



HEREFORD & WORCESTER Fire Authority

Audit and Standards Committee

AGENDA

Tuesday, 27 September 2016

10:30

Malvern Fire Station

Worcester Road, Malvern, Worcestershire, WR14 1TD

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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 Fire Authority

Audit and Standards Committee

Tuesday, 27 September 2016, 10:30

Agenda

Councillors

Ms L R Duffy (Chairman), Ms P Agar, Mr A Amos, Mr S C Cross, Ms K S Guthrie, Mr Al 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	Appointment of Vice Chairman To appoint a Vice Chairman to the Committee.	
5	Confirmation of Minutes To confirm the minutes of the meeting held on 4 July 2016.	5 - 8

6	Internal Audit Monitoring Report 2016/2017	9 - 16
	To provide the Committee with a progress update on the 2016/17 plan delivery and summary updates in regard to the residual 2015/16 audits.	
7	Annual Statement of Accounts 2015/2016	17 - 99
	To present the 2015/16 Statement of Accounts for approval.	
8	External Audit Findings Report 2015/2016 Including Letter of Representation	100 - 138
	To put forward the External Auditors' Report for consideration and to recommend approval of the letter of representation.	
9	Statement of Assurance	139 - 152
	To consider and approve the draft statement of Assurance 2016/17 for publication.	
10	Register of Interest for Officers	153 - 170
	To put forward a revised draft policy regarding the registration of staff interests for consideration by the Committee.	



Hereford & Worcester Fire Authority

Audit and Standards Committee

Monday, 04 July 2016,10:30

Minutes

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

Substitutes: none

Absent: Mr Al Hardman

Apologies for Absence: Mr S C Cross, Mr R I Matthews

43 Confirmation of Minutes

RESOLVED that the minutes of the Audit and Standards Committee held on 13 April 2016 be confirmed as a correct record and signed by the Chairman.

44 Internal Audit Annual Report 2015/2016

The Head of Internal Audit Shared Service presented a report detailing the achievement of the Internal Audit objectives, as set out in the Internal Audit Plan for 2015/16. The audit opinion and commentary on the overall adequacy and effectiveness of the internal control environment concluded that arrangements during 2015/16 effectively managed the principle risks and could be relied upon to meet corporate objectives. It was confirmed that there were sound systems of internal control in place and there were no high priority recommendations reported to the Committee. All audits undertaken had resulted in an assurance level of either 'significant' or 'moderate'.

RESOLVED that the Audit Plan for all relevant audits delivered in 2015/16 which provided an assurance level of 'significant' be noted.

45 Internal Audit Plan 2016/17

The Internal Auditor provided the draft Audit Plan for 2016/17 highlighting the timetable of scheduled audits to be undertaken during the year, the determination of which is measured on risk. Out turns from work will be brought to the Committee on a quarterly basis.

The Auditor drew Members' attention to an additional forward planing measure which identified and scheduled audit reviews through future years.

RESOLVED that the draft Internal Audit Plan 2016/17 be approved.

46 Strategic Risk Register

The Authority's arrangements for dealing with risk management had been the subject of an internal Audit Review in March 2016. The Audit had given an assurance level of 'moderate' that the Service had a sound system of internal control with the need for minor improvement in certain processes. Members were informed that significant progress had already been made in these areas and that the main issues had already been largely addressed.

Members were advised that a new methodology to record and monitor risk had been introduced and that the Senior Management Board were now considering the risk agenda on a quarterly basis. Some Members were concerned that they only had a single opportunity to input into the Strategic Risk Register and it was agreed that the Chairman of the Audit and Standards Committee would sit in on these quarterly discussions.

Members felt that the Authority would benefit from a workshop early 2017 covering the Strategic Risk Register in more detail.

RESOLVED that;

i. the Strategic Risk Register be approved; and

ii. the actions taken following recommendations made in the recent audit by Worcestershire Shared Service (March 2016) be noted.

47 Health and Safety Audit

Members were updated on the substantial progress against the twelve recommendations made from the CFA West Midlands Regional Health and Safety Audit undertaken in January 2015. Officers emphasised that measures were fully embedded across the Service and that the four

remaining open recommendations will be continually monitored via the Health and Safety Committee until completion.

Members congratulated Officers on progress against the plan and requested further information relating to Health and Safety and wider community engagement.

RESOLVED 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.

48 Provisional Annual Statement of Accounts 2015/2016

A draft of the Annual Statement of Accounts was presented for discussion and noting. The Treasurer gave a detailed presentation of the content of the Accounts. It was confirmed that the accounts had been signed off on 24 June 2016 and were now open for public inspection. Members would not be asked to approve the Statement of Accounts until after completion of the audit which was due to commence w/c 13 July 2016 and be completed by September 2016.

RESOLVED that the Treasurer bring back a further report following completion of the Audit.

49 Annual Governance Statement 2015/2016

Members were given a summary of the governance arrangements for 2015/16 and advised that under the New Accounts and Audit (England) Regulations 2015 there was now a requirement to publish a draft Annual Governance Statement with unaudited accounts for public inspection. It was confirmed that following a review undertaken against the CIPFA framework there were no areas of concern to report and no areas where immediate action was required. The Annual Governance Statement will be audited by internal and external auditors and a final draft will be presented in September for approval

RESOLVED that the Draft Annual Governance Statement 2015/16 be approved.

The Meeting ended at: 11:51

Signed:.....

Date:.....

Chairman

Report of the Head of Internal Audit Shared Service

6. Internal Audit Monitoring Report 2016/17

Purpose of report

To provide the Committee with a progress update on the 2016/17 plan delivery and summary updates in regard to the residual 2015/16 audits.

Recommendation

The Treasurer recommends that the report is noted.

Introduction and Background

1. 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

2. The Public Sector Internal Audit Standards 2013 defines internal audit as: “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”. WIASS is committed to conforming to the requirements of the Public Sector Internal Audit Standards

Aims of Internal Audit

3. 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.
4. Internal audit has worked with external audit to try and 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

5. To provide audit coverage for 2016/17, an audit operational programme to be delivered by WIASS was discussed and agreed with the Authority's Section 151 Officer and Treasurer as well as Senior Management Board and was brought before Committee on 4th July 2016 for consideration. The audit programme provides a total audit provision of 111 audit days; 95 operational and 16 management days.

Audit Delivery

6. 2016/17 audits commenced after the Committee had agreed the 2016/17 plan at the 4th July 2016 Committee.
7. To assist the Committee to consider assurance on the areas of work undertaken, an overall assurance level is given, when appropriate, to each audit area based on a predetermined scale. Also, the findings are prioritised into 'high', 'medium' and 'low' within audit reports with all 'high' priority recommendations being reported before committee.

2015/16 Audits:

8. During quarter one the five remaining audits for 2015/16 were finalised. The audits included Risk Management, ICT, Stores/Operational Logistics, Human Resources and Corporate Governance.
9. The summary results of these audits are included below, however, it can be reported there were no 'high' priority recommendations resulting from the work. Where recommendations have been made, these are being addressed through appropriate management actions.

Risk Management

10. The outcome of the review concluded moderate assurance in this area because there is a generally sound system of internal control in place but testing identified some of the expected controls are not in place and are not operating effectively therefore assurance can only be given over the effectiveness of

controls within some areas of the system. The results of this review were incorporated into the Risk Management report that was presented to the July Committee.

11. The review found the following areas of the system were working well:
 - There is a comprehensive Risk Management Strategy in place within the Fire Rescue Service.
 - Regular Monitoring of the Strategic Risk Register by the Audit & Standards Committee.
12. The review found the following areas of the system where controls could be strengthened:
 - Risk Registers are not always being populated at Directorate and Departmental level as comprehensively as they could be.
 - There was insufficient supporting documentation to provide a full audit trail for the Directorate and Departmental Risk Registers.
 - There was a need for regular training on risk management to be given to new Departmental risk officers.

Final Report issued: 30th June 2016

Assurance: Moderate

Recommendations: No 'high' and 4 'medium'.

ICT – Work Programmes

13. The outcome of the review concluded moderate assurance in this area because there is generally a sound system of internal control in place, including the ongoing monitoring and resources management of large work programmes. Testing identified some weaknesses in the system of control, such as with the effective monitoring of change management activities which are not covered in larger project works.
14. The review found the following areas of the system were working well:
 - The management of resources when addressing all scales of work items;
 - The process of formal review for effective and timely completion of the departmental work programme;
 - The monitoring and provision of training requirements for staff.
15. The review found the following areas of the system where controls could be strengthened:
 - The formal documentation of change request items to ensure effective monitoring and review, including assessments of potential problems and the mitigating activities undertaken;
 - The need to develop and maintain corporate ICT strategies;

Final Report issued: 1st July 2016

Assurance: Moderate

Recommendations: No 'high' and 3 'medium'.

Stores/Operational Logistics – Stock System

16. The outcome of the review concluded significant assurance in this area because there is generally a sound system of internal control in place and there has been a significant improvement since the 2012/13 audit. However, testing identified isolated weaknesses in the design of controls in a small number of areas.
17. The review found the following areas of the system were working well:
 - A full audit trail that can be tracked using one unique reference number
 - Replenishment of stock controlled in line with the Services Creditors' procedures
 - An understanding of the system and why things do not always work in the way expected
 - Team working to improve the system
18. The review found the following areas of the system where controls could be strengthened:
 - Formalisation of the authorisation of stock issues
 - Better tools for stock taking

Final Report issued: 1st July 2016

Assurance: Significant

Recommendations: No 'high' and 1 'medium'.

Human Resources - Development

19. This review was carried out as a critical friend. No assurance level was given as the individual procedures themselves have not been audited but the review looked at the current process and what needs to be considered in order for the Service to decide what its future requirements in relation to 'Development' are.
20. This report will assist officers in developing future policies that will be brought to Members for approval as necessary.

Final Report issued: 1st July 2016

Assurance: N/a

Recommendations: N/a

Corporate Governance – Fire and Rescue National Framework for England 2015-16

21. This review was carried out as a critical friend. No assurance level was given as the individual procedures have not been audited. The review was based on the requirements of the Fire and Rescue National Framework for England which sets out high level expectations. It does not prescribe operational matters.
22. The review looked at matching the Community Risk Management Plan (CRMP) 2014/2020, Fire Authority Annual Plans 2015/16 and 2016/17 and other relevant policies together with information included on the Hereford and Worcester Fire

and Rescue Service's website to the requirements of the National Framework. Where it was unclear how Hereford and Worcester Fire and Rescue Service had addressed the National Framework requirements Internal Audit challenged the responsible Officers to provide the evidence to prove that the point had been adequately covered.

23. The critical friend review found that Hereford and Worcester Fire and Rescue Service have addressed the requirements of the Fire and Rescue National Framework

Final Report issued: 19th July 2016

Assurance: N/a

Recommendations: N/a

2016/17 Audits

Corporate Governance – Annual Governance Statement

24. The review is a full system audit concentrating on the corporate governance process leading to the production of the Annual Governance Statement as operated by Hereford and Worcester Fire and Rescue Service at the time of the audit.

CARE System -Pensions

25. The review is a limited scope audit concentrating on the base line accuracy and quality of data which is fundamental to the integrity of the ongoing system output in regard to the CARE system.

Conclusion/Summary

26. The Internal Audit Plan for 2015/16 has been completed with all reports finalized. There were no high priority recommendations arising and no issues of concern that need to be reported to the Committee. Such recommendations that were made are being addressed through normal management actions.
27. The 2016/17 is progressing with outcomes and assurance being reported to the next available Committee.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	There are no financial issues that require consideration.
Strategic Policy Links (identify how proposals	Selected audits are risk based and linked to the delivery of priorities and policy framework.

link in with current priorities and policy framework and if they do not, identify any potential implications).	
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 Audit Plan progress.

Appendix 2 - 'High' priority recommendations for completed audits.

Contact Officer

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APPENDIX 1

FIRE & RESCUE SERVICE 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	Commenced 21/07/2016
ICT Audit	Risk Score 36	10	Q4
System / Management Arrangements			
Safeguarding	Risk Score 30	8	Was Q2 ~ request to defer to October 2016
Training Centre	Risk Score 33	8	Q4
Property & Asset Mngt(Client Side)	Risk Score 31	9	Was Q2 – request to defer to December 2016
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. 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. (Commenced July 2016 with main testing to take place in October 2016).

'High' Priority Recommendations reported

Audit work is finalised in regard to the 2015/16 audit programme and there are no 'high' priority recommendations to report.

Work continues in regard to the 2016/17 audit plan.

Report of the Treasurer

7. Annual Statement of Accounts 2015/16

Purpose of report

1. To present the 2015/16 Statement of Accounts for approval.
-

Recommendation

The Treasurer recommends that the Statement of Accounts 2015/16 be approved.

Introduction

2. The Accounts and Audit Regulations (2013) require that accounts have to be prepared as soon as practical after the end of the financial year, and signed as completed by the Treasurer before 30 June 2016.
3. Following completion of the external audit and before 30 September 2016, the Authority (or designated committee) must approve the Statement of Accounts. The Authority has delegated the function to the Audit and Standards Committee.
4. The Accounts must be published by 30 September 2016, and publication on the Authority website is the established and expected route.
5. The Audit is now complete, with no major issues arising, and the External Auditors' report is included elsewhere on this Agenda.
6. The draft Accounts were submitted to the Audit and Standards Committee for information on 4th July 2016, and have been subject to some minor amendments as a result of the Audit.
7. These minor changes have not had any impact on the overall financial position of the Authority and not required any fundamental changes to the draft Statements.

Un- Adjusted Item

8. Late in the Audit it was identified that an accrued item of income, relating to Wychavon District Council funding of the new Evesham Fire Station in 2015/16, had been over estimated by £0.043m.
9. This item has not been adjusted as it does not materially impact on the interpretation of the Accounts and the sum will be receivable in 2016/17 anyway.

Conclusion

10. The Statement of Accounts with these amendments incorporated is ready for approval.
11. On publication the Statement of Accounts will incorporate the approved Annual Governance Statement, which was approved by the Committee on 4 July 2016.
12. Providing that no issues have arisen from the public inspection period, the External Auditor will be able to issue his opinion as soon as he is ready to and this will be incorporated in the Statements which will be published as soon as is 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 –Statement of Accounts 2015/16

Background papers

None

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Hereford & Worcester Fire Authority

Statement of Accounts

2015/16

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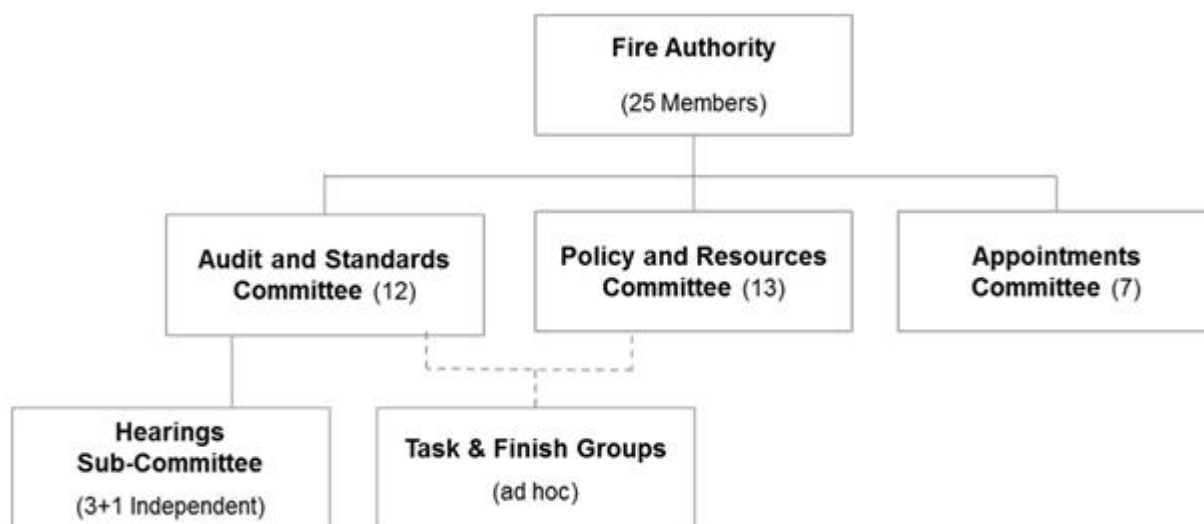
NARRATIVE REPORT

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

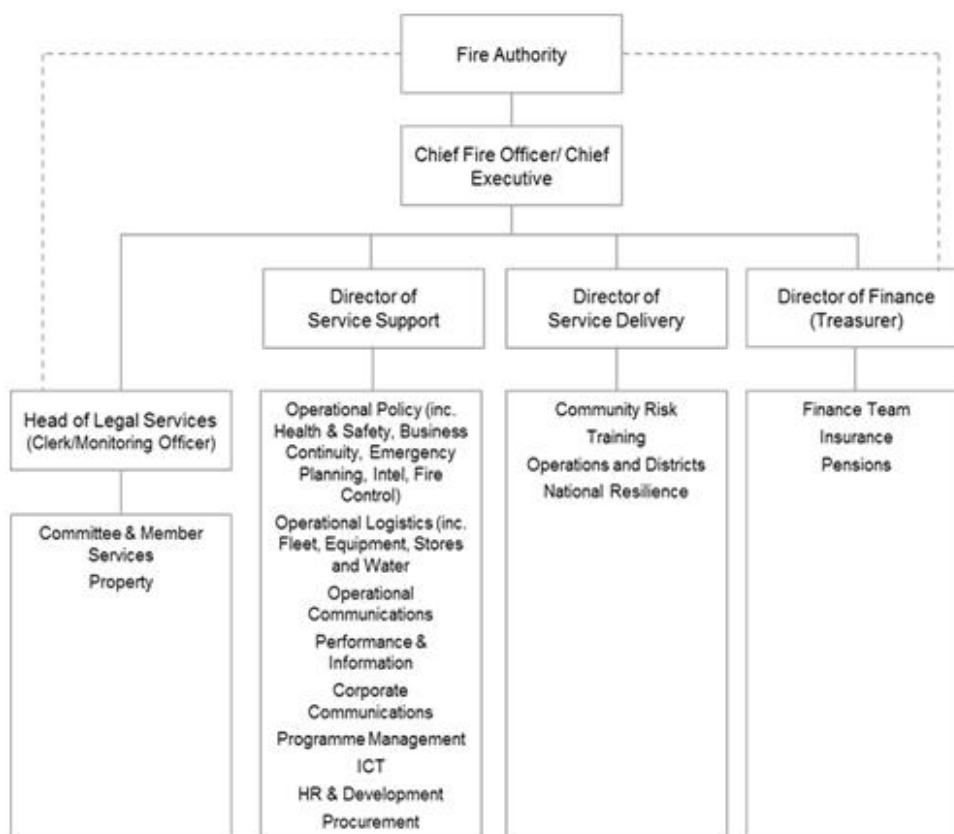
4. Hereford & Worcester Fire Authority is the governing body of the Fire and Rescue Service and is the legal entity responsible for carrying out duties as set out in the Fire and Rescue Services Act 2004, in relation to fire prevention, fire safety, firefighting and rescues (including from road traffic 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

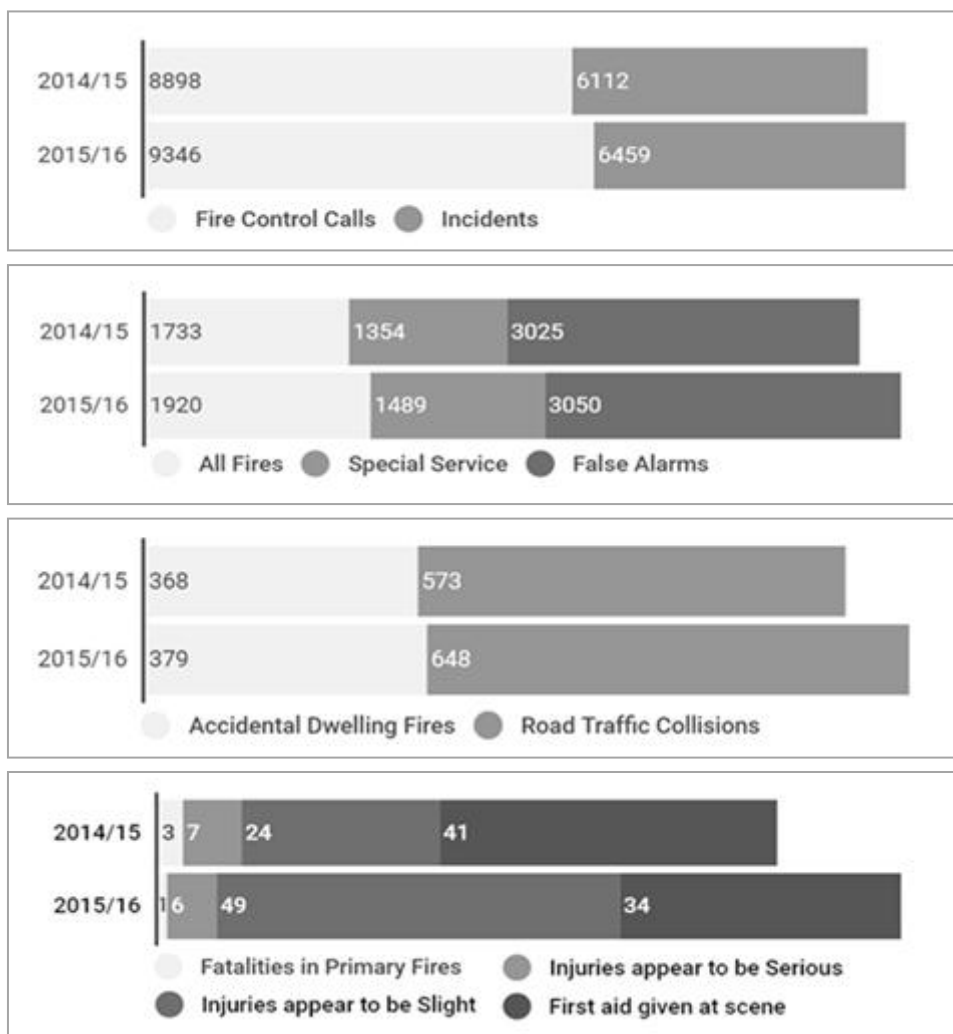
8. The Service is led by the Chief Fire Officer/Chief Executive with the support of the Senior Management Board. The Service employs just over 750 full-time and part-time staff, most of whom are highly trained firefighters (approximately 80 per cent of the total workforce).
9. In addition to Service 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).

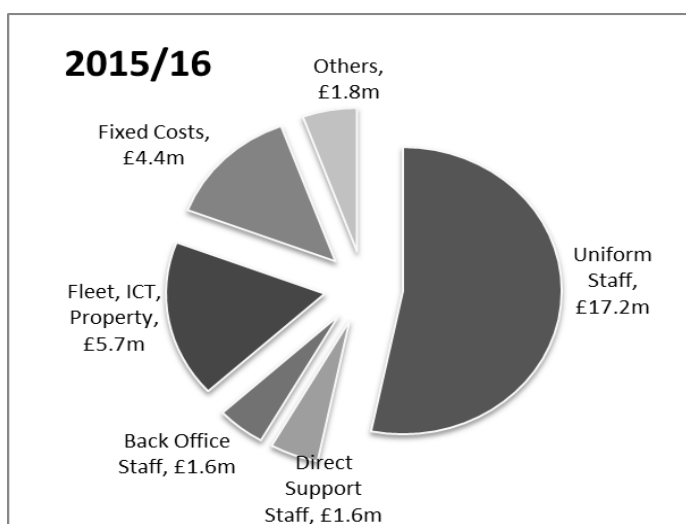
19. The accounting policies adopted by the Authority comply with the relevant recommended accounting practice. The Authority's policies are explained fully in the Statement of Accounting Policies which is set out on pages 14-22.
20. The Authority's spending is planned and controlled by a process which 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 77-79.

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

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 27th 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 27th 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 Home Office.
- 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	118	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)
Remeasurement of the net defined benefit liability/(asset)	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)

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

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
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)
<u>Movement in Reserves during 2014/15</u>												
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	(10,922)	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 24th June 2016 and the audited accounts were authorised for issue on 27th 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** – No Senior Officers within the Service or members or their immediate family or household declared any positions of influence.
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
- Evesham Fire Station £3.528m

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)	217
Accumulated amortisation on disposal	0	(217)
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) – Level 2. 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

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

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	1,804
Short term deposits with WCC	8,000	13,400
	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 (restated) £'000	31-Mar-16 £'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

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

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 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 2006 Firefighters' Pension Scheme (NFPS) (the "2006 Scheme") – is open to all uniformed staff (except Fire Control) and is also a statutory un-funded defined benefit final salary scheme, with differing benefits.
 - The 2015 Firefighters' Pension Scheme (FFCARE) – this is a career average scheme, and is available to operational firefighters appointed on or after 1 April 2015. Serving firefighters will also have been transferred into the scheme unless they have protected status under one of the existing schemes.
 - The Firefighters' Compensation Scheme (FFCS) (the Injury Scheme) – another statutory un-funded defined benefit scheme covering existing and new injury pensions.
 - The four 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.
 - The Local Government Pension Scheme (LGPS – Place Partnership Ltd) – The Fire Authority has transferred all of its Property Section staff to Place Partnership Ltd, as part of the agreement between the partners of this company, the Fire Authority has guaranteed any pension fund liability will be met based on the proportion of staff transferred into the scheme. Prior to the transfer the liability relating to these staff was included in the Fire Authority liability. At the Balance Sheet date this liability was zero.
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	10
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	(1,058)	(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	649	935	160	987		2,732
Retirement Benefits payable to Pensioners					731	731
Net Charge to General Fund	649	935	160	987	731	3,463

	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	(17,193)					(17,193)
Net liability arising from defined benefit obligation	9,612	247,905	14,462	2,769	15,697	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	11,452
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	649
Employee Contributions	214	194
Benefits Paid	(859)	(685)
at 31 March	17,369	17,193

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).

The objective of the Local Government Pension scheme is to keep employers' contributions at as constant a rate as possible. The Worcestershire County Council Pension Fund has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 25 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed for 31 March 2016.

The Firefighter scheme employer contribution rates are set by the Home Office and the next revised rates are anticipated from April 2019.

The Authority anticipated to pay approximately £0.655m expected contributions to the Local Government Pension scheme in 2016/17.

Expected employers' contributions for the firefighters' pension schemes in the year to 31 March 2017 are approximately £2.037m.

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	26,805
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	15,697
	236,949	262,267	315,527	310,946	347,153	307,638
Fair value of assets in the LGPS	11,111	11,290	13,474	15,384	17,369	17,193
	11,111	11,290	13,474	15,384	17,369	17,193
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	247,905
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	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	5,238
Capital Receipts Reserve	294	2,532
	11,240	19,272

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)

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

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	4,290	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	7,682	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	7,538	7,227

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

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

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

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	(48,835)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services the CIES	16,501	12,958
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,602)	(3,462)
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 £'000	2015/16 £'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)

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

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	490	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.

118. Other Operating Expenditure

	2014/15 £'000	2015/16 £'000
Gross Expenditure		
(Gain)/loss on disposal of non-current assets	652	39
Net loss on disposal/revaluation of assets held for sale	697	638
LGPS pensions administrative costs	13	12
	1,362	689
Gross Income		
Firefighter Scheme Pension Grant	(3,391)	(4,320)
Total Other Operating Expenditure	(2,029)	(3,631)

119. 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	61-62
• Movement in Reserves Statement	63
• Balance Sheet as at 31 st March 2015	66
• Cash-Flow Statement for the 12 months ending 31 st March 2015	67
Notes to the Core Financial Statements	
Fixed Assets	
• Property Plant and Equipment	68
Reserves	
• Revaluation Reserve	74
• Capital Adjustment Account	75
• Pension Reserve	76
• Unusable Reserves	76

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	(412)	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>	16,748	(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)

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

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

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

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 Treasurer

8. External Audit Findings Report 2015/16

Purpose of report

1. To put forward the External Auditors' Report for consideration and to recommend approval of the letter of representation.
-

Recommendations

The Treasurer recommends that:

- i) the External Audit Findings Report 2015/16 including, the anticipation of an unqualified opinion on the 2015/16 accounts be noted; and***
- ii) the letter of representation be approved on behalf of the Authority.***

Audit Findings Report 2015/16

2. The Audit Findings Report, which will be presented by the External Auditor, sets any issues that the Committee should consider before approving the accounts.
3. Appendix 1 provides the draft audit opinion and Value For Money conclusion and it is pleasing to note that once again these are clear.
4. Appendix 2 is the letter of representation which the Committee will need to approve before it can be signed by the Chairman and the Treasurer, and the Audit can be formally concluded.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	No
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	No
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	No
Consultation (identify any public or other consultation that has been carried out on this matter)	No
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	N/a

Supporting Information

Appendix 1 – Draft Audit Opinion 2015/16

Appendix 2 – Letter of Representation 2015/16

Contact Officer

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The Audit Findings for Hereford & Worcester Fire Authority

Year ended 31 March 2016

September 2016

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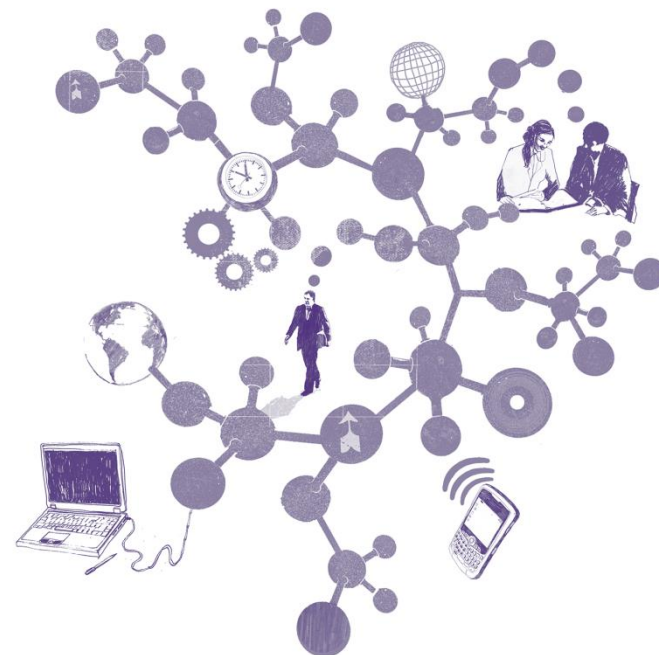
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Hereford & Worcester Fire Authority
2 Kings Court
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September 2016

Dear Members of the Audit & Standards Committee

Audit Findings for Hereford & Worcester Fire Authority for the year ending 31 March 2016

This Audit Findings report highlights the key findings arising from the audit for the benefit of those charged with governance (in the case of Hereford & Worcester Fire Authority, the Audit & Standards Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours faithfully

Mark Stocks

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Chartered Accountants

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Section 1: Executive summary

01. Executive summary
02. Audit findings
03. Value for Money
04. Fees, non audit services and independence
05. Communication of audit matters

Our audit of your accounts went well. Officers again prepared the accounts before the 30 June deadline. Working papers were good quality and officers were responsive to our questions. There are no significant changes to the accounts that we need to report to you, but we did identify one amendment, which officers have decided not to make. Our audit also identified a number of disclosure amendments and improvements that your officers have agreed to in the financial statements.

We anticipate being able to issue an unqualified opinion on your financial statements and an unqualified value for money conclusion.

Purpose of this report

This report highlights the key issues affecting the results of Hereford & Worcester Fire Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Authority's financial statements give a true and fair view of the financial position of the Authority and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required to consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Authority or brought to the public's attention (section 24 of the Act);

- written recommendations which should be considered by the Authority and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We have nothing to report on these areas and we have not used any of these powers.

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated March 2016. Our audit is substantially complete although we are finalising our procedures in the following areas:

- review of the final version of the financial statements;
- obtaining and reviewing the management letter of representation;
- updating our post balance sheet events review to the date of signing the opinion; and
- Whole of Government Accounts.

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

Key audit and financial reporting issues

Financial statements opinion

We have identified one adjustment affecting the Authority's reported financial position (details are recorded in section two of this report). Accrued income and short term debtors are both overstated by £43k. However, officers have decided not to amend the accounts for this item on the basis that it does not materially effect the Users interpretation of the Accounts and final position. In our Letter of Representation we ask the Audit & Standards Committee to agree this approach. The draft and audited financial statements for the year ended 31 March 2016 therefore both recorded net expenditure of £33,257k. We have also recommended a number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Authority's financial statements are:

- our audit went well and we were able to complete our detailed testing as planned;
- officers were responsive to our questions and adopted a positive attitude throughout the audit;
- we have asked for further assurances, through the Letter of Representation, that it is appropriate for the pension fund liability associated with those staff who transferred to Place Partnerships Ltd (PPL) to be included in the Authority's accounts rather than in PPL's accounts; and
- we did not identify any significant issues affecting the primary statements. The only changes made to the financial statements were to further improve clarity and better comply with the CIPFA Code.

Further details are set out in section two of this report.

We anticipate providing an unqualified audit opinion in respect of the financial statements (see Appendix A).

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.

We did not find any issues in relation to this.

Controls

Roles and responsibilities

The Authority's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Authority.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section two of this report.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Authority had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further detail of our work on Value for Money are set out in section three of this report.

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

The way forward

Matters arising from the financial statements audit and our review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Finance & Assets (Treasurer).

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2016

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

The Authority presented a full set of accounts prior to the deadline and provided good working papers to support the statements. We requested one relatively minor adjustment to the financial statements – income and short term debtors were both overstated by £43k. Officers have decided not to amend the accounts for this item on the basis that it does not materially effect the Users interpretation of the Accounts and final position. In our Letter of Representation we ask the Audit & Standards Committee to agree this approach.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £645k (being 1.8% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £32k. This differs with the value reported in our audit plan due to a typing error.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Cash and cash equivalents	All transactions made by the Authority affect the cash balance and it is therefore considered to be material by nature.	£64.5k
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10k
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10k

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Hereford & Worcester Fire Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Hereford & Worcester Fire Authority, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • review of entity controls • testing of journal entries • review of accounting estimates, judgements and decisions made by management • review of unusual significant transactions. 	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

Audit findings against significant risks (continued)

We have also identified the following significant risk of material misstatement from our understanding of the Authority. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	Valuation of pension fund net liability The Authority's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • Identification of the controls put in place by management to ensure that the pension fund liability is not materially misstated • Assessment of whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement • Review the competence, expertise and objectivity of the actuaries who carried out your pension fund valuation • Gain an understanding of the basis on which the valuation is carried out • Undertake procedures to confirm the reasonableness of the actuarial assumptions made • Review the consistency of the pension fund assets and liabilities and disclosures in notes to the financial statements with the actuarial reports from your actuaries. 	<p>We considered the agreements between the partners for the transfer of staff to Place Partnerships Ltd (PPL). We concluded that the documentation to support the pension liability commitments and related accounting was ambiguous. The actuary confirmed that PPL liabilities were matched by assets and we consider that the risks and liabilities currently lie with the partners. The accounting and presentation in the accounts reflects this position. We have confirmed that PPL has the same understanding of responsibility for the liability and accounting is consistent.</p> <p>We have sort further assurance through the Letter of Representation, that it is appropriate for the pension fund liability associated with those staff who transferred to Place Partnerships Ltd (PPL) to be included in the Authority's accounts rather than in PPL's accounts.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.


Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding • tested a sample of employee remuneration payments • agreed employee remuneration disclosures in the financial statements to supporting evidence • reviewed the reconciliation between payroll and the general ledger • agreed the employee remuneration accrual in the financial statements to supporting evidence. 	Our audit work has not identified any significant issues in relation to the risk identified.
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding • reviewed the calculation of significant accruals and other items • reviewed payments after the year end • tested a sample of operating expenses. 	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Fire fighters' Pensions Benefit Payments	Benefits improperly computed/ claims liability understated	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none">• documented our understanding of processes and key controls over the transaction cycle• undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding• tested a sample of fire fighters' pensions benefit payments• agreed pension disclosures in the financial statements to supporting evidence• undertaken substantive analytical procedures on the total pension liability to ensure completeness of liability.	Our audit work has not identified any significant issues in relation to the risk identified.

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Authority's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> The accounts of the Authority are maintained on an accruals basis. 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 flow to the Authority. (Accounting Policy 2). Where revenue has been recognised but cash has not been received, a debtor 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. (Accounting Policy 2). The Authority has adopted the standard revenue recognition for Local government as set out in the Code for the receipt of Government Grants. Government grants and contributions are recognised in the CIES when conditions attached to the grant or contribution have been satisfied. Government grants that have not been satisfied are carried in the Balance Sheet as creditors. (Accounting Policy 47). The Authority has adopted the standard revenue recognition for Local government as set out in the Code for the receipt of council tax and non-domestic rates income. The Council tax and the non-domestic rates income included in the CIES will show the accrued income for the year. (Accounting Policy 53). 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. (Accounting Policy 54). 	The Authority's revenue recognition policies are appropriate, adequate and Code compliant.	 (Green)




Assessment

● (Red) Marginal accounting policy which could potentially attract attention from regulators

● (Amber) Accounting policy appropriate but scope for improved disclosure

● (Green) Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements (continued)

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> – Useful life of PPE – Revaluations – Impairments – Accruals – Valuation of pension fund net liability – Recognition of additional top up grant from government in respect of the Pension Ombudsman decision in GAD v Milne. 	<p>The Authority's approach to estimates and judgements are reasonable and appropriately disclosed, using expert advice where appropriate.</p> <p>We are satisfied that the valuations recognised in the balance sheet are not materially different to their carrying fair value.</p> <p>Our review of key estimates and judgements, including recognising the top up grant income, has not highlighted any issues which we wish to bring to your attention.</p>	 (Green)
Going concern	<p>The Director of Finance & Assets (Treasurer) has a reasonable expectation that the services provided by the Authority will continue for the foreseeable future. Members concur with this view. For this reason, the Authority continues to adopt the going concern basis in preparing the financial statements.</p>	<p>We have reviewed the Authority's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.</p>	 (Green)
Other accounting policies	<p>We have reviewed the Authority's policies against the requirements of the CIPFA Code and accounting standards.</p>	<p>We have reviewed the Authority's policies against the requirements of the CIPFA Code of Practice. The Authority's accounting policies are appropriate and consistent with previous years.</p> <p>Accounting policies 2 and 3 set out the policies for recognising income and expenditure. We are satisfied that the exceptions to the standard policy at accounting policy 3 do not lead to any material or significant misstatement.</p>	 (Green)

Assessment

● (Red) Marginal accounting policy which could potentially attract attention from regulators

● (Amber) Accounting policy appropriate but scope for improved disclosure

● (Green) Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit & Standards Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Authority. In particular, representations have been requested from management in respect of: <ul style="list-style-type: none"> the significant restatement made for GAD v Milne. the disclosures relating to the Pension guarantee. the reasons for not adjusting the financial statements in respect of the overstatement of income and debtors.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from the PWLB for loans and from Worcestershire County Council for short term deposits which they manage on behalf of the Authority.
6.	Disclosures	<ul style="list-style-type: none"> Our review found no non-trivial omissions in the financial statements that have not been adjusted.

Other communication requirements (continued)

	Issue	Commentary
7.	Matters on which we report by exception	<p>We are required to report on a number of matters by exception. However, we have not identified any issues we would be required to report by exception in the following areas:</p> <ul style="list-style-type: none">• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.• The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Authority acquired in the course of performing our audit, or otherwise misleading.
8.	Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that detailed work is not required as the Authority does not exceed the threshold set by the National Audit Office (NAO).</p>

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration, Operating Expenses and Fire fighters' pensions benefit payments as set out on pages 12 and 13 above.

The controls were found to be operating effectively and we have no matters to report to the Audit and Standards Committee.

Adjusted misstatements

We have not identified any adjustments to the financial statements which officers have made. Page 19 provides details of one adjustment which officers have decided not to make. Page 20 provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit & Standards Committee is required to approve management's proposed treatment of the item recorded within the table below:

Detail		Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
1	Overstatement of debtors balance: <ul style="list-style-type: none">Reduction in incomeReduction in short term debtorsDecrease in Total Comprehensive Income & ExpenditureOverall Decrease in Net Assets	43	(43) (43)	<ul style="list-style-type: none">The actual sum (and more) will be received in 2016/17.It does not materially effect the Users interpretation of the Accounts and final position.
Overall impact		£43	(£43)	

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	-	CIES	The CIES was updated for noted departures from the Code requirements, as listed below: <ul style="list-style-type: none"> CIES updated to detail the analysis of the amounts included in 'other operating expenditure' amounting to £3,631k as per section 3.4.2.46 of the Code. CIES updated to re-title 'actuarial (gains) losses on pensions assets/ liabilities' with 'Remeasurements of the net defined benefit liability' per section 3.4.2.44 of the Code.
2 Disclosure	-	Financial Instruments (Notes 34 – 51)	Financial instruments were updated to take account of the additional disclosure requirements applying for the first time in 2015/16 due to the new accounting standard on fair value (IFRS 13).
3 Disclosure	-	Related Party Transactions (Notes 9 – 13)	The disclosure relating to 'officers' in the related party transactions note was updated to reflect the actual current position in respect of the related party.
4 Disclosure	-	Pension Arrangements (Notes 59 – 74)	The disclosures for the defined benefit plans were updated to fully comply with Code requirements in respect of amount, timing and uncertainty of future cash flows.
5 Disclosure	-	Pension Arrangements (Notes 59 – 74)	A number of other updates were made to the pension arrangements at Notes 59 to 74, to address mis-disclosures due to either typos, inconsistencies and/or difference with the actuary reports.
6 Disclosure	100	Cash & Cash Equivalents (Notes 54 – 55)	The Bank Current Accounts disclosure was amended to correct the misstatement of £1,704k to £1,804k and the short term deposits with Worcestershire County Council (WCC) was also amended to correct the misstatement of £13,500k to £13,400k.
7 Disclosure	912	Capital Commitments (Note 23)	An additional disclosure was made in capital commitments to reflect the continuing capital scheme for Evesham Fire Station & Hot Training Facility – total valuation at May 2016 was £912k.
8 Disclosure	-	Miscellaneous	A number of other minor disclosure amendments have been made due to matters identified during the course of the audit. None of these are considered individually significant to warrant further disclosure.

Section 3: Value for Money

01. Executive summary
02. Audit findings
03. Value for Money
04. Other statutory powers and duties
05. Fees, non-audit services and independence
06. Communication of audit matters

The Authority has a realistic Medium Term Financial Plan which underpins the annual budget. Savings against budget have been made in recent years, with the surplus being set aside to finance any future deficits, or to pump prime projects.

The Authority has taken difficult decisions in rethinking the crewing patterns and appliances needed at stations. Savings are also achieved through the secondment programme and closer working with other public sector partners. A Voluntary Redundancy scheme has helped to reduce the number of excess staff.

However, the intention to use reserves to achieve breakeven is not sustainable in the long term and the Authority needs to consider how to get to a recurrent breakeven budget over time.

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 (the Act) and the NAO Code of Audit Practice (the Code) to satisfy ourselves that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Authority. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Authority has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment and identified the following significant risks, which we communicated to you in our Audit Plan in April 2016:

- Workforce plans; and
- Medium Term Financial Plan gap.

We identified these risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Authority's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Authority's arrangements. In arriving at our conclusion, our main considerations were:

- the financial risks around having excess staff; and
- addressing the gap in the Medium Term Financial Plan.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 24 to 25.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that the Authority had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this can be found at Appendix A.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Workforce The Authority has been forward thinking in temporarily reducing the workforce, and therefore wholetime pay budget, by seconding staff to other Authorities. For the 2015/16 financial year, the secondments allowed the Authority to offset approximately £1,300k of wholetime uniformed staffing costs. With additional staff now being seconded and some staff transferring permanently as well as other unplanned leavers, the financial risk of returning staff is reduced. The Authority also has a reserve to mitigate this. However, there is still a financial risk around this.	We reviewed the project management and risk assurance frameworks established by the Authority to establish how it is identifying, managing and monitoring these risks.	<p>Two years ago the Authority had around 50 staff too many. This has been predominantly managed through external secondments generating around £1.8m income for the Authority. A Voluntary Redundancy (VR) scheme has also been introduced. As at June 2016, as a result of the 18 VR to that date, the excess staff cost had reduced by £1.2m to £4m. The impact is that, after the secondment income, officers are forecasting that there should still be £2.3m in the Budget Reduction Strategy Reserve (which was created to manage the additional staff costs). There are still VR applications in the pipeline. If all of the applications are granted the excess staff cost would be reduced by a further £700k. By August 2018 the Authority is expecting to have the right number of fire fighters.</p> <p>The project and risk management around this issue have been good. The Authority has been at the forefront of outward secondments which has reduced the number of excess staff in the medium term, allowing more longer term solutions to be put in place. For example, different crewing patterns and VR. The Authority has also built up a financial reserve to cover this (although not all of this will be needed). Projections have been cautious and reporting has been transparent.</p>
MFTP gap The Authority recently approved an updated MFTP. This confirmed that final budget gaps will be: 2016/17 £41k; 2017/18 £393k; 2018/19 £1,363k; 2019/20 £2,166k. The forecast gap in the previous MFTP was £3.346m by 2019/20, so has come down by £1.2m. However, the gap is still significant for the Authority.	We reviewed the project management and risk assurance frameworks established by the Authority in respect of the more significant projects, to establish how the Authority is identifying, managing and monitoring these risks.	<p>The latest MFTP projects an initial gap of £2.4m to 2019/20. It then makes some adjustments using government suggested and Authority assumptions to end up with a revised gap of £1.6m. These adjustments include, for example, additional pension charges of £315k, and lower inflation rates.</p> <p>After taking account of savings plans and anticipated income generation, the likely gap for 2019/20 is £760k. The Authority is planning to use reserves to smooth this, over a four year period. Even then, if it did nothing, there would still be reserves to cover a further three years.</p> <p>There are tentative long terms plans to address this residual deficit, but they need working up. In the long term, use of reserves to achieve breakeven is not sustainable and the Authority needs to consider how to get to a recurrent breakeven budget over time.</p>

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

The audit fee is unchanged from that previously reported to you. There are no independence issues.

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Proposed fee £	Final fee £
Authority audit	32,872	32,872
Total audit fees (excluding VAT)	32,872	32,872

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Audit matters have been communicated appropriately.

Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Authority's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Authority's key risks when reaching our conclusions under the Code.

It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Audit opinion

We anticipate we will provide the Authority with an unmodified audit report

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

We have audited the financial statements of Hereford and Worcester Fire Authority (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the firefighters' pension fund financial statements comprising the Firefighters' Pension Fund Account, the Firefighters' Pension Fund Statement of Net Assets and the related notes 1 to 11, and Appendix 1 – Restatement of Core Financial Statements & Related Notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

- We are required to report to you if:
- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
 - we issue a report in the public interest under section 24 of the Act; or
 - we make a written recommendation to the Authority under section 24 of the Act; or
 - we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

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

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put

in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects *the Authority* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

Mark Stocks

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

27 September 2016



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Hereford & Worcester Fire Authority

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Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham B4 6AT

Tel: 01905 368205
Email: mreohorn@hwfire.org.uk
Date 27 September 2016

Dear Sirs

Hereford and Worcester Fire Authority

Financial Statements for the year ended 31 March 2016

This representation letter is provided in connection with the audit of the financial statements of Hereford and Worcester Fire Authority for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ("the Code"); which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

- vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Authority has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention for the reasons noted on the schedule.
- xiv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xv We believe that the Authority's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Authority's needs. We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements.
- xvi We believe that:
 - the Prior Period Adjustment in respect of GAD v Milne is consistent with the guidance issued by the Department for Communities and Local Government (DCLG) dated 27 November 2015 and the Pension Fund Regulations. The expenditure is fully grant funded.

- it is appropriate for the pension fund liability associated with those staff who transferred to Place Partnerships Ltd (PPL) to be included in the Authority's accounts rather than in PPL's accounts.

Information Provided

- xvii We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
- xviii We have communicated to you all deficiencies in internal control of which management is aware.
- xix All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxi We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Authority involving:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxii We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, regulators or others.
- xxiii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv We have disclosed to you the identity of all the Authority's related parties and all the related party relationships and transactions of which we are aware.
- xxv We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvi We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvii The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Audit & Standards Committee at its meeting on 27 September 2016.

Yours faithfully

Name:

Position:

Date:

Name:

Position:

Date:

Signed on behalf of the Authority

Report of the Head of Corporate Services

9. Annual Statement of Assurance 2016-17

Purpose of report

1. To consider and approve the draft Statement of Assurance 2016-17 for publication.
-

Recommendation

It is recommended that the Committee adopts the draft Statement of Assurance 2016-17 and approves it for publication.

Introduction and Background

2. The Government's Fire and Rescue National Framework for England, 2012, requires Fire and Rescue Authorities to publish an annual Statement of Assurance. The Statement must provide members of the public with assurance on financial, governance and operational matters. It must also show that Authorities have due regard to the expectations set out in their Integrated Risk Management Plans and other requirements in the National Framework.
3. The Statement of Assurance is designed to sign post the reader to other relevant publicly available Fire Authority reports; it is not designed to in any way reproduce or cross reference those other reports.
4. This is the Authority's fourth Statement of Assurance and all previous Statements are available on the Service website.

Annual Statement of Assurance 2016-17

5. The Statement of Assurance 2016-17 is a short report designed to give staff, partners and members of the public assurance that the Authority is doing everything it can to keep them safe as well as providing value for money.
6. The Statement covers three areas; finance, governance and frontline response (operational) matters. It provides information about how Authority funds are managed and how its services are carried out properly, efficiently and effectively.
7. The Statement sits alongside existing documents including the Fire Authority Annual Report 2016-17, the Community Risk Management Plan 2014-2020, the Annual Governance Statement and the Statement of Accounts for 2015-16. The Statement also provides links to other assurance documents to help readers assess performance and value for money.

Scrutiny of the draft Statement of Assurance 2016-17

8. Responsibility for scrutinising the content of the Statement of Assurance lies with the Audit & Standards Committee, and Members must satisfy themselves that the Statement provides the appropriate levels of assurance to the public and the Government in relation to financial, governance and operational matters.
9. The Committee is asked to provide constructive scrutiny of the draft Statement and approve it for adoption and publication.
10. The draft Statement is attached as Appendix 1.

Conclusion/Summary

11. The draft Statement of Assurance 2016-17 will be the Authority's fourth annual Statement of Assurance. Much of the information in the Statement is already publicly available elsewhere, and links are provided in the document where appropriate as advised in the national guidance.
12. Subject to Committee approval, the finalised version of the Statement of Assurance 2016-17 will be published on the Service website.

Corporate Considerations

Resource Implications	Financial, property and human resources activities are
------------------------------	--

(identify any financial, legal, property or human resources issues)	highlighted in the Statement of Assurance.
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	The Statement of Assurance sits alongside existing documents including the Fire Authority Annual Report, the Statement of Accounts, the Governance Statement and the Community Risk Management Plan 2014-2020.
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	The Statement of Assurance highlights the work of the Authority around Risk Management / Health & Safety.
Consultation (identify any public or other consultation that has been carried out on this matter)	Senior Management Board consultation undertaken.
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	Not completed as the Statement of Assurance is a high level overview document. Links to Equality & Diversity activities are highlighted in the Statement.

Supporting Information

Appendix 1 – Draft Statement of Assurance 2016-17

Contact Officer

Jean Cole, Head of Corporate Services
(01905 368329)
Email: jcole@hwfire.org.uk



Hereford & Worcester
Fire Authority

Fire Authority Statement of Assurance

2016-17

What is a statement of assurance?

A statement of assurance is a short report designed to give our staff, partners and local communities an assurance we are doing everything we can to keep them safe and that we are providing value for money.

The statement covers three main areas: our finances, our governance and our frontline response (operational) services. This provides an overview of how we manage the money we receive, how we conduct our business and how we make sure everything we do is done properly, efficiently and effectively.

The statement includes a short directory with links to a wealth of information, which will also help you assess our performance and value for money. Our website is also full of facts and figures about everything we do, which will also help you judge how well we are doing.

We hope the statement of assurance gives you confidence that the Authority maintains the highest standards in all aspects of its work and that the Service is delivering its frontline and support services to the best of its abilities for the communities of Herefordshire and Worcestershire.



Cllr. Derek W. Prodger MBE,
Chairman of the Fire Authority

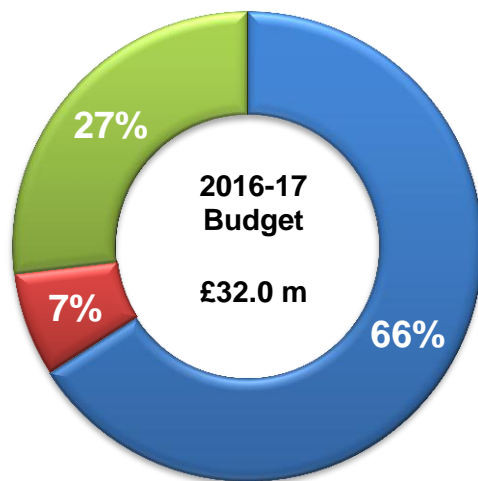


Nathan Travis, Chief Fire Officer/
Chief Executive

Finance

Our funding comes from three main sources as shown in the following chart:

How the Service is paid for: 2016-17

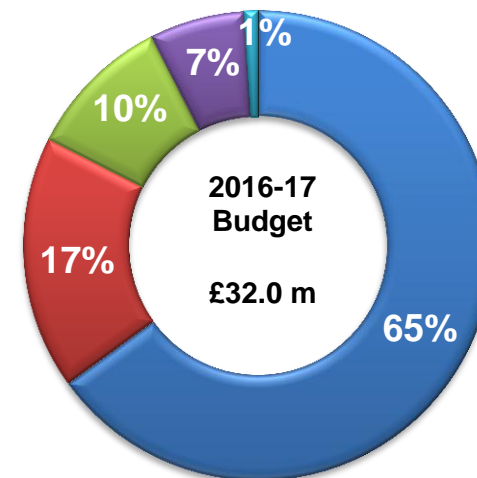


- H&W Council Tax £21.1 m
- H&W Business Rates, etc. £2.3 m
- Government Grants £8.6 m

To make sure we spend this properly, we have robust financial monitoring processes in place. The Fire Authority requires the Treasurer to prepare an annual Statement of Accounts, which is designed to provide a true and fair view of the financial position,

including a statement on income and expenditure. In preparing the statement, the Treasurer follows the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

How the budget is spent: 2016-17



- Employees
- Fleet, equipment, ICT, property
- Capital financing *
- Other running costs **
- Transition costs ***

- * capital financing is interest and provision to repay loans
- ** other running costs include training costs, community safety material, payroll services, legal costs, Fire Authority costs and insurances
- *** temporary cost of reducing workforce to approved levels

The Authority approves a Medium Term Financial Plan each year, which sets out the resources needed to deliver our services, and agrees an annual budget as shown in the chart above.

To provide further assurance, every year a structured programme of internal audit reports is carried out, supported by an independent annual external audit. The internal audits are currently carried out by the Worcestershire Internal Audit Shared Service in line with the Public Sector Internal Audit Standards 2013. These audits examine key aspects of how the Service conducts its business including:

- the adequacy and effectiveness of internal controls and risk management,
- compliance with legislation and the Service's own objectives, policies and procedures,
- how well the Service's assets and interests are protected and managed,
- investigation of any allegations of fraud and irregularity,
- advice on the control and risk implications of new systems or other organisational changes.

Five audits were finalised in the year: for all five, there were no 'high' priority recommendations or significant risk areas to report.

Each audit found a sound system of control in place and 'significant assurance'. The audits covered the following areas:

- **Payroll & Pensions** (note: at 1 April 2015, payroll services were transferred from Worcestershire County Council to Warwickshire County Council)
- **Creditors**
- **Debtors**
- **Main Ledger, Budgetary Control**
- **Fire Control Contingency Cash Float** (a limited scope review)

The external audit is currently undertaken by Grant Thornton UK LLP and provides an independent assessment of the Fire Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. It focuses on arrangements for securing financial resilience and prioritising resources within tighter budgets.

In the latest annual audit review letter 2014-15, the auditor found that the Authority has a realistic Medium Term Financial Plan underpinning the annual budget, considered the Authority's financial statements gave a true and fair view of the financial position and was satisfied that the financial statements were sound. The auditor was also satisfied that the Authority has put in place proper arrangements to secure value for money in its use of resources for the year ending 31 March 2015.

Governance

The Fire 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 it has proper arrangements for the governance of its affairs. This includes maintaining a sound system of internal control and ensuring robust arrangements for managing risk are in place.

Governance is about how the Authority ensures it is doing the right things in the right ways for the right people in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, culture and values by which the Authority is directed and controlled and through which it accounts to and engages with its communities.

Each year the Authority prepares an Annual Governance Statement setting out how it meets these responsibilities. This is supported by a Code of Corporate Governance setting out how the Authority promotes good governance. The main elements of the governance framework are as follows:

- Constitution – defines the roles and responsibility of the Authority, Committees, Members and Officers.
- Audit and Standards Committee – reviews arrangements for identifying and managing the Authority's business risks and the approval of policies in respect of the governance framework.

- Monitoring Officer – provides advice on the scope of powers and responsibilities of the Authority, and has a statutory duty to ensure lawfulness and fairness of decision making.
- Chief Financial Officer (Treasurer) – ensures the sound administration of the financial affairs of the Authority as required by the statutory duties under the Local Government Act 1972, the Local Government Finance Act 1988 and the Accounts and Audit Regulations 2015.
- Ethical Framework and Code of Conduct – in place for all staff and familiarisation is included in the local induction.

Audit reviews in five areas were completed: Human Resources, Stores/Operational Logistics, Risk Management, Information and Communications Technology and Corporate Governance. No fundamental weaknesses were identified in the areas audited and there were no 'high priority' recommendations where further action is needed.

The Head of Worcestershire Internal Audit Shared Service concluded that internal control arrangements were effectively managing any principal risks and can be relied upon to ensure corporate objectives are being met.

Frontline response (operational) services

Making sure our firefighters and communities are kept as safe as possible is at the heart of everything we do. We aim to provide the best training and equipment for our firefighters to do their jobs safely and ensure they have the best command and leadership available. We constantly assess the level of risk across the two counties and use this to help organise how we target our prevention and protection services.

The latest Fire Authority Annual Report 2016-17 reviews our progress in delivering our plans and services over the year. It also includes our Community Risk Management Plan for 2016-17, which sets out the services we will be delivering over the forthcoming year, including how we organise our fire and emergency cover arrangements in the light of changing risks and resources.

The Annual Report also provides an update on our 2020 Vision Programme designed to provide oversight of a range of major projects designed to transform the way in which we'll be delivering our services in the future.

The Transparency pages on the Service website help to make as much information about how our organisation delivers its responsibilities as freely available as possible. We also publish a quarterly Performance Snapshot giving information on operational

assurance and performance covering firefighter safety, community safety and quality services.

An internal audit of the Service's risk management systems found the Service generally has a sound system of internal control and gave moderate assurance. Four areas for improvement were identified and these have been addressed, including revised maintenance and recording systems.

Last year, we reported on the findings of the Chief Fire Officers Association (CFOA) West Midlands Regional Health and Safety Audit and noted that several areas for improvement were identified. All but four of these have been addressed successfully, while the remaining four areas are awaiting an IT solution which is in development.

A number of Operational Assurance audits were carried out during the year. These audits focus on safety critical areas of our work and our commitment to firefighter and community safety. In 2015-16 audits were completed in Incident Command assessment and accreditation, operational intelligence, health & safety and JESIP (the joint emergency services interoperability programme). Overall findings showed that the Service continues to perform very well in these areas.

Directory of assurance documents

The following directory provides links to documents available on the [Service website](#) and to others held on external websites.

A. Finance

Details of the Fire Authority's finances and budgeting arrangements can be found in the following documents:

- [Provisional Annual Statement of Accounts 2015-16](#)
- Link to previous [Statements of Accounts](#)
- [Budget and Precept 2016-17 and Medium Term Financial Plan](#)

Reports of internal audits and external audit review can be found at the following links:

- [Internal Audit Annual Report 2014-15](#)
- [Annual Audit Review Letter 2014-15](#)

The Service website has further information on spending and links include:

- [Council Tax](#)
- [Invoice payments over £500](#)

- [Pay policy statement 2016-17](#)

Links to national legislation and other guidance:

- [Local Government Act 1999](#)
- [Accounts and Audit Regulations 2015](#)
- [Local Government Finance Act 1988](#)
- [Local Government Act 1972](#)
- [Chartered Institute for Public Finance and Accountancy \(CIPFA\) Codes of Practice](#)
- [Public Sector Internal Audit Standards 2013](#)

Previous Statements of Assurance can be found at the following link:

- [Statements of Assurance](#)

B. Governance

The Fire Authority is fully committed to supporting the Government's transparency initiative, promoting openness and accountability through reporting on local decision making, public spending and democratic processes. The Service website lists all the relevant information through its [Transparency Code of Practice](#), including:

- [Draft Annual Governance Statement 2015-16](#)
- [Previous Annual Governance Statement](#)
- [Code of Corporate Governance](#)
- [Fire Authority Constitution](#)

- [Fire Authority and Committees](#)
- [Transparency](#)
- [Performance Snapshot](#)

Links to national legislation and other guidance:

- [Fire and Rescue National Framework for England 2012](#) – provides guidance on assurance and accountability
- [Local Government Transparency Code 2015](#)

C. Operations

The Fire Authority publishes reports on all its services, including the overall strategy, operational performance, policies and financial plans. Key documents include:

- [Fire Authority Annual Report 2015-16](#)
- [Community Risk Management Plan 2014-2020](#)
- [Annual Performance 2015-16](#)
- [CFOA West Midlands Regional Health and Safety Audit](#)
- 2020 Vision Programme

The Service website provides a wide range of information about the Fire Authority and the Fire and Rescue Service, with five main sections:

- [About Us](#)
- [Safety and Advice](#)
- [Your Right To Know](#)
- [Join Us](#)
- [News and Events](#)
- There is also a [Publication Scheme](#), which sets out what information we make publicly available.

Links to national legislation and other guidance:

- [Fire and Rescue Services Act 2004](#)
- [Civil Contingencies Act 2004](#)
- [Regulatory Reform \(Fire Safety\) Order 2005](#)
- [Fire and Rescue Services \(Emergencies\) \(England\) Order 2007](#)
- [Localism Act 2011](#)
- [Health and Safety at Work etc. Act 1974](#)
- [Fire and Rescue National Framework for England 2012](#) and [Addendum 2014](#)

Your right to know: access to information

Hereford & Worcester Fire and Rescue Service collects and maintains information and data to enable it to carry out its statutory duties. A great deal of information on the Service is already available in the public domain through our Publication Scheme and [Transparency Webpage](#). Service staff will help you obtain the information you want unless disclosure would be against the law.

You have a right to request information under the Freedom of Information Act 2000, which gives you a general right of access to recorded information held by the Service. The Act is designed to ensure greater accountability, as well as to promote a more open culture. If you want to know what personal information is held about you, you can make a request under the Data Protection Act 1998. To find out more, please follow the link: [Your Right to Know](#).

What do you think of our Statement of Assurance?

We welcome any views you may have on the content of this Statement of Assurance.

If you have any comments or would like to contact us about any issue, please visit our website at www.hwfire.org.uk where you will find full contact details along with links to further information about our services and activities.

If you have any general enquiries, please call 0345 122 4454 or email us at info@hwfire.org.uk.

You can also follow us on
Twitter at @HWFire
(<https://twitter.com/hwfire>)

or find us on
Facebook at
www.facebook.com/hwfire

Alternatively you may write to:

Hereford & Worcester Fire and Rescue Service Headquarters,
2 Kings Court,
Charles Hastings Way,
Worcester
WR5 1JR.

If you would like this information in an alternative language or format such as large print or audio, please contact us on 0345 122 4454.

Report of the Head of Legal Services

10. Staff Register of Interests

Purpose of report

1. To put forward a revised draft policy regarding the registration of staff interests for consideration by the Committee.
-

Recommendations

It is recommended that the Committee approves the Register of Staff Interests Policy.

Introduction and Background

2. Under s.117 Local Government Act 1972 officers are required to give notice of any direct or indirect interest in a contract or proposed contract with the Fire Authority. Failure to give notice of such financial interests may be a criminal offence. The Employee Code of Conduct also requires staff to register such interests and the Authority's Anti-Fraud, Bribery and Corruption Policy requires senior staff to declare any related party transactions on an annual basis.
3. In addition to the requirement for staff to give notice of interests, the Authority holds a staff register of offers of gifts and hospitality. As part of the regular review of the Authority's governance framework, the current policy with regards to staff interests and the protocols on offers of gifts and/or hospitality have been reviewed and refreshed.

New Policy – Staff Interests

4. The existing requirements and procedures have been brought together in one policy document to provide a more easily accessible guidance document for staff, which is attached at Appendix 1. The new policy incorporates consultation feedback from staff representative bodies and the Senior Management Board (SMB)
5. In addition to the requirement for all staff to give notice of interests, senior members of staff should expect to provide a higher degree of transparency about their personal circumstances in order to ensure public and Member confidence in their impartiality when advising or making decisions on behalf of

the Authority. To provide this level of assurance, the new draft policy includes an additional requirement for officers at SMB level to complete a register of interests on an annual basis, similar in nature to the register that members of the Fire Authority complete.

6. The types of interests that need to be registered by SMB are those which could potentially give rise to concerns of impartiality in the decision making and the working practices of the Authority. However, unlike the registers completed by Authority members, it is proposed that officers' registers will not be published but will be held by the Monitoring Officer and open to inspection by senior officers, Members and Auditors.

Conclusion/Summary

7. The existing requirements for staff registration of interests and offers of gifts and/or hospitality have been reviewed and brought together into one document. It is proposed to have an additional requirement for officers at SMB level to complete a register of interests similar in nature to that completed by Members.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	Legal - s.117 Local Government Act 1972 officers are required to give notice of any direct or indirect interest in a contract or proposed contract with the Fire Authority
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	Proposals link in with the Employee Code of Conduct and the Authority's Anti-Fraud, Bribery and Corruption Policy
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	The proposals assist in controlling reputational risk to the Authority by reducing the potential for a conflict of interest.
Consultation (identify any public or other consultation that has been carried out on this matter)	Consultation has been carried out with representative bodies. Consultation has also been carried out with Senior Management Board Members on whom the requirement to complete an annual register will impact.
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	An equalities impact assessment form has not been completed as consultation has been carried out with representative bodies and also with the Senior Management Board on whom the requirement to complete an annual register will impact.

Supporting Information

Appendix 1 – Staff Register of Interests Policy

Contact Officer

Nigel Snape, Head of Legal Services
(01905 368242)
Email: nsnape@hwfire.org.uk

APPENDIX 1

Service Policy Instruction



HEREFORD & WORCESTER
HWFR
FIRE AND RESCUE SERVICE

Register of Staff Interests

Folder Name	Management & Administration	Folder Number	1
Section Name		Section Number	
Part Name	N/A	Part Number	N/A

Title	Policy
Status	Live
Document Version	Draft Version 2
Author	
Sponsor	
Department	
Date Approved by SMB	
Review frequency	
Next Review	

Version History		
Version	Date	Description

Executive Summary

Hereford & Worcester Fire Authority (the Authority) is committed to the highest possible standards of openness, probity and accountability. In line with that commitment, working for a public authority means we all have responsibilities to maintain these standards.

This policy applies to anyone working for or on behalf of the Authority.

It brings together the requirements relating to:

- conflicts of interests;
- disclosure of interests in contracts; and
- gifts and hospitality

It also sets out a list of contacts where further advice can be obtained.

Alternative Formats

If you require this document in another format please contact the Human Resources and Development Department.

Risk Critical Information (if applicable)

N/A

Contents

Introduction

What is a conflict of interest?

Interests in Contracts

How do I register my interest?

Gifts and hospitality

Additional requirements for senior officers

Further advice and guidance

Staff declaration of interests form

Gifts and hospitality form

Register of senior officer interests form and further guidance

Register of Staff Interests

1. Introduction

- 1.1 Working for a public authority means we all have responsibilities to maintain the highest possible standards of openness, probity and accountability. All staff have a legal obligation under the Local Government Act 1972 to give notice of any interest they have in a contract or proposed contract with the Fire Authority, whether or not it is something they are dealing with personally. **Failure to give notice of such interests can be a criminal offence**
- 1.2 In addition, all staff have a responsibility under the Employees' Code of Conduct to perform their duties with honesty, integrity, impartiality and objectivity. Under the Code of Conduct all employees have an obligation:
- i. not to allow their personal interests to conflict with the Authority's requirements; and
 - ii. not to use their position improperly to confer an advantage or disadvantage on any person.
- 1.3 All employees must comply with any requirements of the Authority by registering such interests. This policy sets out these requirements to ensure a consistent service-wide approach to conflicts and potential conflicts of interests. This policy explains how employees must notify the Authority of any interests that are in conflict with those of the Authority and the Service.

2. What is a conflict of interest?

- 2.1 As employees we all have a duty to act in the best interests of the Fire Authority. However, there may be occasions where your duty to the Fire Authority is or could be compromised by an external or personal interest. Such circumstances can create a conflict or potential conflict of interest.
- 2.2 Even if you believe that an external interest is not influencing your ability to act for the Authority, a conflict can exist if circumstances create the perception that you *may* be influenced or that you *may* have used your position to give someone an advantage or disadvantage regardless of whether you have actually been compromised.
- 2.3 For example, you could be perceived as having a conflict of interest if:
- someone close to you works for or has a financial interest in a company which has submitted a quote as part of a procurement exercise, even if you are not directly involved in awarding the contract; or
 - someone close to you has applied for a job with the Service, even if you are not directly involved in the recruitment or selection process; or

- you have been offered a gift or hospitality from an external company with whom the Authority does business or may do business with in the future.
- 2.4 You must give notice of any interest in a contract or proposed contract with the Fire Authority even if you are not involved in dealing with the matter on behalf of the Service yourself. **Failure to give notice of such financial interests can be a criminal offence**
- 2.5 You are also under the following obligations as set out in the Employees' Code of Conduct:
- i. not to allow your personal interests to conflict with the Authority's requirements; and
 - ii. not to use your position improperly to confer an advantage or disadvantage on any person.
- 2.6 You must inform your line manager, not have any involvement in matters that might give rise to a potential conflict of interest and register the interest.

3. Interests in Contracts

- 3.1. As a specific example of a conflict of interest, you must disclose an interest if you know that a contract, agreement or other transaction has been or is proposed to be entered into by the Authority with:
- i. a member of your close family or someone in your household;
 - ii. a partnership of which you (or a member of your close family/household) are a member;
 - iii. a company in which you (or a close family/household member, to your knowledge) have a controlling interest; or
 - iv. any other person or organisation with whom you are closely associated (do not include charities or other not for profit organisations unless you hold a position of general control or management within the organisation)

4. How do I register my interest?

- 4.1. If you have a conflict of interest, an interest which may be perceived as influencing your ability to remain impartial or an interest in a contract with the Authority you need to complete the declaration form, attached at Appendix 1. You will need to send your completed form to Committee & Members' Services in order that it can be added to the central register and also send a copy to your line manager.

5. Gifts & Hospitality

- 5.1. In the course of your work, you may be offered a modest gift at any time of year from suppliers and/or potential suppliers but especially at Christmas. Simple items such as inexpensive pens, diaries and calendars are often distributed as advertising materials and are perfectly acceptable. However, in accordance with the Service Policy Instruction on Financial Management, all other offers of gifts and/or hospitality must be refused.
- 5.2. In situations where refusal is impossible or might offend staff must inform their line manager who will decide on the appropriate action. Any acceptance must be authorised by your Line Manager before acceptance is confirmed. All offers of a gift or hospitality (other than minor items as mentioned above) must be registered whether or not you accepted it.
- 5.3. In order to register the offer, you must complete the form attached at Appendix 2 and send it to Committee & Members' Services in order that it can be added to the staff register of gifts and hospitality.
- 5.4. The Registers are held by the Monitoring Officer and will be treated as a confidential document which will be open to inspection by senior officers, Authority Members and Auditors.

6. Additional requirements for Senior Officers (SMB)

- 6.1. Senior members of staff should expect to provide a higher degree of transparency about their personal circumstances in order to ensure public and Member confidence in their impartiality when advising or making decisions on behalf of the Authority. At the same time, all staff are entitled to have their privacy respected.
- 6.2. With the above considerations in mind, SMB Members will complete a Register of Officer Interests on an annual basis, similar in nature to the register that members of the Fire Authority complete. The types of interests that need to be registered on this form are those which could potentially give rise to concerns of impartiality in the decision making and the working practices of the Authority.
- 6.3. The Authority's Anti-Fraud, Bribery and Corruption Policy requires senior staff to declare any related party transactions on an annual basis. This reinforces the importance of disclosing any interests in any matter where you or a member of your family or person or organisation with whom you are associated, have a financial interest or a close connection that may conflict with the interests of the Fire Authority. The Register of Senior Officer interests will fulfil the above requirement in future.
- 6.4. The Register of Officer Interests is held by the Monitoring Officer and (unlike the register of member interests) will be treated as a confidential document which will be open to inspection by senior officers, Authority Members and Auditors only.

- 6.5. Further guidance on registering interests is appended to the form, attached at Appendix 3.

7. Further Advice and Contacts

- 7.1. You may of course seek advice from:

Monitoring Officer (Head of Legal Services) - Nigel Snape	Hereford & Worcester Fire Authority 2 Kings Court Charles Hastings Way Worcester WR5 1JR Tel: 01905 368242 nsnape@hwfire.org.uk
Deputy Monitoring Officer (Committee & Members' Services Manager) Alison Hughes	Hereford & Worcester Fire Authority 2 Kings Court Charles Hastings Way Worcester WR5 1JR Tel: 01905 368209 ahughes@hwfire.org.uk



HEREFORD & WORCESTER FIRE AUTHORITY
DECLARATION OF STAFF INTEREST

Name

I wish to declare the following information in respect of an interest in a contract /
other potential conflict of interest

Please attach further sheets as necessary

**I recognise that it is an offence under the Local Government Act 1972 and/or a
breach of the Employee Code of Conduct and/or a breach of the Authority's
Anti-Fraud, Bribery and Corruption Policy to:**

1. omit information that ought to be given in this declaration;
2. provide information that is materially false or misleading; and
3. fail to provide written notification to the Authority's Monitoring Officer of any
change in my interests contained in this declaration within 28 days of my becoming
aware of such a change of circumstances.

Signed

Date

*Please return the completed form to Nigel Snape, Head of Legal Services, Hereford
& Worcester Fire Authority, 2 Kings Court, Charles Hastings Way, Worcester, WR5
1JR*

RECEIVED

Signed
Monitoring Officer, Hereford & Worcester Fire Authority

Date



HEREFORD & WORCESTER FIRE AUTHORITY

GIFTS AND HOSPITALITY OFFERED TO STAFF

Name:.....

Gift/Hospitality Offered By (Name and Address):

.....
.....

Relationship of Gift/Hospitality Provider with the Service e.g. supplier, partner

.....

Details of Gift/Hospitality Offered (including date offered)

.....
.....

Reason for Offer of Gift/Hospitality e.g. offer of thanks for services provided, networking opportunity

.....
.....

Estimated Value of Gift/Hospitality

£

Was the Gift/Hospitality Accepted?

Delete as appropriate.

Yes	No
-----	----

(Acceptance of gift/hospitality must be authorised by Line Manager)

Authorised by..... Date.....

Signed: Date.....

Please return completed form to:
Committee Services Manager, Headquarters, 2 Kings Court, Charles Hastings
Way, Worcester, WR5 1JR



HEREFORD & WORCESTER FIRE AUTHORITY

REGISTER OF SENIOR OFFICERS' INTERESTS

Name of Officer:

This form must be completed by all Senior Management Board (SMB) Members within 28 days of appointment and thereafter at least annually.

You must inform the Monitoring Officer within 28 days of any change to your interests occurring.

Under s.117 Local Government Act 1972 officers are required to give notice of any direct or indirect interest in a contract or proposed contract with the Fire Authority.

Failure to give notice of such financial interests may be a criminal offence.

The Employee Code of Conduct also requires staff to register such interests. In addition, the Authority's Anti-Fraud, Bribery and Corruption Policy requires senior staff to declare any related party transactions on an annual basis.

Therefore, you should also disclose an interest in any matter where you or a related party (insofar as you are aware) have an interest or a close connection that may conflict with the interests of the Fire Authority.

A 'related party' means:

- a member of your close family or the same household
- other persons or organisations with whom you closely associated
- any partnership (including an LLP) of which you, or close family member, are a member
- any company in which you or a close family member have a controlling interest
- it does not include charities or other not for profit organisations unless you hold a position of general control or management within the organisation

The Register of Officer Interests is held by the Monitoring Officer and will be treated as a confidential document, open to inspection by senior officers, Members and Auditors.

Further guidance on registering interests is appended to this form.

Please note that you must make a 'nil' return if you have no interests to declare

Contracts

1. Give details of any contract or proposed contract for goods, services or works made between the Fire Authority and you or a related party.

This includes any tenancy where to your knowledge the landlord is the Fire Authority and the tenant is you or a person referred to above* or a body in which you or a person referred to above* has a beneficial interest.

Land

2. Any land in Herefordshire and/or Worcestershire in which
 - you
 - your spouse/partner; or
 - a partnership or company that is a related partyhave a beneficial interest.

Note: This should include:

- your own home
- any land or buildings within the two counties which you, your spouse/partner or a related party company or partnership own, lease, rent, have a licence to occupy for a month or longer or receive a rent from.

Other Work or Business Interests. 3. Any employment, office, trade, profession, vocation or business interests carried out for profit or gain other than with the Fire Authority by: (a) you; or (b) a related party if it could involve a potential conflict of interest (or reasonably be perceived as such by others).		
Other Interests 4. Any other interests which may conflict with the interests of the Authority that do not fall under any of the headings above.		
Whose interest is it	Name of organisation /Nature of interest	Does the organisation do business with the Fire Authority

I recognise that it may be an offence under the Local Government Act 1972 and/or a breach of the Employee Code of Conduct and/or a breach of the Authority's Anti-Fraud, Bribery and Corruption Policy to:

1. omit information that ought to be given in this declaration;
2. provide information that is materially false or misleading; and
3. fail to provide written notification to the Authority's Monitoring Officer of any change in my interests contained in this declaration within 28 days of my becoming aware of such a change of circumstances.

Signed

.....

Date

Please return the completed form to Nigel Snape, Head of Legal Services, Hereford & Worcester Fire Authority, 2 Kings Court, Charles Hastings Way, Worcester, WR5 1JR

RECEIVED

Signed

Monitoring Officer, Hereford & Worcester Fire Authority

Date

Guidance to Officers on Registering Pecuniary Interests

You are required to give notice of any pecuniary interests that also affect you indirectly. If you are aware of any pecuniary interests of your husband, wife, civil partner or of any person with whom you are living as if husband and wife or as civil partners which affect you in your role with the Authority, you must provide notice of it. You are not required to provide the name of your spouse/civil partner.

Section 1: Contracts

In this section enter details of any current contracts or proposed contracts between the Fire Authority and firms of which you or your spouse/partner are a partner, or a corporate body where you or your spouse/partner are a director or shareholder. The date of the contract and a brief description of the goods, services or works included in the control will normally be sufficient. Unlike the general shareholdings in section 1, even small shareholdings in a Fire Authority contractor will count.

Details are also needed of any land owned by the Fire Authority and which is rented or leased to you and/or your partner/spouse or to any bodies in which you and/or your partner/spouse are a partner or director in a body in which you have an interest declared under this section.

Section 2: Land

Please give details of any land in Herefordshire and/or Worcestershire in which you have a beneficial interest. You will need to specify any property including your home or any land or buildings from which you receive rent or of which you are a mortgagee or which you lease. Land includes any buildings or parts of buildings. This includes joint ownership and any land needs to be described so as to be identifiable.

Please also give details of any land in Herefordshire and/or Worcestershire for which you and/or your partner/spouse have a licence (alone or jointly with others) to occupy for a month or longer.

Sections 3: Other Work or Business Interests

If you undertake any other employment, office, trade, profession, vocation or business interests carried out for profit or gain for a person or body to which the Authority is or is likely to be contracted you must give notice of it. This includes any such work undertaken by your spouse/civil partner as this is likely to affect you indirectly.

If you have a financial interest in this area; enter the name of your and/or of your partner's employer and the nature of the employment, office, trade, profession or vocation.

Section 4: Other Interests

Please set out details of any other interests which might conflict with the interests of the Authority but do not fall under any of the headings above. You should also disclose an interest in any matter where you or any member of your family or person or organisation with whom you are associated has an interest or a close connection that may conflict with the interests of the Fire Authority.