



HEREFORD & WORCESTER Fire and Rescue Authority

Audit & Standards Committee

AGENDA

**Thursday 26 September 2013
2 pm**

Conference Suites 1, 2 & 3
Headquarters
2 Kings Court
Charles Hastings Way
Worcester
WR5 1JR



HEREFORD & WORCESTER
HWFR
FIRE AND RESCUE SERVICE

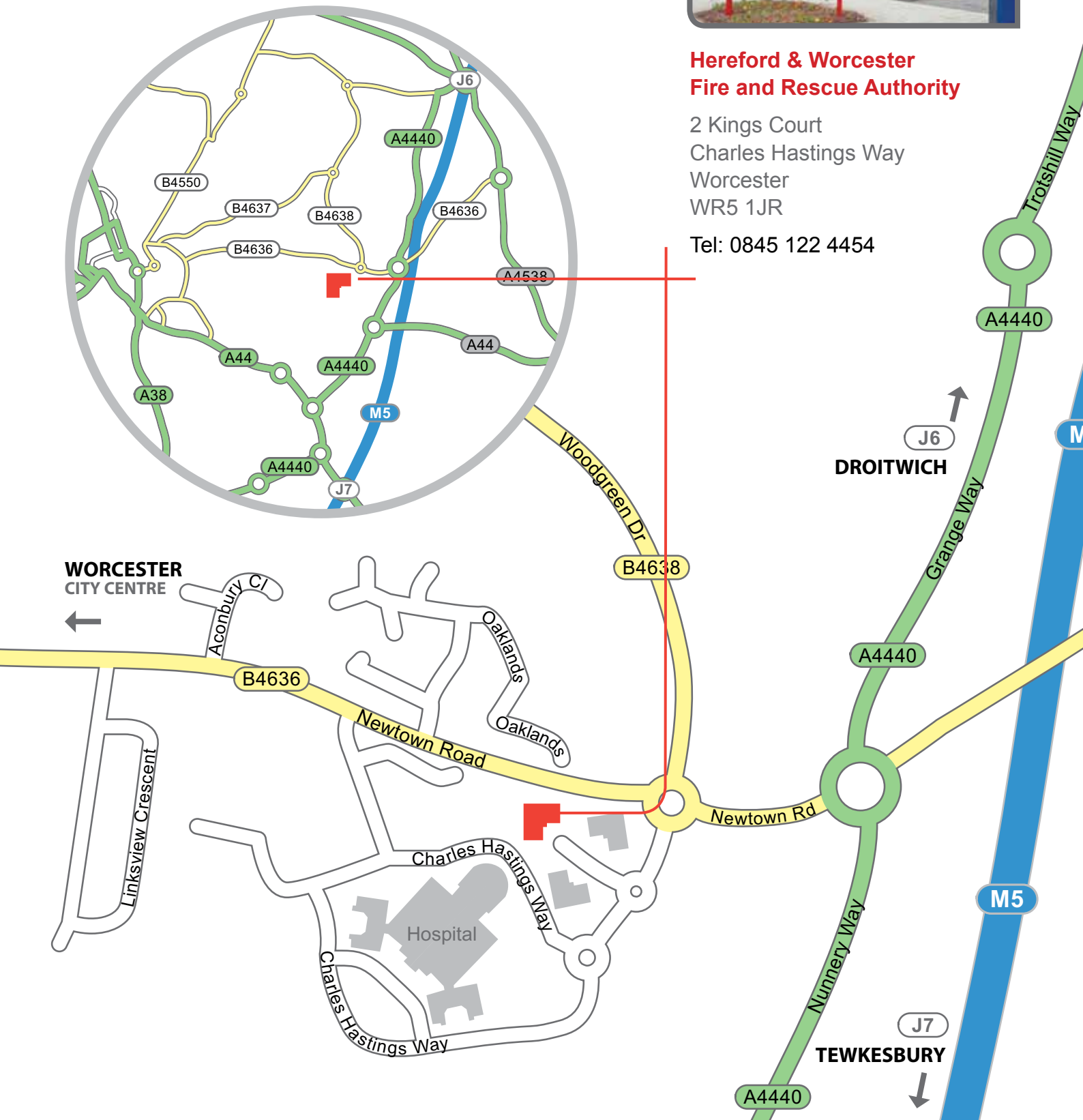
Service Headquarters



Hereford & Worcester Fire and Rescue Authority

2 Kings Court
Charles Hastings Way
Worcester
WR5 1JR

Tel: 0845 122 4454



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- 1 Break the glass at the nearest **FIRE ALARM POINT**.
(This will alert Control and other Personnel)
- 2 Tackle the fire with the appliances available – **IF SAFE TO DO SO**.
- 3 Proceed to the Assembly Point for a Roll Call –
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- 4 Never re-enter the building – **GET OUT STAY OUT**.

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

Agenda

Members:

Mrs L Duffy (Chair), Mr P Grove (Vice-Chairman)

Mrs P Agar, Mr M Broomfield, Mr S Cross, Mr A Fry, Mr P Gretton, Mrs A Hingley, Mr B Matthews, Mr S Peters, Prof J Raine, Mr P Sinclair-Knipe and Mr P Watts.

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 Interests (if any) This item allows the Chairman to invite any Councillor to declare and interest in any of the items on this Agenda.	
4.	Confirmation of Minutes To confirm the minutes of the Audit Committee meeting held on 17 April 2013 and to note the minutes of the Standards Committee meeting held on 23 January 2013.	1 - 6
5.	Internal Audit Annual Report 2012/13 To provide the Committee with: <ul style="list-style-type: none">the overall results in terms of meeting Internal Audit's (IAs) objectives as set out in the Internal Audit Plan for 2012/2013; andprovide an audit opinion and commentary on the overall adequacy and effectiveness of the internal control environment.	7 - 17
6.	External Audit Annual Governance Report <i>Report to follow</i>	

7. Statement of Accounts 2012/13	18 - 90
To present the Statement of Accounts 2012/13 for approval.	
8. Draft Annual Governance Statement 2012/13	91 - 123
To put forward the Draft Annual Governance Statement 2012/13 for approval.	
9. Internal Audit Draft 2013/14 Plan	124 - 127
To provide the Committee with the draft internal audit plan for 2013/14.	
10. Operational Assessment Action Plan 2013/14	128 134
To provide the Audit and Standards Committee with a progress report on the action plan to address the areas for improvement arising from the Operational Assessment conducted in 2012.	
11. National Fraud Initiative 2012/13	135 - 138
To inform Members of the final outcomes of the National Fraud Initiative (NFI).	
12. Annual Statement of Assurance 2013-14	139 - 146
To consider the draft Statement of Assurance 2013-14 prior to consideration by the Authority on 3 October 2013.	



Minutes

Members Present

Mrs. L Duffy (Chairman), Mrs L Hodgson (Vice-Chairman), Mrs G Hopkins, Mr B Matthews, Mrs F M Oborski, Mr D W Prodger (observer), Mr T Spencer, Mr J Thomas and Mr P Watts.

1 Apologies for Absence

No apologies for absence were received.

2 Named Substitutes

No substitutes were appointed.

3 Declaration of Interests (if any)

No declarations of interest were made.

4 Confirmation of Minutes

RESOLVED that the minutes of the Audit Committee meeting held on 16 January 2013 be confirmed as a correct record and signed by the Chairman.

5 Internal Audit Monitoring Report 2012/13

The Service Manager from Worcestershire Internal Audit Shared Service presented a report that provided the Audit Committee with an interim update on delivery of the 2012/13 Internal Audit Plan.

Members were advised that the following reports were no longer draft reports as stated in the report:

- Stock Control
- Risk Management
- Business Continuity
- Payroll Audit

These reports had now been finalised and it was noted that the Committee would receive further details regarding these reports at the next meeting.

With regard to the Asset Management/Verification Audit Members were informed that it had been requested that the audit be put on hold in order that the year-end accounting could take precedence but Members were assured that the audit would

be completed in the near future. It was further noted that with regard to the high priority recommendations made regarding the payroll, that recommendation 1 had now been implemented and recommendation 2 was in the process of being picked up.

RESOLVED that the report be noted.

6 External Audit Plan 2012/13

The Engagement Lead and Audit Manager from Grant Thornton UK presented the External Audit Plan 2012/13.

The report included details of the Audit Plan for 2012/13 and also an Audit Risk Assessment. Members were informed that the auditors undertook a risk based audit whereby they focussed on those areas where they had identified a risk of material misstatement in the accounts.

With regard to the risks that had been identified, the auditors were satisfied with the overall response that the Fire Authority Management Team had provided.

RESOLVED

(i) that the Audit Commission's Audit Plan as attached at Appendix 1 to the report be noted; and

(ii) that the Audit Commission's Informing the Audit Risk Assessment as attached at Appendix 2 to the report be noted.

7 National Fraud Initiative 2012/13

The Treasurer presented a report that informed Members of the results of the National Fraud Initiative (NFI), the actions taken by officers and subsequent outcomes. It was noted that this was a biennial exercise and that a small number of matches had been identified but each match had proved to be legitimate and there were therefore no issues of fraud.

RESOLVED that the action taken to date by the Authority in response to the National Fraud Initiative be noted and that it be noted that no fraud has been detected since its instigation.

8 Strategic Risk Register

The Assistant Chief Fire Officer presented a report regarding the Strategic Risk Register. Members were advised that a new process had been adopted with regard to identifying strategic risks and now only the highest and/or most prevalent risks had been elevated to the Strategic Risk Register. It was considered that the monitoring of risks had become more robust as a result of the new process and the Strategic Risk Register would continue to be monitored annually by the Audit Committee.

RESOLVED that the Audit Committee approves the Strategic Risk Register 2012/13.

9 Code of Corporate Governance

The Clerk presented a report that provided the Committee with an update on assurances that supported the Authority's Annual Governance Statement and presented the Annual Governance Statement for approval. It was noted that the Direction of Travel had improved in three areas and since the document was last scrutinised no items had moved in a backwards direction and no items were deemed as needing immediate action.

RESOLVED:

(i) that the progress with the 2012-2013 actions identified in the self-assessment that supported the Authority's Annual Governance Statement 2011-2012 be noted; and

(ii) the Code of Corporate Governance be approved.

10 Update from Member Development Working Group

The Clerk updated Members on the Member Development Working Group meeting held on 5 March 2013. Members were advised that the Group had discussed the Members' Induction Day and had decided to hold 'speed dating' sessions with Senior Management Board Members. A wider ongoing Member Development programme had also been discussed as was the role and responsibilities of an Authority Member.

RESOLVED that the contents of the report be noted and any further areas for inclusion in the Development Programme be passed onto the Member Development Working Group.

11 Review of Confidential Reporting (Whistleblowing) Policy

The Clerk presented a report that asked the Committee to review the Authority's policy on Confidential Reporting (Whistleblowing) in accordance with the Code of Corporate Governance to ensure that the policy remained fit for purpose. In the Clerk's view the policy remained sufficient and it was therefore not proposed that any changes be made.

RESOLVED that the existing Review of Confidential Reporting (Whistleblowing) Policy appears fit for purpose and no changes are required.

12 Detailed Action Plan arising from the Operational Assessment 2012

The Assistant Chief Fire Officer presented a report that provided Members with a detailed action plan to address the identified collaborative areas for

improvement arising from the Operational Assessment (OpA) conducted in 2012.

Members were advised that further reports would be made to the Audit Committee in due course to keep them apprised of progress.

RESOLVED that:

- (i) the detailed action plan for implementation of the report's findings be approved for subsequent monitoring of implementation; and**
- (ii) the Audit Committee note that senior officers and the Chairman will be meeting with their counterparts in Shropshire and Wrekin Fire and Rescue Authority at dates to be agreed to discuss how best to take forward further collaborative working with a view to bringing back further recommendations.**

13 Draft Constitution

The Clerk presented a report that set out the Authority's draft constitution. The new constitution aimed to avoid duplication between the work of committees and meetings of the Authority. Members' were advised that the constitution now included the facility to call in a decision and that Members could request to scrutinise policies and procedures by setting up a task and finish group.

In response to a question from a Member, the Clerk advised that the Task and Finish Groups would be open to all Members of the Authority and would not be politically balanced.

RESOLVED:

- (i) that the draft constitution be recommended to the Fire Authority for approval; and**
- (ii) the remaining procedures and protocols forming part of this constitution be the subject of on-going review and further reports to this committee as necessary.**

At the conclusion of the meeting the Chairman of the Audit Committee thanked all Members of the Committee for the support they had given to her during her term of office as Chairman.

The Chairman of the Authority also thanked all Members for their support and hard work and particular thanks were given to Councillors Spencer and Cairns who would not be standing for re-election.

The meeting concluded at 3.20 pm.

Signed: _____ Date: _____
Chairman



MINUTES

Present: Mr T A Spencer (Chairman), Mrs G Hopkins (Vice-Chairman), Mr D Greenow and Mr J Thomas.

1. Apologies for Absence

Apologies for absence were received from Mr T A Wells.

2. Named Substitutes

No substitutes were appointed.

3. Declaration of Interests

No declarations of interest were made.

4. Confirmation of Minutes

RESOLVED that the minutes of the meeting held on 23 May 2012 be confirmed as a correct record and signed by the Chairman.

At this point the Chairman thanked the Vice-Chairman for standing in for him regarding Standards Committee matters at short notice during his wife's recent illness.

5. Granting Dispensations

A report was considered that asked the Committee to give consideration to granting dispensations to Members on the setting of the Authority's budget and precept and the Members' Allowances Scheme.

The Head of Legal Services advised Members that under the new standards regime failure to disclose a Disclosable Personal Interest (DPI) was a criminal offence. An issue had been raised locally as to whether Members who are liable to pay Council Tax had a DPI in the setting of the budget. Similarly it was questionable as to whether Members should be precluded from considering Members' Allowances which have to be adopted and amended by the Authority. However, it was the view of the Head of Legal Services that these matters were not DPI's but in view of the fact that other authorities had granted dispensations to their Members to do so put the matter beyond doubt. Furthermore he explained that in granting such dispensations clarity and reassurance was provided to Members of the public.

RESOLVED:

(i) Dispensations be granted to all Members of the Authority under Section

33(2)(a) of the Localism Act 2011 for a period of four years from the date of this meeting to speak and vote on matters concerning:

(a) the setting of the Authority's budget and precept; and

(b) the Members' Allowances Scheme

where the Member's interest arises only as a result of being a Council Tax payer; and

(ii) Members are not treated as having an Other Disclosable Interest (ODI) in these matters.

6. Committee Structure

A report was considered that sought the views of the Standards Committee regarding the intention to merge the Audit Committee and the Standards Committee into a single Audit and Standards Committee.

Members debated the possibility of merging the two Committees and the consensus opinion was that the proposal was a good idea.

RESOLVED that the Standards Committee approves the proposal to combine the Audit Committee and Standards Committee.

The meeting finished at 2.13 pm.

Signed: _____

Chairman

Date: _____

Report of the Treasurer

5. Internal Audit Annual Report 2012/13

Purpose of Report

1. To provide the Committee with:
 - the overall results in terms of meeting Internal Audit's (IAs) objectives as set out in the Internal Audit Plan for 2012/2013; and
 - provide an audit opinion and commentary on the overall adequacy and effectiveness of the internal control environment.
-

Recommendation

The Treasurer recommends that the report is noted.

Introduction and Background

2. The Authority is responsible for maintaining or procuring an adequate and effective internal audit of the activities of the Authority under the Accounts and Audit (England) Regulations 2011. This includes considering, where appropriate, the need for controls to prevent and detect fraudulent activity. These should also be reviewed to ensure that they are effective. This duty has been delegated to the Treasurer and Internal Audit was provided by Worcestershire Internal Audit Shared Service (WAISS). Management is responsible for the system of internal control and should set in place policies and procedures to ensure that the system is functioning correctly. The Authority is required to publish an Annual Governance Statement by 30 September. During 2012/13 the provision for the internal audit function was the first full year of the internal audit provision by WAISS.

Objectives of Internal Audit

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

Internal Audit

4. There is a requirement under various statutes for a continuous and effective internal audit of the Authority's systems of internal control. Guidance which accompanies the Accounts and Audit Regulations 2011 amended the 2006 Regulations, refers to a 'Code of Practice for Internal Audit in Local Government in the UK' (CIPFA). The code defines how an internal audit service should be established and Worcestershire Internal Audit Shared Service (WAISS) seeks to comply with this and undertake a self assessment each year. WAISS is committed to satisfying/achieving the requirements of the CIPFA Code of Practice for Internal Audit and conforms to, and works with, the Public Sector Internal Audit Standards. Internal Audit have continued to liaise with External Audit providing work to support the external audit process.

Aims of Internal Audit

5. The objectives of WAISS 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.

Summary of the prime features

6. 2012/2013 Key Internal Audit planned Inputs for WAISS - a summary of the position is provided at Appendix 1.
7. 2012/2013 Key Internal Audit planned Outputs for WAISS - During 2012/13 Internal Audit were required to:-
 - complete 13 systems audits including a Health Check audit, of which 4 must suitably assist the External Auditor reach their "opinion";

- provide sufficient audit resources for other operational areas which assist the Fire Service maintaining/improving its control systems and risk management processes or implementing/reinforcing its oversight of such systems, i.e. provide an on-going consultancy to managers on internal control, for example where system changes are being made;
 - meet Internal Audit's external work requirements; and
 - achieve a benchmark of delivery for 2012/2013 of all audits as agreed in the operational programme at the 28 September 2012 Committee.
8. The majority of audits, on completion, are assigned an assurance using a pre-defined definition and all reported recommendations are given a priority. The audit assurance and recommendation priority is agreed with Management before the final report is published. An example of the assurance and priority definitions is provided at Appendix 2 for information.

Productive Work

9. During 2012/2013 there were 105 productive audit days delivered by WIASS. As can be seen in Appendix 1, the annual budget for systems work for WIASS was 111 audit days. WIASS has achieved what was required according to the 2012/2013 audit plan and completed all audits to draft or final report stage with the exception of Asset Management as it was considered by the Chief Accountant there was potential for duplication of work with External Audit. The days identified for this audit have been carried forward into the 2013/14 audit plan and in discussion with the Treasurer, this audit is now scheduled to take place during September.
10. Consultancy, advice and guidance are demand led activities and can fluctuate from year to year but have been contained within the agreed budget.
11. Follow up in respect of Worcestershire County Council audits which were provided to the Fire and Rescue Service prior to WIASS taking over the audit function were included as part of the 2012/13 audit programme and have been undertaken during the past twelve months.
12. Internal Audit has worked with External Audit to try and avoid duplication of effort, provide adequate coverage for the 2012/13 financial year so that an internal audit opinion can be reached and support External Audit by carrying out reviews in support of the accounts opinion work.

Work of interest to the External Auditor

13. The results of the work that WIASS performed on 5 systems audits is of direct interest to External Audit. Audit reports are passed to the External Auditor on request for their information and for them to inform their opinion.

Quality Measures – internal

14. Managers are asked to provide feedback on systems audits as the audit progresses. Emails have been received from a number of Managers who have expressed their appreciation of the audit approach and the fact that it has added value to their service. An analysis of those returns is undertaken during the year to ensure that the audit programme continues to add value. No formal questionnaires have been issued to date as feedback has been immediately forthcoming from the appropriate Managers. The Treasurer, Chief Accountant and External Audit have also confirmed a high satisfaction with the audit product.
15. To further assist the Committee with their assurance of the overall delivery, the WIASS conforms to the Public Sector Internal Audit Standards and use the CIPFA Self Assessment questionnaire to self assess the Service on an annual basis. The outcome has indicated that there is a sound basis from which the shared service will work and which will be enhanced as certain key developments are implemented, (for example audit management software) over the next twelve months. Any areas of non-compliance with the Code would be reported as an exception to the Audit Committee. There are no exceptions to report.
16. Appendix 3 provides the audit opinion and commentary which provides further assurance to the Committee.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	There are financial issues that require consideration as there is a contract in place but are not fully detailed in this report. There are legal issues e.g. contractual and procurement, reputational issues that require consideration but are not fully detailed in this report as they are contained within the contract.
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	None
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	Whole report

Consultation (identify any public or other consultation that has been carried out on this matter)	None
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	No

Supporting Information

Appendix 1 Audit Plan Performance for 2012/2013
Appendix 2 Definition of Audit Opinion Levels of Assurance
Appendix 3 Audit Opinion and Commentary for 2012/13

Contact Officer

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**Worcestershire Internal Audit Shared Service
Audit Plan Performance for 2012/13**

Service area	System	Audit days	Final Report Issued	Assurance
Main systems				
Management Arrangements	Risk Management Arrangements	8	11 th April 2013	Significant
	Business Continuity	8	11 th April 2013	Significant
	Corporate Governance / Management (AGS)	8	20 th March 2013 (D)	Significant (D)
	Procurement / Contracts	8	10 th July 2013	Moderate
	Annual Report & Opinion	1	September 2012	N/a
	Follow Up 2011/12 (County Council Reports)	2	During 2012/13	N/a
Staffing	Members Allowances	4	13 th March 2013	Full
	Payroll & Pensions Systems incl. controls around the GARTAN system	15	11 th April 2013	Moderate
	GAD Data	4	7 th June 2013	N/a
Accountancy & Finance Systems	Creditors System	10	4 th February 2013	Significant
	Debtors / Income System	6	4 th February 2013	Significant
	Petty Cash	1	4 th February 2013	Significant
	Main Ledger incl. follow up of Budgets & Budgetary Control	8	4 th February 2013	Significant
	Computer Audit (Stock Control)	8	11 th April 2013	Moderate
	Asset Management	8	** C/F September 2013	N/a
Contingency	Advice & Guidance	1	During 2012/13	N/a
	Audit Committee & Management Reporting	11	During 2012/13	N/a
Total contracted days		111		
Productive Days Delivered for 2012/13		105	(6 days owing for Asset Management)	

Notes:

** 'ongoing' = audit work is due to progress in September in agreement with the Treasurer.

(D) denotes draft report issue and draft assurance applied. Work is continuing with management to finalise the Report.

Summary of 2012/13 Audit Assurance Levels

2012/13	Number of Fire and Rescue Service Audits	Assurance	Overall % (rounded)
From 12 audits	1	Full	8.33
	6	Significant	50
	3	Moderate	25
	0	Limited	0
	0	No	0
	1	To be finalised i.e. (D)	8.33
	1	N/a	8.33

Note:

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

Overall Conclusion:

- 83% (rounded) of the finalised audits undertaken for 2012/13 which have been allocated an assurance returned a level of 'moderate' or above. This figure does not include the 'critical friend' audit, i.e. 'N/a'.
- Managers and the Treasurer are satisfied with the audit process and service delivery from the feedback received.

Audit Reports 2012/13

Definition of Audit Opinion Levels of Assurance

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

Definition of Priority of Recommendations

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

Audit Opinion and Commentary for 2012/13

**Hereford & Worcester Fire and Rescue Service
Commentary and Audit Opinion 2012/13**

Internal Audit: Hereford & Worcester Fire and Rescue Service's responsibility for maintaining an adequate and effective internal audit function is set out in Regulation 6 of the Accounts and Audit (England) Regulations 2011.

The internal audit is provided by the Worcestershire Internal Audit Shared Service (WIASS) function which was set up as a shared service in 2010/11, and hosted by Worcester City for 5 district councils. 2012/13 was the first full year of audit function delivery for the Fire and Rescue Service since it was transferred from Worcestershire County Council. The shared service operates in accordance with the Institute of Internal Auditors Standards and the CIPFA Code of Practice 2006 and conforms to, and works with, the Public Sector Internal Audit Standards. It objectively reviews, on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Fire and Rescue Service objectives and contributes to the proper, economic and effective use of resources.

The Internal Audit Plan was agreed with External Audit, the Treasurer and S151 Officer and was approved by the Audit Committee on the 28th September 2012.

It included:

- a number of core systems which were designed to suitably assist the External Auditor to reach their 'opinion'; and
- other corporate systems for example governance and risk management.

Based on the audits performed by WIASS in accordance with the approved audit plan the Worcester Internal Audit Shared Service Service Manager concludes that the Hereford & Worcester Fire and Rescue Service governance framework arrangements during 2012/2013 have not always provided full assurance but outstanding issues were being addressed as part of the process of continuous improvement.

It should be noted that as part of the risk based approach WIASS delivered all the audits expected apart from Asset Management. It was agreed with the Chief Accountant and the Treasurer that this would be deferred to September 2013.

In relation to the 12 reviews that have been undertaken all have been completed and discussed with management with reports issued either in draft or finalised

form. Risk management has been re-launched during 2012/13 with the formulation of a Corporate Risk Register, training and regular reporting to the Audit Committee. Further work continues to fully embed this throughout the organisation. WIASS can conclude that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance based on the audits performed in accordance with the approved plan and the WIASS Service Manager has concluded that the internal control arrangements during 2012/13 effectively managed the principal risks identified in the audit plan and can be reasonably relied upon to ensure that the Fire and Rescue Service corporate objectives have been met. None of the work WIASS has carried out in support of the 2012/13 plan identified any fundamental weaknesses in the areas WIASS audited.

The majority of the completed audits have been allocated an audit assurance of either moderate or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified.

Andy Bromage

Worcestershire Internal Audit Shared Services Manager

July 2013

Report of the Treasurer

7. Statement of Accounts 2012/13

Purpose of report

1. To present the Statement of Accounts 2012/13 for approval.
-

Recommendation

The Treasurer recommends that the Statement of Accounts 2012/3 be approved.

Background

2. The Accounts and Audit Regulations (2011) 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 2013.
3. Following completion of the external audit and before 30 September 2013, the Authority (or designated committee) must approve the Statement of Accounts. The Fire and Rescue Authority (FRA) has delegated the function to the Audit and Standards Committee.
4. The Accounts must be published by 30 September 2013, and publication on the Authority website is the established and expected route.
5. At the time of writing this report, the Audit was virtually complete, with no major issues arising, and it is expected that the External Auditors' report will be included elsewhere on this Agenda.
6. The pre-Audit Accounts were considered in some detail by Committee Members at the workshop on 9 September 2013, and the Audit has not required any fundamental changes to the draft Statements.

The Statements

7. Members will be aware that the Comprehensive Income and Expenditure Statement (CIES) exhibits a significant net deficit because the Statutory Accounting arrangements which are used by the Authority in Council Tax setting have precedence over International Financial Reporting Standards (IFRS).
8. There are charges, e.g. depreciation, and the liability on pension schemes which are not chargeable in the statutory accounts. The Government does not recognise IFRS for grant allocations or as part of the statutory budget setting arrangements.

9. In practical terms this means that the accounting deficit (on the CIES) of £48.844m in 2012/13 becomes a net surplus of £0.086m on the General Fund.

	£m	£m
Total Comprehensive Income & Expenditure under IFRS		48.844
<u>Less items not permitted by statute:</u>		
Depreciation/Amortisation/Impairment	(2.557)	
Share of Collection Fund Balances	0.001	
IAS19 entries	(54.632)	
Capital Grant	1.169	
Capital Receipts	0.032	
Employee Accumulated Absences	(0.012)	
Surplus on Revaluation of Assets	0.181	
Book loss on disposal of fixed assets	(0.065)	(55.883)
<u>Plus items required by statute:</u>		
Minimum Revenue Provision	1.275	
Revenue Financing of Capital	0.305	
Direct Pensions Contributions etc.	3.556	
Transfer of Earmarked Reserves	1.817	6.953
Statutory Accounting - General Fund Balance Surplus		(0.086)

10. The surplus on the General Fund is slightly greater than that reported in the Provisional Financial Results paper to the June FRA meeting as a result of additional small grants.
11. The differences between IFRS and Statutory Accounting are reconciled in the Movement in Reserves Statement and do not affect the underlying financial position.
12. Members' attention is drawn to the following specific aspects of the Accounts:
- The Balance Sheet shows a negative balance of £268.969m which arises from the identified liabilities in the Pension Schemes of £302.053m. This has increased significantly by £51.076m (20%) since last year.
 - The Authority is, however, not required or empowered to fund these deficits immediately. The Local Government Pension Scheme (LGPS) is covered by future payments of the employer's contribution and the Firefighters' Schemes are covered by the new financing arrangements commencing from 01 April 2006 which effectively means that the liability will be met by direct government grant, as it arises.
 - The underlying level of long term borrowing has remained constant at £14.971m. (This includes loans maturing within 12 months but excludes

accrued interest – as laid out in note 43 on page 37). This remains considerably below the Net Book Value of fixed assets at £41.409m.

Post Audit Amendments

13. It is pleasing to note that there have been no major changes to the Accounts as a result of the Audit and the changes have focussed on improving the disclosures. Members' attention is drawn to the following specific amendments made to the Statements:
 - a. Page 9: Overhead and Support Service Accounting Policy New note disclosing the accounting arrangements adopted by the Authority for allocating overheads and support services between service areas.
 - b. Page 24: Note 2 Restatement of the Comprehensive Income & Expenditure Statement (CIES): More detailed disclosure required of the impact of changes made to the 11/12 Accounting Statements.
14. There is one small area where an identified adjustment has not been made in this year's accounts, but will be dealt with as part of next year's process. This relates to a sum of £0.007m in respect of land rental for the temporary fire station at Malvern, whilst the station is being rebuilt. This sum was capitalized in error and should have been charged to the Revenue Account. The sum does not have a material effect on the Accounts, but would require amendment to a significant number of statements, notes and supporting tables.
15. On publication, the Statement of Accounts will contain the approved Annual Governance Statement, which is subject to a separate approval process (elsewhere on this Agenda).
16. As we have not been made aware of any matters arising from the public inspection period of 1st – 26th July 2013, the External Auditor will be able to issue the audit opinion as soon as he is ready to, and the accounts will be published as soon as practical after this.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	N/A
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications)	N/A
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores)	N/A

Consultation (identify any public or other consultation that has been carried out on this matter)	N/A
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	N/A

Supporting Information

Appendix 1 - Statement of Accounts 2012/13

Background papers - None

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Hereford & Worcester Fire Authority

Statement of Accounts

2012/13

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EXPLANATORY FOREWORD

1. Originally formed as an independent corporate body on 1 April 1998, as a result of Local Government Reorganisation, Hereford & Worcester Fire Authority (the FRA) is now constituted under the Fire and Rescue Services Act 2004. The FRA sets its own budget requirement, receives a share of Non-Domestic Rates and Revenue Support Grant, and issues its own Council Tax Precept.
2. The Statement of Accounts that follows covers the FRA's financial year ending 31 March 2013. 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 2012/13, comprise a group of Core Financial Statements:
 - Comprehensive Income & Expenditure Statement (CIES)
 - Movement in Reserves Statement (MiRS)
 - Balance Sheet
 - Cash Flow Statement
 - Notes to the Core Statements
3. In addition there is a Supplementary Financial Statement in respect of the Firefighters Pension Account.
4. The purpose of the Core Financial Statements is as below:

Comprehensive Income and Expenditure Statement (CIES)

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

Movement in Reserves Statement (MiRS)

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

Balance Sheet

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

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

Cash-flow Statement

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

Revenue Budget

7. The approved budget for 2012/13 was £33.821m to which additional agreed expenditure of £0.475 funded from earmarked reserves has been added, bringing the total budget to £34.296m. These resources are those available for the FRA to spend on provision of services under the statutory accounting regime, within which the FRA is required to manage resources.
8. In setting the 2012/13 budget the FRA was aware of (and has planned for) significant reductions in future grant, and spending during the year has been subject to severe restraint as a preparation for the future financial position. There has been a planned under spending which has been reported to the Policy and Resources Committee throughout the year, and finally to the full FRA in June 2013.
9. A summary of the budget and out-turn is given overleaf:

	Revised Budget £m	Actual £m	Variance £m
Employee Costs	23.393	23.106	(0.287)
Running Costs	8.038	6.727	(1.311)
Capital Financing Costs	2.865	2.289	(0.576)
Closure of Provision	0.000	(0.118)	(0.118)
	34.296	32.004	(2.292)
<u>Budgeted Use of Reserves:</u>			
Development Reserve	(0.070)	(0.070)	0.000
RDS Part-time Compensation Reserve	(0.100)	(0.100)	0.000
New Dimensions Reserve	(0.179)	(0.179)	0.000
Workwear Phasing Reserve	(0.056)	(0.056)	0.000
DEFRA Flood Boat Grant Reserve	(0.050)	(0.050)	0.000
Net Other	(0.020)	(0.020)	0.000
Core Budget	33.821	31.529	(2.292)
New Dimensions Reserve		0.045	0.045
YFA Reserve		0.012	0.012
Capital Finance Phasing Reserve		0.575	0.575
Property Maintenance Reserve		0.213	0.213
	33.821	32.374	(1.447)
Fire Revenue Grant	(1.169)	(1.227)	(0.058)
Council Tax Reform Grant		(0.027)	(0.027)
Redistributed Business Rates	(10.374)	(10.374)	0.000
Revenue Support Grant	(0.730)	(0.730)	0.000
2012/13 Council Tax Freeze Grant	(0.626)	(0.626)	0.000
Net Council Tax Precept	(20.922)	(20.923)	(0.001)
	0.000	(1.533)	(1.533)
Transfer to Budget Reduction Reserve		1.447	1.447
Transfer to General Fund Reserve		0.086	0.086
		0.000	0.000

10. Of the Core Budget under-spending of £2.292m a portion relates to timing differences e.g. around property maintenance and the phasing of capital finance. These are transferred to earmarked reserves leaving a net figure of £1.533m. This differs slightly from the £1.447m figure reported to the Policy and Resources Committee in June 2013. The difference relates to additional Special Grant Income received over that which was originally budgeted for.
11. Provision was made in 2011/12 in relation to a potential legal claim against the FRA. This matter was settled in 2012/13 and the provision is now closed.

General Reserve

12. The general reserve stood at £1.399m at 31 March 2012 (4.1% of core budget), and although at the lower end of the spectrum of stand-alone fire authorities, the level is considered adequate and not requiring further significant increase throughout the MTFP period. As a consequence the balance at the end of 2012/13 will increase slightly to £1.485m (4.3% of core budget).

Firefighters' Pensions

13. 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.
14. The employer contribution and certain costs in relation to injury pensions still fall on the CIES.

Capital Programme Budget

15. During 2012/13 £3.415m was spent on new assets or improvements to existing ones. Expenditure was incurred on the approved vehicle programme, the new Command and Control system, minor property works and small equipment and IT schemes. The majority of the programme was, as planned, funded by net borrowing.

Balance Sheet

16. At 31 March 2012 the FRA held Long Term Assets with a net book value of £40.569m. Professional advice has not identified any further impairment due to changes in the economic climate, and adjusting for disposals, depreciation, revaluation and capital expenditure, Fixed Assets are valued at £41.409m at 31 March 2013.
17. Long Term borrowing has remained unchanged, although some individual loans now fall due with 12 months. All borrowing is from the Public Works Loans Board (PWLB). The total value of Long Term loans (excluding short term accrued interest) at £14.471m remains well below the value of Long Term Assets.
18. The Balance Sheet shows liabilities in respect of the four pension schemes provided for staff.
19. The £8.629m liability on the Local Government Scheme will be covered by the continued level of employer contributions.
20. The Firefighters' schemes are statutory un-funded ones and the significant total liability of £293.424m is a result of this position. There is no requirement, or legal powers, for the FRA to fund this deficit, and any costs not financed by employee or employer contributions are met by direct government grant. More details on pensions can be found on pages 40-46.

Corporate Governance Arrangements

21. The FRA is responsible for ensuring that its business is conducted in accordance with relevant legislation and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, Members and Senior Officers are responsible for putting in place proper procedures for the governance of the FRA's affairs and the stewardship of the resources at its disposal.
22. During 2012/13 the FRA has reviewed the systems and processes it has in place to ensure sound corporate governance and to confirm that they are consistent with the principles outlined in the CIPFA/SOLACE Framework '*Corporate Governance in Local Government: A Keystone for Community Governance.*' The latest review of compliance with the code was approved by the FRA Audit Committee on 26 September 2013.
23. Many of the elements of the code had been in place since the creation of the FRA such as: Codes of Conduct, Codes of Practice, Policy Statements, Standing Orders, Financial Regulations, Internal Audit arrangements and Risk Management arrangements which have been strengthened as referred to in the Annual Governance Statement on pages 63-67.

Restatement

24. It has been necessary to restate the 2011/12 accounts for two reasons, neither of which has an impact on the General Fund Balance and the resources available for service delivery. Information to show the impact of this restatement is included in Notes to the Accounts - Note 2 – Restatement of the Comprehensive Income and Expenditure Statement.
25. The first relates to the treatment of the Council Tax Freeze Grant, both the Gross Expenditure and Income in the previous financial year was overstated by the amount of the Freeze Grant this has now been reduced with the gross income and expenditure figures being restated accordingly. There is, however, no impact on the net expenditure figure and therefore no impact on the General Fund Balance.
26. The second issue relates to the sale of assets which were originally included in the CIES as Loss on Disposal of Fixed Assets this has now been reclassified to include it in Other Operating Expenditure so that it now correctly forms part of the Cost of Services for the Fire Service.

FiReControl Project

27. The national FiReControl project instigated in 2004, and running over budget and well beyond original timescales, was cancelled on 20 December 2010, with immediate effect.
28. Following the closure of the project, and the announcement of Government funding to support the upgrade of the existing fire control room arrangements, a formal Memorandum of Understanding (MoU) has been entered into with Shropshire and Wrekin Fire and Rescue Authority. The MoU signifies the ratification by both Fire Authorities to work towards the creation of a single resilient command and control function, operated from two remote locations, in Shrewsbury and Worcester.

The Euro

29. The FRA is continuing to consider the impact should the United Kingdom enter the European Monetary Union and adopt the Euro in the near future. During the year no financial commitments relating to European Monetary Union have been entered into.

Post Balance Sheet Events

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


A STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

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

The Treasurer's Responsibilities

2. The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code') is required to provide a true and fair view of the financial position of the Authority at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.
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 2013 and its income and expenditure for the year ended 31 March 2013.
5. In accordance with the Accounts and Audit Regulations 2011 10(2) I certify that the Statement of Accounts 2012/13 provides a true and fair view of the financial position of the Authority at 31 March 2013 and its income and expenditure for the year 2012/13.



Martin Rehorn CPFA B.Comm (Acc)
Treasurer to the Fire and Rescue Authority

17th Sept 2013
Date

Issue Date

6. The date that these financial statements are authorised for issue is 26th September 2013. All known material events that have occurred up to and including this date which relate to 2012/13 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 2012/13 on 26th September 2013.

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 2012, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and International Financial Reporting Standards (IFRS).

Debtors and Creditors

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

VAT

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

Overheads and Support Services

6. 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 2012/13 (SERCOP). The total absorptions 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.
7. 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)

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

Impairment

13. 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.
14. 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.
15. 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.
16. 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

17. 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.

18. 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.
19. 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.
20. 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.
21. 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

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

26. 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

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

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

28. Specific exceptions to this policy relate to a small number of low value properties have been valued without land being split out, and therefore land is being depreciated contrary to IFRS. The sums however are small and immaterial; the total amount of depreciation on both land and buildings in 2012/13 is £19,000 (2011/12 £19,000).

Financing of Capital Expenditure

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

Redemption of Debt

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

Leasing Charges

31. 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.
32. During 2012/13 the Authority held both finance and operating leases under the definition of IAS 17 Leases. Finance leases are accounted for in accordance with IAS 17, operating leases are not capitalised and rentals are charged directly to the CIES in the year to which they relate. Finance leases are capitalised with transactions reflected on the Balance Sheet as fixed assets and deferred liabilities and through the CIES as interest payable and similar charges.

Non Current Assets held for Sale

33. 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.
34. 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

35. 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

36. 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

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

Types of pension schemes

38. 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.
39. The Authority participates in four schemes:
 - The Firefighters' Pension Scheme (FFPS) (the "1992 Scheme"). This is a statutory un-funded defined benefit final salary scheme and has been closed to new entrants since 6 April 2006.
 - The New Firefighters' Pension Scheme (NFPS) (the "2006 Scheme") – is open to all uniformed staff (except Fire Control) and is also a statutory un-funded defined benefit final salary scheme, with differing benefits.
 - The Firefighters' Compensation Scheme (FFCS) (the Injury Scheme) – another statutory un-funded defined benefit scheme covering existing and new injury pensions.
 - The three Firefighters' schemes are unfunded meaning that there are no investment assets built up to meet the pensions' liabilities and cash has to be generated to meet the actual pensions' payments as they eventually fall due. The arrangements are determined by the Department of Communities and Local Government.
 - The Local Government Pension Scheme (LGPS) – subject to qualifying criteria, open to staff not covered by the Firefighters' schemes. This scheme is administered by Worcestershire County Council and is a funded defined benefit final salary scheme. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

- In accordance with IAS 19 the Authority recognises the cost of retirement benefits within the Net Cost of Services, in the CIES, when they are earned, rather than when benefits are actually paid as pensions. However the charge to be made to the Council Tax, via the precepts, is based on the amount payable in the year. The difference is reversed out in the General Fund.

Interest on Balances

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

Government Grants and Contributions

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

43. 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.
44. 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.
45. 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.
46. Where premiums and discounts are charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The FRA has not yet undertaken such a restructuring of debt and has therefore not yet adopted a policy for its treatment.

Collection Fund Adjustment Account

47. The Council Tax 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.
48. 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.
49. The IFRS treatment differs from the statutory accounting arrangement, where the FRA precepts directly on the Billing Authority and has no direct debtor or creditor relationship with individual council tax-payers.

Employee Benefits – Accumulating Compensating Absences

50. 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.

Provisions

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

Reserves

52. At 31 March 2013 a general reserve is held to meet expenditure which may arise from unforeseen events.
53. In addition the FRA holds a variety of earmarked reserves to meet specific known future costs. The value and nature of the current reserves are disclosed in the Notes to the Core Financial Statements on pages 47-49.

Capital Accounting Reserves

54. Since 1 April 2007 there are two capital accounting reserves as part of the system of capital accounting. These are:
- **The Capital Adjustment Account**
This account records the consumption (of the historical cost) of a fixed asset over the life of the asset. It also records the amounts set aside from revenue resources or capital receipts to finance capital expenditure on fixed assets or for the repayment of external loans and other capital financing transactions.
 - **The Revaluation Reserve**
This reserve records the unrealised net gains and losses from revaluations made after 1 April 2007, with the proviso that losses are charged to the Income and Expenditure Account if the loss is attributable to impairment (the consumption of economic benefits). In the event of such a charge to the CIES, accounting entries are made to ensure that there is no effect on the council tax precept requirement.

Operating Segments

55. The CIPFA Code of Practice on Local Authority Accounting 2012/13 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.
56. Due to the nature of its operation, as a single purpose Authority, the FRA and the Service management team manage the organisation as an entity, and do not have relevant operating segments to report upon.

Exceptional Items

57. Where an item of expenditure, which due to its size or significance, would have a distorting effect on the CIES, this will be shown separately with an explanatory note. There are no such items in 2011/12 and 2012/13.

Actuarial Gains and Losses

58. 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.
59. Prior to 2011/12 it had been recognised (in common with most FRAs) that as the Firefighters' Pension Schemes had no assets, then there were no relevant disclosures in respect of movement in net assets.
60. It is now considered that employee and employer contributions should be considered as assets and the movement disclosed separately.
61. As a consequence of this, the Actuarial Gains and Losses figure shown in the CIES differs from the reported by the relevant Actuary. This has no impact on the overall net liability shown in the Balance Sheet.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		2011/12 restated			2012/13		
	Notes	Gross Expd £000	Gross Income £000	Net Expd £000	Gross Expd £000	Gross Income £000	Net Expd £000
Gross Expenditure, Gross Income and Net Expenditure on Continuing Operations							
Operations & Rescues		29,227	(1,532)	27,695	29,305	(1,514)	27,791
Community Safety		3,933	(74)	3,859	4,840	(85)	4,755
Emergency Planning		124	(2)	122	95	(2)	93
Corporate & Democratic Core		1,388	(29)	1,359	1,296	(25)	1,271
Other Operating Expenditure		36	0	36	33	0	33
		34,708	(1,637)	33,071	35,569	(1,626)	33,943
Past Service Cost							
<i>Curtailment Costs (LGPS)</i>		46	0	46	102	0	102
<i>Transfer Benefit (NFPS)</i>		6	0	6	322	0	322
Cost of Services		34,760	(1,637)	33,123	35,993	(1,626)	34,367
Financing & Investment Income and Expenditure	3	14,107	(809)	13,298	13,537	(747)	12,790
Taxation & Non-Specific Grant Income	4		(34,573)	(34,573)		(33,822)	(33,822)
Deficit/(Surplus) on Provision of Services		48,867	(37,019)	11,848	49,530	(36,195)	13,335
Deficit/(Surplus) on revaluation of non-current assets	26-27			0			(181)
Actuarial gains/losses on Pensions Assets/Liabilities	67-70			10,016			35,690
Other Comprehensive Income and Expenditure				10,016			35,509
Total Comprehensive Income and Expenditure				21,864			48,844

The 2011/12 figures have been restated for the reasons outlined in paragraphs 24 to 26 on page 6

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

	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	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31-Mar-2012	1,399	2,744	2,330	0	6,473	5,000	19,500	(250,977)	27	(148)	(226,598)	(220,125)
Surplus/(Deficit) on Provision of Services	(13,335)				(13,335)						0	(13,335)
Other Comprehensive Income & Expenditure					0	181		(35,690)			181	181
Surplus on revaluation of non-current assets					0						(35,690)	(35,690)
Movement in Pensions Reserve												
Reversal of items in the CIES to be removed for determining movement in General Fund												
Relating to Depreciation/Amortisation	2,314				2,314	(99)	(2,314)				(2,314)	0
Relating to Depreciation on un-realised gains					0	(99)	99				0	0
Relating to Revaluation/Impairment Losses	243				243	(11)	(232)				(243)	0
Relating to Retirement Benefits	18,942				18,942			(18,942)			(18,942)	0
Relating to Non-current assets w/off on disposal	65				65		(65)				(65)	0
Relating to Capital Receipts	(32)			32	0						0	0
Relating to Unapplied Capital Grants/Contributions	(1,169)		1,169		0						0	0
Relating to Grants used to Finance Expd			(790)	(32)	(790)		790				790	0
Relating to Capital Receipts used to Finance Expd					(32)		32		1		32	0
Relating to Council Tax Income	(1)				(1)						1	0
Relating to Compensated absences	12				12					(12)	(12)	0
Insertion of items in the CIES to be included for determining movement in General Fund												
Employers Contribution to Pension Schemes	(3,556)				(3,556)			3,556			3,556	0
Statutory Provision for Debt Repayment	(1,275)				(1,275)		1,275				1,275	0
Revenue Financing of Capital	(305)				(305)		305				305	0
Transfers Between Earmarked Reserves	(1,817)	1817			0						0	0
Balance at 31-Mar-2013	1,485	4,561	2,709	0	8,755	5,071	19,390	(302,053)	28	(160)	(277,724)	(268,969)

SUMMARY OF MOVEMENTS

Balance at 31-Mar-2012	1,399	2,744	2,330	0	6,473	5,000	19,500	(250,977)	27	(148)	(226,598)	(220,125)
Movement in Reserves during 2011/12												
Deficit/(Surplus) on Provision of Services	(13,335)	0	0	0	(13,335)	0	0	0	0	0	0	(13,335)
Other Comprehensive Income & Expenditure	0	0	0	0	0	181	0	(35,690)	0	0	(35,509)	(35,509)
Total Comprehensive Income & Expenditure	(13,335)	0	0	0	(13,335)	181	0	(35,690)	0	0	(35,509)	(48,844)
Adjustments between accounting basis and funding basis under regulations	15,238	0	379	0	15,617	(110)	(110)	(15,386)	1	(12)	(15,617)	0
Net change before Earmarked Reserve Transfers	1,903	0	379	0	2,282	71	(110)	(51,076)	1	(12)	(51,126)	(48,844)
Earmarked Reserves Transfers	(1,817)	1,817	0	0	0	0	0	0	0	0	0	0
Net Movement in Year	86	1,817	379	0	2,282	71	(110)	(51,076)	1	(12)	(51,126)	(48,844)
Balance at 31-Mar-2013 Carried Forward	1,485	4,561	2,709	0	8,755	5,071	19,390	(302,053)	28	(160)	(277,724)	(268,969)

MOVEMENT IN RESERVES STATEMENT FOR THE 12 MONTHS ENDING 31 MARCH 2012

	Note	General Fund £000	Ear-marked Rev Res 84-87 £000	Unapplied Grant 88 £000	Cap Rpts Reserve 89 £000	Total Useable 82 £000	Revaln. Reserve 91-92 £000	Capital Adj Acct 93-96 £000	Pensions Reserve 97-98 £000	Coll Fund Adj Acct 99 £000	Acc. Abs. Adj Acct 100 £000	Total Un-useable 90 £000	All Reserves £000
Balance at 31-Mar-2011		934	2,130	368	0	3,432	5,071	19,159	(225,838)	42	(127)	(201,693)	(198,261)
Surplus/(Deficit) on Provision of Services		(11,848)				(11,848)						0	(11,848)
Other Comprehensive Income & Expenditure						0			(10,016)			(10,016)	(10,016)
Movement in Pensions Reserve													
Reversal of items in the CIES													
to be removed for determining movement in General Fund													
Relating to Depreciation/Amortisation		2,194				2,194	(71)	(2,194)				(2,194)	0
Relating to Depreciation on un-realised gains		0				0		71				0	0
Relating to Revaluation/Impairment Losses		18,722				18,722		0				0	0
Relating to Retirement Benefits		36				36		(36)				(36)	0
Relating to Non-current assets w/off on disposal		0				0						0	0
Relating to Capital Receipts		(2,873)				0						0	0
Relating to Unapplied Capital Grants/Contributions				2,873		0						0	0
Relating to Grants used to Finance Expd				(911)		(911)		911				911	0
Relating to Capital Receipts used to Finance Expd		15				0		0		(15)		(15)	0
Relating to Council Tax Income		21				21						(21)	0
Relating to Compensated absences													
Insertion of items in the CIES													
to be included for determining movement in General Fund													
Employers Contribution to Pension Schemes		(3,599)				(3,599)			3,599			3,599	0
Statutory Provision for Debt Repayment		(1,241)				(1,241)		1,241				1,241	0
Revenue Financing of Capital		(348)				(348)		348				348	0
Transfers Between Earmarked Reserves		(614)	614			0						0	0
Balance at 31-Mar-2012		1,399	2,744	2,330	0	6,473	5,000	19,500	(250,977)	27	(143)	(226,598)	(220,125)

SUMMARY OF MOVEMENTS

Balance at 31-Mar-2011	934	2,130	368	0	3,432	5,071	19,159	(225,838)	42	(127)	(201,693)	(198,261)
Movement in Reserves during 2011/12												
Deficit/(Surplus) on Provision of Services	(11,812)	0	0	0	(11,812)	0	0	0	0	0	0	(11,812)
Other Comprehensive Income & Expenditure	(36)	0	0	0	(36)	0	0	(10,016)	0	0	(10,016)	(10,052)
Total Comprehensive Income & Expenditure	(11,848)	0	0	0	(11,848)	0	0	(10,016)	0	0	(10,016)	(21,864)
Adjustments between accounting basis and funding basis under regulations	12,927	0	1,962	0	14,889	(71)	341	(15,123)	(15)	(21)	(14,889)	0
Net change before Earmarked Reserve Transfers	1,079	0	1,962	0	3,041	(71)	341	(25,139)	(15)	(21)	(24,905)	(21,864)
Earmarked Reserves Transfers	(614)	614	0	0	0	0	0	0	0	0	0	0
Net Movement in Year	465	614	1,962	0	3,041	(71)	341	(25,139)	(15)	(21)	(24,905)	(21,864)
Balance at 31-Mar-2012 Carried Forward	1,399	2,744	2,330	0	6,473	5,000	19,500	(250,977)	27	(143)	(226,598)	(220,125)

BALANCE SHEET

	Notes	31-Mar-2012 £000	31-Mar-2013 £000
Property Plant & Equipment	26-29	40,445	40,996
Intangible Assets	30-33	124	413
Long Term Assets		40,569	41,409
Inventories	56	202	200
Short Term Debtors	57	2,481	2,203
Assets Held for Sale	60	0	133
Cash & Cash Equivalents	58-59	6,722	7,509
Current Assets		9,405	10,045
Short Term Borrowing	37-45	0	(502)
Short Term Creditors	61	(3,561)	(3,255)
Current Liabilities		(3,561)	(3,757)
Long Term Creditors		(23)	0
Provisions	103-110	(474)	(46)
Long Term Borrowing	43	(15,064)	(14,567)
Other Long Term Liabilities	68-81	(250,977)	(302,053)
		0	
Long Term Liabilities		(266,538)	(316,666)
Net Assets		(220,125)	(268,969)
Useable Reserves	82-89	6,473	8,755
Un-useable Reserves	90-100	(226,598)	(277,724)
Total Reserves		(220,125)	(268,969)

The unaudited accounts were issued on 28 June 2013 and the audited accounts were authorised for issue on 26 September 2013.

CASH-FLOW STATEMENT FOR 12 MONTHS ENDING 31 MARCH 2013

	Notes	2011/12 £000	2012/13 £000
Net (surplus) or deficit on the provision of services		11,812	13,335
Adjustments to net surplus or deficit on the provision of services for non cash movements		(18,911)	(17,600)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	112	1,355	(166)
Net cash flows from operating activities		(5,744)	(4,431)
Investing Activities	113	427	2,941
Financing Activities	114	303	703
Net increase or decrease in cash and cash equivalents		(5,014)	(787)
Cash and cash equivalents at the beginning of the period		(1,708)	(6,722)
Net increase or decrease in cash and cash equivalents in the Period		(5,014)	(787)
Cash and cash equivalents at the end of the reporting period		(6,722)	(7,509)

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The following changes to accounting standards have not yet been implemented:

- Amendments to IAS 19 Employee Benefits, applicable to accounting periods starting on or after 1 January 2013. The actuary has provided estimates within their annual statement of the likely impact of the revised standard for the 12 month period ended 31 March 2013, as follows:

	Current IAS 19 Disclosure £'000	Revised IAS 19 Disclosure £'000	Difference £'000
Changes in benefit obligation during period to 31 March 2013			
Current Service cost	608	623	(15)
Interest on pension liabilities	942	927	15
Actuarial (gains)/losses on liabilities	2,366	-	2,366
Remeasurements (liabilities)	-	2,366	(2,366)
Changes in plan assets during the period to 31 March 2013			
Expected return on plan assets	722		722
Interest on plan assets	-	591	(591)
Actuarial gains/(losses) on assets	985	-	985
Remeasurements (assets)	-	1,126	(1,126)
Administration expenses	-	(10)	10
Components of pension cost for period to 31 March 2013			
Current Service cost	608	623	(15)
Interest on pension liabilities	942	-	942
Expected return on assets	(722)	-	(722)
Effect of Curtailments or settlements	102	102	-
Net interest cost	-	336	(336)
Administration expenses	-	10	(10)
Total pension cost recognised in CIES	930	1,071	(141)
Statement of other comprehensive income			
Actuarial (gains)/losses	1,381	-	1,381
Remeasurements (liabilities and assets)	-	1,240	(1240)
Total included in Statement of Other Comprehensive Income	1,381	1,240	141

Revised IAS19 figures are included for only those staff who are part of the Local Government Pension Scheme, no equivalent revised figures have been provided in relation to the Firefighters' Pension Schemes.

This change will not impact the Total Comprehensive and Expenditure stated on the CIES because the impact will be reversed out as part of the statutory override.

The Authority has concluded that there will be no material impact upon its financial statements in relation to the changes made to IAS1 Presentation of Financial Statements, IAS12 Income Taxes and IFRS Financial Instruments: Disclosures.

2. Re-statement of the CIES

In 2012/13 a revision has been made to the accounting treatment of the Council Tax Freeze Grant within the accounting records of the Authority, relating to the apportionment of this grant within the Cost of Services in the CIES. The re-statement reduces both gross income and expenditure within the CIES but there is no change to the net cost of service and therefore no impact on the balance sheet.

As this restatement was being made the opportunity has been taken to also adjust for a non-material change effecting the treatment of the loss on disposal of fixed assets. This is now shown within the net cost of services rather than as a separate item as previously. This also has a minor impact on the MiRS.

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

	2011/12 as published 2011/12			re-statement effect			2011/12 as restated		
	Gross Expd £000	Gross Income £000	Net Expd £000	Gross Expd £000	Gross Income £000	Net Expd £000	Gross Expd £000	Gross Income £000	Net Expd £000
Gross Expenditure, Gross Income and Net Expenditure on Continuing Operations									
Operations & Rescues	29,692	(1,966)	27,726	(465)	434	(31)	29,227	(1,532)	27,695
Community Safety	3,633	(122)	3,511	300	48	348	3,933	(74)	3,859
Emergency Planning	126	(4)	122	(2)	2	0	124	(2)	122
Corporate & Democratic Core	1,741	(65)	1,676	(353)	36	(317)	1,388	(29)	1,359
<i>sub-total</i>	35,192	(2,157)	33,035	(520)	520	0	34,672	(1,637)	33,035
Other Operating Expenditure	0	0	0	36	0	36	36	0	36
Curtailment Costs (LGPS)	35,192	(2,157)	33,035	(484)	520	36	34,708	(1,637)	33,071
Transfer Benefits (NFPS)	46		46			0	46		46
Cost of Services	6		6			0	6		6
	35,244	(2,157)	33,087	(484)	520	36	34,760	(1,637)	33,123
Financing & Investment Income and Expenditure	14,107	(809)	13,298			0	14,107	(809)	13,298
Taxation & Non-Specific Grant Income		(34,573)	(34,573)			0		(34,573)	(34,573)
Deficit/(Surplus) on Provision of Services	49,351	(37,539)	11,812	(484)	520	36	48,867	(37,019)	11,848
Loss on disposal of fixed assets			36			(36)			0
Actuarial gains/losses on Pensions Assets/Liabilities			10,016			0			10,016
Other Comprehensive Income and Expenditure			10,052			(36)			10,016
Total Comprehensive Income and Expenditure			21,864			0			21,864

3. Financing and Investment Income and Expenditure

	2011/12 £'000	2012/13 £'000
Interest payable and similar charges	628	615
Interest receivable and similar income	(17)	(25)
Pensions interest cost and expected return on pensions assets	12,687	12,200
	13,298	12,790

4. Taxation and non-specific Grant Income

	2011/12 £'000	2012/13 £'000
Council Tax income	20,773	20,923
2011/12 Council Tax Freeze Grant	520	626
Re-distributed National Non-Domestic Rates (NNDR)	7,950	10,893
Revenue Support Grant (RSG)	2,457	211
	31,700	32,653
Non-specific Capital Grant	1,173	1,169
Future Control Rooms Capital grant	1,700	0
Total Grants	34,573	33,822

Members Allowances

5. The total amount paid to Members as Allowances and expenses under the adopted scheme was £52,794 (2011/12 £53,435). Details in respect of 2012/13 are given below:

			BASIC ALLOW.	SPEC. ALLOW.	EXPENSES	TOTAL
Mr TJ Bean			1,163.52	1,354.68	0.00	2,518.20
Mr RAA Bullock	to	01-Mar-13	1,069.69		65.48	1,135.17
Mrs M Bunker			1,163.52		0.00	1,163.52
Mr JM Cairns			1,163.52		0.00	1,163.52
Mr JP Campion			1,163.52		0.00	1,163.52
Mrs L Duffy			1,163.52	1,354.68	103.80	2,622.00
Mrs EA Eyre			1,163.52		173.18	1,336.70
Mr DW Greenow			1,163.52		64.35	1,227.87
Mr Al Hardman			1,163.52		34.92	1,198.44
Mrs LC Hodgson			1,163.52		37.42	1,200.94
Mrs GF Hopkins			1,163.52		249.31	1,412.83
Brigadier P Jones CBE			1,163.52	5,418.96	611.35	7,193.83
Mrs MD Lloyd-Hayes			1,163.52		219.02	1,382.54
Mr RI Matthews			1,163.52		176.49	1,340.01
Mrs FM Oborski			1,163.52		0.00	1,163.52
Mrs JA Potter			1,163.52		106.04	1,269.56
Mr D Prodger MBE			1,163.52	9,031.56	64.70	10,259.78
Mr CT Smith	to	03-Dec-12	785.06		0.00	785.06
Mr TA Spencer			1,163.52	714.97	145.24	2,023.73
Mr CB Taylor			1,163.52	1,354.68	66.93	2,585.13
Mr DC Taylor			1,163.52	1,354.68	488.83	3,007.03
Mr JW Thomas			1,163.52		158.48	1,322.00
Mr R Udall			1,163.52		0.00	1,163.52
Mr PJ Watts			1,163.52		173.99	1,337.51
Mr TA Wells	from	03-Dec-12	381.58		0.00	381.58
Mr GC Yarranton			1,163.52		233.29	1,396.81
			28,997.29	20,584.21	3,172.82	52,754.32
Independent Members of Standards Committee						
Mr RJ Gething			-	-	40.13	40.13
			-	-	40.13	40.13
			28,997.29	20,584.21	3,212.95	52,794.45

Corresponding details in respect of 2011/12 were:

			BASIC ALLOW.	SPEC. ALLOW.	EXPENSES	TOTAL
Mrs PA Andrews	to	05-Jun-11	210.08	-	36.38	246.46
Mr TJ Bean			1,163.52	1,354.68	-	2,518.20
Mr RAA Bullock	from	01-Jun-11	969.60	-	31.53	1,001.13
Mrs M Bunker			1,163.52	-	139.68	1,303.20
Mr JP Campion			1,163.52	-	-	1,163.52
Mr JM Cairns			1,163.52	-	-	1,163.52
Mr SJ Clee	to	31-May-11	193.92	903.16	299.25	1,396.33
Mrs L Duffy			1,163.52	1,046.11	113.49	2,323.12
Mrs EA Eyre			1,163.52	-	108.16	1,271.68
Mr JH Goodwin	to	05-Jun-11	210.08	-	91.18	301.26
Mr DW Greenow			1,163.52	-	101.85	1,265.37
Mr AI Hardman			1,163.52	308.57	52.38	1,524.47
Mrs LC Hodgson			1,163.52	-	87.12	1,250.64
Mrs GF Hopkins			1,163.52	-	333.74	1,497.26
Brigadier P Jones CBE			1,163.52	6,241.83	1,201.33	8,606.68
Mrs MD Lloyd-Hayes	from	06-Jun-11	953.44	-	225.53	1,178.97
Mr RI Matthews	from	06-Jun-11	953.44	-	135.80	1,089.24
Mrs FM Oborski			1,163.52	-	-	1,163.52
Mrs JA Potter			1,163.52	-	139.44	1,302.96
Mr D Prodger MBE			1,163.52	7,282.94	129.50	8,575.96
Mr CT Smith			1,163.52	-	-	1,163.52
Mr TA Spencer			1,163.52	-	116.17	1,279.69
Mr CB Taylor			1,163.52	1,046.11	184.79	2,394.42
Mr DC Taylor			1,163.52	1,354.68	622.74	3,140.94
Mr JW Thomas			1,163.52	-	98.94	1,262.46
Mr R Udall			1,163.52	-	-	1,163.52
Mr PJ Watts			1,163.52	-	30.56	1,194.08
Mr GC Yarranton			1,163.52	-	346.29	1,509.81
			29,088.00	19,538.08	4,625.85	53,251.93
Independent Members of Standards Committee						
Mr RJ Gething			-	-	183.34	183.34
			-	-	183.34	183.34
			29,088.00	19,538.08	4,809.19	53,435.27

Officers' Emoluments

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

£	2011/12 No. of Staff	2012/13 No. of Staff
50,000 - 54,999	10	13
55,000 - 59,999	5	6
60,000 - 64,999		2
65,000 - 69,999	1	
70,000 - 74,999	3	2
75,000 - 79,999	1	
80,000 - 84,999		1
85,000 - 89,999		1
90,000 - 94,999		
95,000 - 99,999	2	1
100,000 - 104,999		
105,000 - 109,999		
110,000 - 114,999		
115,000 - 119,999		
120,000 - 124,999	1	1
	23	27

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

Senior Officers

2012/13			Benefit		Pension	Total
Post Title		Salary	in Kind	Sub-Total	Contrib.	incl Pension
		£	£	£	£	£
Chief Fire Officer/Chief Executive	<i>U</i>	121,199	827	122,026	25,815	147,841
Deputy Chief Fire Officer						
Ceased Employment 31/07/2012	<i>U</i>	21,624	60	21,684	3,871	25,555
Deputy Chief Fire Officer	<i>U</i>	98,064	916	98,980	20,888	119,868
Assistant Chief Fire Officer	<i>U</i>	68,287	617	68,904	14,545	83,449
Acting Director of Corporate Services						
Ceased Employment 06/07/2012	<i>NU</i>	19,246	1,055	20,301	3,445	23,746
Director of Finance & Assets	<i>NU</i>	75,896	5,014	80,910	13,585	94,495
Monitoring Officer	<i>NU</i>	53,256	-	53,256	9,533	62,789
<i>U : Uniformed; NU : Non-Uniformed</i>		457,572	8,489	466,061	91,682	557,743
2011/12			Benefit		Pension	Total
Post Title		Salary	in Kind	Sub-Total	Contrib.	incl Pension
		£	£	£	£	£
Chief Fire Officer/Chief Executive	<i>U</i>	121,531	349	121,880	25,886	147,766
Deputy Chief Fire Officer	<i>U</i>	96,647	850	97,497	16,430	113,927
Assistant Chief Fire Officer	<i>U</i>	94,307	1,789	96,096	20,087	116,183
Acting Director of Corporate Services	<i>NU</i>	66,858	1,999	68,857	11,366	80,223
Director of Finance & Assets	<i>NU</i>	68,499	3,175	71,674	11,645	83,319
<i>U : Uniformed; NU : Non-Uniformed</i>		447,842	8,162	456,004	85,414	541,418

- The Deputy Chief Fire Officer post was filled on a temporary basis but this became permanent on 20 September 2012, following the resignation of the previous postholder.
 - The Assistant Chief Fire Officer was filled on a temporary basis from 9 July 2012, this became permanent on the 21 September 2012.
 - From February 2012 the Director of Finance & Assets has additionally undertaken the role of statutory Section 151 Officer (Treasurer); and from July 2012 the Clerk/Monitoring Officer has also carried out the function of Head of Legal Services (the costs shown in the table include both roles). Prior to these dates these services were provided by purchase from external suppliers.
 - Pension contributions in the above tables relate to average scheme contribution rates and not an individual pension pot. Uniformed staff (except the Deputy Chief Fire Officer who ceased employment in July 2012) are members of the Firefighters Pension scheme (FFPS), all other senior officers are members of the Local Government Scheme (LGPS).
8. Due to the nature of the 4-weekly payment cycle and the leap year, the figures for uniform staff in 2012/13 represents 365 days but 366 days in 2011/12.
9. Uniformed staff enjoy a preferential tax status (relating to their continuous duty system and requirement to respond to emergencies) in respect of cars, which means that the measured benefit in kind is substantially less than for non-uniform staff. The actual cost to the FRA of cars provided to each officer is not dissimilar.

Related Party Transactions

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

External Audit Fees

14. During 2012/13 Hereford & Worcester Fire Authority incurred the fees below in respect of external audit and statutory inspection, in accordance with the Audit Commission Act 1998.

	2011/12 £'000	2012/13 £'000
Fees payable to the Audit Commission:		
in respect of external audit services : 2010/11 Accounts	23	
in respect of external audit services : 2011/12 Accounts	67	
Fees payable to Grant Thornton:		
in respect of external audit services : 2012/13 Accounts		44
	90	44

Leases

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

	31-Mar-12 £'000	31-Mar-13 £'000
Vehicles, Plant, Furniture and Equipment	98	19
	98	19

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

	31-Mar-12 £'000	31-Mar-13 £'000
Finance lease liabilities (net present value of minimum lease payments:		
Current	99	24
Non-current	24	0
Finance costs payable in future years	(7)	(1)
	116	23

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000
Not later than one year	99	24	93	23
Later than one year and not later than 5 years	24	0	23	0
Later than 5 years	0	0	0	0
	123	24	116	23

19. The minimum lease payments would not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. However, the FRA has no such leases.
20. The FRA has entered into Operating Leases for the provision of emergency and ancillary vehicles. The total rentals paid to lessors on Operating leases in the year totalled £118,130 (2011/12 £102,800).
21. The future minimum lease payments due under non-cancellable operating leases in future years are:

	31-Mar-2012 £'000	31-Mar-2013 £'000
Not later than one year	102	57
Later than one year and not later than 5 years	124	72
Later than 5 years	0	0
	226	129

Capital Expenditure

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

	2011/12 £'000	2012/13 £'000
New Buildings & Adaptations	651	1,250
Vehicles (including fitted equipment)	1,246	1,153
IT and Communication Equipment	759	834
Other Equipment	126	178
Total Capital Expenditure	2,782	3,415

23. Capital expenditure was financed as follows:

	2011/12 £'000	2012/13 £'000
Net Borrowing	1,522	2,288
Capital Receipts	0	32
Capital Grant	911	790
Revenue Contributions	349	305
	2,782	3,415

24. Capital Financing Requirement

	2011/12			2012/13		
	Owned £'000	Leased £'000	Total £'000	Owned £'000	Leased £'000	Total £'000
Opening CFR	15,475	318	15,793	15,958	116	16,074
Capital investment						
Operational assets	1,077		1,077	2,783		2,783
Assets not yet Operational	1,705		1,705	632		632
Sources of Finance						
Capital receipts			0	(32)		(32)
Government grants and other contributions	(911)		(911)	(790)		(790)
Sums set aside from Revenue - Direct Revenue Financing	(349)		(349)	(305)		(305)
	1,522	0	1,522	2,288	0	2,288
Sums set aside from Revenue - Minimum Revenue Provision	(1,039)	(202)	(1,241)	(1,182)	(93)	(1,275)
Change in CFR	483	(202)	281	1,106	(93)	1,013
Closing CFR	15,958	116	16,074	17,064	23	17,087
Explanation of movements in year						
Increase in underlying need to borrow: unsupported by government financial assistance	483	n/a		1,106	n/a	
Increase in Capital Financing Requirement	483			1,106		

Capital Commitments

25. At 31 March 2013 the FRA had the following material commitments to capital schemes, for which budget provision has been provided:

- Replacement Malvern Station £0.130m
- Strategic Training Facilities £0.987m

Property, Plant and Equipment

26. Movements in 2012/13

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

27. Comparative Movements in 2011/12

	Land and Buildings £'000	Vehicles Plant, Furniture and Equipment £'000	Surplus Assets £'000	Assets not yet Operational £'000	TOTAL Tangible Assets £'000
Restated Cost or Valuation at 01 April 2011	31,501	17,866	0	238	49,605
Additions	267	757		1,705	2,729
Derecognition - aborted capital project	(12)				(12)
Reclassifications	12	104		(116)	0
Reclassifications - vehicles to surplus assets		(673)	673		0
Reclassifications - to intangible assets				(10)	(10)
Disposals		(722)			(722)
At 31 March 2012	31,768	17,332	673	1,817	51,590
Restated Accumulated					
Depreciation and Impairment at 01 April 2011	(487)	(9,252)	0	0	(9,739)
Reclassification - vehicle transferred to surplus assets		90	(90)		0
Depreciation Charge for 2011-12	(493)	(1,566)	(45)		(2,104)
Derecognition - disposals		698			698
At 31 March 2012	(980)	(10,030)	(135)	0	(11,145)
Balance Sheet amount at 01 April 2011	31,014	8,614	0	238	39,866
Balance Sheet amount at 31 March 2012	30,788	7,302	538	1,817	40,445

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

29. Details of Assets Owned

	31-Mar-12	31-Mar-13
Buildings		
Fire Stations	27	27
Training and Development Centre	1	1
Service Headquarters	1	1
Logistics Facility (Workshop/Stores)	1	1
Houses – in use as offices	5	5
Houses – in use (residential)	3	2
Vacant Fire Station - not yet marketed	1	0
Building temporarily let	1	0
Building temporary storage	0	1

Intangible Assets

30. The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item or Property, Plant and Equipment.

31. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are 5 years.
32. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £110,000 charged to revenue in 2012/13 was charged to the IT cost centre and then absorbed as an overhead in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.
33. The movement on Intangible Asset balances during the year is as follows:

	2011/12 £000	2012/13 £000
Balance at start of year:	151	124
- Gross carrying amount	574	637
- Accumulated amortisation	(423)	(513)
Net carrying amount at start of year	151	124
Additions	53	226
Reclassification	10	173
Disposals	0	(21)
Accumulated amortisation on disposal	0	21
Amortisation for the period	(90)	(110)
Net carrying amount at end of year	124	413
Comprising:		
- Gross carrying amount	637	1,016
- Accumulated amortisation	(513)	(603)
	124	413

Heritage Assets

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

Financial Instruments

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

	31-Mar-12			31-Mar-13		
	Long-term £000	Current £000	Total £000	Long-term £000	Current £000	Total £000
Short Term Deposits						
loans to WCC		6,705	6,705		7,492	7,492
	0	6,705	6,705	0	7,492	7,492
Loans & Receivables						
<i>(at amortized cost)</i>						
Trade Debtors		35	35		48	48
	0	35	35	0	48	48
	0	6,740	6,740	0	7,540	7,540
Financial Liabilities						
<i>(at amortized cost)</i>						
PWLB Borrowing	14,971	0	14,971	14,471	500	14,971
Trade Creditors		2,231	2,231		2,226	2,226
	14,971	2,231	17,202	14,471	2,726	17,197
Other Long Term Liabilities						
Finance Lease Liabilities	23	93	116	0	23	23
	23	93	116	0	23	23

Fair Value of Assets and Liabilities carried at amortised cost

38. Financial liabilities, financial assets represented by loans and receivable and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.
39. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.
40. The Fair Value of the loans at 31 March 2013 was £18.228m (£17.782m at 31 March 2012) as estimated by PWLB by reference to the "premature repayment" set of rates in force on 31 March 2013 (31 March 2012). For all other Financial Assets and Liabilities the Fair Value is equal to the Carrying Value.
41. The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the balance sheet date (new loan rates).

Financial Instruments Gains and Losses

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

	Interest Expense 2011/12 £'000	Interest Income 2011/12 £'000	Interest Expense 2012/13 £'000	Interest Income 2012/13 £'000
Financial Liabilities				
PWLB Borrowing	611		609	
Finance Lease Interest	17		6	
Total	628	0	615	0
Short Term Deposits				
		17		25
	0	17	0	25

Long and Short Term Borrowing

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

	31-Mar-12			31-Mar-13		
	Long Term £'000	Short Term £'000	TOTAL £'000	Long Term £'000	Short Term £'000	TOTAL £'000
Loan Source						
Public Works Loans Board	14,971	0	14,971	14,471	500	14,971
	14,971	0	14,971	14,471	500	14,971
Analysis by Maturity						
Less than 1 year		0	0		500	500
Between 1 and 2 years	500		500	500		500
Between 2 and 5 years	1,834		1,834	2,834		2,834
Between 5 and 10 years	5,226		5,226	5,091		5,091
Over 10 years	7,411		7,411	6,046		6,046
Total of Loans	14,971	0	14,971	14,471	500	14,971
Accrued Interest	93	0	93	96	2	98
Balance Sheet Total	15,064	0	15,064	14,567	502	15,069

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

Financial Instruments – Exposure to Risk

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

Credit Risk

48. Under the Treasury Management SLA, the FRA invests surplus cash with WCC, but in return for receiving an average investment rate based on the Council's portfolio of investments the FRA shares risk in proportion to its value of the total portfolio. Credit risk also arises from credit exposures to the Authority's customers.
49. Amounts invoiced to customers are of relatively low value and are actively pursued by the in-house legal service.
50. The following analysis summarises the FRA's potential maximum exposure to credit risk based on actual experience in terms of deposits and percentage of debt which has been written off as unrecoverable in the last three years in terms of debtors (total £152).

	31-Mar-13 £'000	Written off in last 3 years £'000	Historical Default £'000
Loans to WCC	7,492	0	0%
Customers	48	0	0%
Total	7,540	0	

51. Of the £48,000 due from customers at 31 March 2013 the following table analyses the due dates.

	£'000
Not yet due	44
Less than 1 month overdue	0
1 to 2 months overdue	0
more than 2 months overdue	4
	48

Liquidity Risk

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

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

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

Market Risk

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

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

56. **Inventories**

	Equip & Uniform £'000	Fuel £'000	Vehicle Parts £'000	Total £'000
Balance outstanding at 31 March 2012	81	52	69	202
Purchases	121	176	32	329
Recognised as an expense in the year	(145)	(148)	(33)	(326)
Written off balances			(6)	(6)
Reversals of write-offs in previous years			1	1
Balance outstanding at 31 March 2013	57	80	63	200

57. **Debtors**

	31-Mar-12 £'000	31-Mar-13 £'000
Central Government Bodies	301	386
Other Local Authorities	547	593
NHS	0	0
Public Corporations and Trading Funds	1,184	698
Other entities and individuals	449	526
	2,481	2,203

Cash and Cash Equivalents

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

	31-Mar-12 £'000	31-Mar-13 £'000
Cash held by the Authority	17	17
Bank Current Accounts	0	0
Short term deposits - loans to WCC	6,705	7,492
	6,722	7,509

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

60. **Assets Held for Sale**

	Current	
	2011-12	2012-13
	£000	£000
Balance outstanding at start of year	0	0
Assets newly classified as held for sale:		
Property Plant and Equipment	0	180
Revaluation Losses		(8)
Assets Sold		(39)
Balance outstanding at year-end	0	133

61. Creditors

	31-Mar-12 £'000	31-Mar-13 £'000
Central Government Bodies	537	503
Other Local Authorities	520	601
NHS	0	0
Public Corporations and Trading Funds	0	0
Other entities and individuals	2,504	2,151
	3,561	3,255

Pension Arrangements

62. 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.
63. The Authority participates in four schemes:
- The Firefighters' Pension Scheme (FFPS) (the "1992 Scheme"). This is a statutory un-funded defined benefit final salary scheme and has been closed to new entrants since 6 April 2006.
 - The New Firefighters' Pension Scheme (NFPS) (the "2006 Scheme") – is open to all uniformed staff (except Fire Control) and is also a statutory un-funded defined benefit final salary scheme, with differing benefits.
 - The Firefighters' Compensation Scheme (FFCS) (the Injury Scheme) – another statutory un-funded defined benefit scheme covering existing and new injury pensions.
 - The three Firefighters' schemes are unfunded meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet the actual pensions payments as they eventually fall due. The arrangements are determined by the Department of Communities and Local Government.
 - The Local Government Pension Scheme (LGPS) – subject to qualifying criteria, open to staff not covered by the Firefighters' schemes. This scheme is administered by Worcestershire County Council and is a funded defined benefit final salary scheme. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
64. The retirement benefits are recognised in the Net Cost of Service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax precept is based on the cash payable in the year, (as described in paragraph 65 below) so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement (MiRS).
65. Charges made to the Income and Expenditure Account for council tax precept purposes are as below:
- LGPS – the employer's contribution payable to the Pension Fund.
 - FFPS/NFPS – the notional employer's contribution payable into the Pension Account as explained in Paragraphs 13-14 on page 5 of the Explanatory Forward.
 - FFCS – the actual injury pensions and any RDS ill-health pensions payable.

66. It is estimated that the following contributions will be made to the schemes in 2013/14:

	Employers Contributions £'000	Employees Contributions £'000	TOTAL £'000
Firefighters' Pension Scheme (FFPS)	2,272	1,250	3,522
New Firefighters' Pension Scheme (NFPS)	274	220	494
Local Government Pension Scheme (LGPS)	2,546	1,470	4,016
	633	211	844
	3,179	1,681	4,860

67. Transactions made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement (MiRS) during the year are shown in the tables overleaf:

	LGPS 2012/13 £'000	FFPS 2012/13 £'000	NFPS 2012/13 £'000	FFCS 2012/13 £'000	TOTAL 2012/13 £'000
Income and Expenditure Account					
Net Cost of Services:					
Current Service Cost	608	3,970	1,220	520	6,318
Transfers In			322		322
Curtailment Cost	102				102
Net Operating Expenditure:					
Interest Cost	942	10,420	390	1,170	12,922
Expected Return on Assets in the Scheme	(722)	n/a	n/a	n/a	(722)
Net Charge to the CIES	930	14,390	1,932	1,690	18,942
Actual Amount charged against the General Fund Balance for pensions in the year:					
Employer's contribution payable to scheme	635	1,840	404		2,879
Retirement Benefits payable to Pensioners				677	677
Net Charge to General Fund	635	1,840	404	677	3,556

	LGPS 2011/12 £'000	FFPS 2011/12 Re-stated £'000	NFPS 2011/12 Re-stated £'000	FFCS 2011/12 Re-stated £'000	TOTAL 2011/12 Re-stated £'000
Income and Expenditure Account					
Net Cost of Services:					
Current Service Cost	617	3,770	1,150	470	6,007
Past Service Gain			6		6
Curtailment Cost	22				22
Net Operating Expenditure:					
Interest Cost	939	11,030	320	1,190	13,479
Expected Return on Assets in the Scheme	(792)	n/a	n/a	n/a	(792)
Net Charge to the CIES	786	14,800	1,476	1,660	18,722
Actual Amount charged against the General Fund Balance for pensions in the year:					
Employer's contribution payable to scheme	631	1,940	381		2,952
Retirement Benefits payable to Pensioners				646	646
Net Charge to General Fund	631	1,940	381	646	3,598

Assets and Liabilities in relation to post-employment benefits

68. Reconciliation of the present value of scheme liabilities:

	Funded Liabilities (LGPS) 2012/13 £'000	Un-funded Liabilities (FFPS) 2012/13 £'000	Un-funded Liabilities (NFPS) 2012/13 £'000	Un-funded Liabilities (FFCS) 2012/13 £'000	TOTAL 2012/13 £'000
at 1 April	18,243	213,344	6,978	23,702	262,267
Current Service Cost	608	3,970	1,220	520	6,318
Employee Contributions	232	1,006	315	0	1,553
Transfers In			322		322
Pensions Paid	(390)	(6,330)	(76)	(677)	(7,473)
Curtailments	102				102
Interest on Liabilities	942	10,420	390	1,170	12,922
Actuarial gains and losses	2,366	30,370	2,440	4,340	39,516
at 31 March	22,103	252,780	11,589	29,055	315,527

	Funded Liabilities (LGPS) 2011/12 £'000	Un-funded Liabilities (FFPS) 2011/12 £'000	Un-funded Liabilities (NFPS) 2011/12 £'000	Un-funded Liabilities (FFCS) 2011/12 £'000	TOTAL 2011/12 £'000
at 1 April	16,879	194,462	4,850	20,758	236,949
Current Service Cost	617	3,770	1,150	470	6,007
Employee Contributions	237	973	289	0	1,499
Transfers In			6		6
Pensions Paid	(452)	(6,391)	(7)	(646)	(7,496)
Curtailments	22				22
Interest on Liabilities	939	11,030	320	1,190	13,479
Actuarial gains and losses	1	9,500	370	1,930	11,801
at 31 March	18,243	213,344	6,978	23,702	262,267

Reconciliation of fair value of scheme assets:

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

	Funded Liabilities (LGPS) 2012/13 £'000	Un-funded Liabilities (FFPS) 2012/13 £'000	Un-funded Liabilities (NFPS) 2012/13 £'000	Un-funded Liabilities (FFCS) 2012/13 £'000	TOTAL 2012/13 £'000
at 1 April	11,290	0	0	0	11,290
Actuarial gains and losses on assets	985	3,484	(643)	0	3,826
Employer Contributions	635	1,840	404	677	3,556
Interest on Assets	722				722
Employee Contributions	232	1,006	315		1,553
Benefits Paid	(390)	(6,330)	(76)	(677)	(7,473)
at 31 March	13,474	0	0	0	13,474

	Funded Liabilities (LGPS) 2011/12 £'000	Un-funded Liabilities (FFPS) 2011/12 £'000	Un-funded Liabilities (NFPS) 2011/12 £'000	Un-funded Liabilities (FFCS) 2011/12 £'000	TOTAL 2011/12 £'000
at 1 April	11,111	0	0	0	11,111
Actuarial gains and losses on assets	(1,029)	3,478	(663)	0	1,786
Employer Contributions	631	1,940	381	646	3,598
Interest on Assets	792				792
Employee Contributions	237	973	289	0	1,499
Benefits Paid	(452)	(6,391)	(7)	(646)	(7,496)
at 31 March	11,290	0	0	0	11,290

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

71. Reconciliation of Movements in Net Pensions Liability:

	Funded Liabilities (LGPS) 2012/13 £'000	Un-funded Liabilities (FFPS) 2012/13 £'000	Un-funded Liabilities (NFPS) 2012/13 £'000	Un-funded Liabilities (FFCS) 2012/13 £'000	TOTAL 2012/13 £'000
at 1 April	6,953	213,344	6,978	23,702	250,977
Current Service Cost	608	3,970	1,220	520	6,318
Employer Contributions	(635)	(1,840)	(404)	(677)	(3,556)
Transfers In			322		322
Curtailments	102				102
Interest on Liabilities	942	10,420	390	1,170	12,922
Interest on Assets	(722)				(722)
Net actuarial gains and losses	1,381	26,886	3,083	4,340	35,690
at 31 March	8,629	252,780	11,589	29,055	302,053

	Funded Liabilities (LGPS) 2011/12 £'000	Un-funded Liabilities (FFPS) 2011/12 £'000	Un-funded Liabilities (NFPS) 2011/12 £'000	Un-funded Liabilities (FFCS) 2011/12 £'000	TOTAL 2011/12 £'000
at 1 April	5,768	194,462	4,850	20,758	225,838
Current Service Cost	617	3,770	1,150	470	6,007
Employer Contributions	(631)	(1,940)	(381)	(646)	(3,598)
Transfers In			6		6
Curtailments	22				22
Interest on Liabilities	939	11,030	320	1,190	13,479
Interest on Assets	(792)				(792)
Net actuarial gains and losses	1,030	6,022	1,033	1,930	10,015
at 31 March	6,953	213,344	6,978	23,702	250,977

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

73. Scheme History:

	31-Mar 2009 £'000	31-Mar 2010 £'000	31-Mar 2011 £'000	31-Mar 2012 £'000	31-Mar 2013 £'000
Present value of liabilities:					
LGPS : Local Government Pension Scheme	11,341	17,655	16,879	18,243	22,103
FFPS : Firefighters' 1992 Scheme	147,658	212,108	194,462	213,344	252,780
NFPS : Firefighters' 2006 Scheme	1,490	4,230	4,850	6,978	11,589
FFCS : Firefighters' Injury Scheme	16,711	24,418	20,758	23,702	29,055
	177,200	258,411	236,949	262,267	315,527
Fair value of assets in the LGPS	6,563	10,309	11,111	11,290	13,474
	6,563	10,309	11,111	11,290	13,474
Net Liabilities of the scheme:					
LGPS : Local Government Pension Scheme	4,778	7,346	5,768	6,953	8,629
FFPS : Firefighters' 1992 Scheme	147,658	212,108	194,462	213,344	252,780
NFPS : Firefighters' 2006 Scheme	1,490	4,230	4,850	6,978	11,589
FFCS : Firefighters' Injury Scheme	16,711	24,418	20,758	23,702	29,055
Total	170,637	248,102	225,838	250,977	302,053

74. The liabilities show the underlying commitments that the FRA has in the long run to pay retirement benefits. The total liability of £302.053m has a substantial impact on the net worth of the FRA as recorded in the Balance Sheet, resulting in a negative overall balance of £268.969m.

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

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

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

Basis for Estimating Liabilities

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

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

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

	LGPS 2010/11	FFPS 2010/11	NFPS 2010/11	FFCS 2010/11
Long-term expected rate of return on assets in the scheme				
Equity investments	7.00%	n/a	n/a	n/a
Government Bonds	3.10%	n/a	n/a	n/a
Other Bonds	4.10%	n/a	n/a	n/a
Property	n/a	n/a	n/a	n/a
Cash/liquidity	0.50%	n/a	n/a	n/a
Mortality assumptions:				
Longevity at 65 for current pensioners				
Male	22.1	23.4	23.4	23.4
Female	24.6	25.3	25.3	25.3
Longevity at 65 for future pensioners				
Male	23.5	26.5	26.5	26.5
Female	26.1	28.3	28.3	28.3
Rate of inflation (RPI)	3.60%	3.60%	3.60%	3.60%
Rate of inflation (CPI)	2.60%	2.50%	2.50%	2.50%
Rate of increase in salaries	4.10%	4.70%	4.70%	4.70%
Rate of increase in pensions	2.60%	2.50%	2.50%	2.50%
Rate for discounting scheme liabilities	5.10%	4.90%	4.90%	4.90%
Take-up of option to convert annual pension into retirement lump sum:				
take maximum cash	50%	n/a	75%	n/a
take 3/80ths cash	50%	n/a	25%	n/a

A change in underlying assumptions in the Fire Pension schemes have resulted in actuarial losses of £34.209m in 2012/13, compared to a loss of £8.985m in 2011/12.

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

	31-Mar-12	31-Mar-13
Equities	88.9%	90.8%
Government Bonds	3.2%	0.0%
Other Bonds	4.0%	7.4%
Other Assets	3.9%	1.8%
	100.0%	100.0%

Injury Awards

80. 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.

History of experience gains and losses

81. The actuarial gains identified as movements in the Pension Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013, and are shown in the table below:

Local Government Scheme					
	2008/09	2009/10	2010/11	2011/12	2012/13
Difference between the expected and actual return on assets	-38.50%	-26.40%	-1.00%	-9.10%	7.30%
Experience gains and losses on liabilities	0.00%	0.00%	3.70%	0.00%	10.70%

1992 Firefighters' Pension Scheme					
	2008/09	2009/10	2010/11	2011/12	2012/13
Experience gains and losses on liabilities	1.60%	3.20%	0.70%	0.50%	2.30%

2006 Firefighters' Pension Scheme					
	2008/09	2009/10	2010/11	2011/12	2012/13
Experience gains and losses on liabilities	11.40%	1.70%	5.60%	-0.90%	-8.30%

Firefighters' Injury Scheme					
	2008/09	2009/10	2010/11	2011/12	2012/13
Experience gains and losses on liabilities	2.90%	-9.80%	6.50%	-4.10%	2.0%

Usable Reserves

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

	31-Mar-12 £'000	31-Mar-13 £'000
General Fund	1,399	1,485
Earmarked Reserves	2,744	4,561
Unapplied Grants	2,330	2,709
Capital Receipts Reserve	0	0
	6,473	8,755

83. General Fund Balance

	2011/12 £'000	2012/13 £'000
Balance at 01 April	934	1,399
Transfers from CIES	465	86
Transfers to CIES		
Balance at 31 Mar	1,399	1,485

Earmarked Reserves

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

- **Pensions Reserve** – To meet the potential cost of the Retained Firefighters' national settlement in relation to Unfair Treatment of Part-time Workers.
- **New Fire Control Reserve** – Government has allocated significant capital grant to this project as well as a small revenue grant. The revenue grant will be used to offset specific annual revenue costs over a number of years once the new system is operational.
- **Operational Activity Reserve** – To fund exceptional activity costs arising from spate conditions e.g. prolonged fires in the Malvern Hills or flooding.
- **New Dimensions Reserve** – a consolidation of 3 previous reserves relating to New Dimensions funding which are planned to be used to create additional training facilities and fund exercises.
- **ICP Work-wear Reserve** – To match the budgeted routine replacement of non-PPE work-wear with the charging profile under the national Integrated Clothing Project (ICP). – The majority of this was utilised in 2012/13.
- **YFA Reserve** – Held for the Young Firefighters' Association to smooth annual expenditure.
- **Development Reserve** – To provide funding for capacity building or "invest to save" type initiatives to prepare for future grant reductions.
- **Capital Finance Phasing Reserve** – this arises from savings in capital financing costs as a result of re-phasing of the Major Buildings programme due to delays outside the control of the FRA. This will be used to finance capital expenditure in 2013/14 in accordance with the MTFP.
- **Property Maintenance Reserve** – to be utilised in 2013/14 to complete the programme of station maintenance planned and budgeted in 2012/13.
- **Budget Reduction Reserve** - in expectation of significant future pressures and the restructuring necessary to meet them, a reserve has been created to help smooth the transformation over the next few years. Prudent financial management within year has allowed the balances on the following reserves to be transferred into this Reserve as well.
 - Training
 - Implementation
 - Relocation Reserve
 - Miscellaneous Grants Reserve

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

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

87. The comparative movements for 2011/12 are summarised overleaf:

	Balance at 01-Apr-11 £000	From/(to) Rev 11/12 £000	Re- designate £000	Balance at 31-Mar-12 £000
Pensions Reserve	167	255		422
New Fire Control Reserve	147	120		267
Operational Activity Reserve	300			300
New Dimensions Reserve			710	710
New Dimensions Training Reserve	30		(30)	0
Urban Search & Rescue Reserve	432		(432)	0
New Dimensions HVP/ECU Reserve	248		(248)	0
ICP-Workwear Reserve	60			60
YFA Reserve	0	15		15
	1,384	390	0	1,774
Development Reserve	550	(71)		479
	550	(71)	0	479
Training Reserve	133	98		231
Tax/NI Settlement Reserve	0	100		100
Relocation Reserve	45	47		92
DEFRA Boat Grant Reserve	0	50		50
RDS Implementation Reserve	18			18
	196	295	0	491
	2,130	614	0	2,744

88. Unapplied Grant

	LPSA1 (Worcs) Reward Grant (Capital) £'000	Formula Capital Grant £'000	Control Rooms Funding £'000	CLG E&D Grant £'000	TOTAL £'000
Balance at 31 March 2011	332	0	0	36	368
Grant Received in 2011/12		1,173	1,700		2,873
Financing Capital Expenditure in 2011/12		0	(911)		(911)
Balance at 31 March 2012	332	1,173	789	36	2,330
Grant Received in Year in 2012/13		1,169			1,169
Financing Capital Expenditure in 2012/13	(249)	0	(514)	(27)	(790)
Balance at 31 March 2013	83	2,342	275	9	2,709

89. Capital Receipts

	2011/12 £'000	2012/13 £'000
Balance at 01 April	0	0
Net Proceeds from sale of fixed assets	0	32
Used to Finance capital expenditure	0	(32)
Balance at 31 Mar	0	0

90. Unusable Reserves

	31-Mar-12	31-Mar-13
	£000	£'000
Revaluation Reserve	5,000	5,071
Capital Adjustment Account	19,500	19,390
Pensions Reserve	(250,977)	(302,053)
Collection Fund Adjustment Account	27	28
Accumulated Absences Adjustment Account	(148)	(160)
	(226,598)	(277,724)

Revaluation Reserve

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

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

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

	2011/12	2012/13
	£'000	£'000
Balance at 1 April	5,071	5,000
Upward revaluation of assets		251
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services		(70)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	5,071	5,181
Difference between fair value depreciation and historical cost depreciation	(71)	(99)
Accumulated gains on assets sold		(4)
Amounts written off to the Capital Adjustment Account		(7)
Balance at 31 March	5,000	5,071

Capital Adjustment Account

93. The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

94. The Account contains accumulated gains and losses on Investment Properties and gains recognised as donated assets that have yet to be consumed by the Authority.
95. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.
96. The table below provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2011/12	2012/13
	£'000	£'000
Balance at 1 April	19,159	19,500
Charges for depreciation and impairment of non-current assets	(2,104)	(2,204)
Revaluation (gains)/losses on Property, Plant and Equipment	0	(232)
Amortisation of intangible assets	(90)	(110)
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	(36)	(65)
	16,929	16,889
Adjusting amounts written out to the Revaluation Reserve <i>- difference in depreciation on historical & current cost basis</i>	71	99
	17,000	16,988
<u>Capital financing applied in the year:</u>		
Use of the Capital Receipts Reserve to finance new capital expenditure	0	32
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to to capital financing	911	790
Statutory provision for the financing of capital investment charged against the General Fund balance.	1,241	1,275
Capital expenditure charged against the General Fund balance	348	305
Balance at 31 March	19,500	19,390

Pensions Reserve

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

statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2011/12	2012/13
	£'000	£'000
Balance at 1 April	225,838	250,977
Actuarial gains or losses on pensions assets & liabilities	10,015	35,690
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services the CIES	18,722	18,942
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,598)	(3,556)
Balance at 31 March	250,977	302,053

Collection Fund Adjustment Account

99. The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2011/12	2012/13
	£'000	£'000
Balance at 1 April	42	27
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	(15)	1
Balance at 31 March	27	28

Accumulated Absences Account

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

	2011/12	2012/13
	£'000	£'000
Balance at 1 April	(127)	(148)
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	(21)	(12)
Balance at 31 March	(148)	(160)

Contingent Liabilities

101. On 17th June 2010 FRAs were informed by the NJC that negotiations with representatives of RDS personnel in respect of the Unfair Treatment of Part-Time workers ruling were almost (but are not yet finally) completed. There were two parts to this agreement:

- a. A compensation payment, the costs of which have been accrued in the CIES, and;
 - b. Reversal of the unlawful exclusion of RDS personnel from the Firefighters' Pension Scheme before 2006.
102. On the latter point, no details of this element of the settlement have been given but the costs could be very significant. An earmarked reserve has been created for any actual costs that do arise.

Provisions

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

Retirement Costs Provision

104. The provision was created in 2009/10 to reflect the potential liability arising from the circumstances surrounding the retirement of the then Chief Fire Officer.
105. The additional costs arising from this provision were potentially to be compensated by contributions from the Constituent Authorities, with the intention that they would be taken to general balances to restore their level, which was diminished by the creation of the provision.
106. The movement in the year represents the costs that have been incurred this year, the Constituent Authorities contributions and a transfer back to general reserves through the CIES.
107. The remaining balance will meet the known future costs until they cease in 2015/16.

	2011/12 £'000	2012/13 £'000
Balance at 1 April	294	37
Expenditure incurred in year	(29)	(12)
Contributions from Constituent Authorities	236	
Transfer back to CIES	(464)	
Balance at 31 March	37	25

Redundancy Provision

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

	2011/12 £'000	2012/13 £'000
Balance at 1 April	0	187
Transfer from CIES	187	(187)
Balance at 31 March	187	0

Settlement Provision

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

	2011/12 £'000	2012/13 £'000
Balance at 1 April	0	250
Net expenditure incurred		(132)
Transfer from/(to) CIES	250	(118)
Balance at 31 March	250	0

Clerk Costs Provision

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

	2011/12 £'000	2012/13 £'000
Balance at 1 April	0	0
Transfer from CIES		21
Balance at 31 March	0	21

Specific Government Grants

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

	2011/12 £'000	2012/13 £'000
Flood Rescue National Enhancement Project	50	
Fire Revenue Grant - New Dimensions	1,001	1,003
Fire Revenue Grant - Future Control Rooms	20	
Fire Revenue Grant - Firelink	168	223
Future Control Rooms Funding	100	
New Burdens - Council Tax Reform		27
	1,339	1,253

Cashflow Statement – Operating Activities

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

	2011/12 £'000	2012/13 £'000
Interest Paid	(635)	(610)
Interest Received	17	25
Capital Grants	1,962	379
Proceeds of Sale of Capital Items	11	40
	1,355	(166)

113. Cashflow Statement – Investing Activities

	2011/12 £'000	2012/13 £'000
Purchase of Property, Plant & Equipment	2,417	3,384
Capital Grants received	(1,962)	(378)
Interest Received	(17)	(25)
Proceeds of sales of Property Plant & Equipment - Capital Receipts	0	(32)
Proceeds of sales of Property Plant & Equipment - Other	(11)	(8)
	427	2,941

114. Cashflow Statement – Financing Activities

	2011/12 £'000	2012/13 £'000
Interest Paid	635	610
Principal Payments on Finance Leases	201	93
Long Term Loans Raised	(2,000)	0
Long Term Loans Repaid	1,467	0
	303	703

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

115. The Statement of Accounts contains estimated figures that are based on assumptions made by the FRA about the future or that are otherwise uncertain. Estimates are made based on past experience, current trends and other relevant factors. As some balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.
116. The items in the balance sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are set out below. The list does not include items which are carried at fair value based on recently observed market prices, such as land and buildings, for which the FRA relies on independent advice from specialist valuers.
117. Firefighters on the Retained Duty System have claimed access to the Firefighters' Pension Scheme, and in January 2006, the House of Lords granted a re-hearing at the Firefighters' Employment Tribunal, which declared that retained firefighters were engaged in broadly similar work as wholetime firefighters. There will be potential pension costs to the Fire Authority relating to the financial periods between July 2000 and April 2006, as a large proportion of the Fire Authority's employees are retained firefighters, the number of retained firefighters and cost involved is not yet certain.
118. The Actuaries have provided an assessment of the effect of changes in the assumptions used in estimating the pension and assets included in the Accounts according to the requirements of IAS19.
- There are a range of actuarial assumptions which is acceptable under IAS19, particularly in respect of expected salary increases and demographic factors. The assumptions made are the responsibility of the FRA, after taking advice of the Actuaries. There are risks and uncertainties associated with whatever assumptions are adopted, as the assumptions are effectively projections of future investment returns and demographic experience many years into the future. Inevitably this involves a great deal of uncertainty about what constitutes a "best estimate" under IAS19. The Actuaries interpret this as meaning that the proposed assumptions are neutral, i.e. there is an equal chance of actual experience being better or worse than the assumptions used.

- The assumptions used are largely prescribed and reflect market conditions at 31 March 2013. 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.

119. Approximate increase in Net Liability

Change in financial assumptions 2012/13: Firefighters' Schemes		
	£'000	%
0.5% Decrease in rate of return in excess of earnings	7,336	2.50%
0.5 % Decrease in rate of return in excess of pensions	22,007	7.50%
2 years Increase in Member Life Expectancy	11,737	4.00%

Change in financial assumptions 2012/13 : LGPS		
	£'000	%
0.1% Increase in real discount rate	(444)	-5.21%
0.1% Increase in rate of increase in salaries	453	5.04%
1 Year Increase in Member Life Expectancy	407	4.78%

Property, Plant and Equipment

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

Critical Judgements in Applying Accounting Policies

122. 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:
123. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied. The House of Lords which declared retained firefighters were engaged in broadly similar work as wholetime firefighters and were therefore unlawfully excluded from access to the Firefighters Pension Scheme before 2006. Once a settlement is reached there will be potential pension costs to the Authority relating to the financial periods between July 2000 and April 2006. No details of costs are yet known, but a reserve has been created to meet some of the potential costs.

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

Kings Court EMC Ltd

125. The FRA is a member of Kings Court EMC Ltd, which manages ground maintenance on the common areas of the office site where the Headquarters building is located. The company is one that is limited by guarantee, for which the maximum liability to the FRA is £1. The turnover of the company for 2012/13 was £10,638 (2011/12 £11,790), and the FRA has appointed the Director of Finance and Assets as its director.

SUPPLEMENTARY FINANCIAL STATEMENT

Firefighters' Pension Fund

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

Firefighters' Pension Fund Account

	2011/12 £000	2012/13 £000
Contributions receivable		
Fire & Rescue Authority		
Contributions in relation to pensionable pay	(2,224)	(2,213)
Other	(98)	(31)
Firefighters' Contributions	(1,262)	(1,321)
	(3,584)	(3,565)
Transfers in from other schemes	(6)	(322)
Benefits Payable		
Pensions	5,499	5,777
Commutations & lump sum retirement benefits	899	570
Lump sum death benefits	1	59
Payments to and on account of leavers		
Transfers out to other schemes	0	10
Net amount payable for the year	2,809	2,529
Top-up grant payable by government	(2,809)	(2,529)
	0	0

Firefighters' Pension Fund Statement of Net Assets

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

	31-Mar-12 £000	31-Mar-13 £000
Current Assets		
Debtors		
Employer Contributions Due	92	96
Employee Contributions Due	53	58
Other	4	
Top Up receivable from the government	563	56
Prepayments		
Pensions paid in advance	471	489
Creditor		
Amounts due to General Fund	(1,183)	(699)
	0	0

ANNUAL GOVERNANCE STATEMENT 2012/13

To be supplied on completion of the Audit

ANNUAL GOVERNANCE STATEMENT Page 3

To be supplied on completion of the Audit

GLOSSARY OF TERMS

Accruals

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

BVACoP

This is an abbreviation given for the Best Value Accounting 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.

Capital Adjustment Account

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

Capital Expenditure

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

Capital Receipts

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

The principal accountancy body dealing with local government finance.

Creditors

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

DCLG/CLG

Department of Communities and Local Government. The Government department that was responsible for aspects of Local Authority and Fire and Rescue Authority activity in 2010/11 and 2011/12.

Debtors

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

Depreciation

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

Fair Value

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

Fixed Assets

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

FRA

The Fire and Rescue Authority

FRS

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

GAD

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

ICP – Integrated Clothing Project

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

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

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

Impairment

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

Intangible Assets

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

LASAAC

The Local Authority (Scotland) Accounts Advisory Committee.

Long Term Borrowing

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

Operational Leasing

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

Provision

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

Reserve

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

Revenue Expenditure and Income

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

SORP

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

Unapplied Capital Grant

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

USAR (Urban Search and Rescue)

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

Report of the Monitoring Officer

8. Draft Annual Governance Statement 2012/13

Purpose of report

1. To put forward the Draft Annual Governance Statement 2012/13 for approval.
-

Recommendations

It is recommended that the Draft Annual Governance Statement 2012/13 be approved.

Introduction and Background

2. 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.
3. The Accounts and Audit (England) Regulations 2011 require that the Fire and Rescue Authority reviews its arrangements for governance and systems of internal control at least on an annual basis. To meet this requirement, the operation of the Authority's governance arrangements is subject to an annual self assessment against the CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) framework.
4. The annual self assessment review sets out the evidence of how the Authority has performed against the CIPFA/SOLACE framework and identifies any actions that are needed for the forthcoming year. Following the review the Authority is required to develop its Annual Governance Statement which must be published alongside the Statement of Accounts by 30 September.

Annual Governance Statement

5. The Annual Governance Statement is essentially a summary of the governance arrangements of which Members are familiar. It reports publicly on the extent to which the Authority's governance arrangements have met the values, principles and best practice, as set out in the Authority's Code of Corporate Governance. Likewise, should the Authority have any significant governance weaknesses these will also be disclosed publicly within the Annual Governance Statement.

6. The Annual Governance Statement is a backward looking document which refers to the governance arrangements in place for the year ended 31 March 2013 and up to the date of the approval of the Statement of Accounts i.e. 26 September 2013. The draft Annual Governance Statement is attached at Appendix 1.
7. It includes how the Authority has monitored the effectiveness of its governance arrangements, setting out any planned changes for the current period and sets out to:
 - Identify the Authority's obligations and objectives;
 - Identify tasks to achieve those objectives;
 - Establish controls to manage risks; and
 - Ensure the controls are working effectively.
8. The Annual Governance Statement is audited by the Internal Auditors and by the External Auditors who examine it as part of their Annual Governance Audit, which is reported elsewhere on the agenda for this meeting.
9. In addition to the Annual Governance Statement, the Authority is now required to publish an Annual Statement of Assurance, as required by the revised Fire and Rescue National Framework that was published by Government in July 2012. The Annual Statement of Assurance is reported elsewhere on the agenda for this meeting.

Self- Assessment

10. The evidence compiled during the self assessment review forms the assurances that sit behind the Annual Governance Statement and is attached at Appendix 2. The self assessment document also includes an Action Plan for 2013/14 to incorporate any areas that need to be developed in the forthcoming year. The progress on 2013/14 actions will be reported to this Committee at its meeting in January 2014.
11. The self assessment uses the CIPFA/SOLACE Framework that sets out 55 requirements for the Authority to meet. Officers have assessed existing arrangements and documents against these requirements and a 'traffic light' system has been used to indicate at a glance how the Authority complies with each requirement. This ranges from green to indicate that the requirement has been fulfilled to red indicating the requirement has not been reached and immediate action needs to be taken.

12. Members will note from the Action Plan that the Authority has provided evidence of compliance with all the core and supporting principles of good governance. The results of the self-assessment show that the Authority has fully complied with 46 out of 55 requirements. The remaining 9 areas are amber indicating that the Authority complies with the requirements but some documents and arrangements are due for further review. There are no areas where immediate action is required. This is an improvement on the 2011/12 self-assessment where there were 12 amber areas. Areas that have changed from green to amber are due to the implementation of the following actions:
- a Deputy Monitoring Officer is now in place; and
 - a new Standards regime has been implemented due to the changes required under the Localism Act 2011.
13. In addition, the Direction of Travel has been included in the Action Plan to illustrate where the Authority has improved its governance arrangements or where compliance with the CIPFA/SOLACE requirements may have declined. In summary, the Direction of Travel has improved in 11 areas and remained the same for 44 of the requirements. There are no areas where compliance has declined.
14. The Direction of Travel has improved due to:
- the 'After the Incident' surveys being undertaken and the end of year report being published;
 - an 'in-house' Head of Legal/Monitoring Officer in post from 1 August 2012;
 - a Deputy Monitoring Officer now appointed; and
 - a Review of the Confidential Reporting (Whistleblowing) Policy being undertaken.
15. In addition, further assurances are included at Appendix 3. These assurances relate to the expanded requirements from the Chief Financial Officer Statement as reflected in the local Code of Corporate Governance.

Conclusion/Summary

16. The Committee has delegated responsibility to approve the Annual Governance Statement which will accompany the Statement of Accounts that will be published by the end of September. The draft Annual Governance Statement is attached together with the relevant assurances and action plan for consideration.

Corporate Considerations

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

Supporting Information

Appendix 1 – Annual Governance Statement

Appendix 2 – Annual Governance Statement Assurances and 2013/14 Action Plan

Appendix 3 – Chief Financial Officer Statement

Background papers:

Accounts and Audit (England) Regulations 2011

CIPFA/SOLACE Framework

Hereford & Worcester Fire Authority Code of Corporate Governance

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DRAFT ANNUAL GOVERNANCE STATEMENT 2012/13

1. Scope of Responsibility

- 1.1 The Fire and Rescue Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Authority is also responsible for ensuring that proper arrangements exist for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained throughout the year and that includes arrangements for the management of risk.
- 1.3 This Annual Governance Statement explains how the Authority has complied with these requirements and also the requirements of regulation 4(2) (3) and (4) of the Accounts and Audit Regulations 2011
- 1.4 The Authority has approved and adopted a Code of Corporate Governance, which is consistent of the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the code is available at our website www.hwfire.org.uk or may be obtained from Hereford & Worcester Fire and Rescue Service Headquarters, 2 Kings Court, Charles Hastings Way, Worcester.WR5 1JR.

2. The Purpose of the Governance Framework

- 2.1 The governance framework is essentially the systems and processes, and culture and values by which the Authority is directed and controlled. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services, including achieving value for money.
- 2.2 The system of internal control is designed to manage risk to a reasonable level (rather than to eliminate all risk) to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives. It evaluates the likelihood of those risks being realised and the subsequent impact should they be realised and to ensure they are managed efficiently, effectively and economically. The Authority has always maintained a sound system to protect against risks and mitigate their impact. The systems are constantly being reviewed and updated.
- 2.3 The governance framework was in place at the Authority for the year ended 31 March 2013 and up to the date of approval of the Statement of Accounts. A new Constitution was adopted by the Authority on 18 June 2013 and was therefore in place when the Statement of Accounts was approved.
- 2.4 The Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

3. Key Elements of the Governance Framework

- 3.1 This section of the Annual Governance Statement describes the key elements of the systems and processes that comprise the Authority's governance arrangements.

Corporate Governance Framework

- 3.2 The Authority has a robust process for establishing priorities using a risk based approach. The Authority has adopted an Authority Plan which is reviewed annually and sets out the Authority's vision and intended outcomes along with an Integrated Risk Management Plan (IRMP) which reviews the Authority's aspirations and implications for its governance arrangements.
- 3.3 A Performance Management Framework is in place which measures the quality of service for users ensuring that it is delivered in accordance with the Authority's objectives and best use of resources. The Performance Management regime is now well-established and provides relevant information to Officers and Members on the achievement of corporate objectives throughout the year.
- 3.4 An Integrated Personal Development Review, allied to the Performance Management Framework is in place and designed to identify the development of senior officers in relation to their strategic roles supported by appropriate training.
- 3.5 As part of our decision making process, procedures are in place for ensuring that technical advice is required from professional officers ensuring compliance with relevant laws, regulations, internal policies and procedures and that expenditure is lawful. The Authority now employs its own Head of Legal who is a member of the Senior Management Board and acts as Monitoring Officer to the Authority, providing 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.
- 3.6 The Authority's constitution defines and documents roles and responsibilities of the Authority's committees and incorporates:
- Standing Orders for the Conduct of Business
 - Scheme of Delegations to Officers
 - Financial Regulations
 - Standing Orders for the Regulation of Contracts
 - Anti-Fraud and Corruption Policy
 - Protocol for Member / Officer Relations
 - Protocol on the Use of Resources by Members
- 3.7 The constitution is overseen and reviewed by the Monitoring Officer, who recommends any changes for consideration by the Audit & Standards Committee prior to Authority approval.
- 3.8 Authority Members are supported through a range of seminars, events and information sharing to enable them to fulfil their role as effective decision-makers.. A Member Development Group is in place to provide a steer on the annual training programme and which provides updates to the Authority's Audit & Standards Committee.

Internal Control Framework

- 3.9 The Authority's Audit & Standards Committee was in place in 2012/13 as identified in CIPFA's Audit Committees Practical Guidance for Local Authorities. The functions of the Committee in relation to internal control included the review of arrangements for identifying and managing the Authority's business risks, consideration of the Authority's governance framework and the approval of policies in respect of Confidential Reporting (Whistleblowing) and Anti-Fraud and Corruption.
- 3.10 A Risk Management Strategy, approved by the Audit & Standards Committee, is in place to ensure that the Authority identifies strategic risks and applies the most cost effective control mechanisms to manage those risks. A Business Continuity Plan is in place which incorporates the risk management system.
- 3.11 The Strategic Risk Register identifies controls to mitigate inherent identified risks and is monitored and updated on an on-going basis with exception reporting to the Senior Management Board and to the Audit & Standards Committee. Departmental Risk Registers are also reviewed on a quarterly basis throughout the year.
- 3.12 A Confidential Reporting (Whistle Blowing) Policy and a Complaints Procedure are in place for receiving and investigating complaints from the public and staff. The Confidential Reporting (Whistle Blowing) Policy and the Complaints Procedure were both reviewed in 2012/13 to ensure their continued effectiveness.
- 3.13 Under the Localism Act 2011, there is no longer a national mandatory Code of Conduct model and local authorities now have discretion to adopt their own local Code of Conduct for Members. On 19 July 2012, the Authority approved a Local Code of Conduct to promote high standards of ethics and behaviour that is shared with Worcestershire Councils.
- 3.14 The Authority has agreed that training on the Code of Conduct for Authority Members is mandatory. Members receive training on the Code of Conduct at their Constituent Authorities and their attendance is monitored. The Monitoring Officer received no complaints regarding member conduct in 2012/13.
- 3.15 Although the Authority was no longer required to have a Standards Committee under the Localism Act 2011 it established one in July 2012 as an ordinary committee of the Authority to ensure that high standards of ethical conduct are maintained by Members. In addition, the Localism Act 2011 requires the Authority to appoint at least one 'Independent Person' who must be consulted by the Authority in respect of any complaint regarding a potential breach of the Code. To meet this requirement, the Authority has participated with Worcestershire County Council in the recruitment of a county-wide pool of Independent Persons who may be called upon by the Monitoring Officer where necessary.
- 3.16 An Ethical Framework and Code of Conduct are also in place for all staff and familiarisation on the framework is included in the local induction. Following a refresh of the Ethical Framework in 2012/13, training has been rolled out to all staff.

- 3.17 The Authority is compliant with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). This role is undertaken by the Director of Finance and Assets / Treasurer who 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.
- 3.18 The Chief Financial Officer (Treasurer) has a delegated duty to review the Authority's controls to prevent and detect fraudulent activity and reports to the Audit & Standards Committee on an annual basis with regards to the National Fraud Initiative. In, addition, the Treasurer has a delegated responsibility for maintaining or procuring an adequate and effective internal audit of the activities of the Authority under the Accounts and Audit (England) Regulations 2011. In 2012/13 Worcestershire Internal Audit Shared Service Audit Team was appointed to provide the internal audit function for the Authority.
- 3.19 The role of the Chief Financial Officer (Treasurer) is discharged through:
- Provision of advice and support on application of accounting policies and procedures and adherence to International Financial Reporting Standards
 - Attendance by the Treasurer at the following statutory meetings held with Fire Authority Members:
 - Fire and Rescue Authority;
 - Policy & Resources Committee;
 - Audit & Standards Committee
 - Independent meetings with the Chairman of Audit & Standards Committee
- 3.20 The Chief Financial Officer (Treasurer) is a member of the Senior Management Board and also has direct control over the Authority's Finance Team.

Identifying and Communicating the Authority's Vision

- 3.21 The Authority has published its corporate plan (the Authority Plan) which incorporates the future outlook and objectives for the forthcoming year in addition to performance over the previous year. Full details of these plans are published on the website www.hwfire.org.uk
- 3.22 The annual performance of the Authority and the future objectives of the organisation are also set out in the information about how council tax is spent, which is also published on the website.

4. Review of Effectiveness

- 4.1 The Authority, through its Audit & Standards Committee has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by senior managers who have responsibility for the development and maintenance of the governance environment, Internal Audit and also by comments made by the external auditors, other review agencies and inspectorates.

- 4.2 As part of the process to develop the Annual Governance Statement, the Authority's Audit & Standards Committee has considered the self-assessment review of its Code of Corporate Governance. The outputs of the review and updates on the progress of identified improvement actions have been reported to the Audit & Standards Committee to ensure that the governance framework is working correctly and is relevant to the current environment.
- 4.3 The process of reviewing key financial systems by the Internal Audit provider is a continuous one. None of the work that Worcestershire Internal Audit Shared Service Audit Team carried out in support of the 2012/13 audit plan identified any significant control weaknesses.
- 4.4 There were no major weaknesses identified in the 2012/13 financial year.
- 4.5 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.
- 4.6 The Responsible 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.
- 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.

Signatures on original copy

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**Chief Fire Officer/Chief Executive Chairman of the Fire and
Rescue Authority**

Date: 26 September 2013

Annual Governance Statement Assurances and Action Plan - Updated August 2013

Appendix 2

Key: Red=action needed, Amber=minor actions needed, required Green=no action required No change= → Improvements made=↑

1. Core Principle: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area					
Supporting Principle	Requirement for FRA	Evidence of compliance	Red/ Amber /Green	Proposed 2013/14 Actions	Progress on Actions
1. Exercising strategic leadership by developing and clearly communicating the Authority's purpose, vision and its intended outcome for citizens and service users.	a. Develop and promote the Authority's purpose and vision.	<ul style="list-style-type: none"> Authority Plan Media & Communications Strategy Our Strategy 	→		
	b. Review on a regular basis the Authority's vision for the local area and its implications for the Authority's governance arrangements.	<ul style="list-style-type: none"> IRMP Consultation 2012/13 Fire Cover Review Code of Corporate Governance Head of Legal / Monitoring Officer reviews governance arrangements 	→		
	c. Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners.	<ul style="list-style-type: none"> Local Strategic Partnership agreements Memorandums of Understanding i.e. Shropshire Fire Control Project 	→		
	d. Publish an annual report on a timely basis to communicate the Authority's activities and achievements, its financial position and performance.	<ul style="list-style-type: none"> Authority Plan Statement of Accounts Council Tax information on website 	→		

Supporting Principle	Requirement for FRA	Evidence of compliance	Red/ Amber /Green	Proposed 2013/14 Actions	Progress on Actions
2. Ensuring that users receive a high quality of service whether directly, or in partnership or by commissioning.	a. Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available.	<ul style="list-style-type: none"> Joint Citizen's Panel (Viewpoint) IRMP Consultation 2012/13 Complaints Procedure Performance Management Framework Medium Term Financial Strategy After the Incident Surveys and end of year report 2012/13 undertaken 	↑	Further development regarding consultation to be undertaken as part of the CRMP 2020	
	b. Put in place effective arrangements to identify and deal with failure in service delivery.	<ul style="list-style-type: none"> Risk Management Strategy approved by Audit Committee 16.1.13 Strategic Risk Register Business Continuity Strategy and Policy Urgent Decisions Procedure 	→		
3. Ensuring that the Authority makes the best use of resources and that tax payers and service users receive excellent value for money.	a. Decide how value for money is to be measured and make sure that the Authority or partnership has the information needed to review value for money and performance effectively.	<ul style="list-style-type: none"> Medium Term Financial Strategy Annual Audit Letter Performance Management Framework Procurement Strategy West Midlands Contractor Framework Standing Orders for Regulation of Contracts FRA reports Quarterly performance and quarterly budget monitoring reported to Policy & Resources Committee 	→	Standing Orders for Regulation of Contracts to be reviewed	

2. Core Principle: Members and officers working together to achieve a common purpose with clearly defined functions and roles					
Supporting Principle	Requirement for FRA	Evidence of compliance	Red/ Amber /Green	Proposed 2013/14 Actions	Progress on Actions
<p>1. Ensuring effective leadership throughout the Authority and being clear about executive and non-executive functions of the roles and responsibilities of the scrutiny function.</p> <p>Note: the FRA has not adopted an Executive Model</p>	<p>a. Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the Authority's approach towards putting this into practice.</p> <p>b. Set out a clear statement of the respective roles and responsibilities of other Authority Members, members generally, senior officers and of the leadership team and its members individually.</p>	<ul style="list-style-type: none"> • Members' Role Description • Members' Induction Session and Pack • Members' Directory • Members' Seminar – Role of the FRA Member • Senior Management Board Terms of Reference and Membership • Senior Management Job Descriptions 	→		
<p>2. Ensuring that a constructive working relationship exists between Elected Members and officers and that responsibilities of Authority Members and officers are carried out to a high standard.</p>	<p>a. Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the Authority taking account of relevant legislation and ensure that it is monitored and updated when required.</p>	<ul style="list-style-type: none"> • Scheme of Delegations to Officers • Committee Structure and Terms of Reference • Standing Orders • Protocol for Member/Officer Relations • In house Head of Legal / Monitoring Officer in place from 1 August 2012 to ensure the Scheme of Delegation is monitored and to propose changes to the Authority where necessary 	↑		

Supporting Principle	Requirement for FRA	Evidence of compliance	Red/ Amber /Green	Proposed 2013/14 Actions	Progress on Actions
	b. Make a Chief Executive of equivalent responsible and accountable to the Authority for all aspects of operational management.	<ul style="list-style-type: none"> • Scheme of Delegations to Officers • Senior Management Board Terms of Reference and Membership 	→		
	c. Develop protocols to ensure that the leader and chief executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.	<ul style="list-style-type: none"> • Informal protocols • Performance appraisal process for statutory officers • Minutes of CFO meetings with Chairman and Group Leaders 	→	Performance Appraisal processes for statutory officers to be further developed	
	d. Make the Chief Financial Officer responsible to the Authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.	<ul style="list-style-type: none"> • Director of Finance & Assets appointed as S151 Officer (Treasurer) • Appointments Committee 25.1.12 • FRA 15.2.12 • Audit Committee 26.5.10 • Audit Commission Annual Audit Letter • Budget Holders Meetings and Surgeries 	→		
	e. Make a senior officer (usually the Monitoring Officer) responsible to the Authority for ensuring agreed procedures are followed and that all applicable statutes and regulations are complied with.	<ul style="list-style-type: none"> • Monitoring Officer Role Description • In house Monitoring Officer appointed by FRA commenced post 1 August 2012 • Deputy Monitoring Officer in place 	↑		

Supporting Principle	Requirement for FRA	Evidence of compliance	Red/ Amber /Green	Proposed 2013/14 Actions	Progress on Actions
3. Ensuring relationships between the Authority, its partners and the public are clear so that each know what to expect of each other.	a. Develop protocols to ensure effective communication between Members and officers in their respective roles.	Protocol for Member/Officer relations	→		
	b. Set out the terms and conditions for remuneration of Members and officers and an effective structure for managing the process including an effective remuneration panel.	<ul style="list-style-type: none"> • Members' Allowances Scheme • Constituent Authorities' Independent Remuneration Panels • Pay Policy Statement for Officers 	→		
	c. Ensure that effective mechanisms exist to monitor service delivery.	<ul style="list-style-type: none"> • Performance Management Framework • Senior Officer appraisals • Quarterly performance reports to Policy & Resources Committee • Complaints process • Quality assurance audits 	→		
	d. Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms and in consultation with the local community and other key stakeholders and that they are clearly articulated and disseminated.	<ul style="list-style-type: none"> • IRMP Consultation 2012/13 • Media & Communications Strategy • Our Strategy 	→	Further development regarding consultation to be undertaken as part of the CRMP 2020	

Supporting Principle	Requirement for FRA	Evidence of compliance	Red/ Amber /Green	Proposed 2013/14 Actions	Progress on Actions
	e. When working in partnership ensure that Members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Authority	<ul style="list-style-type: none"> Partnership Board Terms of Reference 	→		
	f. When working in partnership: <ul style="list-style-type: none"> Ensure that there is clarity about the legal status of the partnership. Ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions. 	<ul style="list-style-type: none"> Potential strategic partnerships considered by Authority e.g. Property Special Purpose Vehicle – Policy & Resources Committee 27.3.13 In house Head of Legal from 1 August 2012 	↑		

3. Core Principle: Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour					
Supporting Principle	Requirement for FRA	Evidence of compliance	Red/ Amber /Green	Proposed 2013/14 Actions	Progress on Actions
1. Ensuring Authority Members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	a. Ensure that the Authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect.	<ul style="list-style-type: none"> • Leadership Strategy • SMB Sharepoint Site • Ask the Chief Facility • SMB Seminars • SMB Visits to Stations and Departments • Standards Committee • Authority Member Role Description 	→		
	b. Ensure that standards of conduct and personal behaviour expected of Members and staff, of work between Members and staff and between the Authority, its partners and the community are defined and communicated through codes of conduct and protocols.	<ul style="list-style-type: none"> • Code of Conduct • Member Training on Code of Conduct by Councils monitored • Ethical Framework • Member/Officer Protocol • Equality Scheme • Disciplinary Policy • Capability Policy • Bullying and Harassment Policy • Anti-Fraud and Corruption Policy 	→	Anti-Fraud and Corruption Policy to be reviewed	

Supporting Principle	Requirement for FRA	Evidence of compliance	Red/ Amber /Green	Proposed 2013/14 Actions	Progress on Actions
	c. Put in place arrangements to ensure that Members and employees of the Authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.	<ul style="list-style-type: none"> Whistleblowing Policy National Fraud Initiative Gifts and Hospitality Register for Members and Staff Financial Regulations Members Registers Regulation of Contracts 	↑	Financial Regulations and Standing Orders for Regulation of Contracts to be reviewed	Review of Whistleblowing Policy undertaken in March 2013 by Head of Legal Monitoring Officer and considered by Audit Committee on 17 April 2013.
2. Ensuring that organisational values are put into practice and are effective.	a. Develop and maintain shared values including leadership values both for the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners.	<ul style="list-style-type: none"> Ethical Framework Codes of Conduct Authority Plan Leadership Scheme Media & Communications Strategy IRMP Consultation 2012/13 	→		
	b. Put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.	<ul style="list-style-type: none"> Equality & Diversity Scheme Equality Impact Assessments Equality & Diversity Performance Indicators reported annually to Policy & Resources Committee Whistleblowing Policy 	→		

Supporting Principle	Requirement for FRA	Evidence of compliance	Red/ Amber /Green	Proposed 2013/14 Actions	Progress on Actions
	c. Develop and maintain an effective standards committee.	<ul style="list-style-type: none"> Standards Committee in place Independent Persons in place Monitoring Officer in place as lead officer for Standards Committee 	→		
	d. Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority.	<ul style="list-style-type: none"> Authority Plan Our Strategy 	→		
	e. In pursuing the visions of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.	<ul style="list-style-type: none"> Shared values with Herefordshire and Worcestershire Community Safety strategies 	→		

4. Core Principle: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk					
Supporting Principle	Requirement for FRA	Evidence of compliance	Red/ Amber /Green	Proposed 2013/14 Actions	Progress on Actions
1. Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.	a. Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the Authority's performance overall.	<ul style="list-style-type: none"> Audit Committee Internal Audit reports considered by Audit Committee Policy & Resources Committee scrutinises performance Audit Committee Training 9.5.12, 29.6.12 	→		
	b. Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.	<ul style="list-style-type: none"> Committee structure FRA agenda papers, reports, minutes published Standard FRA report template includes corporate governance considerations for Members Scheme of Delegation 	→		
	c. Put in place arrangements to safeguard against conflicts of interest on behalf of members and employees and put in place appropriate processes to ensure that they continue to operate in practice.	<ul style="list-style-type: none"> In house Monitoring Officer in place from 1 August 2012 Code of Conduct Members' Registers of Interest – annual prompt for Members to review their registers Gifts and Hospitality Registers 	↑		

Supporting Principle	Requirement for FRA	Evidence of compliance	Red/ Amber /Green	Proposed 2013/14 Actions	Progress on Actions
Note: the FRA has not adopted an Executive Model	d. Develop and maintain an effective Audit Committee which is independent of the executive and scrutiny functions or make appropriate arrangements for the discharge of the functions of such a committee.	<ul style="list-style-type: none"> Audit Committee Treasurer is a lead officer for Audit Committee Audit Committee training 9.5.12, 29.6.12) 	→		
	e. Put in place effective transparent and accessible arrangements for dealing with complaints.	<ul style="list-style-type: none"> Complaints Process Complaints Process for alleged breaches of the Code of Conduct Public Questions 	→		

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

Supporting Principle	Requirement for FRA	Evidence of compliance	Red/ Amber /Green	Proposed 2013/14 Actions	Progress on Actions
3. Ensuring that an effective risk management system is in place.	a. Ensure that risk management is embedded into the culture of the Authority, with members and managers at all levels recognising that risk management is part of their job.	<ul style="list-style-type: none"> • Strategic Risk Register • Audit Committee Terms of Reference • FRA Standard Report Template requires any risk issues to be set out • Risk Management Strategy approved by Audit Committee 16.1.13 • Audit Commission – Annual Governance Audit • Internal Audit • Financial Regulations • Technology One Finance System 	→		
	b. Ensure that effective arrangements for whistleblowing are in place to which staff and all those contracting with the authority have access.	<ul style="list-style-type: none"> • Whistleblowing Policy 	↑		Review of Whistleblowing Policy undertaken in March 2013 by Head of Legal Monitoring Officer and considered by Audit Committee on 17 April 2013.
4. Using their legal powers to the full benefit of the citizens and communities in their area.	a. Actively recognise the limits of lawful activity placed on them by eg the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities.	<ul style="list-style-type: none"> • Standing Orders • In-house Head of Legal / Monitoring Officer from 1 August 2012 • Statutory Provisions 	↑		

Supporting Principle	Requirement for FRA	Evidence of compliance	Red/ Amber /Green	Proposed 2013/14 Actions	Progress on Actions
	b. Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law.	<ul style="list-style-type: none"> • Standing Orders • In-house Head of Legal / Monitoring Officer from 1 August 2012 • Statutory Provisions 	↑		
	c. Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice into their procedures and decision making processes.	<ul style="list-style-type: none"> • Standing Orders • In-house Head of Legal / Monitoring Officer from 1 August 2012 • Statutory Provisions • Members Induction • FRA and Committee reports require any legal issues to be set out 	↑		

5. Core Principle: Developing the capacity and capability of Members and officers to be effective					
Supporting Principle	Requirement for FRA	Evidence of compliance	Red/ Amber /Green	Proposed 2013/14 Actions	Progress on Actions
1. Making sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.	a. Provide induction programmes tailored to individual needs and opportunities for Members and officers to update their knowledge on a regular basis.	<ul style="list-style-type: none"> • Members Induction • Members Seminars • Members Visits to stations • Members Bulletin • Member Development Champions • Annual Members Development Survey • SMB Workshops • Conference attendance 	→		
	b. Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Authority.	<ul style="list-style-type: none"> • Head of Paid Service, Treasurer and Monitoring Officer appointed by Authority 	→		
2. Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.	a. Assess the skills required by Members, officers and managers and make a commitment to develop those skills to enable roles to be carried out effectively.	<ul style="list-style-type: none"> • Staff appraisals • Member Development Champions evaluate member training • Member Training provided by constituent authorities • SMB Leadership Review • Member Induction • Financial Seminars for Members 	→		

Supporting Principle	Requirement for FRA	Evidence of compliance	Red/ Amber /Green	Proposed 2013/14 Actions	Progress on Actions
	b. Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.	<ul style="list-style-type: none"> SMB Workshops Member Workshops 	→	Governance Awareness Sessions to be provided to Managers	To be incorporated at future Middle Management, Group Commander and Station Commander meetings
	c. Ensure that arrangements are in place for reviewing the performance of the executive as a whole and of individual Members	<ul style="list-style-type: none"> SMB Leadership Review 	→		
3. Encouraging new talent for membership of the Authority so that best use can be made of resources in balancing continuity and renewal	a. Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Authority.	<ul style="list-style-type: none"> Recruitment and Selection Training for Members 18.4.12 Equality & Diversity Scheme Equality Impact Assessments Media & Communications Strategy 	→	Further development regarding consultation to be undertaken as part of the CRMP 2020	
	b. Ensure that career structures are in place for Members and officers to encourage participation and development.	<ul style="list-style-type: none"> People Strategy 2009-2012 Assessment centres for uniformed staff Career structure for uniformed and non-uniformed staff 	→		

6. Core Principle: Engaging with local people and other stakeholders to ensure robust public accountability					
Supporting Principle	Requirement for FRA	Evidence of compliance	Red/ Amber /Green	Proposed 2013/14 Actions	Progress on Actions
1. Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders including partnerships, and develops constructive accountability relationships.	a. Make clear to themselves, all staff and the community, to whom they are accountable and for what.	<ul style="list-style-type: none"> • Authority Plan • IRMP Process • Publication Scheme • Media & Communications Strategy • Committee Structure and Terms of Reference • Meetings Schedule • Scheme of Delegation 	→		
	b. Consider those institutional stakeholders to whom they are accountable and assess the effectiveness of the relationships and any changes required.	<ul style="list-style-type: none"> • Authority Plan 	→		
Note: the FRA has not adopted an Executive Model	c. Produce an annual report on the activity of the scrutiny function.	<ul style="list-style-type: none"> • Reports from Committees submitted to FRA 	→		

Supporting Principle	Requirement for FRA	Evidence of compliance	Red/ Amber /Green	Proposed 2013/14 Actions	Progress on Actions
2. Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Authority or in partnership.	a. Ensure clear channels of communication are in place with all sections of the community and other stakeholders including monitoring arrangements and ensure that they operate effectively.	<ul style="list-style-type: none"> • After the Incident Surveys implemented and end of year report 2012/13 undertaken • Media & Communications Strategy • IRMP Consultation 2012/13 • Station Open Days and partner events 	↑	Further development regarding consultation to be undertaken as part of the CRMP 2020	
	b. Ensure that arrangements are in place to enable the Authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.	<ul style="list-style-type: none"> • Equality & Diversity Scheme • Media & Communications Strategy • Procedure for Public Questions to be asked at Authority meetings 	→		

Supporting Principle	Requirement for FRA	Evidence of compliance	Red/ Amber /Green	Proposed 2013/14 Actions	Progress on Actions
	c. Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and Service users including a feedback mechanism for those consultees to demonstrate what has changed as a result.	<ul style="list-style-type: none"> IRMP Consultation 2012/13 	→	Further development regarding consultation to be undertaken as part of the CRMP 2020	
	d. On an annual basis, publish a performance plan giving information on the Authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of Service users in the previous period.	<ul style="list-style-type: none"> Authority Plan Council Tax information on website 	→		

Supporting Principle	Requirement for FRA	Evidence of compliance	Red/ Amber /Green	Proposed 2013/14 Actions	Progress on Actions
	e. Ensure that the Authority as a whole is open and accessible to the community, Service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.	<ul style="list-style-type: none"> • Media & Communications Strategy • Service website – your right to know • Publication Scheme • Freedom of Information requests process • Authority meetings held in public • Open Days and partner events • Complaints process • Service Bulletin – CFO updates and reports of FRA decisions 	→		
3. Making best use of human resources by taking an active and planned approach to meet responsibility to staff.	a. Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.	<ul style="list-style-type: none"> • Joint Consultative Committee – meetings reported to Policy & Resources Committee • SPI process -consultation with Unions • FRA standard reports – consultation with Unions must be stated 	→		

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

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

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

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

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

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

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

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

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

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

Report of the Treasurer

9. Internal Audit Draft 2013/14 Plan

Purpose of report

1. To provide the Committee with the draft internal audit plan for 2013/14.
-

Recommendation

The Treasurer recommends that the 2013/14 draft Internal Audit Plan is approved.

Introduction and Background

2. The Authority is responsible for maintaining or procuring an adequate and effective internal audit of the activities of the Authority under the Accounts and Audit (England) Regulations 2011. This includes considering, where appropriate, the need for controls to prevent and detect fraudulent activity. These should also be reviewed to ensure that they are effective. This duty has been delegated to the Treasurer, and Internal Audit is provided by Worcestershire Internal Audit Shared Service (WIASS). Management is responsible for the system of internal control and should set in place policies and procedures to ensure that the system is functioning correctly.

Objectives of Internal Audit

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

Aims of Internal Audit

4. The objectives of WIASS are to:
 - examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the Fire Service and recommend arrangements to address weaknesses as appropriate;

- examine, evaluate and report on arrangements to ensure compliance with legislation and the Fire Service's objectives, policies and procedures;
 - examine, evaluate and report on procedures that the Fire Service's assets and interests are adequately protected and effectively managed;
 - undertake independent investigations into allegations of fraud and irregularity in accordance with Fire Service's policies and procedures and relevant legislation; and
 - advise upon the control and risk implications of new systems or other organisational changes.
5. Internal Audit has worked with External Audit to avoid duplication of effort, provide adequate coverage for the 2013/14 financial year so that an internal audit opinion can be reached, and, support External Audit by carrying out reviews in support of the accounts opinion work.

Audit Planning

6. To provide audit coverage for 2013/14 an audit operational programme to be delivered by WIASS was discussed and agreed with the Treasurer as well as External Audit. The audit programme provides a total audit provision of 111 audit days; 99 operational and 12 management days. As the audits are completed, update reports will be brought before Committee along with an extract of the 'high' priority recommendations. Full reports will be provided to the Chairperson of the Committee for perusal.
7. The Internal Audit Plan for 2013/14, which is included at Appendix 1, is a risk based plan which takes into account the adequacy of the Council's risk management, performance management and other assurance processes. It has been based upon the risk priorities per the corporate risk register as well as upon an independent risk assessment of the audit universe by Internal Audit. The Internal Audit Plan for 2013/14 has been agreed with the Fire and Rescue Service Section 151 Officer and Treasurer and Chief Accountant.
8. Appendix 1 provides the Committee with a breakdown of draft 2013/14 internal audit plan.

Conclusion/Summary

9. Operational progress against the Internal Audit Plan for 2013/14 will be closely monitored by the Service Manager of the Worcestershire Internal Audit Shared Service and will be reported to the Audit Committee on a quarterly basis and, for information, also included will be the 'high' priority recommendations.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	There are financial issues that require consideration as there is a contract in place but are not fully detailed in this report. There are legal issues e.g. contractual and procurement, requiring consideration but are not fully detailed in this report as they are contained within the contract.
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	None
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	Whole report
Consultation (identify any public or other consultation that has been carried out on this matter)	None
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	None

Supporting Information

Appendix 1 – 2013/14 Draft Internal Audit Plan

Background papers – n/a

Contact Officer

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FIRE AND RESCUE SERVICE
Draft Audit Plan for 2013/14

Service Area	System	Anticipated Days	Preferred Timing
Main Systems			
Accountancy and Finance Systems	Payroll & Pensions incl. GARTAN system	13	Q3/4
	Creditors	8	Q3/4
	Debtors	5	Q3/4
	Main Ledger & Budgetary Control	8	Q3/4
	Capital Programme	9	Q3/4
Corporate Governance	IT Audit	10	Q3/4
	Risk Management (Health Check)	3	Q2
	Corporate Governance	8	Q2
System / Management Arrangements	Community Safety	8	Q2
	Urban Search & Rescue (USAR)	8	Q3/4
	Operational Logistics	12	Q2
General	Follow Ups	7	2013/14
	Advice & Guidance	1	2013/14
	Audit Committee & Management Reporting	11	2013/14
Total Contracted Days		111	

Note:

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

Asset Management to be undertaken in September 2013 per agreement with Treasurer and S151 Officer, (days from 2012/13 Plan to be used).

Report of the Head of Corporate Services

10. Operational Assessment Action Plan 2013/14

Purpose of report

1. To provide the Audit and Standards Committee with a progress report on the action plan to address the areas for improvement arising from the Operational Assessment conducted in 2012.

Recommendation

It is recommended that the Audit and Standards Committee notes progress on the Operational Assessment Action Plan 2013/14.

Introduction and Background

2. As Members will have read elsewhere on the agenda for this meeting, the Fire and Rescue National Framework for England, published in July 2012 requires that robust mechanisms should be in place to provide independent assurance to communities and to the Government around financial, governance and operational matters and to show how they have had due regard to the expectations set out in their integrated risk management plan and the requirements included in the National Framework.
3. In 2012, the Operational Assessment and Fire Peer Challenge, a major peer review of our operational service delivery, was undertaken in collaboration with Shropshire Fire and Rescue Service (SFRS). The Operational Assessment is an important part of the process of assurance as it provides an independent peer assessment of this Authority for the benefit of Members and for our communities.
4. The Operational Assessment is designed to provide assurance that the Service's operations are efficient, effective and robust. It forms a structured and consistent basis to drive continuous improvement within the nation's Fire and Rescue Services and provides Fire and Rescue Authorities and Chief Fire Officers with information that allows them to challenge their operational service delivery.

Overview of the Operational Assessment Process

5. The peer review team that undertook the assessment was facilitated/co-ordinated by the LGA and visited both SFRS and HWFRS to undertake two independent four-day reviews. The review team included senior FRS officers, an elected FRA Member, a West Mercia Police Officer and a professional chief executive from the private sector. The reviews included focus groups involving staff, partners and Authority Members including the Audit Committee Chairman and Vice-Chairman.

6. The results of the Operational Assessment were reported to the Authority on 13 February 2013 where it was agreed that a detailed Action Plan to address the report's findings would be presented to the Audit Committee for approval and subsequent monitoring of implementation. The Audit Committee approved the Action Plan at its meeting on 17 April 2013, which is now presented to the Audit & Standards Committee to enable Members to monitor the progress of implementation of the approved actions.

Actions for Improvement

7. The review found that the Service continues to make progress with considerable improvements in many areas and a good overall performance. The review also identified the following areas that needed to be addressed:
 - a) the need to ensure close and continued management of the risks associated with financial planning in the light of current and future budget reductions;
 - b) the need to ensure that the management of major projects and cross cutting programmes is mainstreamed into 'business as usual'; and
 - c) the need to fully embed Member involvement and public consultation in strategic planning and decision making.
8. A detailed description of progress being made to date is provided at Appendix 1, which includes actions to address the areas identified in paragraph 7 above. However, a summary of key areas is outlined below:
 - a) Management of the risks associated with financial planning has been on-going and staff have been made aware of the implications through emails, bulletin articles and briefings.
 - b) Co-ordination of project activity has been incorporated into the 2013/14 work programme for the Corporate Services Department. An initial scoping study is due to commence in September 2013.
 - c) A Member's workshop was held on the 16 July 2013 to engage/involve Members of the current financial position, savings made to date and options that will need to be considered in order to meet the financial challenges faced by the FRA. This will be supported by further workshops later in the year.
 - d) The importance of social media has been recognised for communicating with a wide variety of the public and stakeholders. Twitter and Facebook will be a key focus in this year's Community Risk Management Plan consultation exercise.
9. There were also several areas within both Hereford & Worcester and Shropshire that were identified as having potential opportunities for further collaborative working. These opportunities were investigated during 2012-13 and following approval of the Action Plan by the previous Audit Committee the implementation of the recommendations are being progressed.

Conclusion/Summary

10. The Operational Assessment Review undertaken by a peer review team in 2012 aimed to provide assurance to the Authority and the public that the Service's operations are efficient, effective and robust. The review found that the Service continues to make progress with considerable improvements in many areas and a good overall performance, however there were some areas identified for improvements.
11. This report and the Action Plan attached at Appendix 1 illustrate the sound progress which has been made to date with regard to the implementation of the recommendations put forward by the peer review team that undertook the Operational Assessment Review in 2012. The Committee is recommended to carry out its role in the monitoring of the implementation of improvements by considering the report and attached Action Plan.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	The Operational Assessment recommended that there is a need to ensure close and continued management of the risks associated with financial planning in the light of current and future budget reductions
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	<p>The Operational Assessment shows how the Authority has had due regard to the expectations set out in the Integrated Risk Management Plan and the requirements included in the National Framework</p> <p>The attached Action Plan shows how each recommended action supports the key principles set out in 'Our Strategy'</p>
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	The Action Plan incorporates improvement actions for Firefighter Safety and Community Safety.
Consultation (identify any public or other consultation that has been carried out on this matter)	Senior Management Board consultation.
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	No this was not a requirement of the Operational Assessment. However, any changes to Service policy will require an Equalities Impact Assessment

Supporting Information

Appendix 1: Operational Assessment 2012 – HWFRS Detailed Action Plan 2013/14 – Progress Report

Background Papers

Hereford & Worcester Fire and Rescue Service Fire Peer Challenge Report 2012

Fire Authority Agenda, Reports and Minutes – 13 February 2013

Audit Committee Agenda, Reports and Minutes – 17 April 2013

Contact Officer

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Appendix 1: OpA 2012 – HWFRS Detailed Action Plan-2013/14 Progress Report

Summary of Thematic Areas for Action to improve Service Delivery (arising from Operational Assessment 2012)		This action supports the following HWFRA "Our Strategy" Key Principles:	Links to: SMB Work Programme, IRMP, FC Project	Collaborative action between HWFRS & SFRS (Yes or No)	Priority (High, Medium or Low)	Lead Officer(s)	Comments (Summary of expected collaborative outcomes/benefits :)	Progress:
1.	Theme: Incident Command/Management Description: a collaborative review of Incident Command/Management arrangements leading to enhanced command resilience, competence, inter/intra-operability, debriefing, monitoring and peer audit.	Firefighter Safety	IRMP	Yes	High	Jon Pryce	Through collaboration, the outcome will result in seamless cross-border working, improved inter-agency command arrangements and increased officer capacity and resilience through mutual shared command/ specialist officer functions.	<p>HWFRS are adopting the South East Operational Collaborative partnership now taken by over 20 FRSs nationally. This will provide common and standard operating procedures for operational incidents and a common platform to review policies.</p> <p>Joint working with officer command groups progresses well and relationships are being built. Officers are now building links with counterparts in Shropshire and joint working is becoming normalised. The use of shared resources such as incident command units has been seen in December 2012 at a large fire, as well as joint Fire Investigations work when appropriate.</p> <p>Probably the strongest area of joint working is reflected in the Incident Liaison Officer (ILO) & protective security working within West Mercia and also includes Warwickshire.</p> <p>Joint training and relationship building with the operational stations in north Herefordshire and south Shropshire has progressed well.</p>
2.	Theme: Integrated Risk Management Planning Description: the development of a collaborative approach to IRMP necessary to address requirements of the FRS National Framework including the review/development of community focused Response, Protection and Prevention targets and standards.	Community Safety	IRMP	Yes	High	Jean Cole	Sharing knowledge, expertise and resource, the outcome will result in a common agreed approach to IRMP, seamless cross-border working, improved inter-agency command arrangements and increased officer capacity and resilience through mutual shared command/ specialist officer functions.	<p>The CRMP has been developed and will be considered by the FRA at its meeting on the 3rd October 2013. It sets out what we do to reduce risks to our community, to our firefighters and to improve the effectiveness and efficiency of our services.</p> <p>It is fully compliant with the guidance issued as part of the Fire & Rescue National Framework. This document will be issued for full consultation after the 3rd October 2013.</p>
3.	Theme: Training & Development Description: a coordinated collaborative approach to training and formal accreditation/peer review (where appropriate) to enhance service delivery in Incident Command, Cross-Border/Inter-Agency working, Technical Fire Safety and Health & Safety.	Firefighter Safety	IRMP	Yes	High	Mark Preece	The delivery of a collaborative training policy and joint training (where appropriate), leading to uniformity of approach and service delivery efficiencies. The outcome will also include formal accreditation/peer review (where appropriate) to provide community assurance.	Regular bi-monthly meetings are taking place with SFRS to explore areas of training collaboration. Both HWFRS and SFRS purchased the XVR Incident Command System (ICS) simulation software and we are assessing level 1 candidates to a similar standard. Peer assessment for ICS is currently being programmed as is the option for sharing assessors for ICS. Officer groups are also meeting regularly to train together and help foster relationships, and local joint training is taking place at station level.

Appendix 1: OpA 2012 – HWFRS Detailed Action Plan-2013/14 Progress Report (cont.)

4.	Theme: Data Management Description: the effective, efficient and secure use of data to aid resilience and reliability both at incidents and corporately. The actions required will also address policy, user training and data integration (software/ hardware and data sharing between agencies).	Firefighter Safety	SMB Work Programme	Yes	Medium	Keith Chance	The outcome will enable the seamless, secure and timely transmission of data on agreed standardised resilient software/hardware. This will aid inter/intra-operability and in particular operational intelligence between fire and rescue services and partner agencies.	Phase 2 of the Fire Control project is progressing and will establish a resilient means of transmitting data to appliances.
	Description: Improvements in the quality of data from CFRMIS, IRS and the Command and Control System, and the ability to 'join up' that to provide a holistic approach to all aspects of the Service.	Community Safety	SMB Work Programme	No	Medium	Mark Preece	Accurate and timely information that is available and accessible from all areas of the organisation and can be used to target the Service's resources at those most in need in the community.	A new linked database has enhanced the information available from CFRMIS improving data in areas including post fire audit data and the quantitative side of quality assurance within Technical Fire Safety (TFS).
5.	Theme: Policy Alignment Description: a coordinated collaborative approach to generic service issues such as Health and Safety, Equality & Diversity (process and assessments), Risk Assessments, Personal Development Records and Service Policy Instructions (Protection).	Delivery of Quality Services	SMB Work Programme	Yes	Low	Keith Chance, Jackie Conway & Mark Preece	As an outcome of partnership working and critical friend challenge, both Services will adopt recognised best practice and common operating procedures in a variety of policy areas where economies of scale and service improvements are identified.	<p>Both HWFRS and SFRS have a joint Occupational Health contract with Worcestershire Working Well and discussions have commenced between HWFRS and SFRS regarding the feasibility of further collaborative work.</p> <p>Regular meetings have been carried out between TFS department heads from HWFRS and SFRS. This has already led, amongst other things, to a coordinated approach on qualitative assessment of staff. This is being trialled in house for each service during 2013/14 with possible moves to an inter-service peer assessment of TFS delivery during 2014/15. Both services have, in principle, adopted HWFRS new quality assurance guidance.</p>
6.	Theme: Fire Control Description: Utilising the agreed 'Memorandum of Understanding' arrangements, secure an efficient, effective, robust and resilient command and control infrastructure for the West Mercia area.	Delivery of Quality Services	FC Project	Yes	Low	Keith Chance	Working in partnership through the agreed 'MoU' project, both Services will share a single, resilient command and control infrastructure operated from two locations. The outcome will enable seamless despatch and management of resources anywhere within the 'West Mercia' area.	Phase 2 of the Fire Control project is progressing and will establish a resilient means of transmitting data to appliances.

Appendix 1: OpA 2012 – HWFRS Detailed Action Plan-2013/14 Progress Report (cont.)

Summary of Thematic Areas for Action to improve Service Delivery (arising from Operational Assessment 2012)		This action supports the following HWFRA "Our Strategy" Foundations:	Links to: SMB Work Programme, IRMP, FC Project	Collaborative action between HWFRS & SFRS (Yes or No)	Priority (High, Medium or Low)	Lead Officer(s)	Comments (Summary of expected collaborative outcomes/benefits :)	Progress:
7.	Theme: Financial Planning Risks Description: management of the risks associated with financial planning in the light of current and future budget reductions.	Resourcing for the Future	SMB Work Programme	Yes	Medium	Martin Reohorn	Through further communication with staff, the outcome will be a greater awareness of the true scale of the financial savings required in future years and realisation of the impact on service delivery and organisational changes.	Management of the risks associated with financial planning has been on-going in the light of current and future budget reductions and staff have been made aware of the implications through emails, bulletin articles and briefings.
8.	Theme: Project Management Description: ensure the management of major projects and cross cutting programmes is mainstreamed into 'business as usual'.	Fleet & Equipment, Building & Infrastructure	SMB Work Programme	Yes	Medium	Jean Cole	Sufficient and appropriate coordination of project activity will maximise corporate capacity and ensure interdependencies across departments are captured and duplications avoided.	This has been incorporated into the 2013/14 work programme for the Corporate Services Department. An initial scoping study is due to commence in September 2013.
9.	Theme: Member Involvement/ Development Description: ensure that Members of the Authority are more fully involved in areas such as public consultation, strategic planning and decision making.	Fire & Rescue Authority	SMB Work Programme	Yes	Medium	Jean Cole	Will help to ensure that the Authority is optimising the link between finance, risk and politics to increase the likelihood of success when making strategic decisions in the future.	A Member's workshop was held on the 16 th July 2013 to engage Members of the current financial position, savings made to date and options that will need to be considered in order to meet the financial challenges faced by the FRA. This will be supported by further workshops later in the year. The new Constitution enables Members to set up Task & Finish groups to investigate particular issues and to 'call-in' decisions made by Committees. A Member Learning & Development Strategy was approved by the FRA. A Member Development Programme is in place which includes Induction sessions and workshops on CRMP, Managing Finances, Role of the Authority Member. A Member Development Working Group is in place to provide a steer from members on their learning needs. The Group reports to the Audit & Standards Committee.
10.	Theme: Public Consultation Description: attract a higher level of engagement and comment from the public and other external stakeholders.	Services	IRMP	Yes	Medium	Jean Cole	This will ensure that the new CRMP can be completed in a manner that is robust enough to inform the Service's medium to long term community risk reduction plans and link with the Authority's medium term financial plan.	The Service has recognised the importance of social media for communicating with a wide variety of the public and stakeholders. Twitter and Facebook will be a key focus in this year's CRMP consultation exercise.
11.	Theme: Human Resources Description: further develop succession planning, an appropriate model to support transactional tasks and HR team building and strategy planning. Also, consider closer links with health and safety, risk and insurance to drive down personal injury claims.	People	SMB Work Programme	Yes	Medium	Jackie Conway	Will lead to a more integrated approach to Workforce Planning through supporting the wider organisational change programme. Could include closer working with SFRS or by exploring the opportunity to outsource. This will further support the culture of improvement moving forward and staff wellbeing.	Both Services have worked with other FRS' (Staffordshire and Warwickshire) within the region to implement WMJobs for its recruitment.

Report of the Treasurer

11. National Fraud Initiative 2012/13

Purpose of Report

1. To inform Members of the final outcomes of the National Fraud Initiative (NFI).
-

Recommendation

The Treasurer recommends that Members note the comprehensive action taken by the Authority in response to the National Fraud Initiative for 2012/13 and that once again no fraud has been identified.

Introduction and Background

2. The NFI is a biennial exercise carried out for local government and other public bodies by the Audit Commission and forms part of the statutory audit in accordance with the Audit Commission Act 1998.
3. Authorities are required to provide certain mandatory datasets; for the Fire and Rescue Service the mandatory datasets comprise creditors, payroll and pensions. Payroll and pensions data is subject to a series of data matches against data provided by other public bodies including payroll, pensions, Housing Benefit, Home Office (removed and failed asylum seekers), UK Visas and Department for Work and Pensions deceased persons. Creditor payments are matched only within Authorities.
4. The data provided is processed by a specialist contractor on behalf of the Audit Commission. Data matches are notified to Authorities for examination to eliminate the possibility of fraud and/or error.
5. The existence of a match in an NFI report does not mean that there is a fraud, only that there is a need to investigate further to eliminate the possibility of fraud or error.
6. The majority of NFI reports were received in late January, investigated and reported on to the April Audit Committee.
7. At the time of the April report, one report (52) was still awaited, one report (708) was still being analysed and an additional report has been issued.

Analysis of Reports

8. Each NFI report is produced with a particular purpose which will be stated and comprises a number of matches and a number of items. There will be more items than matches and each match may have more than two items.
9. In each case an explanation of the Fire and Rescue Authority matches will be given to demonstrate why there is no fraud.

Report 52 – Pensions Payments to Benefits Agency Records

10. The purpose of this report is to ensure that pensions are not continuing to be paid to persons for whom a Death Certificate has been logged with the Benefits Agency.
11. At the time of the April report, this information has not been provided by the Audit Commission, but it has now been confirmed that there are no matches to report.

Report 708 – Duplicate Records by Invoice Amount and Creditor Reference

12. At the time of the April report initial investigation had been undertaken, but not completed, and showed no causes for concern. The final analysis is shown in the table below

	No. of Matches	No. of Invoices	
Non-Duplication			
Regular Contract Payments	68	136	
Repeat Orders	57	114	
Stage Payments	16	32	
Training Courses - different delegates	15	30	
Invoice cleared by Credit Note	8	16	
Regular Payroll Deduction payments	6	12	
Cancelled Payments	1	2	
	171	342	99%
Genuine Duplications			
Invoice paid for wrong amount	1	2	
Duplicate invoice paid in error	1	2	
	2	4	1%
	173	346	

13. In the first instance there was confusion between the amount on a statement and on an invoice and the initial invoice was overpaid by £600.00, but already recovered against the next invoice.

14. In the second case an invoice inadvertently was entered twice for £935.83. This had already been identified and recovered well before the NFI data was supplied.
15. To put the second case into context it represents one error in approximately 28,000 invoices in the NFI matching exercise.

Report 999 – Multiple Occurrences

16. This is a new report highlighting where a name or creditor appears in more than one report. It is designed to allow larger authorities to focus their review attention. As the FRA has so few matches and they are all fully investigated this report has no specific issues.

Conclusion and Further Work

17. The NFI outputs have been examined promptly and comprehensively and no fraud has been identified.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	No Fraud has been identified Compliance with NFI is a statutory requirement
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	None
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	None
Consultation (identify any public or other consultation that has been carried out on this matter)	None
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	None

Supporting Information

Background papers:

FRA Audit Committee – 29 June 2007 : National Fraud Initiative 2006/07

FRA Audit Committee – 13 March 2009 : National Fraud Initiative 2008/09

FRA Audit Committee – 9 October 2009 : National Fraud Initiative 2008/09

FRA Audit Committee – 21 April 2011 : National Fraud Initiative 2010/11

FRA Audit Committee – 29 June 2011 : National Fraud Initiative 2010/11

FRA Audit Committee – 17 April 2013 : National Fraud Initiative 2012/13

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Report of the Head of Corporate Services

12. Annual Statement of Assurance 2013-14

Purpose of report

1. To consider the draft Statement of Assurance 2013-14 prior to consideration by the Authority on 3 October 2014.

Recommendation

It is recommended that the Authority adopts the draft Statement of Assurance 2013-14 and approves it for publication.

Introduction and Background

2. A new Fire and Rescue National Framework for England was published in July 2012 by the Department for Communities and Local Government. The Framework provides an overall strategic direction to Fire and Rescue Authorities and sets out the Government's expectations and requirements.
3. The key priorities for Fire and Rescue Authorities in the new Framework are to:
 - identify and assess the full range of foreseeable fire and rescue related risks their area faces, make provision for prevention and protection activities and respond to incidents appropriately;
 - work in partnership with their communities and a wide range of partners locally and nationally to deliver their services; and
 - be accountable to communities for the services they provide.

Annual Statement of Assurance

4. Under the new Fire and Rescue National Framework, Fire and Rescue Authorities must provide annual assurance on financial, governance and operational matters and show how they have had due regard to the expectations set out in their Integrated Risk Management Plan (IRMP) and the requirements included in the National Framework. To provide these assurances to the public an Annual Statement of Assurance must be published.
5. The Statement of Assurance sits alongside existing documents such as the Fire and Rescue Authority Plan, the IRMP, the Statement of Accounts (elsewhere on this agenda) and the Annual Governance Statement (elsewhere on this agenda) and shows what measures are in place to provide assurance to the public and Government that the Authority's performance is effective, economic and efficient.

6. Each Fire and Rescue Authority is expected to sign off the Statement, ensuring that it has been subject to the Authority's scrutiny arrangements. Hereford & Worcester Fire and Rescue Authority does not operate executive arrangements and therefore does not have a dedicated Overview and Scrutiny Committee. This Authority operates a traditional committee structure, where the Authority's committees undertake the role of the 'critical friend'. The Audit and Standards Committee, therefore is responsible for considering the Statement of Assurance and provides an opportunity for Members to scrutinise the document prior to consideration by the Authority.
7. The draft Annual Statement of Assurance is attached at Appendix 1. It is suggested that prior to consideration of the Statement by the Authority in October that the Committee satisfies itself that the Statement provides assurance to the public on:
 - a) financial matters;
 - b) governance matters; and
 - c) operational matters.

Conclusion/Summary

8. Following the publication of the new Fire and Rescue National Framework for England in July 2012, Fire and Rescue Authorities now have a duty to publish an Annual Statement of Assurance to provide assurance to the public and others on financial, governance and operational matters. The Statement of Assurance sits alongside existing documents such as the Fire and Rescue Authority Plan, the IRMP, the Statement of Accounts (elsewhere on this agenda) and the Annual Governance Statement (elsewhere on this agenda).
9. The Committee is asked to consider and approve the Statement of Assurance prior to consideration by the Authority on 3 October 2014. Subject to Authority approval, the next step will be to publish a finalised version of the Statement of Assurance 2013-14 on the website.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	Financial, property and human resource activities are 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 such as the Fire and Rescue Authority Plan, Statement of Accounts, the Governance Statement and the IRMP.

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 links to Equality & Diversity activities are highlighted in the Statement.

Supporting Information

Appendix 1 – Draft Statement of Assurance 2013-14

Contact Officer

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Statement of Assurance 2013-14

Background

The Fire and Rescue National Framework (which provides an overall strategic direction and sets out the Government's priorities and objectives) requires Fire and Rescue Authorities to provide an annual assurance on financial, governance and operational matters and show how they have had due regard to the expectations set out in their Integrated Risk Management Plan (IRMP) and the requirements included in the National Framework. To provide assurance, Fire and Rescue Authorities must publish an annual Statement of Assurance and provide information on their activities which enables individuals, communities and partners to make a valid assessment of performance. It should also help to enable the public to hold their Authority to account for the way it spends public money.

The Statement of Assurance sits alongside existing documents such as the Fire and Rescue Authority Plan, Statement of Accounts, the Governance Statement and the IRMP and shows what measures are in place to provide assurance to the public and the Government that the Authority's performance is effective, economic and efficient.

The Authority recognises its duty to publish an annual Statement of Assurance and is satisfied that it has well established and robust assurance arrangements in place that fulfil the National Framework requirements. The purpose of this Statement of Assurance is to set out the relevant documents which show how the Authority provides assurance and accountability within the organisation and amongst external stakeholders such as local councils and other blue-light services.

The remainder of this Statement outlines information on our Service profile, risks, community engagement, challenges and review processes. It also contains links to further detailed information and assurance documents as per national guidance.

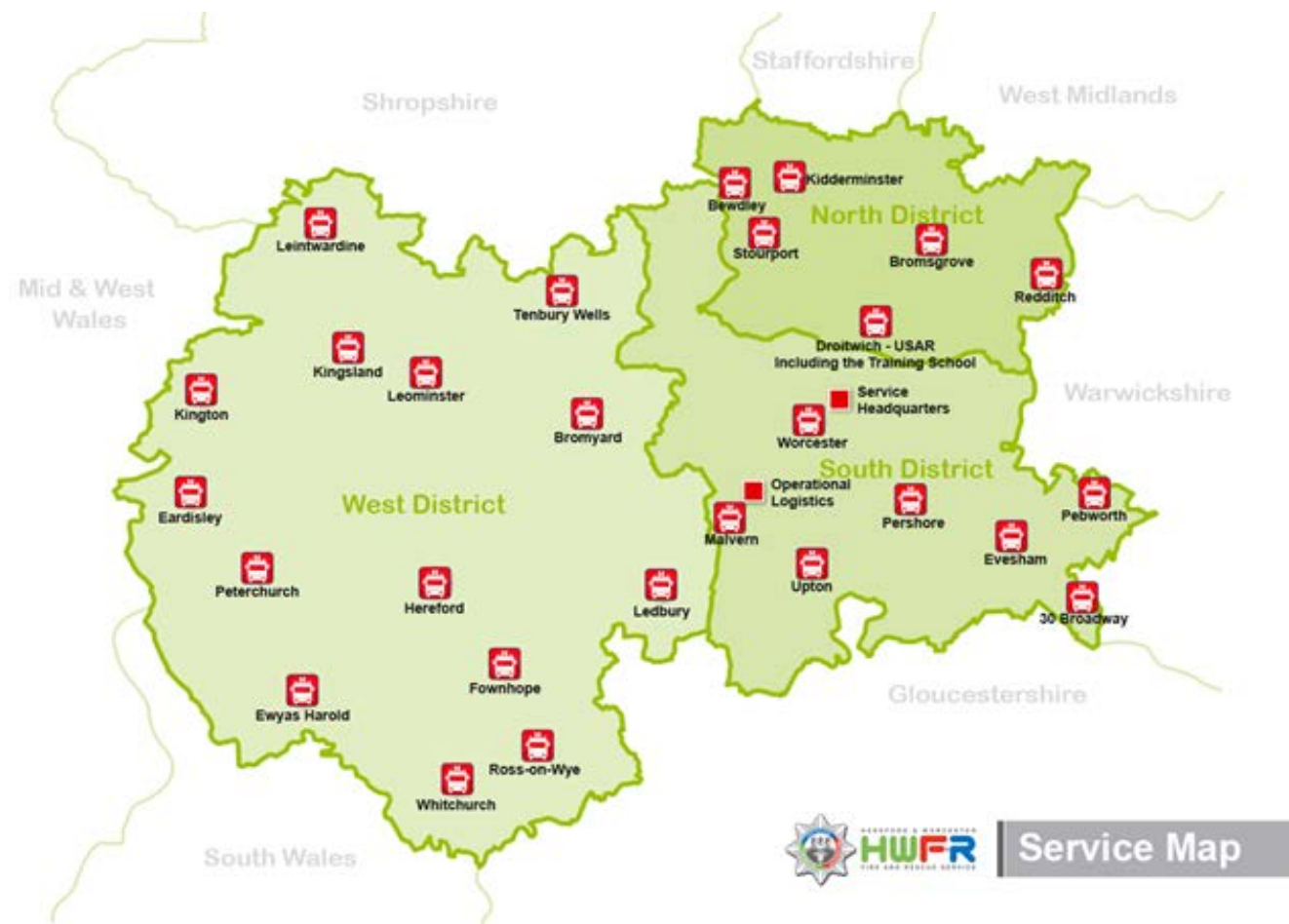
Our Service

The Fire and Rescue Authority's area covers the two counties of Herefordshire and Worcestershire, some 1,500 square miles. It's a very attractive place in which to live, with most people living in areas surrounded by beautiful landscape and rich countryside. There is a population of around 740,000 people residing in the two counties, predominantly in Worcestershire.

Both counties are largely rural; about a third of Worcestershire's 560,000 residents and more than half of Herefordshire's 180,000 residents live in rural areas. While having the smaller population of the two counties, Herefordshire is the larger by area and is one of the most sparsely populated counties in England.

The Service is organised across three geographic Districts: North, South and West, which helps us to provide a balanced response to reducing risks throughout the two counties. We receive nearly 12,000 emergency calls each year requesting assistance at a wide variety of incidents, including property and countryside fires, road traffic collisions, collapsed structures, water rescues, hazardous materials and animal rescues. In all, we attend just over 6,500 incidents each year – over 125 incidents every week.

Whilst we make sure we are able to respond to emergencies effectively and safely, we are also concerned with trying to prevent those emergencies happening in the first place. We work with our partner agencies and our local communities and businesses to make sure that all foreseeable fire and rescue related risks that could affect our communities (from local fires to multi-agency flood response) are reduced as far as reasonably possible.



The three Districts are served by 27 Fire Stations strategically located across the two counties, as shown in the map above, to provide an appropriate response as soon as an emergency call is received. The five busiest Fire Stations are permanently crewed 24 hours a day (Wholetime at Hereford, Worcester, Kidderminster, Bromsgrove and Redditch). Three other Fire Stations are permanently crewed during the day (Day Crewed at Droitwich, Evesham and Malvern) and by On-Call (Retained) Firefighters during the night. The other 19 Fire Stations are crewed by On-Call (Retained) Firefighters who live locally to the Station and can respond quickly should they be called.

Local Risks

Our recent joint approach with Shropshire Fire and Rescue Service for Operational Assessment identified the need for the Service to work on a longer term approach to Integrated Risk Management Planning. Called the “Community Risk Management Plan” (CRMP), which balances our limited resources against the risks we face, this will provide a new overarching framework and will demonstrate clearer links to the Service’s Prevention, Protection and Response Strategies. To plan ahead we have looked at what changes might affect our two counties in the forthcoming years, especially what might have an impact on how we deliver our services. Some of the main issues we considered stand out: the economic situation, population growth and the changing environment and they give a good picture of what our Service will be dealing with over the next few years.

This statement highlights some of our past work and looks to the future and we are firmly committed to ensure that any changes to how we deliver our functions, must also maintain excellent services to our communities via our balanced approach to reducing community risk, which includes prevention, protection and intervention activities. These activities such as home fire safety checks and school visits for prevention, business premise inspections and enforcing fire safety measures for protection and reacting quickly to emergency calls for response are

undertaken via a flexible and risk based deployment of resources in order to improve community safety, prevent incidents occurring, to mitigate damage and also to create a safer environment for Firefighters.

Extending the lifespan of the CRMP will help the Service align to the Chief Fire Officers Association's 'Fire 2020' research project which looked at what changes the future may hold and the potential implications they may have for Fire and Rescue Services. This will also help us to look further ahead to 2020 with high level "outcomes to achieve" rather than just the three years that we traditionally plan for and will show the direction we are heading in and enable us to track our progress over a greater length of time.

The inclusion of corporate risk and value for money into the new CRMP will allow you to more fully understand the relationship between the operating constraints of the future and how this might affect service delivery. The development of the new CRMP also presents an opportunity to engage staff and stakeholders including local Authority Members appointed by Local Councils, staff, staff representative bodies, multi-agency partners and community representatives in both content and implementation.

Partnerships and Community Engagement

We may be a Service that fights fires and rescues people in times of emergency but we also understand our wider role in the community. Our community safety work extends into schools, voluntary groups and partner organisations and we visit vulnerable people in the comfort of their own homes. We are keen to get volunteers and young people involved in positive activities that inspire them, such as our Young Firefighters Association which is growing in strength. We also know the value of working with others, especially our neighbouring Fire and Rescue Services and other Emergency Services, to help to make sure that we all work together seamlessly when called upon.

Assurance and Challenges

Like many other Public Sector organisations we find ourselves having to meet a tough financial challenge and difficult decisions will have to be made over the medium to long term. The scale of cuts in funding is such that we have reviewed how we deliver our services both now and for the future. The Service has already made substantial savings but we expect to have to make more significant savings over the next few years. Despite this, we believe Hereford & Worcester Fire and Rescue Service is one of the top Fire and Rescues Services in the country; we achieve strong results and we aim to maintain high standards of service delivery. Our strong and improving performance is testament to the commitment and drive of our staff which, we believe is second to none.

Following the internal review of operational assurance in 2011-12 (based upon the findings from eight other Fire and Rescue Services that were audited by the Health and Safety Executive (HSE) in 2010) HWFRS shared the work with our colleagues in the region and we invited them to engage in the same process. Their findings were then used to populate an overarching audit document which was shared in order to enable participants to identify and share examples of best /good practice. Current regional collaborative work includes the development of a bespoke Fire and Rescue Service Health and Safety audit model.

At the end of 2012, we voluntarily participated in what is called an 'Operational Assessment and Peer Challenge', co-ordinated by the Local Government Association, which was undertaken by a team from other Fire and Rescue Services and West Mercia Police, who have a detailed understanding of our role and can therefore cast a critical eye over what we do. The assessment looked at seven strategic areas covering the full range of our activities and identified many strengths but also raised some areas that we need to examine further during 2013-14 to make sure that we keep improving.

Areas for Improvement: Operational Assessment

Areas to be addressed were investigated during 2012-13 and we are now working on the implementation of these recommendations via a detailed action plan (see the link under Section E: Our Performance in the Directory of Key Assurance Documents overleaf.) This contains actions in areas such as Incident Command, Risk Planning (both operational and financial), Training, Fire Control, Member Involvement, Public Consultation and support functions such as Human Resources, Data and Project Management.

Annual Audit Letter 2011/12:

The latest external Audit and Value for Money reports by the Audit Commission found that the actions taken by the Authority were financially robust, were delivering efficiencies and were securing value for money. The District Auditor from the Audit Commission issued an unqualified Value for Money Conclusion as his work did not identify any matters which would lead him to believe that the Authority did not have proper arrangements in place for securing economy, efficiency and effectiveness. The District Auditor was satisfied on the basis of his work that in all significant respects Hereford & Worcester Fire and Rescue Authority has put in place proper arrangements to secure value for money in its use of resources for the year ending 31 March 2012. For the detailed report, please see the link overleaf under Section F: Financial Performance in the Directory of Key Assurance Documents.

Review of the Statement of Assurance

The Statement of Assurance is subject to the regular monitoring and review undertaken as part of the overall assurance for the Authority. As part of this process, actions may be identified that could further improve the assurance arrangements for the Authority. The Statement of Assurance is considered by the Audit and Standards Committee prior to approval by the Authority and is signed by the Authority Chairman and Chief Fire Officer. The Statement of Assurance is published within three months of the Authority's Statement of Accounts each year.

Your Right to Know - Access to Information

Hereford & Worcester Fire and Rescue Service collect and maintain information and data to enable us to carry out our 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 to 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](#)

Detailed Assurance Information

Please find overleaf a Directory of Key Assurance Documents with links to documents which show how the Authority provides assurance on the four specific areas of finance, governance, operational matters and National Framework/IRMP requirements.

This is as per National guidance which states that: "Where fire and rescue authorities have already set out relevant information that is clear, accessible, and user-friendly within existing documents, they may wish to include extracts, or links to these documents within their statement of assurance."

Further information is also contained on our website at www.hwfire.org.uk and we would welcome any views that you have on the content of this statement or the way in which Hereford & Worcester Fire Authority delivers its services. Please call 0845 122 4454 or email info@hwfire.org.uk.

Directory of Key Assurance Documents

<p>A. The communities we serve and the risks we face</p> <ul style="list-style-type: none"> • HWFR Authority Plan 2013-14 • Integrated Risk Management Plan 2009-2012 	<p>B. Overview of HWFRS</p> <ul style="list-style-type: none"> • HWFR Authority Plan 2013-14 • Service Structure • Our Fire Stations • Our Vehicle Fleet • Our Specialised Units • Sustainability, Environment Policy • Equality & Diversity • Your Safety • Safety Advice for Businesses
<p>C. Governance arrangements</p> <ul style="list-style-type: none"> • Your Fire Authority • Fire Authority Constitution • Fire Authority Meeting Dates • Asking Questions at Fire Authority Public Meetings • Fire Authority Agendas & Minutes • Meetings of the Policy and Resources Committee • Meetings of the Audit Committee • Annual Governance Statement 2011-12 • Code of Corporate Governance 2013 • CLG-Fire and Rescue National Framework for England 2012 • Risk Management Strategy-p43-61 • Strategic Risk Register-p33-39 	<p>D. Our Purpose</p> <ul style="list-style-type: none"> • HWFR Authority Plan 2013-14 • Our Partners • Health and Safety • Preparing for Emergencies • Business Continuity Management
<p>E. Our Performance</p> <ul style="list-style-type: none"> • HWFR Authority Plan 2013-14 • CLG Fire Statistics Monitor 2012-13 • CLG Fire Operational Statistics Bulletin 2011-12 • CLG National Fire Statistics 2011-12 • Operational Assessment 2012-p50-76 • Operational Assessment Action Plan-p79-83 	<p>F. Financial Performance (Statement of Accounts)</p> <ul style="list-style-type: none"> • Annual Statement of Accounts 2012-13 • Council Tax-How Your Money is Spent • Invoice Payments • Pay Policy Statement 2013-14 • Medium Term Financial Plan-p18-49 • District Auditor's Annual Audit Letter 2011-12 • Government Spending Review 2013
<p>G. Our Future Plans</p> <ul style="list-style-type: none"> • HWFR Authority Plan 2013-14 	<p>H. Our Community Engagement</p> <ul style="list-style-type: none"> • Hereford & Worcester Fire and Rescue Service Contact Details • Request a Home Fire Safety Check • Access to Information-Transparency • Publication Scheme • Complaints against Fire Authority Members • Comments, Compliments and Complaints