officer for Standards issues 	→		
	d. Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority.	<ul style="list-style-type: none"> • Annual Authority Report • Our Strategy • Ethical Framework 	→		
	e. In pursuing the visions of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.	<ul style="list-style-type: none"> • Shared values with Herefordshire and Worcestershire Community Safety strategies • Joint Operations and Communications Centre Project Board • Hindlip transformation Bid • Place Partnership Joint Board • Project Arrow Joint Project Board 	→		

4. Core Principle: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Supporting Principle	Requirement for Authority	Evidence of compliance	Status of compliance	Progress on 2015/16 Actions	2016/17 Actions
1. Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.	a. Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the Authority's performance overall.	<ul style="list-style-type: none"> • Audit & Standards Committee • Internal Audit reports considered by Audit & Standards Committee • Policy & Resources Committee scrutinises performance • Pensions Board in place – reports to Policy & Resources Committee annually 	→		
	b. Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.	<ul style="list-style-type: none"> • Committee structure • Authority agenda papers, reports, minutes published • Standard Fire Authority report template includes corporate governance considerations for Members • Scheme of Delegation • Officer decisions published • 2020 Vision Programme Board 	→		
	c. Put in place arrangements to safeguard against conflicts of interest on behalf of members and employees and put in place appropriate processes to ensure that they continue to operate in practice.	<ul style="list-style-type: none"> • Monitoring Officer in place • Code of Conduct Members' Registers of Interest – annual prompt for Members to review their DPI forms • Gifts and Hospitality Registers • Advice to staff via Service Bulletin • Code of Conduct for Employees • Related Party Disclosures for Principal Officers / department heads 	↑	Review of the policy on staff interests, including the gifts and hospitality protocol has been undertaken	

Note: the Fire Authority is not able to adopt an Executive Model	d. Develop and maintain an effective Audit Committee which is independent of the executive and scrutiny functions or make appropriate arrangements for the discharge of the functions of such a committee.	<ul style="list-style-type: none"> • Audit & Standards Committee • Authority Chairman, Outgoing Authority Chairman, Group Leaders and P&R Committee Chairman not eligible to sit on Audit & Standards Committee • Treasurer is a lead officer for Audit & Standards Committee • Audit & Standards Committee training for Members 	→		
	e. Put in place effective transparent and accessible arrangements for dealing with complaints.	<ul style="list-style-type: none"> • Complaints Process • Complaints Process for alleged breaches of the Code of Conduct 	→		

2. Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.	a. Ensure that those making decisions whether for the Authority or partnership are provided with information that is fit for the purpose – relevant, timely and gives clear expectations of technical and financial issues and their implications.	<ul style="list-style-type: none"> • Schedule of meetings • Members' Seminars e.g. budget process, budget announcement, CRMP • Authority standard report template – sets out corporate governance considerations • Members' Bulletin • Budget Monitoring Reports to SMB and P&R Committee • Budget Holders meetings 	→		
	b. Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.	<ul style="list-style-type: none"> • Clerk and Treasurer comment on draft reports and attend Authority meetings to advise • Financial Regulations • Treasurer reports regularly to the Authority 	→		

Supporting Principle	Requirement for Authority	Evidence of compliance	Status of compliance	Progress on 2015/16 Actions	2016/17 Actions
3. Ensuring that an effective risk management system is in place.	a. Ensure that risk management is embedded into the culture of the Authority, with members and managers at all levels recognising that risk management is part of their job.	<ul style="list-style-type: none"> • Strategic Risk Register • Risk Management Strategy • Audit & Standards Committee Terms of Reference • Authority Standard Report Template requires any risk issues to be set out • Audit Commission – Annual Governance Audit • Internal Audit • Financial Regulations • Technology One Finance System 	→		
	b. Ensure that effective arrangements for whistleblowing are in place to which staff and all those contracting with the authority have access.	<ul style="list-style-type: none"> • Whistleblowing Policy 	↑	Whistleblowing Policy reviewed Awareness raising session with middle management undertaken and article published in Service Bulletin	
4. Using their legal powers to the full benefit of the citizens and communities in their area.	a. Actively recognise the limits of lawful activity placed on them by eg the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities.	<ul style="list-style-type: none"> • Standing Orders • Head of Legal / Monitoring Officer • Statutory Provisions 	→		

	b. Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law.	<ul style="list-style-type: none"> • Standing Orders • Head of Legal / Monitoring Officer • Statutory Provisions • Regulatory Reform Order enforcement training 	→		
	c. Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice into their procedures and decision making processes.	<ul style="list-style-type: none"> • Standing Orders • Head of Legal / Monitoring Officer • Statutory Provisions • Members Induction • Fire Authority and Committee reports require any legal issues to be set out 	→		

5. Core Principle: Developing the capacity and capability of Members and officers to be effective

Supporting Principle	Requirement for Authority	Evidence of compliance	Status of compliance	Progress on 2015/16 Actions	2016/17 Actions
1. Making sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.	a. Provide induction programmes tailored to individual needs and opportunities for Members and officers to update their knowledge on a regular basis.	<ul style="list-style-type: none"> • Members' Induction • Fire specific Member Development Programme linked in with Our Strategy • Members' Seminars • Members' Bulletin • SMB Workshops • Conference attendance • Monitoring of Member attendance at Code of Conduct Training 	→	Code of Conduct refresher included in 2016 Member Development Plan	
	b. Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Authority.	<ul style="list-style-type: none"> • Head of Paid Service, Treasurer and Monitoring Officer appointed by Authority 	→		
2. Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.	a. Assess the skills required by Members, officers and managers and make a commitment to develop those skills to enable roles to be carried out effectively.	<ul style="list-style-type: none"> • Staff appraisals • Audit & Standards Committee oversee Member Training • Member Training also provided by constituent authorities • SMB Leadership Review • Member Induction • Financial Seminars for Members • Governance Awareness for middle managers 	→		

	b. Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.	<ul style="list-style-type: none"> • SMB Workshops • Member Workshops • Training events at Authority meetings 	→		
	c. Ensure that arrangements are in place for reviewing the performance of the executive as a whole and of individual Members	<ul style="list-style-type: none"> • SMB Leadership Review • Principal Officer level incident command assessments 	→		
3. Encouraging new talent for membership of the Authority so that best use can be made of resources in balancing continuity and renewal	a. Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Authority.	<ul style="list-style-type: none"> • Recruitment and Selection Training for Appointments Committee undertaken prior to any recruitment • Employment Monitoring Data • Equality Objectives - compliance • Equality Impact Assessments • Equality & Diversity Advisory Group • Positive Action Sub Group • Media & Communications Strategy 	→		
	b. Ensure that career structures are in place for Members and officers to encourage participation and development.	<ul style="list-style-type: none"> • Assessment centres and career structure for uniformed staff • Personal development plans (IPDR) 	→		

6. Core Principle: Engaging with local people and other stakeholders to ensure robust public accountability					
Supporting Principle	Requirement for Authority	Evidence of compliance	Status of compliance	Progress on 2015/16 Actions	2016/17 Actions
1. Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders including partnerships, and develops constructive accountability relationships.	a. Make clear to themselves, all staff and the community, to whom they are accountable and for what.	<ul style="list-style-type: none"> • Authority Plan • CRMP Process • Publication Scheme • Media & Communications Strategy • Constitution • Committee Structure and Terms of Reference • Meetings Schedule • Scheme of Delegation 	→		
	b. Consider those institutional stakeholders to whom they are accountable and assess the effectiveness of the relationships and any changes required.	<ul style="list-style-type: none"> • Authority Plan • Local Strategic Partnership agreement (Worcestershire) • Memorandums of Understanding 	→		
Note: the Fire Authority is not able to adopt an Executive Model	c. Produce an annual report on the activity of the scrutiny function.	<ul style="list-style-type: none"> • Minutes from Committees submitted to Fire Authority 	→		

2. Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Authority or in partnership.	a. Ensure clear channels of communication are in place with all sections of the community and other stakeholders including monitoring arrangements and ensure that they operate effectively.	<ul style="list-style-type: none"> • After the Incident Surveys implemented and end of year report • Media & Communications Strategy • CRMP Consultation • Wyre Forest Consultation • Station Open Days and partner events 	→		
	b. Ensure that arrangements are in place to enable the Authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.	<ul style="list-style-type: none"> • Equality Objectives • Equality & Diversity Advisory Group • Positive Action Sub-Group • Equality Impact Assessments • Media & Communications Strategy 	→		
	c. Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and Service users including a feedback mechanism for those consultees to demonstrate what has changed as a result.	<ul style="list-style-type: none"> • CRMP Consultation • Wyre Forest Consultation 	→		

	d. On an annual basis, publish a performance plan giving information on the Authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of Service users in the previous period.	<ul style="list-style-type: none"> • Authority Plan • Our Strategy • Statement of Accounts • Medium Term Financial Plan • Annual Performance reported to Policy & Resources Committee • After the Incident Surveys and end of year report 	→		
	e. Ensure that the Authority as a whole is open and accessible to the community, Service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.	<ul style="list-style-type: none"> • Media & Communications Strategy • Service website – your right to know • Social Media • Publication Scheme • Freedom of Information requests process • Authority meetings held in public • Open Days and partner events • Complaints process • Service Bulletin – CFO updates and reports of Fire Authority decisions 	→		
3. Making best use of human resources by taking an active and planned approach to meet responsibility to staff.	a. Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.	<ul style="list-style-type: none"> • Joint Consultative Committee – meetings reported to Policy & Resources Committee • SPI process -consultation with Unions • Authority standard reports – consultation with Unions must be considered 	→		

Appendix 3 – Expanded / additional governance requirements from the Chief Financial Officer statement reflected in the local Code of Corporate Governance

1. Core Principle: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

Additional governance requirements from Chief Financial Officer statement	Evidence of compliance
i. Ensure that timely, accurate and impartial financial advice and information is provided to assist in decision making and to ensure that the authority meets its policy and service objectives and provides effective stewardship of public money and value for money in its use.	<ul style="list-style-type: none"> • Medium Term Financial Plan • Annual Audit Letter • Value for Money Opinion • Performance Management Framework • Procurement Strategy • West Midlands Contractor Framework • Standing Orders for Contracts • Fire Authority reports
ii. Ensure that the authority maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action when necessary.	<ul style="list-style-type: none"> • Minimum Revenue Provision Policy • Quarterly Performance and Budget Monitoring Reports to Policy & Resources Committee • Statement of Accounts • Financial Regulations • Publication of supplier payments over £250
iii. Ensure compliance with CIPFA's Code on Prudential Capital Finance and CIPFA's Treasury Management Code.	<ul style="list-style-type: none"> • Statement of Prudential Indicators • Treasury Management Reports to Policy & Resources Committee

2. Core Principle: Members and officers working together to achieve a common purpose with clearly defined functions and roles

Additional governance requirements from Chief Financial Officer statement	Evidence of compliance
i. Ensure that the Chief Financial Officer reports directly to the Chief Executive and is a member of the leadership team with a status at least equivalent to other members. If different organisational arrangements are adopted, explain the reasons publicly, together with how these deliver the same impact.	<ul style="list-style-type: none"> • Role of Chief Financial Officer undertaken by Treasurer (Director of Finance & Assets) – Principal Officer level – member of Senior Management Board • Senior Management Board Terms of Reference and Membership • Senior Management Job Descriptions
ii. Ensure that the authority's governance arrangements allow the Chief Financial Officer direct access to the Chief Executive and to other leadership team members.	<ul style="list-style-type: none"> • Scheme of Delegations to Officers • Senior Management Board Terms of Reference and Membership • Direct access to Authority and to Audit & Standards Committee
<p>iii. Appoint a professionally qualified Chief Financial Officer whose core responsibilities include those set out in the Statement Role of the Chief Fin. Officer in Local Govt and ensure that they are properly understood throughout the authority.</p> <p>iv. Ensure that the Chief Financial Officer:</p> <ul style="list-style-type: none"> • Leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. • Has a line of professional accountability for finance staff throughout the organisation. 	<ul style="list-style-type: none"> • Director of Finance & Assets appointed as S151 Officer (Treasurer) • Deputy Treasurer in place • Audit Commission Annual Audit Letter • Budget Holders Meetings and Surgeries

<p>v. Ensure that budget calculations are robust and reserves adequate, in line with CIPFA's guidance.</p> <p>vi. Ensure that appropriate management accounting systems, functions and controls are in place so that finances are kept under review on a regular basis. These systems, functions and controls should apply consistently to all activities including partnership arrangements, outsourcing or where the authority is acting in an enabling role.</p>	<ul style="list-style-type: none"> • Internal Audit Reports • Technology One Finance System • Financial Regulations • Budget Monitoring Reports to Policy & Resources Committee • Audit Committee consider Internal Audit reports
<p>vii. Establish a medium term business and financial planning process to deliver strategic objectives including:</p> <ul style="list-style-type: none"> • a medium term financial strategy to ensure sustainable finances • a robust annual budget process that ensures financial balance • a monitoring process that enables this to be delivered <p>viii. Ensure that these are subject to regular review to confirm the continuing relevance of assumptions used.</p>	<ul style="list-style-type: none"> • Medium Term Financial Strategy • Audit of Accounts • Statement of Accounts • Budget Monitoring Process and Reports • Budget / Financial Seminars for Members
<p>3. Core Principle: Members and officers working together to achieve a common purpose with clearly defined functions and roles</p>	
<p>i. Ensure that systems and processes for financial administration, financial control and protection of the authority's resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice.</p>	<ul style="list-style-type: none"> • Anti-Fraud and Corruption Policy • Whistleblowing Policy • National Fraud Initiative reviewed in full and reported to Audit & Standards Committee promptly

4. Core Principle: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

i. Ensure an effective internal audit function is maintained	<ul style="list-style-type: none"> • Audit & Standards Committee in place • Internal Audit reports regularly considered by Audit & Standards Committee • Policy & Resources Committee scrutinises performance
ii. Ensure that the authority's governance arrangements allow the Chief Financial Officer direct access to the audit committee and external audit.	<ul style="list-style-type: none"> • Audit & Standards Committee in place • Treasurer has meetings with Audit & Standards Committee Chairman • Treasurer is the lead officer for Audit & Standards Committee
iii. Ensure the provision of clear, well presented, timely, complete and accurate information and reports to budget managers and senior officers on the budgetary and financial performance of the authority.	<ul style="list-style-type: none"> • Schedule of meetings • Budget Monitoring Reports to SMB and P&R Committee • Budget Holders meetings
iv. Ensure the authority's governance arrangements allow the Chief Financial Officer to bring influence to bear on all material decisions.	<ul style="list-style-type: none"> • Clerk and Treasurer comment on draft Fire Authority and Committee reports and attend Authority meetings to advise • Financial Regulations • Treasurer reports regularly to Authority
v. Ensure that advice is provided on the levels of reserves and balances in line with good practice guidance.	
vi. Ensure that the authority's arrangements for financial and internal control and for managing risk are addressed in annual governance reports.	<ul style="list-style-type: none"> • Strategic Risk Register in place • Audit & Standards Committee Terms of Reference • Fire Authority Standard Report Template – risk issues need to be highlighted • Risk Management Strategy in place • Audit Commission – Annual Governance Audit • Internal Audit • Financial Regulations • Technology One Finance System
vii. Ensure the authority puts in place effective internal financial controls covering codified guidance, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval process.	

5. Core Principle: Developing the capacity and capability of members and officers to be effective

<p>i. Ensure the Chief Financial Officer has the skills, knowledge, experience and resources to perform effectively in both the financial and non-financial areas of their role.</p> <p>ii. Review the scope of the Chief Financial Officer's other management responsibilities to ensure financial matters are not compromised.</p> <p>iii. Provide the finance function with the resources, expertise and systems necessary to perform its role effectively.</p>	<ul style="list-style-type: none">• Head of Paid Service, Treasurer and Monitoring Officer appointed by Authority• Performance appraisals in place• Finance team in place – staff appropriately qualified and trained
<p>iv. Embed financial competencies in person specifications and appraisals.</p> <p>v. Ensure that councillors' roles and responsibilities for monitoring financial performance/budget management are clear, that they have adequate access to financial skills and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities.</p>	<ul style="list-style-type: none">• Staff appraisals• SMB Leadership Review• Member Induction• Member Role Description• Annual Budget / Financial Seminars for Members