



HEREFORD & WORCESTER Fire Authority

Audit and Standards Committee

AGENDA

Monday, 28 September 2015

10:30

Conference Suites

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

ACTION ON DISCOVERING A FIRE

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

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

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

ACTION ON HEARING THE ALARM

- 1 Proceed immediately to the Assembly Point

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

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Toilets – please ask at reception.

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- the right to attend all Authority and Committee meetings unless the business to be transacted would disclose “confidential information” or “exempt information”;
- the right to film, record or report electronically on any meeting to which the public are admitted provided you do not do so in a manner that is disruptive to the meeting. **If you are present at a meeting of the Authority you will be deemed to have consented to being filmed or recorded by anyone exercising their rights under this paragraph;**
- the right to inspect agenda and public reports at least five days before the date of the meeting (available on our website: <http://www.hwfire.org.uk>);
- the right to inspect minutes of the Authority and Committees for up to six years following the meeting (available on our website: <http://www.hwfire.org.uk>); and
- the right to inspect background papers on which reports are based for a period of up to four years from the date of the meeting.

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

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

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

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

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

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



HEREFORD & WORCESTER
HWFR
FIRE AND RESCUE SERVICE

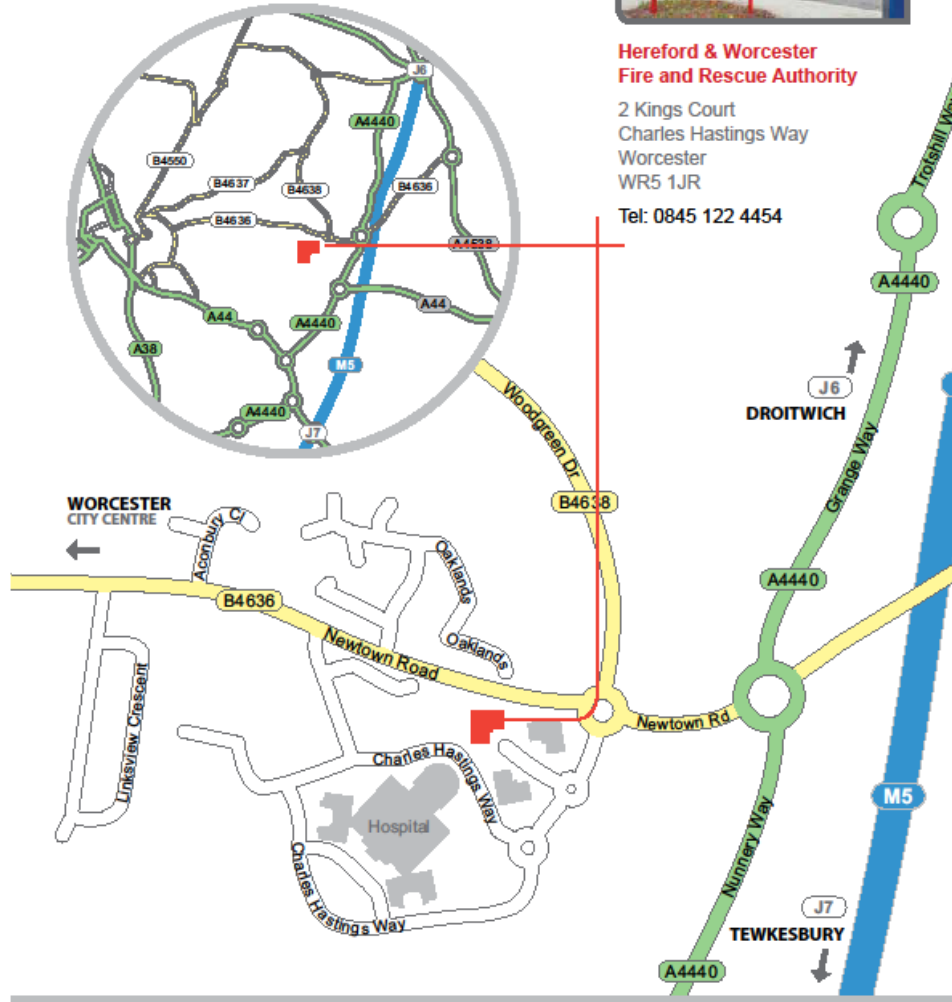
Service Headquarters



**Hereford & Worcester
Fire and Rescue Authority**

2 Kings Court
Charles Hastings Way
Worcester
WR5 1JR

Tel: 0845 122 4454





Hereford & Worcester Fire Authority

Audit and Standards Committee

Monday, 28 September 2015, 10:30

Agenda

Councillors

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

No.	Item	Pages
1	Apologies for Absence To receive any apologies for absence.	
2	Named Substitutes To receive details of any Member of the Authority nominated to attend the meeting in place of a Member of the Committee.	
3	Declarations of Interest (if any) This item allows the Chairman to invite any Councillor to declare an interest in any of the items on this Agenda.	
4	Confirmation of Minutes To confirm the minutes of the Audit and Standards Committee meeting held on 29 June 2015.	7 - 9

5	Approval of the Audited Accounts 2014/2015	10 - 98
	To present the 2014/15 Statement of Accounts for approval.	
6	External Audit Findings Report 2014/2015	
	To Follow	
7	Annual Governance Statement 2014/2015	99 - 129
	1. To consider evidence compiled during the self assessment review which provides the assurances that sit behind the Annual Governance Statement .	
	2. To put forward the Draft Annual Governance Statement 2014/15 for approval.	
8	Statement of Assurance	130 - 143
	To consider and approve the draft Statement of Assurance 2015-16 for publication.	
9	Internal Audit Monitoring Report 2015/2016	144 - 152
	To provide the Committee with a progress update on the 2015/16 plan delivery and the residual 2014/15 work.	
10	Internal Audit Draft Audit Plan for 2015/2016	153 - 157
	To provide the Committee with the Draft Audit Plan for 2015/16.	



Hereford & Worcester Fire Authority

Audit and Standards Committee

Monday, 29 June 2015, 10:30

Minutes

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

Substitutes: none

Absent: Mr S C Cross

Apologies for Absence: Professor J W Raine

18 Declarations of Interest (if any)

No declarations of interest were made.

19 Confirmation of Minutes

RESOLVED that the minutes of the Audit and Standards Committee meeting held on 15 April 2015 be confirmed as a correct record and signed by the Chairman.

20 Provisional Annual Statement of Accounts 2014/2015

A draft of the Annual Statement of Accounts was presented to the Committee for discussion and noting. The Treasurer emphasised to Members that they would not be asked to approve the Statement of Accounts until completion of the audit, which was due to commence in July 2015 and be completed in September 2015.

RESOLVED that:

1. the amended Accounting Policies are approved; and
2. the Treasurer bring back a further report to Committee when the

accounts have been audited.

21 Health and Safety Audit

The Head of Operations Support presented a report that informed Members of the outcomes of the CFOA West Midlands Regional Health and Safety Audit undertaken in January 2015. The Audit concluded that the Service is performing well and found a clear commitment to health and safety at all levels and evidence of a positive health and safety culture. The Audit made 12 specific recommendations relating to the two focus areas audited where further improvements could be made.

***RESOLVED* that the Audit and Standards Committee agrees the actions taken by the Health and Safety Committee following receipt of the CFOA Regional Audit in discharging the report recommendations.**

22 Internal Audit Annual Report 2014/2015

The Internal Audit Service Manager presented a report providing Members with the overall results in terms of meeting Internal Audit's objectives, as set out in the Internal Audit Plan for 2014/15. The Committee were also provided with an audit opinion and commentary on the overall adequacy and effectiveness of the internal control environment.

***RESOLVED* that the Audit Plan delivered in 2014/15, providing an assurance level of "significant" for all relevant audits, be noted.**

23 National Fraud Initiative 2014/15

Members were informed of the final outcomes of the National Fraud Initiative.

***RESOLVED* that the Committee note the comprehensive action taken in response to the National Fraud Initiative for 2014/15 and that once again no fraud has been identified.**

The Meeting ended at: 11:36

Signed:.....

Date:.....

Chairman

Report of the Treasurer

5. Annual Statement of Accounts 2014/15

Purpose of report

1. To present the 2014/15 Statement of Accounts for approval.
-

Recommendation

The Treasurer recommends that the Statement of Accounts 2014/15 be approved.

Introduction

2. The Accounts and Audit Regulations (2013) require that accounts have to be prepared as soon as practical after the end of the financial year, and signed as completed by the Treasurer before 30 June 2015.
3. Following completion of the external audit and before 30 September 2015, the Authority (or designated committee) must approve the Statement of Accounts. The Authority has delegated the function to the Audit and Standards Committee.
4. The Accounts must be published by 30 September 2015, 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 draft Accounts were submitted to the Audit and Standards Committee for information on 29th June 2015, and, subject to the matters below which have arisen since the 30th June, the Audit has not required any fundamental changes to the draft Statements.

Post Balance Sheet Events and other Audit Adjustments

7. There are three post balance sheet events (which relate to information not available at 30th June) and two other adjustments made to the draft accounts. Taking the latter first;
 - a) The most straightforward change is that the wording of Accounting Policy paragraph 2 in respect of Accruals of Income and Expenditure has been amended to better explain what is actually done. It does not change any actual accounting treatments.

- b) The next is more complex and relates to the treatment of the joint Fire/Police station at Bromsgrove.
 - i) As the arrangement is in effect a lease, consideration needed to be given as to whether this was a finance lease, and therefore under IFRS should be included on the balance sheet.
 - ii) The decision as to whether to do this is based on a balanced judgement of eight individual tests.
 - iii) Knowing that this was a complex area this was done in February and the treatment agreed with the Auditors that the arrangement should be included on the balance sheet as finance leased asset.
 - iv) The draft accounts were accordingly prepared on this basis.
 - v) A review of this decision has suggested that this was the wrong approach and there should be no inclusion of the asset on the balance sheet.
 - vi) The Accounts have therefore been adjusted to remove this finance leased asset and consequent entries, in the CIES and relevant notes. In addition the note on operational leases has been expanded to disclose this lease.
 - vii) There is a minor impact on the General Fund Balance as a result of this change. The existing of the finance leased asset allowed the cost of Stamp Duty on the lease to be capitalised and spread over the life of the lease. Under the revised treatment where there is no asset this cost £0.044m must be charged to the Revenue Account.
 - viii) As a consequence the transfer to the Transformation Reserve is reduced by £0.044m from £1.229m to £1.185m.
- 8. The three post balance sheet events relate to information that has arisen since the 30th June, but for which the accounts should be adjusted.
 - a) The first of these relates to the agreed sale of the old Worcester Fire station. Although this is well above the capital receipt anticipated it is below the holding value in the balance sheet. This is disclosed by way of a note in the explanatory forward.
 - b) The second relates to Retained Business Rates income.
 - i) For grant and council tax setting purposes any monies owing or refunds owed at the end of one year are dealt with in the income for the following year
 - ii) However, for IFRS purposes these have to be dealt with in the CIES and by way of debtors and creditors and are adjusted out again through the MiRS.

- iii) A Valuation Office tribunal decision made in relation to a GP Surgery in Sheffield in January 2015 which goes back to the 2005 List, has had an impact on the business rates collectable in Worcestershire in 2014/15. The impact is significant as it involves substantial refunds going back to 2005, even though until 2011/12 the overpaid rates went direct to central government. The Authority has had to recognise its share of this which is around £0.130m in the CIES and Balance Sheet.
 - iv) It was not previously accounted for as the Billing Authorities had no information on the impact at the Balance Sheet date.
 - c) The final issue relates to pensions and is complex.
 - i) On the 15th May the Pensions Ombudsman published a decision which will have a significant impact on the benefits payable to Firefighters who retired between 1st December 2001 and 21st August 2006. The case brought against the Government Actuary's Department (GAD) by Mr Milne, a retired Firefighter, contested that the commutation factor used to calculate a lump sum payable on retirement had not been reviewed by GAD in the required manner and was therefore not fit for purpose.
 - ii) The Ombudsman ruled in favour of Mr Milne and has directed GAD to review the lump sum commutation factor that was used at the time of his retirement.
 - iii) Subsequently DCLG advised that this would impact on all retirements in that period and that there would be a significant back payment due. The details of this were released in the first week of September.
 - iv) It is calculated that for this Authority the total figure is £0.810m plus £0.186m in interest.
 - v) The Treasury has indicated that it will fund the interest costs and has signalled that it is anticipating that CLG will meet the pension element. In respect of an identical issue in the Police Pension Scheme the Home Office has confirmed that they will fund the costs
 - vi) The correct accounting treatment of this has been subject of much debate across the fire finance sector and different firms of auditors have taken different views.
 - vii) Whilst the proposed treatment has been discussed with the Authorities External Auditors, it had not been finally agreed at the point this report was issued. It is possible that there may be a need to make an appropriate adjustment to the Accounts before approval if necessary.

Conclusion

- 9. Other than for matters that have subsequently arisen, the draft Accounts have not required amendment.

10. The Statement of Accounts with these amendments incorporated is ready for approval.
11. On publication the Statement of Accounts will incorporate the approved Annual Governance Statement, which is subject to a separate approval process (elsewhere on the Agenda).
12. Providing that no issues have arisen from the public inspection period, the External Auditor will be able to issue his opinion as soon as he is ready to and this will be incorporated in the Statements which will be published as soon as is practical after this.

Corporate Considerations

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

Supporting Information

Appendix 1 –Statement of Accounts 2014/15

Background papers

None

Contact Officer

Martin Reohorn, Treasurer

(01905 368205)

Email: mreohorn@hwfire.org.uk

Hereford & Worcester Fire Authority

Statement of Accounts

2014/15

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EXPLANATORY FOREWORD

1. Originally formed as an independent corporate body on 1 April 1998, as a result of Local Government Reorganisation, Hereford & Worcester Fire Authority (the FRA) is now constituted under the Fire and Rescue Services Act 2004. The FRA sets its own budget requirement, receives a share of Retained Business Rates and Revenue Support Grant, and issues its own Council Tax Precept.
2. The Statement of Accounts that follows covers the FRA's financial year ending 31 March 2015. 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 2014/15, 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 10-18.
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 2014/15 was £32.637m to which additional agreed expenditure of £0.062m funded from earmarked reserves has been added, bringing the total budget to £32.699m. 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 2014/15 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 2015.
9. A summary of the budget and out-turn is given overleaf:

	Revised Budget £m	Actual £m	Variance £m
Employee Costs	22.670	21.536	(1.134)
Running Costs	7.364	6.236	(1.128)
Capital Financing Costs	2.665	2.454	(0.211)
Gross Budget	32.699	30.226	(2.473)
<u>Resources</u>			
Fire Revenue Grant	(1.271)	(1.239)	0.032
Business Rate Income	(2.287)	(2.287)	0.000
Revenue Support Grant	(9.443)	(9.443)	0.000
Net Council Tax Precept	(19.455)	(19.455)	0.000
S31 Grant	(0.181)	(0.195)	(0.014)
Additional S31 Grant		(0.008)	(0.008)
	0.062	(2.401)	(2.463)
<u>Budgeted Use of Reserves:</u>			
Development Reserve	(0.062)	(0.062)	0.000
New Dimensions		(0.027)	(0.027)
Total before Final Transfer to Reserves	0.000	(2.490)	(2.490)
<u>Final Transfer to Reserves</u>			
Transfer to Operational Activity Reserve		0.300	0.300
Transfer to Earmarked Reserve			
- Additional Operational Equipment		0.300	0.300
- Transformation Reserve		1.185	1.185
Transfer to Budget Reduction Reserve		0.705	0.705
		0.000	0.000

10. Of the Core Budget under-spending of £2.473m, this relates to managed savings by budget holders and the phasing of capital finance. The resources received by the Authority in 2014/15 are lower than originally budgeted for this is mainly due to lower Fire Revenue Grant being received than anticipated but the impact of this has been partly offset by the receipt of higher levels of section 31 Grant.
11. During 2014/15, £2.490m has been added to earmarked reserves. This is slightly (£0.044m) less than the £2.534m included in the Provisional Out-turn reported to the Authority in June 2015 as a result of an agreed change to the accounting treatment of the joint Bromsgrove Fire/Police station.
- £0.705m has been added to the Budget Reduction Reserve to ensure the on-going funding of uniform staff
 - £0.300m has been set aside to fund new equipment following the transformation of the service and its working methodologies.
 - £0.300m added to the Operational Activity Reserve. To reflect the fact that following changes to the operational structure there is an anticipated increase in costs due to greater use of retained staff at prolonged incidents.
 - The balance, £1.185m creates a new Transformation Reserve to provide funding for further transformational projects being undertaken by the Service going forward.

General Reserve

12. The general reserve stood at £1.838m at 31 March 2014 (5.6% 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. At the end of this financial year the reserve will remain at £1.838m (5.6% of core budget), the authority has approved the use of £0.300m of general balances at its meeting of 18th February 2015 to provide a higher number of firefighters on duty as often as possible for a two year period.

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 General Fund Balance.

Capital Programme Budget

15. During 2014/15 £4.809m was spent on new assets or improvements to existing ones. Expenditure was incurred on the approved vehicle programme, the new Command and Control IT system, minor property works and small equipment and IT schemes. The majority of the programme was, as planned, funded by borrowing.

Balance Sheet

16. At 31 March 2014 the FRA held Long Term Assets with a net book value of £41.389m. Professional advice has not identified any further impairment due to changes in the economic climate, and adjusting for disposals, depreciation, revaluation and capital expenditure, Long Term Assets are valued at £44.475m at 31 March 2015.
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 at £13.971m remains well below the value of Long Term Assets.
18. The Balance Sheet includes liabilities in respect of the four pension schemes provided for staff.
19. The £10.017m 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 £319.768m 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 37 – 45.

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 2013/14 the FRA has reviewed the systems and processes it has in place to ensure sound corporate governance and to confirm that they are consistent with the principles outlined in the CIPFA/SOLACE Framework '*Corporate Governance in Local Government: A Keystone for Community Governance.*' The latest review of compliance with the code was approved by the FRA Audit and Standards Committee on 28 September 2015.
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 80-82.

Restatement

24. It has been necessary to restate the 2013/14 accounts, due to a change in the accounting policy relating to the application of International Accounting Standard 19, as it relates to the Firefighter Pension Scheme, and to comply with Guidance given in the Accounting Code of Practice rather than continue to apply the technical advice given by the Audit Commission for Financial Year 2011/12 onwards.
25. Whilst undertaking this restatement the decision has been made to restate other immaterial items, that would not normally have been adjusted for, these include the following:
- Long Term Borrowing Adjustment – the authority has agreed with the external auditors (Grant Thornton) to follow the accounting guidance given within the Accounting Code of Practice rather than continue to follow the Audit Commission suggested methodology.
 - Council Tax/NNDR Adjustment – Accounting entries have been amended for previous years, to ensure compliance with additional accounting guidance in the 2014/15 Accounting Code of Practice.
 - Depreciation Adjustment – The depreciation rate used for equipment in the previous financial year has been corrected following a clerical error which led to an undercharge.
 - Pension Adjustment – Late notification, received after closure of the accounts of adjustments relating to financial year 2013/14.
26. The restatement information has been included in a separate appendix to these accounts, and details the amount and reason for the restatement. The appendix also reconciles the restated figure to the 2014/15 published accounts.

Memorandum of Understanding (MoU)

27. A formal Memorandum of Understanding (MoU) has been entered into with Shropshire and Wrekin Fire Authority, to signify the ratification by both Fire Authorities to work towards the creation of a single resilient command and control function, operated from two remote locations, Worcester and Shrewsbury.
28. A separate tri partite Memorandum of Understanding has been entered into with Shropshire and Wrekin Fire Authority and Cleveland Fire Authority. The three authorities are now well advanced with plans to align their command & Control systems. This will create a resilient network of systems capable of being operated from control rooms in Worcester, Shrewsbury and Hartlepool. Common operating procedures and ways of working continue to be further refined to enable each Fire Authority to take calls and mobilise the other's resources seamlessly at any time. The Authorities will have immediate and fully operational fallback arrangements. The programme benefits are currently on track to be delivered by December 2015, however this facility is already in place between Hereford and Worcester Fire Authority and Shropshire and Wrekin Fire Authority.

Post Balance Sheet Events

29. There have been three events that have occurred after the date of the Balance Sheet, two of these have required adjustment to the accounts and one has been non-adjusting:

Adjusting Events

30. **GAD V Milne** – on the 15th May the Pensions Ombudsman published a decision which will have a significant impact on the benefits payable to Firefighters who retired between 1st December 2001 and 21st August 2006. The case brought against the Government Actuary's Department (GAD) by Mr Milne, a retired Firefighter, contested that the commutation factor used to calculate a lump sum payable on retirement had not been reviewed by GAD in the required manner and was therefore not fit for purpose.
31. The Ombudsman ruled in favour of Mr Milne and has directed GAD to review the lump sum commutation factor that was used at the time of his retirement. This will increase the amount of the commutation that should have been paid to payable Firefighters on retirement by £0.810m. In addition interest payments totalling £0.186m are also due.
32. It is expected that this expenditure will be funded by grants from the Treasury and DCLG.
33. Details of these assumptions made are included in the note on Critical Judgements on page 54
34. **Valuation of General Practitioner Surgeries** – A Valuation Office tribunal decision made in relation to a GP Surgery in Sheffield in January 2015 which goes back to the 2005 List, has had an impact on the business rates collectable in Worcestershire in 2014/15. The impact is significant as it involves substantial refunds going back to 2005, even though until 2011/12 the overpaid rates went direct to central government. The Authority has had to recognise its share of this in the CIES and Balance Sheet, but was not previously able to do so as the Billing Authorities had no information on the impact at the Balance Sheet date.

Non-adjusting Event

35. Since the Balance Sheet date the sale of the old Worcester Fire Station has been agreed. The sale price is less than the holding value in the Balance Sheet and will therefore result in an accounting loss being recorded on disposal in 2015/16. This does not affect the resources available to deliver services.

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 2015 and its income and expenditure for the year ended 31 March 2015.
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 2015 and its income and expenditure for the year ended 31 March 2015.
5. In accordance with the Accounts and Audit Regulations 2011 10(2) I certify that the Statement of Accounts 2014/15 provides a true and fair view of the financial position of the Authority at 31 March 2015 and its income and expenditure for the year 2014/15.

Signature on original copy

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

Date

Issue Date

6. The date that these financial statements are authorised for issue is 28th September 2015. All known material events that have occurred up to and including this date which relate to 2014/15 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 2014/15 on 28th September 2015.

Signature on original copy

Presiding Chairman of the
Audit Committee meeting

Date

STATEMENT OF ACCOUNTING POLICIES

General Principles

1. The Statement of Accounts has been prepared in accordance with proper accounting principles contained within the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and International Financial Reporting Standards (IFRS).

Accrual of Income and Expenditure

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

Cash and Cash Equivalents

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

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

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

Events After the Reporting Period

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

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

VAT

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

Overheads and Support Services

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

Property, Plant and Equipment (PP&E)

13. Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment (PP&E) has been capitalised provided it yields benefit to the Authority for more than one year. Capital expenditure enhances the value, usage or life of an asset. Some relatively immaterial items may be financed from revenue.
14. PP&E valued at fair value on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). A full valuation of Property assets has been carried out this financial year, as at 31 March 2015, using the independent professional services of Worcestershire County Council. The Authority's valuation service has confirmed that the carrying value of these assets is not materially different to their fair value and complies with the requirements of the accounting code and IAS16.
15. PP&E are classified into the groupings required by the Code of Practice on Local Authority Accounting and valued on the following basis:
 - Land is included in the balance sheet at net current replacement cost.
 - Properties, where there is evidence of Market Value, are valued at Open Market Value for Existing Use. Specialised properties, where there is no evidence of market value, are valued at Depreciated Replacement Cost.
 - Plant and Equipment is measured at the purchase price and any attributable costs, less depreciation, as a proxy for current value.
16. The Authority has a de-minimus of £5,000 for vehicle purchases.
17. Assets are held in the Balance Sheet at gross value, net of depreciation and impairment where appropriate.

Impairment

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

Component accounting

22. From 1 April 2010 Component Accounting, as set out in IAS 16 – Property, Plant &

Equipment, requires the Authority to componentise all Property, Plant and Equipment where the components have a distinctly different economic life to enable PP&E to be accurately and fairly included in the Authority's Comprehensive Income and Expenditure Statement (CIES) so that the depreciation charge properly reflects the consumption of the asset.

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

Intangible Assets

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

Basis of Charge for the use of Assets

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

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 approximate Asset life basis:
 - Buildings over 50 years – per depreciation policy.
 - IT equipment over 5 years - reflecting average life.
 - Other equipment over 7 years – reflecting actual average usage within the FRS.
 - Vehicles – on actual estimated life of each vehicle.
 - Vehicle expenditure before 2008/09 – MRP on a proxy Asset Life basis using original cost, less accumulative MRP, over the remaining useful life of the individual vehicle.
 - Expenditure before 2008/09, (other than vehicles) - MRP on a proxy Asset Life basis using original cost, less accumulative MRP over average asset life as above.

Leases

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 2014/15 the Authority held both finance and operating leases under the definition of IAS 17 Leases. The authority 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.

Operating leases

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

Non Current Assets held for Sale

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

Capital Receipts

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

Inventories

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

Pension Arrangements

38. The disclosure requirements are included in the main financial statements as notes to the accounts in accordance with IAS 19 – Employee Benefits and CIPFA recommended practice as interpreted and advised by our previous external auditors the Audit Commission in 2011/12. This is further explained in paragraphs 63 below.

Types of pension schemes

39. As part of the terms and conditions of employment of its staff, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.
40. Up until 31st March 2015 the Authority participated 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.
 - At 1st April 2015 some members of the the Firefighters Pension Scheme (FFPS) and the New Firefighters Pension Scheme (NFPS) were transferred to a new Firefighter Pension Scheme – the 2015 Scheme.

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

Interest on Balances

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

Government Grants and Contributions

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

Financial Liabilities

44. Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The amount of borrowings presented in the Balance Sheet is the outstanding principal repayable, and interest charged to the CIES is the amount payable for the year in the loan agreement.
45. Gains and losses on the repurchase or early settlement of borrowing would be credited and debited to Net Operating Expenditure in the CIES in the year of repurchase/settlement.
46. However, if repurchase had taken place as part of restructuring of the loan portfolio that involved the modification or exchange of existing instruments, the premium or discount would be deducted from or added to (respectively) the amortised cost of the new or modified loan and the write down to the CIES would be spread over the life of the loan by an adjustment to the effective interest rate.
47. Where premiums and discounts are charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The FRA has not yet undertaken such a restructuring of debt and has therefore not yet adopted a policy for its treatment.

Collection Fund Adjustment Account

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

Employee Benefits

Accumulating Compensating Absences

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

Termination Benefits

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

Provisions

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

Reserves

54. At 31 March 2015 a general reserve is held to meet expenditure which may arise from unforeseen events.
55. In addition the FRA holds a variety of earmarked reserves to meet specific known future costs. The value and nature of the current reserves are disclosed in the Notes to the Core Financial Statements on pages 46 - 48.

Capital Accounting Reserves

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

- **The Capital Adjustment Account**

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

- **The Revaluation Reserve**

This reserve records the unrealised net gains and losses from revaluations made after 1 April 2007, with the proviso that losses are charged to the Income and Expenditure Account if the loss is attributable to impairment (the consumption of

economic benefits). In the event of such a charge to the CIES, accounting entries are made to ensure that there is no effect on the council tax precept requirement.

Operating Segments

- 57. The CIPFA Code of Practice on Local Authority Accounting 2013/14 guidance on applying IFRS, requires that where an organisation considers and manages financial, operating and performance information in material segments, then additional financial information must be provided on these segments.
- 58. Due to the nature of its operation, as a single purpose Authority, the FRA and the Service management team manage the organisation as an entity, and do not have relevant operating segments to report upon.

Post Employment Benefits

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		2013/14 restated			2014/15		
	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		29,769	(1,675)	28,094	27,825	(1,925)	25,900
Community Safety		4,667	(70)	4,597	4,286	(111)	4,175
Emergency Planning		92	(1)	91	75	(2)	73
Corporate & Democratic Core		1,300	(22)	1,278	1,243	(32)	1,211
		35,828	(1,768)	34,060	33,429	(2,070)	31,359
Past Service Cost							
<i>Curtailment Costs (LGPS)</i>		23	0	23	3	0	3
Cost of Services		35,851	(1,768)	34,083	33,432	(2,070)	31,362
Back-dated Commutations					996	(996)	0
Other Operating Expenditure		1,652	(4,101)	(2,449)	1,362	(3,391)	(2,029)
Financing & Investment Income and Expenditure	3	14,201	(638)	13,563	14,310	(756)	13,554
Taxation & Non-Specific Grant Income	4		(32,381)	(32,381)		(32,280)	(32,280)
Deficit/(Surplus) on Provision of Services		51,704	(38,888)	12,816	50,100	(39,493)	10,607
Deficit/(Surplus) on revaluation of non-current assets	25-27			(1,046)			(2,063)
Actuarial (gains)/losses on Pensions Assets/Liabilities	64-68			(19,809)			21,323
Other Comprehensive Income and Expenditure				(20,855)			19,260
Total Comprehensive Income and Expenditure – Deficit/(Surplus)				(8,039)			29,867

The 2013/14 figures have been restated for the reasons outlined in Appendix 1 to these accounts

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

Note	General Fund 79 £000	Ear-marked Rev Res 80-82 £000	Unapplied Grant 83 £000	Cap Rcpts Reserve 84 £000	Total Useable 78 £000	Revaln. Reserve 86-87 £000	Capital Adj Acct 88-91 £000	Pensions Reserve 92-93 £000	Coll Fund Adj Acct 94 £000	Acc. Abs. Adj Acct 95 £000	Total Unusable 85 £000	All Reserves £000
Balance at 31-Mar-2014	1,838	5,696	2,008	135	9,677	5,717	19,291	(295,562)	34	(87)	(270,607)	(260,930)
Surplus/(Deficit) on Provision of Services	(10,607)				(10,607)						0	(10,607)
Other Comprehensive Income & Expenditure												
Surplus on revaluation of non-current assets					0	2,062					2,062	2,062
Movement in Pensions Reserve					0			(21,323)			(21,323)	(21,323)
Reversal of items in the CIES												
<i>to be removed for determining movement in General Fund</i>												
Relating to Depreciation/Amortisation	1,962				1,962		(1,962)				(1,962)	0
Relating to Depreciation on un-realised gains					0	(95)	95				0	0
Relating to Revaluation/Impairment gains/losses	(671)				(671)		671				671	0
Relating to Revaluation Losses on assets held for sale	697				697		(697)				(697)	0
Relating to Retirement Benefits	16,501				16,501			(16,501)			(16,501)	0
Relating to assets held for sale w/off on disposal					0						0	0
Relating to Non-current assets w/off on disposal	699				699	(49)	(650)				(699)	0
Relating to Capital Receipts	(159)			159	0						0	0
Relating to Unapplied Capital Grants/Contributions	(920)		920		0						0	0
Relating to Grants used to Finance Expd			(1,917)		(1,917)		1,917				1,917	0
Relating to Capital Receipts used to Finance Expd					0						0	0
Relating to Council Tax Income	(148)				(148)				148		148	0
Relating to Non-domestic rates income	177				177				(177)		(177)	0
Relating to Compensated absences	10				10					(10)	(10)	0
Insertion of items in the CIES												
<i>to be included for determining movement in General Fund</i>												
Employers Contribution to Pension Schemes	(3,602)				(3,602)			3,602			3,602	0
Statutory Provision for Debt Repayment	(1,090)				(1,090)		1,090				1,090	0
Revenue Financing of Capital	(448)				(448)		448				448	0
Transfers Between Earmarked Reserves	(2,401)	2,401			0						0	0
Balance at 31-Mar-2015	1,838	8,097	1,011	294	11,240	7,635	20,203	(329,784)	5	(97)	(302,038)	(290,798)

SUMMARY OF MOVEMENTS

Balance at 31-Mar-2014	1,838	5,696	2,008	135	9,677	5,717	19,291	(295,562)	34	(87)	(270,607)	(260,798)
Movement in Reserves during 2014/15												
Deficit/(Surplus) on Provision of Services	(10,607)	0	0	0	(10,607)	0	0	0	0	0	0	(10,607)
Other Comprehensive Income & Expenditure	0	0	0	0	0	2,062	0	(21,323)	0	0	(19,261)	(19,261)
Total Comprehensive Income & Expenditure	(10,607)	0	0	0	(10,607)	2,062	0	(21,323)	0	0	(19,261)	(29,868)
Adjustments between accounting basis and funding basis under regulations	13,008	0	(997)	159	12,170	(144)	912	(12,899)	(29)	(10)	(12,170)	0
Net change before Earmarked Reserve Transfers	2,401	0	(997)	159	1,563	1,918	912	(34,222)	(29)	(10)	(31,431)	(29,868)
Earmarked Reserves Transfers	(2,401)	2,401	0	0	0	0	0	0	0	0	0	0
Net Movement in Year	0	2,401	(997)	159	1,563	1,918	912	(34,222)	(29)	(10)	(31,431)	(29,868)
Balance at 31-Mar-2015 Carried Forward	1,838	8,097	1,011	294	11,240	7,635	20,203	(329,784)	5	(97)	(302,038)	(290,798)

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

Note	General Fund 79 £000	Ear-marked Rev Res 80-82 £000	Unapplied Grant 83 £000	Cap Rcpts Reserve 84 £000	Total Useable 78 £000	Revaln. Reserve 86-87 £000	Capital Adj Acct 88-91 £000	Pensions Reserve 92-93 £000	Coll Fund Adj Acct 94 £000	Acc. Abs. Adj Acct 95 £000	Total Un-useable 85 £000	All Reserves £000
Balance at 31-Mar-2013	1,485	4,561	2,709	0	8,755	5,084	19,377	(302,053)	28	(160)	(277,724)	(268,969)
Surplus/(Deficit) on Provision of Services	(12,816)				(12,816)						0	(12,816)
Other Comprehensive Income & Expenditure												
Surplus on revaluation of non-current assets					0	1,046					1,046	1,046
Movement in Pensions Reserve					0			19,809			19,809	19,809
Reversal of items in the CIES												
<i>to be removed for determining movement in General Fund</i>												
Relating to Depreciation/Amortisation	2,129				2,129		(2,129)				(2,129)	0
Relating to Depreciation on un-realised gains					0	(100)	100				0	0
Relating to Revaluation/Impairment Losses	69				69		(69)				(69)	0
Relating to Retirement Benefits	16,907				16,907			(16,907)			(16,907)	0
Relating to assets held for sale w/off on disposal	133				133	(37)	(96)				(133)	0
Relating to Non-current assets w/off on disposal	1,520				1,520	(276)	(1,244)				(1,520)	0
Relating to Capital Receipts	(135)			135	0						0	0
Relating to Unapplied Capital Grants/Contributions	(904)		904		0						0	0
Relating to Grants used to Finance Expd			(1,605)		(1,605)		1,605				1,605	0
Relating to Capital Receipts used to Finance Expd					0						0	0
Relating to Council Tax Income	(172)				(172)				172		172	0
Relating to Non-domestic rates income	166				166				(166)		(166)	0
Relating to Compensated absences	(73)				(73)					73	73	0
Insertion of items in the CIES												
<i>to be included for determining movement in General Fund</i>												
Employers Contribution to Pension Schemes	(3,589)				(3,589)			3,589			3,589	0
Statutory Provision for Debt Repayment	(1,071)				(1,071)		1,071				1,071	0
Revenue Financing of Capital	(676)				(676)		676				676	0
Transfers Between Earmarked Reserves	(1,135)	1,135			0	0					0	0
Balance at 31-Mar-2014	1,838	5,696	2,008	135	9,677	5,717	19,291	(295,562)	34	(87)	(270,607)	(260,930)

SUMMARY OF MOVEMENTS

Balance at 31-Mar-2013	1,485	4,561	2,709	0	8,755	5,084	19,377	(302,053)	28	(160)	(277,724)	(268,969)
Movement in Reserves during 2013/14												
Deficit/(Surplus) on Provision of Services	(12,816)	0	0	0	(16,910)	0	0	0	0	0	0	(12,816)
Other Comprehensive Income & Expenditure	0	0	0	0	0	1,046	0	19,809	0	0	20,855	20,855
Total Comprehensive Income & Expenditure	12,816	0	0	0	(16,910)	1,046	0	19,809	0	0	20,855	8,039
Adjustments between accounting basis and funding basis under regulations	14,304	0	(701)	135	17,832	(413)	(86)	(13,318)	6	73	(13,738)	0
Net change before Earmarked Reserve Transfers	1,488	0	(701)	135	920	633	(86)	6,491	6	73	7,117	8,039
Earmarked Reserves Transfers	(1,135)	1,135	0	0	0	0	0	0	0	0	0	0
Net Movement in Year	353	1,135	(701)	135	920	633	(86)	6,491	6	73	7,117	8,039
Balance at 31-Mar-2014 Carried Forward	1,838	5,696	2,008	135	9,677	5,717	19,291	(295,562)	34	(87)	(270,607)	(260,930)

The 2013/14 figures have been restated for the reasons outlined in Appendix 1 to these accounts

BALANCE SHEET

-	<u>Notes</u>	<u>1-Apr-2014</u> <i>(restated)</i> £000	<u>31-Mar-2014</u> <i>(restated)</i> £000	<u>31-Mar-2015</u> £000
Property Plant & Equipment	25-27	40,996	41,019	44,026
Intangible Assets	28-31	413	370	449
Long Term Assets		41,409	41,389	44,475
Inventories		200	147	172
Short Term Debtors	53	2,159	2,619	4,238
Assets Held for Sale	56	133	0	985
Cash & Cash Equivalents	54-55	7,509	8,477	8,268
Current Assets		10,001	11,243	13,663
Short Term Borrowing	35-42	(500)	(500)	(834)
Short Term Creditors	57	(3,309)	(3,408)	(4,882)
Current Liabilities		(3,809)	(3,908)	(5,716)
Provisions	99-104	(46)	(121)	(298)
Long Term Borrowing	42	(14,471)	(13,971)	(13,137)
Other Long Term Liabilities	60-77,16	(302,053)	(295,563)	(329,785)
Long Term Liabilities		(316,570)	(309,655)	(343,220)
Net Assets		(268,969)	(260,931)	(290,798)
Useable Reserves	78-84	8,755	9,677	11,240
Un-useable Reserves	85-95	(277,724)	(270,608)	(302,038)
Total Reserves		(268,969)	(260,931)	(290,798)

The 2013/14 figures have been restated for the reasons outlined in Appendix 1 to these accounts

The unaudited accounts were issued on 30th June 2015 and the audited accounts were authorised for issue on *(to be inserted following audit)*

CASH-FLOW STATEMENT FOR 12 MONTHS ENDING 31 MARCH 2015

	Notes	Restated 2013/14 £000	2014/15 £000
Net (surplus) or deficit on the provision of services		12,816	10,607
Adjustments to net surplus or deficit on the provision of services for non cash movements	106.1	(17,324)	(15,700)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	106.2	1,062	1,080
Net cash flows from operating activities		(3,446)	(4,013)
Investing Activities	107	1,955	3,722
Financing Activities	108	523	500
Net increase or decrease in cash and cash equivalents		(968)	209
Cash and cash equivalents at the beginning of the period		(7,509)	(8,477)
Net increase or decrease in cash and cash equivalents in the Period		(968)	209
Cash and cash equivalents at the end of the reporting period		(8,477)	(8,268)

The 2013/14 figures have been restated for the reasons outlined in Appendix 1 to these accounts

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Code of Practice on Local Authority Accounting in the United Kingdom requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code:

- IFRS 13 Fair Value Measurements – IFRS 13 defines fair value and sets out a framework for measuring fair value. It also identifies new disclosures in respect of fair value measurements. It provides a fair value hierarchy to be used in the valuation of assets and liabilities which will enable users to assess the valuation method used and its impact on the Balance Sheet and Comprehensive Income and Expenditure Statement. The changes will be presentational.

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

2. Re-statement of the Core Financial Statements

A restatement has been made to the core financial statement which relates to a change in the accounting treatment adopted for pensions.

Whilst this restatement has been undertaken, some additional immaterial changes have also been made.

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

3. Financing and Investment Income and Expenditure

	2013/14 £'000	2014/15 £'000
Interest payable and similar charges	608	594
Interest receivable and similar income	(36)	(41)
Pensions net interest cost and expected return on pensions assets	12,991	13,001
	13,563	13,554

4. Taxation and non-specific Grant Income

	2013/14 £'000	2014/15 £'000
Council Tax income	18,749	19,603
National Non-Domestic Rates (NNDR) income and expenditure	4,934	5,073
Council Tax Transition Grant	61	
Capitalisation Provision Redistribution Grant	39	
Transparency Code Set Up Grant	2	5
Rural Service Grant	13	3
2014/15 Council Tax Freeze Grant	210	
Revenue Support Grant (RSG)	7,469	6,675
	31,477	31,359
Non-specific Capital Grant	904	904
Grant from Wychavon District Council		17
Total Grants	32,381	32,280

Members Allowances

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

	2013/14 £'000	2014/15 £'000
Basic Allowances	28	29
Special Allowances	21	21
Expenses	3	3
	52	53

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

Officers' Emoluments

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

£	2013/14 No. of Staff	2014/15 No. of Staff
50,000 - 54,999	22	21
55,000 - 59,999	5	9
60,000 - 64,999		1
65,000 - 69,999		
70,000 - 74,999	3	3
75,000 - 79,999		
80,000 - 84,999	1	1
85,000 - 89,999		
90,000 - 94,999	1	1
95,000 - 99,999	1	1
100,000 - 104,999		
105,000 - 109,999		
110,000 - 114,999		
115,000 - 119,999		
120,000 - 124,999	1	1
	34	38

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

Senior Officers

2014/15			Benefit		Pension	Total
Post Title		Salary	in Kind	Sub-Total	Contrib.	incl Pension
		£	£	£	£	£
Chief Fire Officer/Chief Executive	<i>U</i>	122,445	300	122,745	26,081	148,826
Deputy Chief Fire Officer	<i>U</i>	98,168	1,661	99,829	20,910	120,739
Assistant Chief Fire Officer	<i>U</i>	92,032	2,280	94,312	19,603	113,915
Director of Finance & Assets	<i>NU</i>	76,661	4,768	81,429	11,116	92,545
Head of Legal Services	<i>NU</i>	54,185		54,185	7,857	62,042
<i>U : Uniformed; NU : Non-Uniformed</i>		443,491	9,009	452,500	85,567	538,067
2013/14			Benefit		Pension	Total
Post Title		Salary	in Kind	Sub-Total	Contrib.	incl Pension
		£	£	£	£	£
Chief Fire Officer/Chief Executive	<i>U</i>	121,199	824	122,023	25,815	147,838
Deputy Chief Fire Officer	<i>U</i>	96,959	1,113	98,072	20,652	118,724
Assistant Chief Fire Officer	<i>U</i>	90,899	1,003	91,902	19,361	111,263
Director of Finance & Assets	<i>NU</i>	75,752	4,730	80,482	13,938	94,420
Head of Legal Services	<i>NU</i>	53,789	-	53,789	9,897	63,686
<i>U : Uniformed; NU : Non-Uniformed</i>		438,598	7,670	446,268	89,663	535,931

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

Related Party Transactions

9. The FRA is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the FRA or be controlled or influenced by the FRA. Disclosure of these transactions allows readers to assess the extent to which the FRA might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the FRA.
10. **Central Government** has a significant influence over the general operations of the FRA – it is responsible for setting the statutory framework within which the FRA operates, provides a proportion of funding in the form of grants and prescribes the terms of many of the transactions that the FRA has with other parties (e.g. Council Tax bills). Grants received from Government are set out in the table on page 24.
11. **Members** of the FRA have direct control over the FRA's financial and operating policies. The total of Members' allowances paid is shown in Notes 5 on page 24. No Members of the FRA or members of their immediate family or household declared any positions of influence
12. **Officers** – During 2014/15, the Area Commander - Head of Operations Support declared an interest in accordance with section 117 of the Local Government Act 1972 with regard to payments made to a supplier totalling £6,929.06 (excl VAT). The Officer did not take part in the decision to use this supplier.

External Audit Fees

13. During 2014/15 Hereford & Worcester Fire Authority incurred the fees below in respect of external audit and statutory inspection, in accordance with the Audit Commission Act 1998.

	2013/14 £'000	2014/15 £'000
Fees rebates from the Audit Commission:		
In respect of external audit services : 2013/14 Accounts	(6)	(4)
In respect of external audit services : Other services provided		1
Fees payable to Grant Thornton:		
in respect of external audit services : 2013/14 Accounts	44	
in respect of external audit services : 2014/15 Accounts		44
	38	41

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

Leases

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

Operating Leases

15. The FRA has entered into operational leases for the provision of emergency and ancillary vehicles. The total rentals paid to lessors on these operating leases in the year totalled £106,430 (2013/14 £55,470).
16. The future lease payments under non-cancellable operating leases in future years are:

	31-Mar-2014 £'000	31-Mar-2015 £'000
Not later than one year	24	75
Later than one year and not later than 5 years	49	201
	73	276

17. The Authority entered into a lease agreement with the Police & Crime Commissioner for West Mercia, on 3rd April 2014 in relation to the joint Fire/Police station in Bromsgrove.
18. The lease is for a term of 30 years with the option for the Authority to extend for a further 30 years. The total rental paid in 2014/15 was £249,485.
19. The minimum lease payments due under this arrangement in future years are as below.

	31-Mar-2014 £'000	31-Mar-2015 £'000
Not later than one year	0	249
Later than one year and not later than 5 years	0	998
Later than 5 years	0	5,988
	0	7,235

20. Due to the differing nature of the new lease in relation to Bromsgrove, this table has been split for this year only to provide clarity.

Capital Expenditure

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

	2013/14 £'000	2014/15 £'000
New Buildings & Adaptations	2,281	4,140
Vehicles (including fitted equipment)	185	11
IT and Communication Equipment	186	167
Other Equipment	120	491
Total Capital Expenditure	2,772	4,809

22. Capital expenditure was financed as follows:

	2013/14 £'000	2014/15 £'000
Net Borrowing	491	2,444
Capital Grant	1,605	1,917
Revenue Contributions	676	448
	2,772	4,809

23. Capital Financing Requirement

	2013/14			2014/15		
	Owned £'000	Leased £'000	Total £'000	Owned £'000	Leased £'000	Total £'000
Opening CFR	17,064	23	17,087	16,506		16,506
Capital investment						
Operational assets	1,218		1,218	1,539		1,539
Assets not yet Operational	1,554		1,554	3,270		3,270
Sources of Finance						
Capital receipts						
Government grants and other contributions	(1,606)		(1,606)	(1,917)		(1,917)
Sums set aside from Revenue - Direct Revenue Financing	(676)		(676)	(448)		(448)
	490	0	490	2,444	0	2,444
Sums set aside from Revenue - Minimum Revenue Provision	(1,048)	(23)	(1,071)	(1,091)	0	(1,091)
Change in CFR	(558)	(23)	(581)	1,353	0	1,353
Closing CFR	16,506	0	16,506	17,859	0	17,859
Explanation of movements in year						
Increase/(Decrease) in underlying need to borrow: unsupported by government financial assistance	(558)	n/a		1,353	n/a	
Increase in Capital Financing Requirement	(558)			1,353		

Capital Commitments

24. At 31 March 2015 the FRA had total capital commitments of £1.309m and had the following material commitments to capital schemes, for which budget provision has been provided:

- Malvern Fire Station £0.183m
- Worcester Fire Station £0.627m

Property, Plant and Equipment

25. Movements in 2014/15

	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 2014	32,769	19,932	773	1,642	55,116
Additions	869	564		3,270	4,703
Revaluation increases/(decreases) recognised in the Revaluation Reserve	749	0	0	0	749
Revaluation increases/(decreases) recognised in the					
Surplus/Deficit on the Provision of Services	79	0	0	0	79
Reclassifications	1,114	1	0	(1,115)	0
Reclassifications - to current assets held for sale	(1,682)	0	0	0	(1,682)
Reclassifications - to intangible assets	0	0	0	(65)	(65)
Disposals/derecognition	(219)	(51)	(773)	(113)	(1,156)
At 31 March 2015	33,679	20,446	0	3,619	57,744
Accumulated Depreciation and Impairment at 01 April 2014	(1,447)	(12,418)	(232)	0	(14,097)
Reclassifications					
Depreciation Charge for 2014-15	(524)	(1,346)	0	0	(1,870)
Depreciation written out to Revaluation Reserve	1,313	0	0	0	1,313
Depreciation written out to the Surplus/Deficit on Provision of Services	592	0	0	0	592
Disposals/derecognition	66	47	232	0	345
At 31 March 2015	0	(13,717)	0	0	(13,717)
Balance Sheet amount at 01 April 2014	31,322	7,514	541	1,642	41,019
Balance Sheet amount at 31 March 2015	33,679	6,729	0	3,619	44,027

26. Comparative Movements in 2013/14

	Land and Buildings (restated) £'000	Vehicles Plant, Furniture and Equipment (restated) £'000	Surplus Assets £'000	Assets not yet Operational £'000	TOTAL Tangible Assets (restated) £'000
Cost or Valuation at 01 April 2013	32,192	20,060	673	766	53,691
Additions	792	402		1,554	2,748
Revaluation increases/(decreases) recognised in the Revaluation Reserve	855				855
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services:	(79)				(79)
Reclassifications	390	68	100	(558)	0
Reclassifications - to current assets held for sale					
Reclassifications - to intangible assets					
Disposals	(1,381)	(598)		(120)	(2,099)
At 31 March 2014	32,769	19,932	773	1,642	55,116
Accumulated Depreciation and Impairment at 01 April 2013	(1,195)	(11,320)	(180)	0	(12,695)
Reclassifications	5		(5)		0
Depreciation Charge for 2013-14	(534)	(1,482)	(47)		(2,063)
Depreciation written out to Revaluation Reserve	192				192
Depreciation written out to the Surplus/Deficit on Provision of Services	10				10
Derecognition – disposals	75	384			459
At 31 March 2014	(1,447)	(12,418)	(232)	0	(14,097)
Balance Sheet amount at 01 April 2013	30,997	8,740	493	766	40,996
Balance Sheet amount at 31 March 2014	31,322	7,514	541	1,642	41,019

A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

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

Intangible Assets

28. 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.
29. 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.

30. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £91,000 charged to revenue in 2014/15 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.
31. The movement on Intangible Asset balances during the year is as follows:

	2013/14 £000	2014/15 £000
Balance at start of year:	413	370
- Gross carrying amount	1,016	1,036
- Accumulated amortisation	(603)	(666)
Net carrying amount at start of year	413	370
Additions	24	106
Reclassification	0	65
Disposals	(2)	(1)
Accumulated amortisation on disposal	2	0
Amortisation for the period	(67)	(91)
Net carrying amount at end of year	370	449
Comprising:		
- Gross carrying amount	1,036	1,207
- Accumulated amortisation	(666)	(758)
	370	449

Heritage Assets

32. 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.
33. 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.
34. 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

35. 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 41 - 42):

	31-Mar-14			31-Mar-15		
	Long-term £000	Current £000	Total £000	Long-term £000	Current £000	Total £000
Short Term Deposits						
Deposits with WCC		7,750	7,750		8,000	8,000
		7,750	7,750		8,000	8,000
Loans & Receivables						
<i>(at amortized cost)</i>						
Trade Debtors		117	117		85	85
		117	117		85	85
		7,867	7,867		8,085	8,085
Financial Liabilities						
<i>(at amortized cost)</i>						
PWLB Borrowing	13,971	500	14,471	13,137	834	13,971
Trade Creditors		1,044	1,044		715	715
	13,971	1,544	15,515	13,137	1,549	14,686

Fair Value of Assets and Liabilities carried at amortised cost

36. 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.
37. 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.
38. The Fair Value of the loans at 31 March 2015 was £17,399m (£16.486m at 31 March 2014) as estimated by PWLB by reference to the "premature repayment" set of rates in force on 31 March 2015 (31 March 2014). For all other Financial Assets and Liabilities the Fair Value is equal to the Carrying Value.
39. 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

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

	Interest Expense 2013/14 £'000	Interest Income 2013/14 £'000	Interest Expense 2014/15 £'000	Interest Income 2014/15 £'000
Financial Liabilities				
PWLB Borrowing	607		594	
Finance Lease Interest	1		0	
Total	608	0	594	0
Short Term Deposits		36		41
	0	36	0	41

Long and Short Term Borrowing

41. A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

	31-Mar-14 restated			31-Mar-15		
	Long Term £'000	Short Term £'000	TOTAL £'000	Long Term £'000	Short Term £'000	TOTAL £'000
Loan Source						
Public Works Loans Board	13,971	500	14,471	13,137	834	13,971
	13,971	500	14,471	13,137	834	13,971
Analysis by Maturity						
Less than 1 year		500	500		834	834
Between 1 and 2 years	834		834	500		500
Between 2 and 5 years	2,500		2,500	2,000		2,000
Between 5 and 10 years	4,802		4,802	5,149		5,149
Over 10 years	5,835		5,835	5,488		5,488
Total of Loans	13,971	500	14,471	13,137	834	13,971

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

Financial Instruments – Exposure to Risk

43. 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.
44. 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

45. 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.
46. Amounts invoiced to customers are of relatively low value and are actively pursued by the in-house legal service.
47. 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 £0.008m).

	31-Mar-15 £'000	Written off in last 3 years £'000	Historical Default
Short Term deposits with WCC Customers	85	8	3%
Total	85	8	

48. Of the £0.085m due from customers at 31 March 2015 the following table analyses the due dates.

	£'000
Not yet due	79
Less than 1 month overdue	
1 to 2 months overdue	6
more than 2 months overdue	
	85

Liquidity Risk

49. 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

50. 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

51. The FRA does not invest in equity shares and therefore has no exposure to loss arising from movements in share prices.
52. The FRA has no financial assets or liabilities, denominated in foreign currencies and therefore has no exposure to loss arising from exchange rate movements.

53. Debtors

	31-Mar-14 restated £'000	31-Mar-15 £'000
Central Government Bodies	405	1,788
Other Local Authorities	856	259
Public Corporations and Trading Funds	834	964
Other entities and individuals	524	1,227
	2,619	4,238

A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

Cash and Cash Equivalents

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

	31-Mar-14 £'000	31-Mar-15 £'000
Cash held by the Authority	5	5
Bank Current Accounts	722	263
Short term deposits with WCC	7,750	8,000
	8,477	8,268

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

56. Assets Held for Sale

	Current	
	201-14	2014-15
	£000	£000
Balance outstanding at start of year	133	0
Assets newly classified as held for sale:		
Property Plant and Equipment	0	1,682
Revaluation Losses	0	(697)
Assets Sold	(133)	0
Balance outstanding at year-end	0	985

Creditors

	31-Mar-14 restated £'000	31-Mar-15 £'000
Central Government Bodies	791	801
Other Local Authorities	638	713
NHS	0	15
Other entities and individuals	1,979	3,353
	3,408	4,882

A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

Termination Benefits and Packages

57. As a result of a redundancy process the FRA terminated the contracts of 7 employees, incurring liabilities of £0.081m.
58. The numbers of exit packages with the total cost per band are set out in the table below. The FRA did not pay any other exit packages.

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

Pension Arrangements

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

61. The retirement benefits are recognised in the Net Cost of Service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax precept is based on the cash payable in the year, (as described in paragraph 67 below) so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement (MiRS).
62. Charges made to the Income and Expenditure Account for council tax precept purposes are as below:
- LGPS – the employer's contribution payable to the Pension Fund.
 - FFPS/NFPS – the notional employer's contribution payable into the Pension Account as explained in Paragraphs 13-14 on page 5 of the Explanatory Forward.
 - FFCS – the actual injury pensions and any RDS ill-health pensions payable.
63. Transactions made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement (MiRS) during the year are shown in the tables below:

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

Movement in Reserves Statement Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(872)	(10,795)	(3,084)	(1,750)	(16,501)
Actual Amount charged against the General Fund Balance for pensions in the year:					
Employer's contribution payable to scheme	684	1,764	449		2,897
Retirement Benefits payable to Pensioners				705	705
Net Charge to General Fund	684	1,764	449	705	3602

	LGPS 2013/14 (restated)	FFPS 2013/14 (restated)	NFPS 2013/14 (restated)	FFCS 2013/14 (restated)	TOTAL 2013/14 (restated)
	£'000	£'000	£'000	£'000	£'000
Income and Expenditure Account					
Net Cost of Services:					
Current Service Cost	741	4,860	1,690	690	7,981
Curtailment Cost	23				23
Other Operating Expenditure comprising					
Administration Expenses	13				13
Pensions Grant		(4,916)	815		(4,101)
Financing and Investment Income and Expenditure					
Net Interest Expense	361	10,830	540	1,260	12,991
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	1,138	10,774	3,045	1,950	16,907
Remeasurement of the net defined benefit liability comprising:					
Experience (gains)/losses	304	(4,870)	(80)	(2,630)	(7,276)
Return on plan assets (excluding the amount included in the net interest expense)	(1,157)				(1,157)
Actuarial (gains) and losses arising on changes in demographic assumptions	160				160
Actuarial (gains) and losses arising in financial assumptions	(2,276)	(6,490)	(990)	(1,780)	(11,536)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(1,831)	(586)	1,975	(2,460)	(2,902)

Movement in Reserves Statement Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(1,138)	(10,774)	(3,045)	(1,950)	(16,907)
Actual Amount charged against the General Fund Balance for pensions in the year: Employer's contribution payable to scheme Retirement Benefits payable to Pensioners	621	1,843	433	692	2,897 692
Net Charge to General Fund	621	1843	433	692	3589

A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Funded Liability LGPS 2013/14 (restated) £'000	Un-funded Liability FFPS 2013/14 (restated) £'000	Un-funded Liability NFPS 2013/14 (restated) £'000	Un-funded Liability FFCS 2013/14 (restated) £'000	TOTAL 2013/14 (restated) £'000
Present value of the defined benefit obligation	21,561	250,351	13,131	25,903	310,946
Fair Value of Plan assets	(15,384)	0	0	0	(15,384)
Net liability arising from defined benefit obligation	6,177	250,351	13,131	25,903	295,562

A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

Assets and Liabilities in relation to post-employment benefits

64. Reconciliation of the present value of scheme liabilities:

	Funded Liabilities (LGPS) 2014/15 £'000	Un-funded Liabilities (FFPS) 2014/15 £'000	Un-funded Liabilities (NFPS) 2014/15 £'000	Un-funded Liabilities (FFCS) 2014/15 £'000	TOTAL 2014/15 £'000
at 1 April	21,561	250,351	13,131	25,903	310,946
Current Service Cost	595	4,140	1,540	600	6,875
Interest Cost	976	10,970	620	1,150	13,716
Employee Contributions	214				214
Remeasurement Gains and Losses					
Experience (Gains) and Losses	0	(6,760)	(260)	(220)	(7,240)
Actuarial (Gains) and Losses arising on changes in demographic assumptions		(14,230)	(4,630)	(12,200)	(31,060)
Actuarial (Gains) and Losses arising on changes in financial assumptions	4,897	40,450	4,810	1,930	52,087
Actuarial (Gains) and Losses arising on changes in financial assumptions – retained settlement			8,780		8,780
Losses/(Gains) on curtailments	3				3
Pensions Grant		(4,315)	924		(3,391)
Employer contributions firefighter scheme/benefits paid LGPS scheme	(859)	(1,764)	(449)	(705)	(3,777)
at 31 March	27,387	278,842	24,466	16,458	347,153
	Funded Liabilities (LGPS) 2013/14 (restated) £'000	Un-funded Liabilities (FFPS) 2013/14 (restated) £'000	Un-funded Liabilities (NFPS) 2013/14 (restated) £'000	Un-funded Liabilities (FFCS) 2013/14 (restated) £'000	TOTAL 2013/14 (restated) £'000
at 1 April	22,103	252,780	11,589	29,055	315,527
Current Service Cost	741	4,860	1,690	690	7,981
Interest Cost	963	10,830	540	1,260	13,593
Employee Contributions	220				220
Remeasurement Gains and Losses					
Experience (Gains) and Losses	304	(4,870)	(80)	(2,630)	(7,276)
Actuarial (Gains) and Losses arising on changes in demographic assumptions	160				160
Actuarial (Gains) and Losses arising on changes in financial assumptions	(2,276)	(6,490)	(990)	(1,780)	(11,536)
Losses/(Gains) on curtailments	24				24
Pensions Grant		(4,916)	815		(4,101)
Employer contributions firefighter scheme/benefits paid LGPS scheme	(678)	(1,843)	(433)	(692)	(3,646)
at 31 March	21,561	250,351	13,131	25,903	310,946

A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

65. Reconciliation of fair value of scheme assets:

	Funded Assets (LGPS) 2013/14 (restated) £'000	Funded Assets (LGPS) 2014/15 £'000
Fair value at 1 April	13,474	15,384
Interest Income	602	715
Remeasurement gain/loss		
Return on plan assets (excluding the amount included in the net interest expense)	1,157	1,244
Other (administration expenses)	(13)	(13)
Employer Contributions	622	684
Employee Contributions	220	214
Benefits Paid	(678)	(859)
at 31 March	15,384	17,369

A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

66. The expected rate of return on assets (LGPS only) is based on market expectations, at the beginning of the period, for investment returns over the life of the entire life of the related obligation. The assumption used is the average of the assumptions shown in table 75 appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class as shown in table 80. Note that rates quoted are gross of expenses. The actual return on schemes' assets in the year was £1.959m (2013/14 £0.690m).

67. Reconciliation of Movements in Net Pensions Liability:

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

	Funded Liabilities (LGPS) 2013/14 (restated) £'000	Un-funded Liabilities (FFPS) 2013/14 (restated) £'000	Un-funded Liabilities (NFPS) 2013/14 (restated) £'000	Un-funded Liabilities (FFCS) 2013/14 (restated) £'000	TOTAL 2013/14 (restated) £'000
at 1 April	8,629	252,780	11,589	29,055	302,053
Current Service Cost	741	4,860	1,690	690	7,981
Employer Contributions	(621)	(1,843)	(433)	(692)	(3,589)
Pensions Grant		(4,916)	815		(4,101)
Administration Expenses	13	0	0	0	13
Gain)/Loss from Curtailments	23	0	0	0	23
Interest on Liabilities	963	10,830	540	1,260	13,593
Interest on Assets	(602)	0	0	0	(602)
Net remeasurement gains and losses	(2,969)	(11,360)	(1,070)	(4,410)	(19,809)
at 31 March	6,177	250,351	13,131	25,903	295,562

68. Note treatment for this disclosure as detailed in Notes 63 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.

69. Scheme History

	31-Mar 2010 £'000	31-Mar 2011 £'000	31-Mar 2012 £'000	31-Mar 2013 £'000	31-Mar 2014 (restated) £'000	31-Mar 2015 £'000
Present value of liabilities:						
LGPS : Local Government Pension Scheme	17,655	16,879	18,243	22,103	21,561	27,387
FFPS : Firefighters' 1992 Scheme	212,108	194,462	213,344	252,780	250,351	278,842
NFPS : Firefighters' 2006 Scheme	4,230	4,850	6,978	11,589	13,131	24,466
FFCS : Firefighters' Injury Scheme	24,418	20,758	23,702	29,055	25,903	16,458
	258,411	236,949	262,267	315,527	310,946	347,153
Fair value of assets in the LGPS	10,309	11,111	11,290	13,474	15,384	17,369
	10,309	11,111	11,290	13,474	15,384	17,369
Net Liabilities of the scheme:						
LGPS : Local Government Pension Scheme	7,346	5,768	6,953	8,629	6,177	10,018
FFPS : Firefighters' 1992 Scheme	212,108	194,462	213,344	252,780	250,351	278,842
NFPS : Firefighters' 2006 Scheme	4,230	4,850	6,978	11,589	13,131	24,466
FFCS : Firefighters' Injury Scheme	24,418	20,758	23,702	29,055	25,903	16,458
Total	248,102	225,838	250,977	302,053	295,562	329,784

70. The liabilities show the underlying commitments that the FRA has in the long run to pay retirement benefits. The total liability of £329,784m has a substantial impact on the net worth of the FRA as recorded in the Balance Sheet, resulting in a negative overall balance of £290,524m.

71. 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.

Basis for Estimating Liabilities

72. 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.
73. 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.
74. The principal assumptions used by the Actuaries are shown overleaf:

	LGPS 2014/15	FFPS 2014/15	NFPS 2014/15	FFCS 2014/15
Long-term expected rate of return on assets in the scheme				
Equity investments	6.50%	n/a	n/a	n/a
Government Bonds	2.20%	n/a	n/a	n/a
Other Bonds	2.90%	n/a	n/a	n/a
Property	5.90%	n/a	n/a	n/a
Cash/liquidity	0.50%	n/a	n/a	n/a
Mortality assumptions:				
Longevity at 65 for current pensioners				
Male	23.4	22.5	22.5	22.5
Female	25.8	22.5	22.5	22.5
Longevity at 65 for future pensioners				
Male	25.6	24.8	24.8	24.8
Female	28.1	24.8	24.8	24.8
Rate of inflation (RPI)		3.35%	3.35%	3.35%
Rate of inflation (CPI)	2.10%	2.20%	2.20%	2.20%
Rate of increase in salaries	3.60%	4.20%	4.20%	4.20%
Rate of increase in pensions	2.10%	2.20%	2.20%	2.2%
Rate for discounting scheme liabilities	3.40%	3.30%	3.30%	3.30%
Take-up of option to convert annual pension into retirement lump sum:				
take maximum cash	50%	n/a	n/a	n/a
take 3/80ths cash	50%	n/a	n/a	n/a

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

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

Asset Category	Sub Category	31-Mar-14	31-Mar-15
Equities	UK Quoted	25.9%	22.2%
	Overseas Quoted	36.0%	38.3%
	UK Managed Funds	11.7%	10.2%
	UK Managed Funds – Overseas Equities)	17.1%	20.4%
	Overseas Managed Funds	0.6%	0.8%
	UK Corporate	0.7%	0.7%
Bonds	Overseas Corporate	5.6%	5.8%
Cash	Cash Instruments	0.8%	0.5%
	Cash Accounts	0.6%	0.1%
	Net Current Assets	1.0%	1.0%
	Total	100.0%	100.0%

Injury Awards

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

Usable Reserves

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

	31-Mar-14 £'000	31-Mar-15 £'000
General Fund	1,838	1,838
Earmarked Reserves	5,696	8,097
Unapplied Grants	2,008	1,011
Capital Receipts Reserve	135	294
	9,677	11,240

78. General Fund Balance

	2013/14 £'000	2014/15 £'000
Balance at 01 April	1,485	1,838
Transfers from CIES	353	
Balance at 31 Mar	1,838	1,838

Earmarked Reserves

79. Earmarked revenue reserves are held for a variety of purposes, the nature and value of these is outlined below:
- **Pensions Reserve** – To meet the potential cost of the Retained Firefighters' national settlement in relation to Unfair Treatment of Part-time Workers.
 - **New Fire Control Reserve** – Government has allocated significant capital grant to this project as well as a small revenue grant. The revenue grant will be used to offset specific annual revenue costs over a number of years once the new system is operational.
 - **Operational Activity Reserve** – To fund exceptional activity costs arising from spate conditions e.g. prolonged fires in the Malvern Hills or flooding.
 - **New Dimensions Reserve** – planned to be used to create additional training facilities and fund exercises in respect of New Dimensions.
 - **Equipment Reserve** – To fund additional equipment required within the service.
 - **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.
 - **Property Maintenance Reserve** – to be utilised in future years to ensure the completion of planned station maintenance.
 - **Transformation Reserve** – to match funding for service transformation projects following the successful bidding undertaken during 2014/15.
 - **Budget Reduction Reserve** - in expectation of significant future pressures and the restructuring necessary to meet them, a reserve has been created to help smooth the transformation over the next few years.
 - **Collection Fund Loss Reserve** – to meet the potential deficit arising at billing authorities following the increase in the anticipated arrears position, which has resulted in lower NNDR receipts in financial year 2015/16.

- **Pension Tribunal Reserve** – to meet the potential costs of employing fire Fighters who retired before reaching the age of 55, on the retained fire fighter duty system

80. A summary of movements is shown below.

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

81. The comparative movements for 2013/14 are summarised below:

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

82. Unapplied Grant

	LPSA1 (Worcs) Reward Grant (Capital) £'000	Formula Capital Grant £'000	Control Rooms Funding £'000	Evesham Station Contribution	CLG E&D Grant £'000	TOTAL £'000
Balance at 31 March 2013	83	2,342	275	0	9	2,709
Grant Received in year		904				904
Used to Finance Capital Expenditure in 2013/14	(83)	(1,461)	(53)		(9)	(1,605)
Balance at 31 March 2014	0	1,785	222	0	0	2,007
Grant Received in year		904				904
Used to Finance Capital Expenditure in 2014/15		(1,785)	(131)			(1,916)
Balance at 31 March 2015		904	91	16	0	1,011

83. Capital Receipts

	2013/14 £'000	2014/15 £'000
Balance at 01 April	0	135
Net Proceeds from sale of fixed assets	135	159
Balance at 31 March	135	294

84. Unusable Reserves

	31-Mar-14 <i>Restated</i> £000	31-Mar-15 £'000
Revaluation Reserve	5,717	7,635
Capital Adjustment Account	19,291	20,203
Pensions Reserve	(295,562)	(329,784)
Collection Fund Adjustment Account	34	5
Accumulated Absences Adjustment Account	(87)	(97)
	(270,607)	(302,038)

A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

Revaluation Reserve

85. 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.

86. 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.

	2013/14 (restated) £'000	2014/15 £'000
Balance at 1 April	5,084	5,717
Upward revaluation of assets	1,071	4,341
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(25)	(2,279)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	6130	7,779
Difference between fair value depreciation and historical cost depreciation	(100)	(95)
Accumulated gains on assets sold	(37)	
Accumulated gains on assets derecognised	(276)	(49)
Amounts written off to the Capital Adjustment Account		
Balance at 31 March	5,717	7,635

A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

Capital Adjustment Account

87. 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.
88. 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.
89. 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.
90. The table below provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2013/14 (restated) £'000	2014/15 £'000
Balance at 1 April	19,377	19,291
Charges for depreciation and impairment of non-current assets	(2,062)	(1,871)
Revaluation gains/(losses) on Property, Plant and Equipment	(69)	671
Revaluation gains/(losses) on current assets held for sale	0	(697)
Amortisation of intangible assets	(67)	(91)
Amounts of current assets (assets held for sale) written off on Disposal or sale as part of the gain/loss on disposal in the Comprehensive Income and Expenditure Statement	(97)	0
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	(1,244)	(650)
	15,838	16,653
Adjusting amounts written out to the Revaluation Reserve - <i>difference in depreciation on historical & current cost basis</i>	100	95
	15,938	16,748
<u>Capital financing applied in the year:</u>		
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to to capital financing	1,606	1,917
Statutory provision for the financing of capital investment charged against the General Fund balance.	1,071	1,090
Capital expenditure charged against the General Fund balance	676	448
Balance at 31 March	19,291	20,203

A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

Pensions Reserve

91. 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.
92. 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.

	2013/14 <i>Restated</i> £'000	2014/15 £'000
Balance at 1 April	302,053	295,562
Actuarial gains or losses on pensions assets & liabilities	(19,809)	21,323
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services the CIES	16,907	16,501
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,589)	(3,602)
Balance at 31 March	295,562	329,784

A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

Collection Fund Adjustment Account

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

	2013/14 £'000	2014/15 £'000
Balance at 1 April	28	34
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements:		
Council Tax	172	148
Non-Domestic Rates	(166)	(177)
Balance at 31 March	34	5

Accumulated Absences Account

94. 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.

	2013/14 £'000	2014/15 £'000
Balance at 1 April	(160)	(87)
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	73	(10)
Balance at 31 March	(87)	(97)

Contingent Liabilities

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

Provisions

98. The FRA held three provisions at 31st March 2015.

Retirement Costs Provision

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

	2013/14 £'000	2014/15 £'000
Balance at 1 April	25	13
Expenditure incurred in year	(12)	(12)
Contributions from Constituent Authorities		
Transfer back to CIES		
Balance at 31 March	13	1

NNDR Appeals Provision

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

	2013/14 restated £'000	2014/15 £'000
Balance at 1 April	0	87
Transfer from CIES	87	189
Balance at 31 March	87	276

A reconciliation of the restatement of the figures within this table to the published 2013/14 accounts is given in Appendix 1.

Clerk Costs Provision

103. The provision of £0.021m was created during 2013/14 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.

Specific Government Grants

104. The following grants are included as income within the CIES on page 18.

	2013/14 £'000	2014/15 £'000
Flood Rescue National Enhancement Project		
Fire Revenue Grant - New Dimensions	1,006	1,239
Fire Revenue Grant - Future Control Rooms		
Fire Revenue Grant - Firelink	240	
Future Control Rooms Funding		
New Burdens - Council Tax Reform		
	1,246	1,239

Cashflow Statement – Operating Activities

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

	2013/14 £'000	2014/15 £'000
Depreciation	(2,063)	(1,872)
Downward revaluations	(69)	(26)
Amortisations	(67)	(91)
Increase/decrease in creditors	(349)	(485)
Increase/decrease in debtors	444	637
Increase/decrease in inventories	(53)	25
Movement in pensions liability	(13,318)	(12,899)
Carrying amount of non-current assets sold or derecognised	(1,774)	(812)
Other non-cash items charged to the net surplus or deficit on the provision of services	(75)	(177)
	(17,324)	(15,700)

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

	2013/14 £'000	2014/15 £'000
Receipt of Capital grant	904	921
Proceeds of sales of Property, Plant & Equipment – Capital Receipts	135	159
Proceeds of sales of Property, Plant & Equipment – Other	23	0
	1,062	1,080

- 106.3 The cashflows for operating activities include the following items:

	2013/14 £'000	2014/15 £'000
Interest Paid	(610)	(596)
Interest Received	34	41
	(576)	(555)

107. Cashflow Statement – Investing Activities

	2013/14 £'000	2014/15 £'000
Purchase of Property, Plant & Equipment	3,017	4,801
Capital Grants received	(904)	(920)
Proceeds of sales of Property Plant & Equipment - Capital Receipts	(135)	(159)
Proceeds of sales of Property Plant & Equipment - Other	(23)	0
	1,955	3,722

108. Cashflow Statement – Financing Activities

	2013/14 £'000	2014/15 £'000
Principal Payments on Finance Leases	23	0
Long Term Loans Repaid	500	500
	523	500

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

109. 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.
110. The items in the balance sheet at 31 March 2015 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.

111. Action has been taken by HMRC in other Fire Authorities, which relates to the retirement of whole time firefighters before reaching the age of 55, if they remain employed as Firefighters on the Retained Duty System. HMRC are stating that the individual losses their protected status for tax exemption as they have been re-employed. However, guidance has been sought from the Authority's Pension Advisors who have determined that the employee has not broken their service and so have not been re-employed. A reserve has been set up to cover any potential losses or costs that could arise in relation to this.
112. 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 2015. 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.
113. Approximate increase in Net Liability

Change in financial assumptions 2014/15 : 1992 Firefighters' Scheme		
	£'000	%
0.5% Decrease in rate of discounting scheme liabilities	31,000	11.0%
0.5 % Increase in rate of salaries	4,000	1.4%
0.5% increase in rate of pensions/deferred revaluation	25,000	9.1%
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed	7,000	2.5%
Early retirement each member assumed to retire 1 year earlier than expected	(2,000)	0.8%

Change in financial assumptions 2014/15 : 2006 Firefighters' Schemes		
	£'000	%
0.5% Decrease in rate of discounting scheme liabilities	3,800	15.4%
0.5 % Increase in rate of salaries	1,300	5.2%
0.5% increase in rate of pensions/deferred revaluation	2,300	9.4%
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed	500	2.1%
Early retirement each member assumed to retire 1 year earlier than expected	300	1.2%

Change in financial assumptions 2014/15 : LGPS		
	£'000	%
0.1% Increase in real discount rate	(577)	-5.8%
0.1% Increase in rate of increase in salaries	590	6.0%
1 Year Increase in Member Life Expectancy	501	5.0%

Property, Plant and Equipment

114. 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.
115. 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 £12,000 for every year that useful lives had to be reduced.

Critical Judgements in Applying Accounting Policies

116. 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:
117. The calculation of the liability in respect of GAD vs. Milne (explained in paragraphs 30-33 on page 11). As DCLG have now issued the commutation factors that should have been used, and the actual factors used were known it is possible to make a reasonable estimate of the backdated sums due. In addition DCLG have given sufficient information regarding the interest calculation to do likewise. It is considered that these calculations are sufficiently robust for the sums to be accrued rather than included as a provision.
118. Government have indicated, but not confirmed absolutely, that they will fund the costs arising so a judgement has to be made about accruing this income. On the basis that;
 - a. There is a letter from the Treasury to DCLG stating that the Treasury will meet the interest costs, but excepting DCLG to meet the backdated commutations.
 - b. If the costs were current they would be funded by DCLG through pension top-up grant, and if incurred at the time would have been funded through the pensions element of RSG

- c. The Home Office has confirmed funding of a similar issue in relation to police

It is considered that there is sufficient certainty to accrue grant funding as well

- 119. 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

- 120. 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 2014/15 is estimated at £29,000 (2013/14 £13,091), and the FRA has appointed the Director of Finance and Assets as its (unpaid) director.

SUPPLEMENTARY FINANCIAL STATEMENT

Firefighters' Pension Fund

1. Since 2006/07 Firefighters' pensions are paid out of a separate account into which the employee's contributions and an employer's contribution are paid. Any deficit on this account is made up by direct government grant.
2. A detailed explanation of the schemes can be found on page 39, 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 10- 18.
9. Any Government grant payable is paid in two instalments, 80% of the estimated annual amount at the start of the year, and the actual balance paid following completion of the accounts for the year.
11. The following Statement shows the income and expenditure for the year. It does not take account of liabilities to pay pensions and other benefits after the year end. These are calculated in accordance with IAS 19 and are included in the Balance Sheet on page 22 and detailed in the Notes to the Core Financial Statements on pages 37 – 45.

Firefighters' Pension Fund Account

	2013/14 £000	2014/15 £000
Contributions receivable		
Fire & Rescue Authority		
Contributions in relation to pensionable pay	(2,189)	(2,145)
Other	(87)	(69)
Firefighters' Contributions	(1,464)	(1,641)
	(3,740)	(3,855)
Transfers in from other schemes	(29)	(20)
Benefits Payable		
Pensions	6,053	6,372
Commutations & lump sum retirement benefits	1,751	894
Lump sum death benefits	63	0
Payments to and on account of leavers		
Transfers out to other schemes	3	0
Net amount payable for the year	4,101	3,391
Top-up grant payable by government	(4,101)	(3,391)
	0	0

Firefighters' Pension Fund Statement of Net Assets

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

	31-Mar-14 £000	31-Mar-15 £000
Current Assets		
Debtors		
Employer Contributions Due	105	106
Employee Contributions Due	72	81
Top Up receivable from the government	136	241
Prepayments		
Pensions paid in advance	522	536
Creditors		
Amounts due to General Fund	(835)	(964)
	0	0

Restatement of Accounts

1. This appendix contains details of the restatements required within the accounts, and includes a reconciliation from the information as published in the 2013/14 Accounts to the restated prior year figure.
2. The appendix details all statements and notes to the accounts that are subject to restatement and includes a reconciliation from the information as published in the 2013/14 Statement of Accounts to the restated figure as included in Statement to the 31st March 2015.

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

The Restatement has impacted the following statements and notes

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Comprehensive Income and Expenditure Statement Restatement Adjustments

3. The Comprehensive Income and Expenditure Statement (for the financial year ended 31st March 2014) has been restated for the following items:
- Depreciation Adjustment – The depreciation rate used for equipment in the previous financial year has been corrected following a clerical error which led to an undercharge.
 - Pension Adjustments
 - Late notification, received after closure of the accounts of adjustments relating to financial year 2013/14.
 - Pension grant, which following the change to the accounting practice adopted for the treatment of pensions is now included within other operational expenses.
 - Transfers in/out of the scheme, this is included with grant income and is included with the pension grant within other operational expenses.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2013/14 as published			re-statement effect				2013/14 as restated		
	Gross Expd £000	Gross Income £000	Net Expd £000	Depn Gross Expd £000	Pension Gross Expd £000	Pension Gross Income £000	Net Expd £000	Gross Expd £000	Gross Income £000	Net Expd £000
Gross Expenditure, Gross Income and Net Expenditure on Continuing Operations										
Operations & Rescues	29,739	(1,675)	28,064	41	(11)		30	29,769	(1,675)	28,094
Community Safety	4,662	(70)	4,592	7	(2)		5	4,667	(70)	4,597
Emergency Planning	92	(1)	91				0	92	(1)	91
Corporate & Democratic Core	1,299	(22)	1,277	2	(1)		1	1,300	(22)	1,278
<i>sub-total</i>	35,792	(1,768)	34,024	50	(14)	0	36	35,828	(1,768)	34,060
Non-distributed Costs										
Past Service Cost:										
Curtailment Costs (LGPS)	23		23				0	23		23
Transfer Benefits (NFPS)	29		29		(29)		(29)	0		0
Cost of Services	35,844	(1,768)	34,076	50	(43)	0	7	35,851		34,083
Other Operating Expenditure	1,652	0	1,652			(4,101)	(4,101)	1,652		(2,449)
Financing & Investment Income and Expenditure	14,201	(638)	13,563					14,201		13,563
Taxation & Non-Specific Grant Income		(32,381)	(32,381)							(32,381)
Deficit/(Surplus) on Provision of Services	51,697	(34,787)	16,910	50	(43)	(4,101)	(4,094)	51,704		12,816
Loss on disposal of fixed assets			(1,046)							(1,046)
Actuarial gains/losses on Pensions Assets/Liabilities			(23,936)		4,127		4,127			(19,809)
Other Comprehensive Income and Expenditure			(24,982)				4,127			(20,855)
Total Comprehensive Income and Expenditure			(8,072)				33			(8,039)

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

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

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

SUMMARY OF MOVEMENTS

Balance at 31-Mar-2014	1,838	5,696	2,008	135	9,677	5,701	19,357	(295,579)	34	(87)	(270,574)	(260,897)
Amendments Due to Restatement												
Movement in Reserves relating to prior years												
Reversal of items in the CIES												
To be removed for determining movement in the General Fund												
Relating to Depreciation on un-realised gains					0	13	(13)				0	0
Restated Balance at 31-Mar-2014	1,838	5,696	2,008	135	9,677	5,714	19,344	(295,579)	34	(87)	(270,574)	(260,897)
Amendments Due to Restatement												
Surplus/(Deficit) on Provision of Services	4,094				4,094						0	4,094
Other Comprehensive Income & Expenditure												
Movement in Pensions Reserve					0			(4,127)			(4,127)	(4,127)
Reversal of items in the CIES												
To be removed for determining movement in the General Fund												
Relating to Depreciation/ Amortisation	50				50		(50)				(50)	0
Relating to Depreciation on un-realised gains					0	3	(3)				0	0
Relating to Retirement Benefits	(4,130)				(4,130)			4,130			4,130	0
Insertion of items in the CIES												
To be included for determining movement in the General Fund												
Employers Contribution to Pension Schemes	(14)				(14)			14			14	0
Restated Balance at 31-Mar-2014 Carried Forward	1,838	5,696	2,008	135	9,677	5,717	19,291	(295,562)	34	(87)	(270,607)	(260,930)

5. Balance Sheet Adjustments

The Opening (1/4/2013) and Closing (31/03/2014) prior year Balance Sheets have been adjusted to amend the entries that have required restating. The reasons for these are detailed below:

- Long Term Borrowing Adjustment – the authority has agreed with the external auditors (Grant Thornton) to follow the accounting guidance given within the Accounting Code of Practice rather than continue to follow the Audit Commission suggested methodology.
- Council Tax/NNDR Adjustment – Accounting entries have been amended for previous years, to ensure compliance with additional accounting guidance in the 2014/15 Accounting Code of Practice.
- Depreciation Adjustment – The depreciation rate used for equipment in the previous financial year has been corrected following a clerical error which led to an undercharge.
- Pension Adjustment – Late notification, received after closure of the accounts of adjustments relating to financial year 2013/14.

BALANCE SHEET as at 1st April 2013

-	<u>31-Mar-13</u>	<u>Loan Term</u> <u>Borrowing</u> <u>Adjustment</u>	<u>Council</u> <u>Tax</u> <u>Adjustment</u>	<u>01-Apr-2013</u> (Restated)
	£000	£000	£000	£000
Property Plant & Equipment	40,996			40,966
Intangible Assets	413			413
Long Term Assets	41,409			41,409
Inventories	200			200
Short Term Debtors	2,203		(44)	2,159
Assets Held for Sale	133			133
Cash & Cash Equivalents	7,509			7,509
Current Assets	10,045		(44)	10,001
Short Term Borrowing	(502)	2		(500)
Short Term Creditors	(3,255)	(98)	44	(3,309)
Current Liabilities	(3,757)	(96)	44	(3,809)
Long Term Creditors	0			0
Provisions	(46)			(46)
Long Term Borrowing	(14,567)	96		(14,471)
Other Long Term Liabilities	(302,053)			(302,053)
Long Term Liabilities	(316,666)	96	0	(316,570)
Net Assets	(268,969)	0	0	(268,969)
Useable Reserves	8,755			8,755
Un-useable Reserves	(277,724)			(277,724)
Total Reserves	(268,969)	0	0	(268,969)

BALANCE SHEET as at 31st March 2014

	<u>31-Mar-2014</u>	<u>Depreciation Adjustment</u>	<u>Pension Adjustment</u>	<u>Loan Term Borrowing Adjustment</u>	<u>NNDR Adjustment</u>	<u>Council Tax Adjustment</u>	<u>31-Mar-2014 (restated)</u>
	£000	£000	£000	£000	£000	£000	£000
Property Plant & Equipment	41,069	(50)					41,019
Intangible Assets	370						370
Long Term Assets	41,439	(50)	0	0	0	0	41,389
Inventories	147						147
Short Term Debtors	2,639				90	(110)	2,619
Assets Held for Sale	0						0
Cash & Cash Equivalents	8,477						8,477
Current Assets	11,263	0	0	0	90	(110)	11,243
Short Term Borrowing	(502)			2			(500)
Short Term Creditors	(3,419)			(96)	(3)	110	(3,408)
Current Liabilities	(3,921)	0	0	(94)	(3)	110	(3,508)
Long Term Creditors	0						0
Provisions	(34)				(87)		(121)
Long Term Borrowing	(14,065)			94			(13,971)
Other Long Term Liabilities	(295,579)		16				(295,563)
Long Term Liabilities	(309,678)	0	16	94	(87)	0	(309,655)
Net Assets	(260,897)	(50)	16	0	0	0	(260,931)
Useable Reserves	9,677						9,677
Un-useable Reserves	(270,574)	50	(16)				(270,608)
Total Reserves	(260,897)	50	(16)	0	0	0	(260,931)

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

CASH-FLOW STATEMENT FOR 12 MONTHS ENDING 31 MARCH 2014

	Notes	2013/14 £000	Depn Gross Expd £000	Pension Gross Expd £000	Pension Gross Income £000	Restated 2013/14 £000
Net (surplus) or deficit on the provision of services		16,910	50	(43)	(4,101)	12,816
Adjustments to net surplus or deficit on the provision of services for non cash movements	106.1	(21,418)	(50)	43	4,101	(17,324)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	106.2	1,062				1,062
Net cash flows from operating activities		(3,446)	0	0	0	(3446)
Investing Activities	107	1,955				1,955
Financing Activities	108	523				500
Net increase or decrease in cash and cash equivalents		(968)				209
Cash and cash equivalents at the beginning of the period		(7,509)				(8,477)
Net increase or decrease in cash and cash equivalents in the Period		(968)				209
Cash and cash equivalents at the end of the reporting period		(8,477)				(8,268)

7. Property, Plant and Equipment

	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 2014	32,199	20,060	673	766	53,698
Additions	792	402		1,554	2,748
Revaluation increases/(decreases) recognised in the Revaluation Reserve	855				855
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services:	(79)				(79)
Reclassifications	390	68	100	(558)	0
Reclassifications - to current assets held for sale					
Reclassifications - to intangible assets					
Disposals	(1,381)	(598)		(120)	(2,099)
At 31 March 2014	32,776	19,932	773	1,642	55,123
Amendments due to restatement					
Opening Valuation Adjustment	(7)				(7)
At 31 March 2014 (restated)	32,769	19,932	773	1,642	55,116
Accumulated Depreciation and Impairment at 01 April 2013	(1,202)	(11,320)	(180)	0	(12,702)
Reclassifications	5		(5)		0
Depreciation Charge for 2013-14	(534)	(1,432)	(47)		(2,012)
Depreciation written out to Revaluation Reserve	192				192
Depreciation written out to the Surplus/Deficit on Provision of Services	10				10
Derecognition – disposals	75	384			459
At 31 March 2014	(1,454)	(12,368)	(232)	0	(14,054)
Amendments due to restatement					
Opening Valuation Adjustment	7				7
Depreciation Adjustment		(50)			(50)
At 31 March 2014 (restated)	(1,447)	(12,418)	(232)	0	(14,097)
Balance Sheet amount at 01 April 2013	30,997	8,740	493	766	40,996
Balance Sheet amount at 31 March 2014	31,322	7,514	541	1,642	41,019

The restatement has been required for the following reasons:

- Opening asset valuation and corresponding depreciation charge - An on-going error on Land and Buildings has been corrected for the valuation of an asset this does not impact the overall asset valuation in the balance sheet.

- Depreciation – The depreciation rate used for equipment in the previous financial year has been corrected following a clerical error which led to an undercharge.

Pension Tables

- Application of International Accounting Standard 19 to the un-funded, part grant funded Fire Fighter pension schemes has always been complex, and the Accounting Code of Practice (the code) has been amended several times.
- For the 2011/12 financial year, the Audit Commission offered technical advice on its interpretation of the code and indicated that this would be how its Audit Teams would be auditing. This Authority took the view that this was the correct method of accounting. Although, as an unfunded scheme, there are no assets, this methodology required that a movement in net assets was created and reported in the balance sheet movement disclosures.
- Following subsequent amendments to the Code it is now considered that this approach is incorrect, and this restatement adjusts the 2013/14 disclosures to match the new treatment.
- The revised methodology does not change the pension liability or pensions reserve figure on the Balance Sheet, not does it impact on the overall CIES position or the General Fund Balance. It does, however, impact on the detail of the CIES and the MiRS and simplifies the disclosure notes.
- Where a restatement has been required for a different reason than that identified above, it has been detailed with the relevant note
- Transactions made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement (MiRS) during the year are shown in the tables below:

	LGPS 2013/14 £'000	FFPS 2013/14 £'000	NFPS 2013/14 £'000	FFCS 2013/14 £'000	TOTAL 2013/14 £'000
Income and Expenditure Account					
Net Cost of Services:					
Current Service Cost	741	4,860	1,690	690	7,981
Transfers In			28		28
Curtailment Cost	23				23
Other Operating Expenditure comprising Administration Expenses	13				13
Financing and Investment Income and Expenditure					
Net Interest Expense	361	10,830	540	1,260	12,991
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	1,138	15,690	2,258	1,950	21,036
Remeasurement of the net defined benefit liability comprising:					
Actuarial (gains)/losses on assets in the Firefighter Schemes (employee and employer contributions)		(4,916)	790		(4,126)
Experience (gains)/losses	304	(4,870)	(80)	(2,630)	(7,276)
Return on plan assets (excluding the amount included in the net interest expense)	(1,157)				(1,157)
Actuarial (gains) and losses arising on changes in demographic assumptions	160				160
Actuarial (gains) and losses arising in financial assumptions	(2,276)	(6,490)	(990)	(1,780)	(11,536)

Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(1,831)	(586)	1,978	(2,460)	(2,899)
Amendments due to restatement					
Transfers In			(28)		(28)
Pensions Grant		(4,916)	815		(4,101)
Actuarial (gains)/losses on assets in the Firefighter Schemes (employee and employer contributions)		4,916	(790)		4,126
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement (restated)	(1,831)	(586)	1,975	(2,460)	(2,902)
Movement in Reserves Statement					
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(1,138)	(15,690)	(2,258)	(1,950)	(21,036)
Net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	1,138	15,690	2,258	1,950	21,036
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(872)	(10,795)	(3,084)	(1,750)	(16,501)
Actual Amount charged against the General Fund Balance for pensions in the year:					
Employer's contribution payable to scheme	621	1,829	433		2,883
Retirement Benefits payable to Pensioners				692	692
Net Charge to General Fund	621	1,829	433	692	3,575
Amendments due to restatement					
Additional charge to the General Fund for Pension Abatement		14			14
Net Charge to General Fund (restated)	621	1,843	433	692	3,589

12. The additional restatement to the amount charged to the General Fund is for a Pension abatement which was not notified to the Authority until after final accounts closure in the previous year

13. Reconciliation of the present value of scheme liabilities

	Funded Liabilities (LGPS) 2013/14 £'000	Un-funded Liabilities (FFPS) 2013/14 £'000	Un-funded Liabilities (NFPS) 2013/14 £'000	Un-funded Liabilities (FFCS) 2013/14 £'000	TOTAL 2013/14 £'000
at 1 April	22,103	252,780	11,589	29,055	315,527
Current Service Cost	741	4,860	1,690	690	7,981
Interest Cost	963	10,830	540	1,260	13,593
Employee Contributions	220	1,097	367		1,684
Remeasurement Gains and Losses					
Experience (Gains) and Losses	304	(4,870)	(80)	(2,630)	(7,276)
Actuarial (Gains) and Losses arising on changes in demographic assumptions	160				160
Actuarial (Gains) and Losses arising on changes in financial assumptions	(2,276)	(6,490)	(990)	(1,780)	(11,536)
Past Service Costs (transfers in)			29		29
Losses/(Gains) on curtailments	24				24
Pension Contributions firefighter scheme/benefit paid LGPS scheme	(678)	(7,841)	(11)	(692)	(9,222)
at 31 March	21,561	250,366	13,134	25,903	310,964
Amendments due to restatement					
Employee Contributions		(1,097)	(367)		(1,464)
Past Service Costs (transfers in)			(29)		(29)
Pensions Paid	678	7,841	11	692	9,222
Pensions Grant		(4,916)	815		(4,101)
Employer Contributions firefighter scheme/benefit paid LGPS scheme	(678)	(1,843)	(433)	(692)	(3,646)
Restated at 31st March	21,561	250,351	13,131	25,903	310,946

14. Reconciliation of Fair Value of assets in scheme

	Funded Liabilities (LGPS) 2013/14 £'000	Un-funded Liabilities (FFPS) 2013/14 £'000	Un-funded Liabilities (NFPS) 2013/14 £'000	Un-funded Liabilities (FFCS) 2013/14 £'000	TOTAL 2013/14 £'000
Fair value at 1 April	13,474	0	0	0	13,474
Interest Income	602				602
Remeasurement gain/loss					
Return on plan assets (excluding the amount included in the net interest expense)	1,157				1,157
Remeasurements gains/(losses)					
Firefighter schemes (employees and employers contributions)		4,917	(789)		4,128
Other (administration expenses)	(13)				(13)
Employer Contributions	622	1,829	433	692	3,576
Employee Contributions	220	1,096	367		1,683
Benefits Paid	(678)	(7,842)	(11)	(692)	(9,223)
at 31 March	15,384	0	0	0	15,384
Amendments due to restatement					
Remeasurements gains/(losses)					
Firefighter schemes (employees and employers contributions)		(4,917)	789		(4,128)
Employer Contributions		(1,829)	(433)	(692)	(2,954)
Employee Contributions		(1,096)	(367)		(1,463)
Benefits Paid		7,842	11	692	8,545
Restated at 31st March	15,384	0	0	0	15,384

15. Reconciliation of Movements in Net Pensions Liability:

	Funded Liabilities (LGPS) 2013/14 £'000	Un-funded Liabilities (FFPS) 2013/14 £'000	Un-funded Liabilities (NFPS) 2013/14 £'000	Un-funded Liabilities (FFCS) 2013/14 £'000	TOTAL 2013/14 £'000
at 1 April	8,629	252,780	11,589	29,055	302,053
Current Service Cost	741	4,860	1,690	690	7,981
Employer Contributions	(621)	(1,829)	(433)	(692)	(3,575)
Past Service Costs (Transfers In)	0	0	28	0	28
Administration Expenses	13	0	0	0	13
Gain)/Loss from Curtailments	23	0	0	0	23
Interest on Liabilities	963	10,830	540	1,260	13,593
Interest on Assets	(602)	0	0	0	(602)
Net remeasurement gains and losses	(2,969)	(16,276)	(280)	(4,410)	(23,935)
at 31 March	6,177	250,365	13,134	25,903	295,579
Amendments due to restatement					
Employer Contributions		(14)			(14)
Past Service Costs (Transfers In)	0	0	(28)	0	(28)
Pensions Grant		(4,916)	815		(4,101)
Net remeasurement gains and losses	2,969	16,276	280	4,410	23,935
Net remeasurement gains and losses	(2,969)	(11,360)	(1,070)	(4,410)	(19,809)
Restated at 31st March	6,177	250,351	13,131	25,903	295,562

16. An additional restatement has been undertaken in this note to the ones required for the adjustment to the accounting code of practise method, this relates to a pension abatement contribution notification that was received too late to adjust in the year.

17. Pensions Assets and Liabilities Recognised in the Balance Sheet

	Funded Liability LGPS 2013/14 £'000	Un-funded Liability FFPS 2013/14 £'000	Un-funded Liability NFPS 2013/14 £'000	Un- funded Liability FFCS 2013/14 £'000	TOTAL 2013/14 £'000
Present value of the defined benefit obligation	21,560	250,366	13,134	25,903	310,963
Fair Value of Plan assets	(15,384)	0	0	0	(15,384)
Net liability arising from defined benefit obligation	6,176	250,366	13,134	25,903	295,579
Amendments due to restatement					
Present value of the defined benefit obligation	(21,560)	(250,366)	(13,134)	(25,903)	(310,963)
Restated present value of the defined benefit obligation	21,560	250,351	13,131	25,903	310,946
Restated at 31st March	6,176	250,351	13,131	25,903	295,562

18. Scheme History

	2014 £'000	£'000	£'000	2014 (restated) £'000
Present value of liabilities:				
LGPS : Local Government Pension Scheme	21,561			21,561
FFPS : Firefighters' 1992 Scheme	250,366	(15)		250,351
NFPS : Firefighters' 2006 Scheme	13,134		(3)	13,131
FFCS : Firefighters' Injury Scheme	25,903			25,903
	310,963	(15)	(3)	310,946
Fair value of assets in the LGPS	15,384			15,384
	15,384	0	0	15,384
Net Liabilities of the scheme:				
LGPS : Local Government Pension Scheme	6,177			6,177
FFPS : Firefighters' 1992 Scheme	250,365	(14)		250,351
NFPS : Firefighters' 2006 Scheme	13,134		(3)	13,131
FFCS : Firefighters' Injury Scheme	25,903			25,903
Total	295,579	(14)	(3)	295,562

19. The restatements in the scheme history relate to the previously detailed pension abatement and a transfer out of the fund which had been incorrectly treated as a pension paid.

Reserves

Revaluation Reserve

20. This depreciation adjustment relates to a correction to the rate of depreciation on historical assets, which relates back to the 2010 revaluation. It has been split between the opening balance and the amount relevant to 2013/14.

	2013/14 £'000	Depreciation Adjustment £'000	2013/14 (restated) £'000
Balance at 1 April	5,071	13	5,084
Upward revaluation of assets	1,071		1,071
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(25)		(25)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	6117		6,130
Difference between fair value depreciation and historical cost depreciation	(103)	3	(100)
Accumulated gains on assets sold	(37)		(37)
Accumulated gains on assets derecognised	(276)		(276)
Amounts written off to the Capital Adjustment Account	0		0
Balance at 31 March	5,701	16	5,717

21. Capital Adjustment Account

	2013/14 £'000	Valuation Adjustment £'000	Depreciation Adjustment £'000	2013/14 (restated) £'000
Balance at 1 April	19,390	(13)		19,377
Charges for depreciation and impairment of non-current assets	(2,012)		(50)	(2,062)
Revaluation gains/(losses) on Property, Plant and Equipment	(69)			(69)
Amortisation of intangible assets	(67)			(67)
Amounts of current assets (assets held for sale) written off on Disposal or sale as part of the gain/loss on disposal in the Comprehensive Income and Expenditure Statement	(97)			(97)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal in the Comprehensive Income and Expenditure Statement	(1,244)			(1,244)
	15,901	(13)	(50)	15,838
Adjusting amounts written out to the Revaluation Reserve - difference in depreciation on historical & current cost basis	103	(3)		100
	16,004	(16)		15,938
Capital financing applied in the year:				
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to to capital financing	1,606			1,606
Statutory provision for the financing of capital investment charged against the General Fund balance.	1,071			1,071
Capital expenditure charged against the General Fund balance	676			676
Restated Balance at 31 March	19,357	(16)	(50)	19,291

22. Pension Reserve

	2013/14	2013/14
	£'000	(restated) £'000
Balance at 1 April	302,053	302,053
Actuarial gains or losses on pensions assets & liabilities	(23,936)	(19,809)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services the CIES	21,037	16,907
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,575)	(3,589)
Balance at 31 March	295,579	295,562

23. Unusable Reserves

	31-Mar-14	Depreciation Revaluation Adjustment	Pension Adjustment	31-Mar-14
	£000	£000	£000	(restated) £000
Revaluation Reserve	5,701	16		5,717
Capital Adjustment Account	19,357	66		19,291
Pensions Reserve	(295,579)		17	(295,562)
Collection Fund Adjustment Account	34			34
Accumulated Absences Adjustment Account	(87)			(87)
Restatement	(270,574)	82	17	(270,607)

24. Debtors

This restatement relates to previously detailed changes relating to the collection fund and additional advice that has now been included in the Accounting Code for practice for the methodology used to account for this.

	31-Mar-14	Council Tax Adjustment	NNDR Adjustment	31-Mar-15
	£'000	£'000	£'000	restated £'000
Central Government Bodies	405			405
Other Local Authorities	876	(110)	90	856
Public Corporations and Trading Funds	834			834
Other entities and individuals	524			524
	2,639	(110)	90	2,619

25. Creditors

This restatement relates to previously detailed changes relating to the collection fund and additional advice that has now been included in the Accounting Code for practice for the methodology used to account for this, and a change in the accounting policy for long term borrowing to reflect the Code of practice rather than Audit Commission advice.

	31-Mar-14 £'000	Council Tax Adjustment £'000	NNDR Adjustment £'000	Long Term Borrowing £'000	31-Mar-14 <i>restated</i> £'000
Central Government Bodies	791				791
Other Local Authorities	745	(110)	3		638
NHS					0
Other entities and individuals	1,883			96	1,979
	3,419	(110)	3	96	3,408

26. Long and Short Term Borrowing

	31-Mar-14		
	Long Term £'000	Short Term £'000	TOTAL £'000
Loan Source			
Public Works Loans Board	13,971	500	14,471
	13,971	500	14,471
Analysis by Maturity			
Less than 1 year		500	500
Between 1 and 2 years	834		834
Between 2 and 5 years	2,500		2,500
Between 5 and 10 years	4,802		4,802
Over 10 years	5,835		5,835
Total of Loans	13,971	500	14,471
Accrued Interest	94	2	96
Balance Sheet Total	14,065	502	14,567
Amendments due to restatement			
Movement to Short Term Borrowing	94	2	96
Restated as at 31st March	13,971	500	14,471

27. NNDR Provision

	2013/14 £'000	Appeals Provision £'000	2013/14 <i>restated</i> £'000
Balance at 1 April	0		0
Transfer from CIES	0	87	87
Balance at 31 March	0	87	87

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

Opinion on the Authority financial statements

We have audited the financial statements of Hereford and Worcester Fire and Rescue Authority for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

Respective responsibilities of the Treasurer and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

give a true and fair view of the financial position of Hereford and Worcester Fire and Rescue Authority as at 31 March 2015 and of its expenditure and income for the year then ended; and
have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Hereford and Worcester Fire and Rescue Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of Hereford and Worcester and Rescue Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature on Original Copy

Grant Patterson

Director

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

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

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ANNUAL GOVERNANCE STATEMENT 2014/15

To be inserted

ANNUAL GOVERNANCE STATEMENT 2014/15

To be inserted

ANNUAL GOVERNANCE STATEMENT 2014/15

To be inserted

GLOSSARY OF TERMS

Accruals

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

Capital Adjustment Account

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

Capital Expenditure

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

Capital Receipts

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

The principal accountancy body dealing with local government finance.

Creditors

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

DCLG/CLG

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

Debtors

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

Depreciation

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

Fair Value

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

Fixed Assets

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

FRA

The Fire and Rescue Authority

FRS

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

GAD

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

ICP – Integrated Clothing Project

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

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

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

Impairment

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

Intangible Assets

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

LASAAC

The Local Authority (Scotland) Accounts Advisory Committee.

Long Term Borrowing

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

Operational Leasing

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

Provision

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

Reserve

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

Revenue Expenditure and Income

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

SeRCOP

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

SORP

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

Unapplied Capital Grant

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

USAR (Urban Search and Rescue)

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

Report of the Head of Legal Services

7. Draft Annual Governance Statement 2014/15

Purpose of report

1. To consider evidence compiled during the self assessment review which provides the assurances that sit behind the Annual Governance Statement .
2. To put forward the Draft Annual Governance Statement 2014/15 for approval.

Recommendations

It is recommended that the Draft Annual Governance Statement 2014/15 be approved.

Introduction and Background

3. Governance is about how the Authority ensures that it is doing the right thing, in the right way for the right people in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, cultures and values, by which the Authority is directed and controlled and through which it accounts to and engages with its communities.
4. The Accounts and Audit (England) Regulations 2011 require that the Fire Authority reviews its arrangements for governance and systems of internal control at least on an annual basis. To meet this requirement, the operation of the Authority's governance arrangements is subject to an annual self assessment against the CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) framework.
5. The annual self assessment review sets out the evidence of how the Authority has performed against the CIPFA/SOLACE framework and identifies any actions that are needed for the forthcoming year. Following the review the Authority is required to develop its Annual Governance Statement which must be published alongside the Statement of Accounts by 30 September.

Annual Governance Statement

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

7. The Annual Governance Statement is a backward looking document up to the date of the approval of the Statement of Accounts i.e. 28 September 2015. The draft Annual Governance Statement is attached at Appendix 1.
8. It includes how the Authority has monitored the effectiveness of its governance arrangements, setting out any planned changes for the current period and sets out to:
 - identify the Authority's obligations and objectives;
 - identify tasks to achieve those objectives;
 - establish controls to manage risks; and
 - ensure the controls are working effectively.
9. The Annual Governance Statement has been audited by the External Auditors who examine it as part of their work on the financial statements and the Value for Money Conclusion, which are included in the External Audit Findings 2014/15 which is reported elsewhere on the agenda for this meeting.
10. In addition to the Annual Governance Statement, the Authority is required to publish an Annual Statement of Assurance, as required by the revised Fire and Rescue National Framework that was published by Government in July 2012. The Annual Statement of Assurance is reported elsewhere on the agenda for this meeting.

Self- Assessment

11. The evidence compiled during the self assessment review forms the assurances that sit behind the Annual Governance Statement and is attached at Appendix 2. The self assessment document also includes an Action Plan for 2015/16 to incorporate any areas that need to be developed in the forthcoming year.
12. The self assessment uses the CIPFA/SOLACE Framework that sets out 55 requirements for the Authority to meet. Officers have assessed existing arrangements and documents against these requirements and the status of how the Authority complies with each requirement is included.
13. Members will note from the self-assessment that the Authority has provided evidence of compliance with all the core and supporting principles of good governance. The results of the self-assessment show that the Authority fully complied with 51 out of 55 requirements in 2014/15.
14. There were no areas where immediate action was required. However, there are 4 areas which indicate that the Authority complies with the requirements but some minor actions are necessary as documents and arrangements are due for further review. These areas include the following minor actions that have been incorporated as actions for 2015/16:
 - the review of Standing Orders for Regulation of Contracts has not yet been completed and is still on-going;
 - the Financial Regulations are still due for review;

- the development of a Register of Interests for Senior Officers and the Review of the Gifts & Hospitality Protocol;
 - further awareness raising of the Whistleblowing Policy once the review is complete.
15. Further assurances are included at Appendix 3. These assurances relate to the expanded requirements from the Chief Financial Officer Statement as reflected in the local Code of Corporate Governance.

Conclusion/Summary

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

Corporate Considerations

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

Supporting Information

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

Background papers:
Accounts and Audit (England) Regulations 2011
CIPFA/SOLACE Framework
Hereford & Worcester Fire Authority Code of Corporate Governance

Contact Officer

Alison Hughes, Corporate Support Manager (Deputy Monitoring Officer)
(01905 368209)
Email: ahughes@hwfire.org.uk

DRAFT ANNUAL GOVERNANCE STATEMENT 2014/15

1. Scope of Responsibility

- 1.1 The Fire Authority (the Authority) has a responsibility to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. To do this the Authority must ensure that proper arrangements exist for the governance of its affairs. This includes maintaining a sound system of internal control and that robust arrangements for the management of risk are in place.
- 1.2 This Annual Governance Statement sets out how the Authority has complied with these requirements and also the requirements of regulation 4(2), (3) and (4) of the Accounts and Audit Regulations 2011.

2. The Purpose of the Governance Framework

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

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

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

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

- **External Auditors** - Grant Thornton UK LLP provides the external audit services to the Authority.

4. Review of Effectiveness

- 4.1 The Authority has prepared the Annual Governance Statement in accordance with the “Delivering Good Governance in Local Government Framework” published by CIPFA (Chartered Institute for Public Finance and Accountancy). As part of the process the Audit & Standards Committee has considered the self-assessment review of its corporate governance arrangements against the CIPFA framework to ensure that the Authority’s governance arrangements are working correctly and are relevant to the current environment.
- 4.2 The Authority is satisfied that its financial management arrangements conform with the governance requirements of the CIPFA Statement of the Role of the Chief Financial Officer in Local Government. In addition, the key financial systems are continually reviewed by the Internal Auditor. There were no major weaknesses identified in the 2014/15 financial year.
- 4.3 Budget Monitoring reports have been presented to the Policy and Resources Committee throughout the financial year and have shown that the budget pressures are being controlled within the overall total and final out-turn is consistent with those reports.
- 4.4 The Chief Financial Officer and the Monitoring Officer have provided assurances on their respective areas of statutory responsibility. All Members of the Senior Management Board have also provided assurances on their areas of responsibility.
- 4.5 The Monitoring Officer received no complaints regarding member conduct in 2014/15.

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

.....
Chief Fire Officer/Chief Executive

.....
Chairman of the Fire and Rescue Authority

Date: 28 September 2015

Annual Governance Statement Assurances 2014/15 and Action Plan 2015/16 - Updated August 2015

Status of Compliance Key:



=action needed



=minor actions needed



=no action required

No change= →

Improvements made=↑

1. Core Principle: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area					
Supporting Principle	Requirement for Authority	Evidence of compliance	Status of compliance	Progress on 2014/15 Actions	2015/16 Actions
1. Exercising strategic leadership by developing and clearly communicating the Authority's purpose, vision and its intended outcome for citizens and service users.	a. Develop and promote the Authority's purpose and vision.	<ul style="list-style-type: none"> • Authority Annual Report • Media & Communications Strategy • Our Strategy • Annual Assurance Statement • Social Media 	→		
	b. Review on a regular basis the Authority's vision for the local area and its implications for the Authority's governance arrangements.	<ul style="list-style-type: none"> • Annual adoption of Authority Annual Report • CRMP Consultation • Fire Cover Review • Head of Legal / Monitoring Officer reviews governance arrangements • Annual Assurance Statement 	→		
	c. Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners	<ul style="list-style-type: none"> • Local Strategic Partnership agreement (Worcestershire) • Memos of Understanding e.g. Shropshire Fire Control Project • West Midlands Regional Collaborative Statement • Joint Operations and Command Centre Project Board • Hindlip Transformation Bid • Place Partnership Joint Board 	→		

	d. Publish an annual report on a timely basis to communicate the Authority's activities and achievements, its financial position and performance.	<ul style="list-style-type: none"> • Fire Authority Annual Report • Statement of Accounts • Annual Performance Report considered by the Authority • Annual Assurance Statement 	→		
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Supporting Principle	Requirement for Authority	Evidence of compliance	Status of compliance	Progress on 2014/15 Actions	2015/16 Actions
2. Ensuring that users receive a high quality of service whether directly, or in partnership or by commissioning.	a. Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available.	<ul style="list-style-type: none"> • Joint Citizen's Panel (Viewpoint) • CRMP Consultation • Complaints Procedure • Performance Management Framework • After the Incident Surveys and end of year reports 	→		
	b. Put in place effective arrangements to identify and deal with failure in service delivery.	<ul style="list-style-type: none"> • Complaints process in place published on the website • Complaints are monitored and reported to SMB on an exception basis with an annual report to Audit & Standards Committee • Complaints statistics reported to Members in Members' Bulletin • Risk Registers 	→		

<p>3. Ensuring that the Authority makes the best use of resources and that tax payers and service users receive excellent value for money.</p>	<p>a. Decide how value for money is to be measured and make sure that the Authority or partnership has the information needed to review value for money and performance effectively.</p>	<ul style="list-style-type: none"> • Medium Term Financial Strategy • Annual Audit Letter • Value for Money – Auditors' Conclusion • Performance Management Framework • Procurement Strategy • West Midlands Contractor Framework • Standing Orders for Regulation of Contracts • Fire Authority reports • Quarterly performance and quarterly budget monitoring reported to Policy & Resources Committee 	<p>➔</p>	<p>Review Standing Orders for Regulation of Contracts – ongoing</p>	<p>Continue review Standing Orders for Regulation of Contracts</p> <p>By June 2016</p>
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2. Core Principle: Members and officers working together to achieve a common purpose with clearly defined functions and roles

Supporting Principle	Requirement for Authority	Evidence of compliance	Status of compliance	Progress on 2014/15 Actions	2015/16 Actions
<p>1. Ensuring effective leadership throughout the Authority and being clear about executive and non-executive functions of the roles and responsibilities of the scrutiny function.</p> <p>Note: the Fire Authority is not able to adopt an Executive Model</p>	<p><i>N/A as Executive Model not in place</i> [Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the Authority's approach towards putting this into practice]</p> <p>a. Set out a clear statement of the respective roles and responsibilities of other Authority Members, members generally, senior officers and of the leadership team and its members individually.</p>	<ul style="list-style-type: none"> • Members' Role Description • Members' Induction Session and Pack • Senior Management Board Terms of Reference and Membership • Senior Management Job Descriptions • Terms of Reference for Group Leaders' Meetings included in Constitution for information • P&R Committee met in scrutiny mode for the first time November 2013 as part of the CRMP consultation • CRMP amended following Members' input 	→		
<p>2. Ensuring that a constructive working relationship exists between Elected Members and officers and that responsibilities of Authority Members and officers are carried out to a high standard.</p>	<p>a. Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the Authority taking account of relevant legislation and ensure that it is monitored and updated when required.</p>	<ul style="list-style-type: none"> • Scheme of Delegations to Officers in place • Matters reserved for the Authority in Constitution • Committee Structure and Terms of Reference • Standing Orders • Protocol for Member/Officer Relations • In house Head of Legal / Monitoring Officer in place to ensure the Scheme of Delegation is monitored and to propose changes to the Authority where necessary • Publishing officer decisions 	→		

	b. Make a Chief Executive 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"> • Protocol for Member / Officer Relations • Performance appraisal process for statutory officers • CFO meetings with Chairman and Group Leaders • Terms of Reference for Group Leaders' Meeting included in Constitution 	→	Performance Appraisal training undertaken with relevant Members. CFO appraisal undertaken by Authority Chairman and Committee Chairs	On-going annual appraisals for CFO
	d. Make the Chief Financial Officer responsible to the Authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.	<ul style="list-style-type: none"> • Director of Finance & Assets appointed as S151 Officer (Treasurer) • Annual Audit Letter • Value for Money Opinion • Budget Holders' Surgeries • Budget Monitoring Reports to Policy & Resources Committee 	→		
	e. Make a senior officer (usually the Monitoring Officer) responsible to the Authority for ensuring agreed procedures are followed and that all applicable statutes and regulations are complied with.	<ul style="list-style-type: none"> • Monitoring Officer Role Description • Monitoring Officer appointed by the Authority • Deputy Monitoring Officer in place 	→		

Supporting Principle	Requirement for Authority	Evidence of compliance	Status of compliance	Progress on 2014/15 Actions	2015/16 Actions
3. Ensuring relationships between the Authority, its partners and the public are clear so that each know what to expect of each other.	a. Develop protocols to ensure effective communication between Members and officers in their respective roles.	<ul style="list-style-type: none"> Protocol for Member/Officer relations 	→		
	b. Set out the terms and conditions for remuneration of Members and officers and an effective structure for managing the process including an effective remuneration panel.	<ul style="list-style-type: none"> Members' Allowances Scheme considered annually by Authority and payments published Constituent Authorities' Independent Remuneration Panels in place Pay Policy Statement for Officers 	→		
	c. Ensure that effective mechanisms exist to monitor service delivery.	<ul style="list-style-type: none"> Performance Management Framework Senior Officer appraisals Quarterly performance reports to Policy & Resources Committee Complaints process Quality assurance audits 	→		
	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"> CRMP Consultation Media & Communications Strategy Our Strategy Consultation with staff representatives on strategic matters such as CRMP 20/20 Vision Programme Board 	→		

	<p>e. When working in partnership ensure that Members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Authority</p>	<ul style="list-style-type: none"> • Partnership Board Terms of Reference • Project Arrow Joint Board 	→		
	<p>f. When working in partnership:</p> <ul style="list-style-type: none"> • Ensure that there is clarity about the legal status of the partnership. • Ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions. 	<ul style="list-style-type: none"> • Potential strategic partnerships considered by Authority e.g. Place Partnership Ltd • In house Head of Legal Services to advise on legal status 	→		

3. Core Principle: Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour					
Supporting Principle	Requirement for Authority	Evidence of compliance	Status of compliance	Progress on 2014/15 Actions	2015/16 Actions
1. Ensuring Authority Members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	a. Ensure that the Authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect.	<ul style="list-style-type: none"> • SMB Sharepoint Site • Ask the Chief Facility • SMB Visits to Stations and Departments • Audit & Standards Committee • Authority Member Role Description • Governance sessions for Middle Managers • Ethical Framework in place and included in Members' Induction 	→		
	b. Ensure that standards of conduct and personal behaviour expected of Members and staff, of work between Members and staff and between the Authority, its partners and the community are defined and communicated through codes of conduct and protocols.	<ul style="list-style-type: none"> • Code of Conduct in place and covered in Members' Induction • Member Training on Code of Conduct by Councils monitored • Ethical Framework in place – training rolled out to staff and Members • Member/Officer Protocol • Equality Scheme • Disciplinary Policy • Capability Policy • Bullying and Harassment Policy • Anti-Fraud and Corruption Policy 	→		

	<p>c. Put in place arrangements to ensure that Members and employees of the Authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.</p>	<ul style="list-style-type: none"> • Whistleblowing Policy • National Fraud Initiative • Gifts and Hospitality Register for Members and Staff • Financial Regulations • Members Registers • Standing Orders for Regulation of Contracts • Equality Impact Assessments (EIAs) – included in corporate considerations section of Authority reports. <p>Awareness of relationship between Public Sector Equality Duty and EIAs raised at Members' Induction</p>	→	<p>Review remaining Standing Orders – underway</p> <p>Financial Regulations to be reviewed.</p>	<p>Review remaining Standing Orders – underway</p> <p>Financial Regulations to be reviewed by June 2016.</p>
2. Ensuring that organisational values are put into practice and are effective.	<p>a. Develop and maintain shared values including leadership values both for the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners.</p>	<ul style="list-style-type: none"> • Ethical Framework • Codes of Conduct • Authority Plan • Media & Communications Strategy • CRMP Consultation • Social Media • Service Bulletin • Members' Bulletin 	→		
	<p>b. Put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.</p>	<ul style="list-style-type: none"> • Equality & Diversity Scheme • Equality Impact Assessments • Ethical Framework • Employment Monitoring Information reported annually to Policy & Resources Committee • Whistleblowing Policy 	→		

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

4. Core Principle: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk					
Supporting Principle	Requirement for Authority	Evidence of compliance	Status of compliance	Progress on 2014/15 Actions	2015/16 Actions
1. Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.	a. Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the Authority's performance overall.	<ul style="list-style-type: none"> • Audit & Standards Committee • Internal Audit reports considered by Audit & Standards Committee • Policy & Resources Committee scrutinises performance 	→		New Pensions Board set up as required under Public Services Pensions Act 2013 – to report to Policy & Resources Committee annually
	b. Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.	<ul style="list-style-type: none"> • Committee structure • Authority agenda papers, reports, minutes published • Standard Fire Authority report template includes corporate governance considerations for Members • Scheme of Delegation 	→	Publication of Officer Decisions to has been implemented as required under the Openness of Local Government Body Regulations 2014	
	c. Put in place arrangements to safeguard against conflicts of interest on behalf of members and employees and put in place appropriate processes to ensure that they continue to operate in practice.	<ul style="list-style-type: none"> • Monitoring Officer in place • Code of Conduct Members' Registers of Interest – annual prompt for Members to review their DPI forms • Gifts and Hospitality Registers • Advice to staff via Service Bulletin • Code of Conduct for Employees • Related Party Disclosures for Principal Officers / department heads 	→		Commence development of a Register of Interests for Senior Officers Review Gifts & Hospitality Protocol By June 2016

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

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

Supporting Principle	Requirement for Authority	Evidence of compliance	Status of compliance	Progress on 2014/15 Actions	2015/16 Actions
3. Ensuring that an effective risk management system is in place.	a. Ensure that risk management is embedded into the culture of the Authority, with members and managers at all levels recognising that risk management is part of their job.	<ul style="list-style-type: none"> • Strategic Risk Register • Risk Management Strategy • Audit & Standards Committee Terms of Reference • Authority Standard Report Template requires any risk issues to be set out • Audit Commission – Annual Governance Audit • Internal Audit • Financial Regulations • Technology One Finance System 	→		
	b. Ensure that effective arrangements for whistleblowing are in place to which staff and all those contracting with the authority have access.	<ul style="list-style-type: none"> • Whistleblowing Policy 	→	Whistleblowing Policy under review	<p>Further awareness raising of Whistleblowing Policy once reviewed</p> <p>By February 2016</p>
4. Using their legal powers to the full benefit of the citizens and communities in their area.	a. Actively recognise the limits of lawful activity placed on them by eg the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities.	<ul style="list-style-type: none"> • Standing Orders • Head of Legal / Monitoring Officer • Statutory Provisions 	→		

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

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

Supporting Principle	Requirement for Authority	Evidence of compliance	Status of compliance	Progress on 2014/15 Actions	2015/16 Actions
1. Making sure that Members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.	a. Provide induction programmes tailored to individual needs and opportunities for Members and officers to update their knowledge on a regular basis.	<ul style="list-style-type: none"> • Members' Induction • Fire specific Member Development Programme linked in with Our Strategy • Members' Seminars • Members' Bulletin • SMB Workshops • Conference attendance • Monitoring of Member attendance at Code of Conduct Training 	→	All new Members attended Induction session in June 2015	
	b. Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Authority.	<ul style="list-style-type: none"> • Head of Paid Service, Treasurer and Monitoring Officer appointed by Authority 	→		
2. Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.	a. Assess the skills required by Members, officers and managers and make a commitment to develop those skills to enable roles to be carried out effectively.	<ul style="list-style-type: none"> • Staff appraisals • Audit & Standards Committee oversee Member Training • Member Training also provided by constituent authorities • SMB Leadership Review • Member Induction • Financial Seminars for Members • Governance Awareness for middle managers 	→		

	b. Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.	<ul style="list-style-type: none"> • SMB Workshops • Member Workshops 	→		
	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 Appointments Committee undertaken prior to any recruitment • Employment Monitoring Data • Equality Objectives - compliance • Equality Impact Assessments • Equality & Diversity Advisory Group • Positive Action Sub Group • Media & Communications Strategy 	→		
	b. Ensure that career structures are in place for Members and officers to encourage participation and development.	<ul style="list-style-type: none"> • Assessment centres and career structure for uniformed staff 	→		

6. Core Principle: Engaging with local people and other stakeholders to ensure robust public accountability					
Supporting Principle	Requirement for Authority	Evidence of compliance	Status of compliance	Progress on 2014/15 Actions	2015/16 Actions
1. Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders including partnerships, and develops constructive accountability relationships.	a. Make clear to themselves, all staff and the community, to whom they are accountable and for what.	<ul style="list-style-type: none"> • Authority Plan • CRMP Process • Publication Scheme • Media & Communications Strategy • Constitution • Committee Structure and Terms of Reference • Meetings Schedule • Scheme of Delegation 	→		
	b. Consider those institutional stakeholders to whom they are accountable and assess the effectiveness of the relationships and any changes required.	<ul style="list-style-type: none"> • Authority Plan • Local Strategic Partnership agreement (Worcestershire) • Memorandums of Understanding 	→		
Note: the Fire Authority is not able to adopt an Executive Model	c. Produce an annual report on the activity of the scrutiny function.	<ul style="list-style-type: none"> • Minutes from Committees submitted to Fire Authority 	→		

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

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

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

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

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

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

Additional governance requirements from Chief Financial Officer statement	Evidence of compliance
i. Ensure that the Chief Financial Officer reports directly to the Chief Executive and is a member of the leadership team with a status at least equivalent to other members. If different organisational arrangements are adopted, explain the reasons publicly, together with how these deliver the same impact.	<ul style="list-style-type: none"> • Role of Chief Financial Officer undertaken by Treasurer (Director of Finance & Assets) • 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 & Standards Committee in place • Internal Audit reports regularly considered by Audit & Standards Committee • Policy & Resources Committee scrutinises performance
ii. Ensure that the authority's governance arrangements allow the Chief Financial Officer direct access to the audit committee and external audit.	<ul style="list-style-type: none"> • Audit & Standards Committee in place • Treasurer has meetings with Audit & Standards Committee Chairman • Treasurer is the lead officer for Audit & Standards Committee
iii. Ensure the provision of clear, well presented, timely, complete and accurate information and reports to budget managers and senior officers on the budgetary and financial performance of the authority.	<ul style="list-style-type: none"> • Schedule of meetings • Budget Monitoring Reports to SMB and P&R Committee • Budget Holders meetings
iv. Ensure the authority's governance arrangements allow the Chief Financial Officer to bring influence to bear on all material decisions.	<ul style="list-style-type: none"> • Clerk and Treasurer comment on draft Fire Authority and Committee reports and attend Authority meetings to advise • Financial Regulations • Treasurer reports regularly to Authority
v. Ensure that advice is provided on the levels of reserves and balances in line with good practice guidance.	
vi. Ensure that the authority's arrangements for financial and internal control and for managing risk are addressed in annual governance reports.	<ul style="list-style-type: none"> • Strategic Risk Register in place • Audit & Standards Committee Terms of Reference • Fire Authority Standard Report Template – risk issues need to be highlighted • Risk Management Strategy in place • Audit Commission – Annual Governance Audit • Internal Audit • Financial Regulations • Technology One Finance System
vii. Ensure the authority puts in place effective internal financial controls covering codified guidance, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval process.	

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

<ul style="list-style-type: none"> 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. ii. Review the scope of the Chief Financial Officer's other management responsibilities to ensure financial matters are not compromised. iii. Provide the finance function with the resources, expertise and systems necessary to perform its role effectively. 	<ul style="list-style-type: none"> • Head of Paid Service, Treasurer and Monitoring Officer appointed by Authority • Performance appraisals in place
<ul style="list-style-type: none"> iv. Embed financial competencies in person specifications and appraisals. 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. 	<ul style="list-style-type: none"> • Staff appraisals • SMB Leadership Review • Member Induction • Member Role Description • Budget / Financial Seminars for Members

Report of the Head of Corporate Services

8. Annual Statement of Assurance 2015-16

Purpose of report

1. To consider and approve the draft Statement of Assurance 2015-16 for publication.
-

Recommendation

It is recommended that the Committee adopts the draft Statement of Assurance 2015-16 and approves it for publication.

Introduction and Background

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

Annual Statement of Assurance 2015-16

5. The Statement of Assurance 2015-16 is a short report designed to give staff, partners and members of the public assurance that the Authority is doing everything it can to keep them safe as well as providing value for money.
6. The Statement covers three areas; finance, governance and operational matters. It provides information about how Authority funds are managed and how its services are carried out properly, efficiently and effectively.
7. The Statement sits alongside existing documents including the Fire Authority Annual Report 2015-16, the Community Risk Management Plan 2014-2020, the Annual Governance Statement and the Statement of Accounts for 2014-15. The Statement also provides links to other assurance documents to help readers assess performance and value for money.

Scrutiny of the draft Statement of Assurance 2015-16

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

Conclusion/Summary

11. The draft Statement of Assurance 2015-16 will be the Authority's third annual Statement of Assurance. Much of the information in the Statement is already publicly available elsewhere, and links are provided in the document where appropriate as advised in the national guidance.
12. Subject to Committee approval, the finalised version of the Statement of Assurance 2015-16 will be published on the Service website.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	Financial, property and human resources 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 including the Fire Authority Annual Report, the Statement of Accounts, the Governance Statement and the Community Risk Management Plan 2014-2020.
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	The Statement of Assurance highlights the work of the Authority around Risk Management / Health & Safety.
Consultation (identify any public or other consultation that has been carried out on this matter)	Senior Management Board consultation undertaken.
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	Not completed as the Statement of Assurance is a high level overview document. Links to Equality & Diversity activities are highlighted in the Statement.

Supporting Information

Appendix 1 – Draft Statement of Assurance 2015-16

Contact Officer

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



Hereford & Worcester
Fire Authority

Fire Authority Statement of Assurance

2015-16

What is a statement of assurance?

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

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

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

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



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

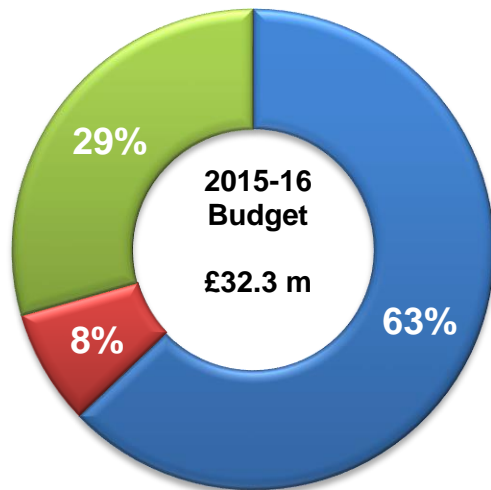


Mark J. Yates QFSM, Chief
Fire Officer/Chief Executive

Finance

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

How the Service is paid for: 2015-16

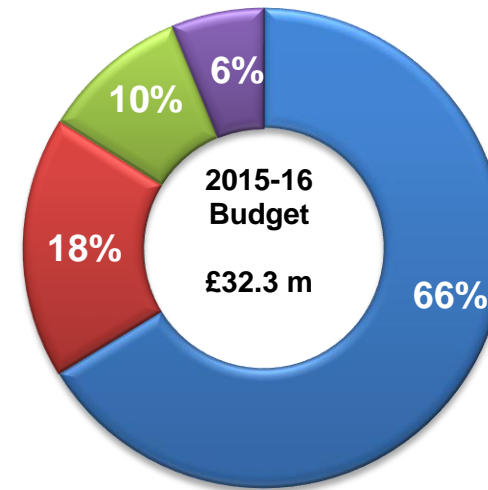


- H&W Council Tax: £20.3 m
- H&W share of Business Rates: £2.5 m
- Government Grants: £9.5 m

To make sure we spend this properly, we have robust financial monitoring processes in place. The Fire Authority requires the Treasurer to prepare an annual statement of accounts, which is designed to provide a true and fair view of the financial position, including a statement on income and expenditure. In preparing the

statement, the Treasurer follows the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom

How the budget is spent : 2015-16



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

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

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

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

In the last year, four accountancy and finance systems were examined – payroll, creditors, debtors and budgetary control/main ledger – and all four were reported as providing a high level of assurance.

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

In the latest annual audit review letter 2013-14, the auditor considered the Authority's financial statements gave a true and fair view of the financial position and was satisfied that the financial statements were sound. The auditor also found that the Authority has put in place proper arrangements to secure value for money in its use of resources for the year ending 31 March 2014.

Governance

The Fire Authority has a responsibility to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. To do this the Authority must ensure it has proper arrangements for the governance of its affairs. This includes maintaining a sound system of internal control and ensuring robust arrangements for managing risk are in place.

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

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

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

and the approval of policies in respect of the governance framework.

- Monitoring Officer – provides advice on the scope of powers and responsibilities of the Authority, and has a statutory duty to ensure lawfulness and fairness of decision making.
- Chief Financial Officer (Treasurer) – ensures the sound administration of the financial affairs of the Authority as required by the statutory duties under the Local Government Act 1972, the Local Government Finance Act 1988 and the Accounts and Audit Regulations 2011.
- Ethical Framework and Code of Conduct – in place for all staff and familiarisation is included in the local induction.

During 2014-15, three internal audits of corporate governance systems were carried out including risk management, which was assessed as providing significant assurance. The two other internal audits – documentation services and data security retention services and information technology – are part of wider audits and did not require assurance ratings.

Frontline response

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

During the year we published our strategic plan for the next few years to 2020. Called the Community Risk Management Plan 2014-2020, it sets out how the Service assesses and tackles risks and how it organises its fire and emergency cover arrangements in the light of changing risks and resources.

Each year the Authority publishes an Annual Report, which provides information on overall performance, highlights key achievements during the year and sets out plans for the year ahead. This year's report also provides a summary of our plans to tackle the ongoing funding issues facing the Authority, with a new 2020 Vision Programme setting out a wide range of projects designed to transform the way in which we'll be delivering our services in the future.

Our internal auditors, Worcestershire Internal Audit Shared Services, completed an audit of our operational assurance system in January 2015 and gave an overall rating of 'significant assurance'. The audit focused on six safety critical areas – training, intelligence, policies, active incident monitoring, thematic reviews and external health and safety factors.

During the year our firefighters also completed a wide range of safety-critical training designed to improve their operational capabilities including firefighting wearing breathing apparatus, understanding fire behaviour, tactical incident command training and practical exercises such as dealing with road traffic collisions.

Additional internal audits were completed on building maintenance and equality and diversity, both of which were assessed as providing a high level of assurance. Finally, in January 2015, a Chief Fire Officers Association (CFOA) West Midlands Regional Health and Safety Audit found that the Service is performing well in the two areas audited; Personal Protective Equipment (Firefighting PPE) and Water Rescue. A number of areas for improvement were also identified and these will be addressed during 2015-16.

Directory of assurance documents

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

A. Finance

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

- [Annual Statement of Accounts 2014-15](#)
- Link to previous [Statements of Accounts](#)
- [Budget and Precept 2015-16 and Medium Term Financial Plan](#)

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

- [Internal Audit Annual Report 2014-15](#)
- [Annual Audit Review Letter 2013-14](#)

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

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

- [Pay policy statement](#)

Links to national legislation and other guidance:

- [Local Government Act 1999](#)
- [Accounts and Audit \(England\) Regulations 2011](#)
- [Local Government Finance Act 1988](#)
- [Local Government Act 1972](#)
- [Chartered Institute for Public Finance and Accountancy \(CIPFA\) Codes of Practice](#)
- [Public Sector Internal Audit Standards 2013](#)

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

- [Statements of Assurance](#)

B. Governance

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

- [Annual Governance Statement 2013-14](#)
- [Previous Annual Governance Statement](#)
- [Code of Corporate Governance](#)

- [Fire Authority Constitution](#)
- [Fire Authority and Committees](#)

Links to national legislation and other guidance:

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

C. Operations

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

- [Fire Authority Annual Report 2015-16](#)
- [Community Risk Management Plan 2014-2020](#)
- [Annual Performance 2014-15](#)
- [CFOA West Midlands Regional Health and Safety Audit](#)
- 2020 Vision Programme

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

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

Links to national legislation and other guidance:

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

Your right to know: access to information

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

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

What do you think of our Statement of Assurance?

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

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

If you have any general enquiries, please call 0845 122 4454 or email us at info@hwfire.org.uk.

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

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

Alternatively you may write to:

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

If you would like this information in an alternative language or format such as large print or audio, please contact us on 0845 122 4454.

Report of the Internal Auditor

9. Internal Audit Monitoring Report 2015/16 and 2014/15 residual work

Purpose of report

1. To provide the Committee with a progress update on the 2015/16 plan delivery and the residual 2014/15 work.
-

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 2015. This includes considering, where appropriate, the need for controls to prevent and detect fraudulent activity. These should also be reviewed to ensure that they are effective. This duty has been delegated to the Treasurer and Internal Audit is provided by Worcestershire Internal Audit Shared Service (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.

Objectives of Internal Audit

3. The Public Sector Internal Audit Standards 2013 defines internal audit as: “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation

accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes". WIASS is committed to conforming to the requirements of the Public Sector Internal Audit Standards.

Aims of Internal Audit

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 try and avoid duplication of effort, provide adequate coverage for the 2015/16 financial year so that an internal audit opinion can be reached and support External Audit by carrying out reviews in support of the accounts opinion work.

Audit Planning

6. To provide audit coverage for 2015/16, an audit operational programme to be delivered by WIASS was discussed and agreed with the Authority's Section 151 Officer and Treasurer as well as Senior Management Board and has been brought before Committee today for consideration. The audit programme provides a total audit provision of 111 audit days; 92 operational and 19 management days.

Audit Delivery

7. Three audits that have been finalised since the 15th April 2015 committee for the 2014/15 and work in regard to the 2015/16 Audit Plan will commence during September.
8. To assist the Committee to consider assurance on the areas of work undertaken, an overall assurance level is given to each audit area based on a predetermined scale. Also, the findings are prioritised into 'high', 'medium' and 'low' within audit reports with all 'high' priority recommendations being reported before committee.

2014/15 Audits:

ICT

9. The review was a "critical friend" exercise to review and constructively challenge developments in the ICT service, primarily concerning business continuity arrangements, the management of departmental work programmes, and the development of staff to provide a resilient on-going service. A number of significant changes are being planned for the near future including relocating the Hereford & Worcester Fire and Rescue Service Headquarters from Worcester to West Mercia Police Headquarters at Hindlip which will also lead to demands for change to the business continuity arrangements. In addition there has been a recent restructure and job evaluation within the ICT team, including the creation of a new Business Systems Manager role.
10. Development areas where further work will enhance the overall security includes the business continuity facilities at Droitwich Station and Training Centre, procedures relating to PSN, the use of personal electronic devices and the security arrangements relating to this, and, backing up and retaining data.

Current Position: Final report issued 25th June 2015

Assurance: N/A as critical friend audit

Transformational Planning

11. The review was a "critical friend" of the new procedures being put in place to manage and oversee all strategic collaborative working projects.

12. The audit identified that the authority needs to ensure some consistency in how projects are managed and reported. There were a large volume of meetings taking place and there are some inconsistencies in style and range which could potentially result in ineffective use of resources. Following an assessment of this by the Senior Management Board it led to the decision to set up both a Programme Board and Programme Office.
13. Development areas where further work will benefit and add value include terms of reference relating to the 2020 programme, the introduction of a programme officer, having a set project management methodology and, ensuring that there are no overlaps in work streams, reporting and meetings.

Current Position: Final report issued 25th June 2015

Assurance: N/A as critical friend audit

Operations Assurance

14. The review was a full systems audit concentrating on key monitoring controls.
15. The audit concluded that there is a robust system of monitoring and reporting in place and there is a clear audit trail of how performance reports have been compiled. It is evident that the authority are proactive in ensuring any performance weakness are addressed across the authority and that the Group Commander plays an active role in working with the stations and crews in ensuring any action needed is taken. Although many of the operational policies are in need of review a corporate exercise is underway to ensure in future they are reviewed on a rolling basis or when required. Following a review of the central intelligence risk database (known as intel) it was found that there are some anomalies where inspections have not been undertaken when due or have not been brought forward to current registers which could potentially open up the authority to risk if not addressed.
16. A walkthrough of the Course Management system and the Competency Tracking system has identified there is clear separation of duties and controls in place regarding the recording and control of training plans. However, Internal Audit found the way information is collated for performance reporting is considered to be a little “cumbersome” and it may be useful for the authority to consider different approaches going forward to achieve a more efficient process.

It may also prove beneficial for the authority to undertake further benchmarking with other authorities to compare monitoring and reporting practices. The Group Commander, Operations Assurance attended a conference with other authorities in March which will enable the authority to do this.

Current position: Final Report issued 18th May 2015

Assurance: Significant

The follow up of this audit took place on the 2nd September 2015 with all the reported audit recommendations being satisfactorily completed along with improved performance monitoring implemented.

17. Summary table of the 2014/15 finalised audits and assurance levels.

Audit	Assurance Level
2014/2015	
ICT	N/a ~ critical friend
Transformation planning	N/a ~ critical friend
Operational assurance	Significant

2015/16 Audits:

18. Audits in regard to the 2015/16 audit plan were due to commence in September and regular updates and assurance outcomes will be brought before future Committees for consideration.

Conclusion/Summary

19. The Internal Audit Plan for 2014/15 has been completed with the remainder of the audit outcomes reported above for information.
20. The H&WFRS and WIASS are continuing to work together to achieve internal audit partnership status for the H&WFRS.

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 not fully detailed in this report.
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	None There are legal issues e.g. contractual and procurement that require consideration but are not fully detailed in this report as they are contained within the contract.
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	Yes, whole report.
Consultation (identify any public or other consultation that has been carried out on this matter)	N/A – no policy change is recommended
Equalities (has an Equalities Impact Assessment been	N/A

completed? If not, why not?)	
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Supporting Information

Appendix 1 – ‘High’ priority recommendations for completed audits including definitions

Contact Officer

Andy Bromage

Service Manager - Worcestershire Internal Audit Shared Service

(01905 722051)

andy.bromage@worcester.gov.uk

Residual Audit Reports 2014/15

Definition of Audit Opinion Levels of Assurance (for information)

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>

‘High’ Priority Recommendations reported

With the audits that have been finalised since the last Committee when summary reports were reported (15th April 2015) there have been no ‘high’ priority recommendations reported.

Report of the Internal Auditor

10. Internal Audit Draft Audit Plan 2015/16

Purpose of report

1. To provide the Committee with the Draft Audit Plan for 2015/16.
-

Recommendation

The Treasurer recommends that the 2015/16 draft Internal Audit Plan is approved.

Introduction and Background

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

Objectives of Internal Audit

2. The 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

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

- Examine, evaluate and report on procedures that the Fire Service's assets and interests are adequately protected and effectively managed;
 - Undertake independent investigations into allegations of fraud and irregularity in accordance with Fire Service's policies and procedures and relevant legislation; and,
 - Advise upon the control and risk implications of new systems or other organisational changes.
4. Internal audit will work with external audit to avoid duplication of effort, provide adequate coverage for the 2015/16 financial year so that an internal audit opinion can be reached, and, support External Audit by carrying out reviews in support of the accounts opinion work.

Audit Planning

5. To provide audit coverage for 2015/16 an audit operational programme to be delivered by WIASS was discussed and agreed with the Treasurer and the Senior Management Board and will be provided to External Audit. The audit programme provides a total audit provision of 111 audit days; 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 on request.
6. The Internal Audit Plan for 2015/16, 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 2015/16 has been agreed with the Fire and Rescue Service Section 151 Officer and Treasurer and placed before Senior Management Board for discussion.
7. Appendix 1 provides the Committee with a breakdown of draft 2015/16 internal audit plan.
8. Appendix 2 provides the Committee with an over view and comparison of the audits delivered over the past 3 ½ years.

Conclusion/Summary

9. Operational progress against the Internal Audit Plan for 2015/16 will be closely monitored by the Service Manager of the Worcestershire Internal Audit Shared Service and will be reported to the Audit Committee on a quarterly basis and, for information, also included will be any 'high' priority recommendations.

Corporate Considerations:

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

Supporting Information

Appendix 1 – 2015/16 Draft Internal Audit Plan

Contact Officer

Contact Officer

Name: Andy Bromage
Service Manager - Worcestershire Internal Audit Shared Service
Tel: 01905 722051
E Mail: andy.bromage@worcester.gov.uk

APPENDIX 1

FIRE & RESCUE SERVICE Draft Audit Plan for 2015/16

WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE INTERNAL AUDIT PLAN FOR FIRE & RESCUE SERVICE 2015/16

Audit Area	Source	Planned days 2015/16	Preferred Audit Quarter
Accountancy & Finance Systems			
Main Ledger (inc Budgetary Control & Bank Rec)	Risk assessment score 28	8	Q3
Creditors	Risk assessment score 29	8	Q3
Debtors	Risk assessment score 24	5	Q3
Payroll & Pensions inc GARTAN	Risk assessment score 32	13	Q3
SUB TOTAL		34	
Corporate Governance (incl Health & Safety arrangements)			
Corporate Governance (Annual Statement)	Risk assessment score 28 & s151	16	Q2
Computer Audit	Risk assessment score 35	10	Q4
System / Management Arrangements			
Risk Management	Risk assessment 25 & SMB requirement	8	Q4
Stores/Operational Logistics	Risk assessment score 34	10	Q4
Human Resources	SMB requirement	9	TBC
Imprest accounts	Risk assessment score 21	5	Q3
SUB TOTAL		58	
General			
Follow up 2012/13, 2013/14 & 2014/15 Reports	Routine & s151	7	Q1 to Q4 inclusive
Advice & Guidance	n/a	1	Q1 to Q4 inclusive
Audit Cttee & Mngt Reporting	n/a	11	Q1 to Q4 inclusive
SUB TOTAL		19	
TOTAL CHARGEABLE		111	

Note:

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

Report No:
Version No:

Appendix 2

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

Audit Review	Year Undertaken				
	Handover year from County	Contractual delivery to H&WFRS by WIASS			Proposed
Payroll & Pensions (including GAD)	2011/12	2012/13	2013/14	2014/15	2015/16
Debtors	2011/12	2012/13	2013/14	2014/15	2015/16
Creditors	2011/12	2012/13	2013/14	2014/15	2015/16
Petty Cash Imprest		2012/13			2015/16
Main Ledger incl. Budgets & Budgetary Control	2011/12 (Not Main Ledger)	2012/13	2013/14	2014/15	2015/16
Asset Management		2012/13			
Capital Programme			2013/14		
Follow up	2011/12	2012/13	2013/14	2014/15	2015/16
Risk Management Arrangements		2012/13	2013/14	2014/15	2015/16
Business Continuity		2012/13			
Corporate Governance / Management (different areas each year)		2012/13	2013/14	2014/15	2015/16
Procurement / Contracts		2012/13			
Members Allowances		2012/13			
Computer Audit		2012/13	2013/14	2014/15	2015/16
Community Safety			2013/14		
Urban Search and Rescue			2013/14		
Operational Logistics/Stores			2013/14		2015/16
Transformational Planning				2014/15	
Building Maintenance				2014/15	
Equality and Diversity				2014/15	
Operations				2014/15	
Human Resources					2015/16