



HEREFORD & WORCESTER Fire Authority

Audit and Standards Committee

AGENDA

Wednesday, 25 July 2018

10:30

Conference Suites

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

ACTION ON DISCOVERING A FIRE

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

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

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

ACTION ON HEARING THE ALARM

- 1 Proceed immediately to the Assembly Point

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

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

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- 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.

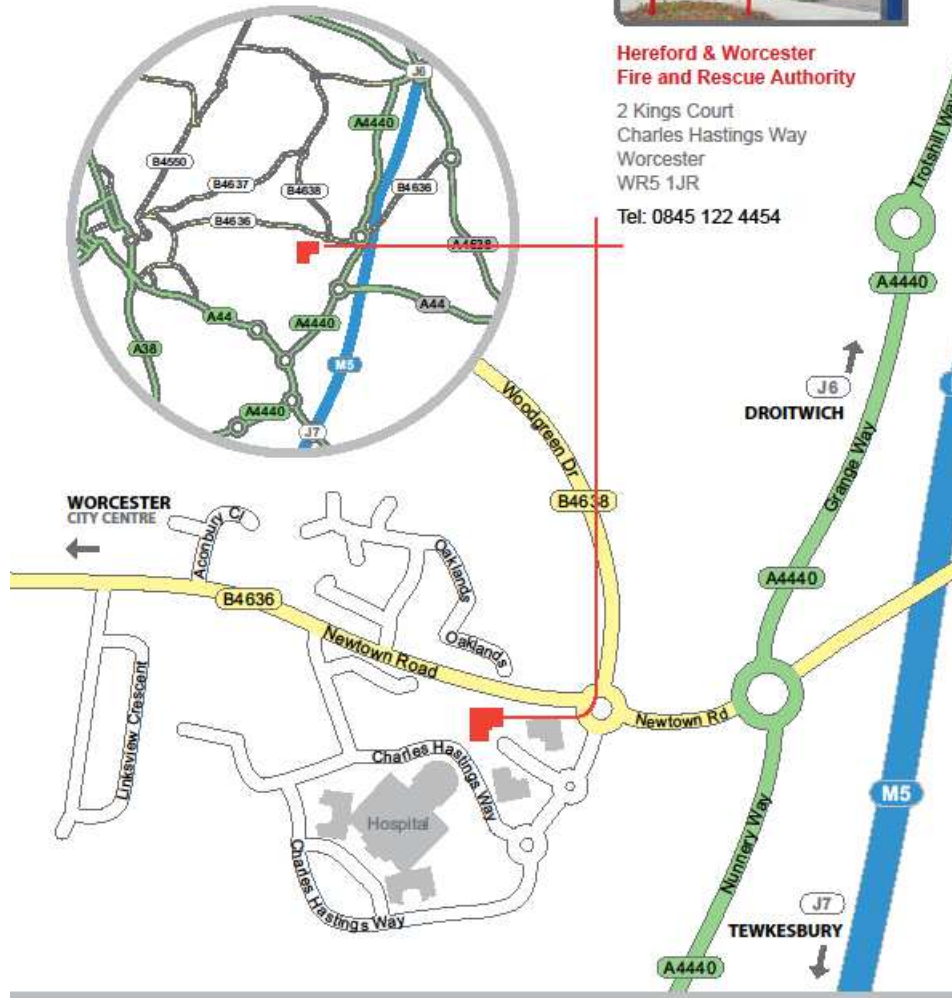
Officers - Accompanying the Chairman is the Chief Fire Officer and other Officers of the Fire and Rescue Authority who will advise on legal and procedural matters and record the proceedings. These include the Clerk and the Treasurer to the Authority.

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.



Tel: 0845 122 4454





Hereford & Worcester Fire Authority

Audit and Standards Committee

Wednesday, 25 July 2018, 10:30

Agenda

Councillors

Mr M Hart (Chairman), Mr A Amos (Vice Chairman), Ms P Agar, Ms K S Guthrie, Mr I D Hardiman, Mr Al Hardman, Mr R I Matthews, Mr P Middlebrough, Dr K Pollock, Professor J W Raine, 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 meeting held on 25 April 2018.	7 - 10
5	Statement of Accounts 2017/18 To present the 2017/18 Statement of Accounts for approval.	11 - 93

6	External Audit Findings Report 2017/18 Including Letter of Representation	94 - 123
	To put forward the External Auditors' Report for consideration and to recommend approval of the Letter of Representation.	
7	External Audit Fee 2018-19	124 - 129
	To update the Committee on the audit fee for 2018/19.	
8	Internal Audit Annual Report 2017/18	130 - 148
	To provide the Committee with:	
	<ul style="list-style-type: none"> the overall results in terms of meeting Internal Audit's (IA's) objectives as set out in the internal audit plan for 2017/2018; an audit opinion and commentary on the overall adequacy and effectiveness of the internal control environment; and a copy of the current internal audit charter. 	
9	Internal Audit External Assessment 2017/18 Update Report	149 - 184
	To provide the Committee with an update from the Head of Internal Audit Shared Service in regard to the implementation progress made against the Internal Audit External Assessment that took place during the 2017/2018 financial year.	
10	Strategic Risk Register Review	185 - 190
	To provide the Audit and Standards Committee with the annual update on the Strategic Risk Register.	
11	Health and Safety Update	191 - 206
	To provide the Audit and Standards Committee with an update on the activities and items of significance from the Service's Health and Safety Committee.	



Hereford & Worcester Fire Authority

Audit and Standards Committee

Wednesday, 25 April 2018, 10:30

Minutes

Members Present: Ms P Agar, Mr A Amos, Mr I D Hardiman, Mr M Hart, Mr P Middlebrough, Mr S D Williams

89 Apologies for Absence

Cllr Guthrie, Cllr Raine, Cllr Pollock, Cllr Matthews

There were no named substitutes.

90 Declarations of Interest (if any)

None

91 Confirmation of Minutes

RESOLVED that the minutes of the meeting of the Audit and Standards Committee held on 24 January 2018 be confirmed as a correct record and signed by the Chairman.

92 External Audit Draft Plan 2018/19 (2017/18 Accounts)

The Audit Plan noted that of the work undertaken within all identified significant and possible risk areas none had returned with any significant findings of concern. In relation to the earlier close timeframe of 31 July 2018 Members were advised that further discussions would be on-going during the transition period to accommodate the change in governance of the Authority.

RESOLVED that the External Audit Plan 2018/19 (2017/18 Accounts) be noted.

93 Informing Audit Risk Assessment 2017/18 Accounts

Members were advised that there were no specific risks highlighted that were abnormal, or which cause the Treasurer or External Auditor concern. Members attention was drawn to five key areas where an understanding of management processes was critical. Members were asked to consider whether management responses were consistent with the Committees understanding.

Auditors thanked Members of the Committee for their attention and diligent scrutiny of Audit reports and wished them well for the future.

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

94 Internal Audit Monitoring Report 2017/18

Members were reassured that there were no high priority recommendations within the report and any actions that had been identified were being addressed through robust management plans. It was confirmed that there were two additional reports currently at draft stage and one further report progressing through fieldwork. The outcome of these reviews would be reported to the committee in summary form as soon as they were completed.

RESOLVED that the Internal Audit Monitoring Report 2017/18 be noted.

95 Internal Audit Draft Plan 2018/19

Members were asked to note that due to the continuing changing environment the plan must be seen as a flexible framework, reflecting the changing risk profile and emerging risks. It was noted that a six month review of the plan may be prudent in order to address such challenges and to compliment national initiatives. Members were informed that although core levels of days allocated to risk areas remained relatively unchanged as a precaution an additional 2/3 days had been added to the number of contingency days allocated for the 2018/19 plan to ensure flexibility with the forthcoming coming changes in governance arrangements.

RESOLVED that the Internal Audit Draft Plan 2018/19 be approved.

96 Annual Governance Statement 2017/18

Members were given a summary of the governance arrangements for 2017/18 and advised that procedures followed much the same format as previous years and there were no concerns to note. The Committee were informed that the annual self-assessment review noted evidence of compliance with all core and supporting principles of good governance and that all actions had been completed, with the exception of the review of Financial Regulations which could not be undertaken until completion of the Standing Orders for Regulation of Contracts. This review has been incorporated as an action for 2018/19.

RESOLVED that the Draft Annual Governance Statement 2017/18 be approved.

97 Constitution Changes: Standing Orders for the Regulation of Contracts

Members were informed that the Standing Orders for the Regulation of Contracts required amendments to provide clarity and reflect updated changes to procurement practice, namely e-tendering and compliance with Public Contract Regulations 2015. Members were reassured that changes would further strengthen the governance arrangements with regards to procurement and also align with additional obligations regarding transparency.

RECOMMENDED that the amended Standing Orders for the Regulation of Contracts be approved.

98 Annual Report on Compliments, Complaints and Requests 2017/18

Members attention was drawn to four key aspects of the report. The first was the notable addition of Freedom of Information request data. Secondly acknowledgement by members of the public of the commitment, dedication and skill of HWFRS employees. Thirdly that our communities continue to remain vigilant and any concerns or queries about fire safety issues at organisations or indeed concerns about individuals are brought to our attention. Lastly that Officers keep a tight handle on any complaints about the service and in all cases this year each complaint a holding letter or full response within our own 10 working day deadline.

Members were reassured that Officers were satisfied there hadn't been any significant issues that warranted a review of service delivery and that

current practices and processes were fit for purpose and robust.
No significant levels of recurring themes or trends to give any cause for concern were noted.

RESOLVED that the Annual Report on Compliments, Complaints and Requests 2017/18 be noted.

99 Update from the Health and Safety Committee

It was emphasised to Members that health and safety is fully embedded within the culture of HWFRS and that reporting from staff on all relating matters is good. Locally the Health and Safety Committee Working Group are currently undertaking a piece of work looking in more detail at Organisational Road Risk and a comprehensive review is underway. Progress on this will be reported back in due course. Regionally as part of the agreed CFOA Business Plan HWFRS have recently been audited across four specific areas. An initial findings report will be issued imminently and findings will be reported back to the Committee at the next available opportunity.

RESOLVED that the Health and Safety performance information recorded during October 2017 to December 2017; and the involvement of the Service in a number of health and safety initiatives be noted.

The Meeting ended at: 11:34

Signed:.....

Date:.....

Chairman

Report of the Treasurer

Statement of Accounts 2017/18

Purpose of report

1. To present the 2017/18 Statement of Accounts for approval.
-

Recommendation

The Treasurer recommends that the Statement of Accounts 2017/18 be approved.

Introduction

2. In respect of the 2017/18 Statement of Accounts, the Account and Audit Regulations 2015 require that:
 - the Statements are signed off by the Treasurer by 31 May 2018
 - the Statements are approved by the Authority by 31 July 2018
 - the Statements must be published by 31 July 2018
3. The Fire Authority has delegated the approval responsibility to the Audit and Standards Committee.
4. The Accounts were signed off by the Treasurer on 30 May 2018, a whole month ahead of the deadline.
5. The Audit will be completed shortly (prior to the Committee meeting), but to date no major issues have arisen and the External Audit Findings Report is included elsewhere on the agenda.

Statement of Accounts

6. As Members will be aware, the Code of Practice on Local Authority Accounting - Statement of Recommended Practice (SORP) requires that the Accounts are prepared on the basis of International Finance Reporting Standards (IFRS). This differs significantly from the statutory framework used for Council Tax and Grant purposes. This is explained further below.
7. The principal effect of this is that the Comprehensive Income and Expenditure Statement (CIES) now shows a small net surplus, because the Statutory Accounting arrangements which are used by the FRA in council tax setting have precedence over IFRS.

8. There are charges, e.g. depreciation, and the liability on pension schemes which are not chargeable in the statutory accounts. The Government does not recognise IFRS for grant allocations or as part of the statutory budget setting arrangements.
9. The differences between IFRS and Statutory Accounting are reconciled in the Movement in Reserves Statement and do not affect the underlying financial position.
10. The Balance Sheet shows a negative balance which arises from the identified liabilities in the Pension Schemes.
11. The FRA is, however, not required or empowered to fund these deficits immediately. The Local Government Pension Scheme (LGPS) is covered by future payments of the employer's contribution and the Firefighters' Schemes are covered by the new financing arrangements commencing from 1 April 2006 which effectively means that the liability will be met by direct government grant, as it arises.

Audit Amendments

12. Following the audit there are a small number of minor changes that have been agreed to the draft accounts:
 - a) It has been identified that the disclosures in respect of the gross liability and gross assets of the LGPS had not been adjusted for the Authority's share of Place Partnership Ltd. The net liability as used in the core statements was correct; it was only the disclosure that required amendment.
 - b) Within the note on 2016/17 comparative data for Senior Officers pay, the explanation regarding the seconded status of the Chief Fire Officer for the first part of 2016/17 had been omitted in error. This has been re-instated.
 - c) The note disclosing the Fair Value of the Public Works Loans Board (PWLB) debt was based on a calculation provided by PWLB. The methodology used is no longer compliant with the Code and a revised calculation has now been made. This has amended the fair value from £14.074m to £13.998m.
 - d) An additional Contingent Liability note has been added in respect of the Pensions Tribunal, in an agreed format that does not commit the Authority to acknowledging there is a liability.
 - e) A requirement to provide more details on the disclosure on "Accounting Standards issued but not yet adopted", where the Standard is not relevant to the Authority or has no material impact.

Conclusion

13. The Statement of Accounts is ready for approval.

14. As there are no matters arising from the public inspection period (1 June 2018 to 12 July 2018), the External Auditor will be able to issue the audit opinion, as soon as he is ready.
15. On publication, the Statement of Accounts will contain the Audit Opinion and the approved Annual Governance Statement,

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 2017/18

Contact Officer

Martin Reohorn, Treasurer

(01905 368205)

Email: mreohorn@hwfire.org.uk

Hereford & Worcester Fire Authority

Statement of Accounts

2017/18

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NARRATIVE REPORT

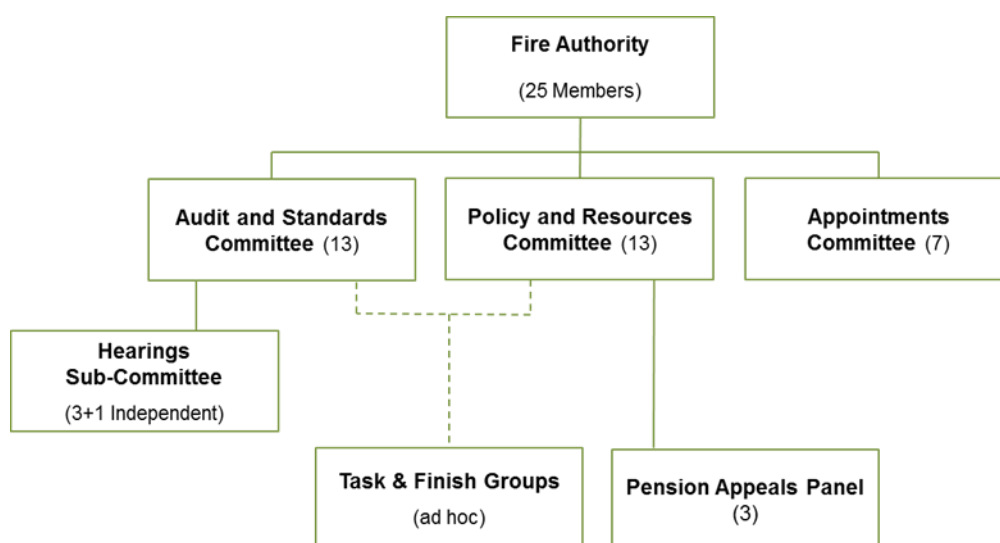
1. Originally formed as an independent corporate body, as a result of Local Government Reorganisation, on 1 April 1998, Hereford & Worcester Fire Authority (the Authority) is now constituted under the Fire and Rescue Services Act 2004. The Authority sets its own budget requirement, receives a share of Retained Business Rates, Business Rate Support Grant and Revenue Support Grant, and issues its own Council Tax Precept.
2. Under the provisions of the Policing and Crime Act 2017, the Police and Crime Commissioner (PCC) may submit a business case to the Home Secretary for the PCC to take over governance of the Fire Authority. The PCC for West Mercia (which covers the Hereford and Worcester Fire area) has submitted a business case and the Home Secretary has indicated that the governance change will take place. Originally intended to be with effect from 1st June 2018, this transfer has now been deferred to a date yet to be advised. At the point of transfer the existing Authority will cease to exist and will be replaced by a new Authority taking over all of the assets and liabilities of the existing one.
3. The Service covers the whole of Herefordshire and Worcestershire, an area of around 1,500 square miles (390,000 hectares) and a resident population of about three-quarters of a million people (753,700 – ONS mid-2014 population estimate). Of these, three in four live in Worcestershire, with around 100,000 people living in the city of Worcester. Herefordshire is more sparsely populated with a largely rural population, about a third of whom (60,000 people) live in the city of Hereford.



4. Our Strategy is the Service's overall statement of intent. With safety firmly at its heart, the statement has a clear core purpose built on strong foundations linked by three driving principles: firefighter safety, community safety and delivery of quality services. It relies on all parts of the service – from frontline firefighting to support staff and community safety volunteers – working together to deliver services and plans.

The Fire Authority

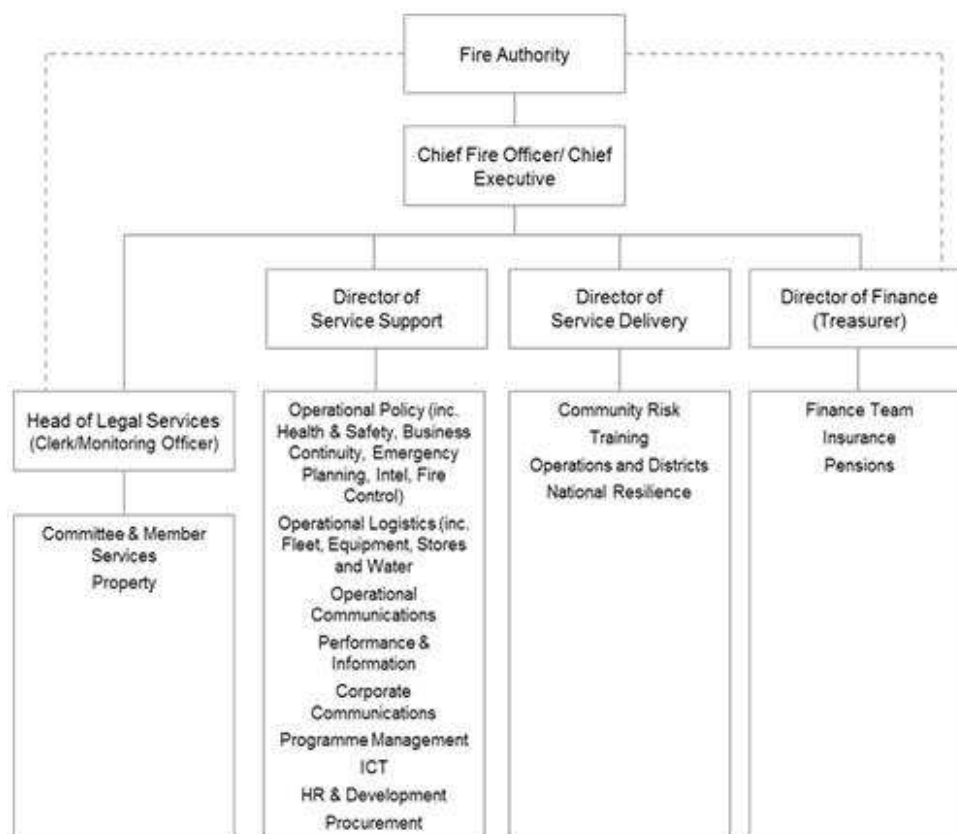
5. Hereford & Worcester Fire Authority is the governing body of the Fire and Rescue Service and is the legal entity responsible for carrying out duties as set out in the Fire and Rescue Services Act 2004, in relation to fire prevention, fire safety, firefighting and rescues (including from road traffic collisions and other emergencies such as flooding). It is made up of 25 local councillors, six appointed by Herefordshire Council and 19 by Worcestershire County Council. Since October 2016 the Fire Authority has also included the West Mercia Police and Crime Commissioner in a non-voting capacity.
6. The Authority currently carries out its duties by directly employing operational and other staff as Hereford and Worcester Fire and Rescue Service.
7. The Authority sets the budget and approves the overall direction for the Service. It also appoints the Chief Fire Officer, Treasurer, Monitoring Officer and Deputy Chief Fire Officer and makes sure the Service has the right people, equipment and training to deliver their services effectively and efficiently in the best interests of the communities of Herefordshire and Worcestershire.
8. The Fire Authority meets four times a year and is supported by three committees as shown in the structure chart below. All meetings are open to the public, unless there is a reason that any individual matters under discussion need to remain confidential. Members of the Authority are also kept up to date on fire and rescue matters through an annual programme of seminars, workshops and visits to fire stations and other facilities.



The Fire and Rescue Service

9. The Service is led by the Chief Fire Officer/Chief Executive with the support of the Senior Management Board. The Service employs 743 full-time and part-time staff, most of whom are highly trained firefighters (approximately 82 per cent of the total workforce).

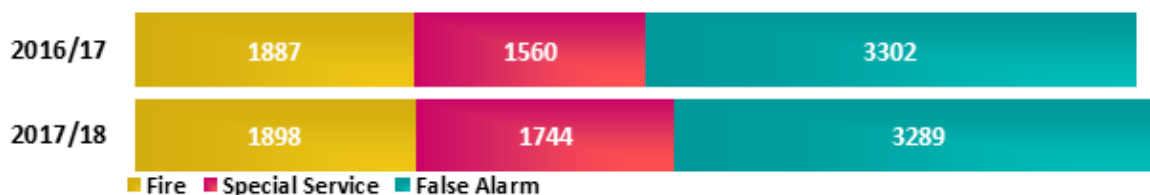
10. In addition to Service Headquarters in Worcester, there are 27 fire stations across the two counties, a training centre, stores/workshops and a number of locally based training facilities.
11. The Service is structured into three directorates – Service Delivery, Service Support, and Finance. Most staff are directly involved in providing prevention, protection, response and resilience services. These services are designed to keep the communities of Herefordshire and Worcestershire as safe as possible by working with local people, organisations and business to try to make sure emergency incidents don't happen in the first place, as well as by being able to respond quickly and effectively to any emergencies that do happen. These essential services are supported by a wide range of organisational support services such as financial, personnel and legal management functions. The full range of services is shown in the chart below:



Our Performance

12. In 2017/18, the service received 9,855 emergency calls to a wide range of incidents including property and countryside fires, road traffic collisions, water and animal rescues, collapsed structures and dealing with hazardous substances. In all we attended 6,931 incidents (6,749 incidents in 2016/17), about 130 a week. This represents an overall annual increase of 182 incidents over the previous year, though the majority is accounted for by an 11.8% rise in Special Service incidents attended during the year. Analysis shows that most of this increase occurred during the major periods of snow and ice that were experienced in the winter months. Weather conditions are now a major factor in relation to the number and type of incidents attended.
13. There has been an increase in the number of incidents in each of the three main categories. False Alarms continue to be the largest proportion of incidents, representing almost one in every two incidents (47.5%) and the Service is working with businesses as well as call challenging to reduce this. We continue to work with occupiers to identify where false alarm activations by repeat offenders could be reduced.

14. In terms of potential life risk incidents the Service attended 349 accidental dwelling fires in the two counties during 2017/18. This was two more than the previous year. Unfortunately five people died and one person was seriously injured in these house fires. While any death is a tragedy, the figures remain low given the relative size of the population. Injuries and fatalities in accidental dwelling fires represent just 0.08 per cent of the population, or about 1 in 12000. The Service also attended 667 road traffic collisions in 2017/18, 64 more than the previous year.



Collaboration and the Policing and Crime Act 2017

15. The Policing and Crime Act 2017 contains a wide range of measures, including a statutory duty on the fire and rescue service to work collaboratively with their local Police and Ambulance Services. The introduction of this statutory duty aims to improve efficiency and effectiveness through better local accountability and an improved service for communities as well as savings for taxpayers.
16. It should be noted that there was already a high degree of collaboration between this authority and West Mercia Police.

The Accounting Statements

17. The Statement of Accounts that follows covers the Authority's financial year ending 31 March 2018. 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 2017/18, 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

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

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

Comprehensive Income and Expenditure Statement (CIES)

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

Movement in Reserves Statement (MiRS)

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

Balance Sheet

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

Cash-flow Statement

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

Expenditure and Funding Analysis

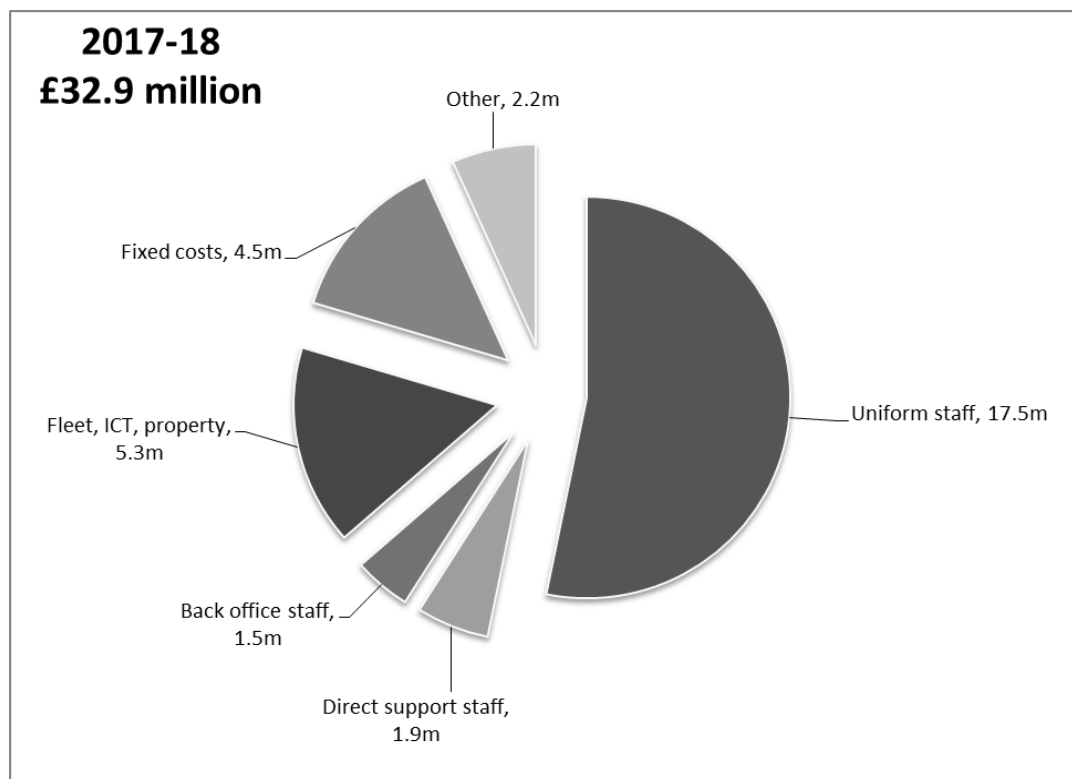
- This shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.
 - The statement shows how expenditure is allocated for decision making purposes between the Authority's reporting areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully on the Comprehensive Income and Expenditure Statement.
20. The accounting policies adopted by the Authority comply with the relevant recommended accounting practice. The Authority's policies are explained fully in the Statement of Accounting Policies which is set out on pages 15-23.
21. The Authority's spending is planned and controlled by a process which includes regular reporting to the Service's management team and the Authority's Policy and Resources Committee.

Budget Savings

22. Since the start of the 'austerity' period in 2010/11, the Authority's annual revenue budget has reduced by 16 per cent in real terms. In simple terms this means that the budget is now 16% lower than it would have been had the Authority been able to increase the budget to cover the additional costs of inflation, national pay rises, tax increases and the necessary replacement of equipment and buildings.
23. In order to meet these pressures, we have made reductions in our workforce, including managers and support staff, made changes to crewing at fire stations, cut our spending budgets and removed two fire engines from the fleet. By 2019-20 the full implementation of these measures will be saving over £6.7 million per year.
24. Although grant funding is known until 2019/20, funding thereafter is unclear. Government is undertaking the Fair Funding Review of the distribution of local authority funding, and will undertake a Comprehensive Spending Review. Additionally government is consulting on 75% Business Rate Retention.
25. Despite this uncertainty, future plans can be made and it is clear that in the short term income will not meet the planned level of expenditure. However, the Authority has significant and deliverable plans to implement major efficiencies over this period such that the on-going gap is reduced to £0.4m by 2023/24. In the interim the Medium Term Financial Plan makes prudent use of reserves that have been built up to smooth transformation, to avoid the need for unnecessary short term service reductions.

2017/18 Revenue Budget

26. The approved budget for 2017/18 was set at £32.897m, including contingency for pay awards and inflation. (Shown as "Sub-total" in the table at paragraph 27 below). This was the resource available under the statutory accounting regime, which the Authority has to manage to deliver services.



27. In setting the 2017/18 budget the Authority was aware of (and has planned for) significant reductions in future grant, and spending during the year has been subject to severe restraint as a preparation for the future financial position. There has been a planned under spending which has been reported to the Policy and Resources Committee throughout the year, and finally to the full Authority in May 2018.
28. A summary of the budget and out-turn is given in the table below, showing the variations reported to the Policy & Resources Committee and the final position.

	Revised Budget £m	Qtr 3 Variation £m	Qtr 3 Projection £m	Final Variation £m	Final Actual £m
Employee Costs	20.986	0.050	21.036	(0.199)	20.837
Running Costs	7.682	0.139	7.821	(0.238)	7.583
Capital Financing Costs	2.925	0.054	2.979	(0.055)	2.924
Excess Staff Costs	1.037	(0.913)	0.124	0.067	0.191
Gross Budget	32.630	(0.670)	31.960	(0.425)	31.535
Contingencies	0.267	0.000	0.267	(0.267)	0.000
Sub-Total	32.897	(0.670)	32.227	(0.692)	31.535
Special Grants	(1.204)	0.000	(1.204)	(0.385)	(1.589)
Funding Grants	(6.496)	0.000	(6.496)	0.000	(6.496)
Business Rates & S31 Grants	(2.366)	(0.050)	(2.416)	(0.001)	(2.417)
Council Tax	(21.874)	0.000	(21.874)	0.000	(21.874)
	0.957	(0.720)	0.237	(1.078)	(0.841)
to/(from) Earmarked Reserves	(0.957)	0.720	(0.237)	1.078	0.841
	0.000	0.000	(0.000)	(0.000)	(0.000)

29. The overall variation from the revised budget is shown below:

	Qtr 3 Variation £m	Final Variation £m	Total Variation £m	Reserves Impact £m	Net Variation £m
Employee Costs	0.050	(0.199)	(0.149)		(0.149)
Running Costs	0.139	(0.238)	(0.099)	(0.092)	(0.191)
Capital Financing Costs	0.054	(0.055)	(0.001)		(0.001)
Excess Staff Costs	(0.913)	0.067	(0.846)		(0.846)
Gross Budget	(0.670)	(0.425)	(1.095)	(0.092)	(1.187)
Contingencies	0.000	(0.267)	(0.267)	0.267	0.000
Sub-Total	(0.670)	(0.692)	(1.362)	0.175	(1.187)
Special Grants	0.000	(0.385)	(0.385)	0.308	(0.077)
Funding Grants	0.000	0.000	0.000		0.000
Business Rates & S31 Grants	(0.050)	(0.001)	(0.051)		(0.051)
Council Tax	0.000	0.000	0.000		0.000
	(0.720)	(1.078)	(1.798)	0.483	(1.315)
to/(from) Earmarked Reserves	0.720	1.078	1.798	(0.483)	1.315
	0.000	(0.000)	0.000	0.000	0.000

30. The major variation, reported to the Policy & Resources Committee at the third quarter related to savings on the cost of excess staff and it was resolved that the saving would form a reserve for future property maintenance needs.

31. The out-turn position is distorted by reserve movements in respect of early payment of grant by the Home Office (in respect of the national radio project); the need to reserve for the July 2017 uniform staff pay award; and the earlier use of the equipment reserve, so the table adjusts for these measures.

32. Other significant variations relate to:

- Under spending on On-Call(RDS) fire-fighter pay largely due to reduced operational activity , but also reflecting recruitment difficulties in some locations
- Delays to implementation of the approved ICT strategy as a consequence of staff recruitment and retention issues
- Under-spending within HR on training, recruitment and occupational health
- Higher than expected grants in respect of New Dimensions and Firelink (existing national radio scheme) and relating to business rate reliefs.
- Net under spending on running costs by budget-holders.

33. As a consequence the income for the year exceeds expenditure by £0.841m and the Authority determined to make the following transfers to and from reserves:

	£m
Transfer to Property Maintenance Reserve <i>as agreed by Policy & Resources Committee</i>	0.659
Transfer to ESMCP Reserve <i>grant for future expenditure on delayed project</i>	0.308
Transfer to a Pay Award Reserve <i>to meet backdated costs when award agreed</i>	0.267
Transfer from Equipment Reserve <i>to meets costs as agreed</i>	(0.285)
Transfer from Grant Phasing Reserve	(0.574)

<i>in accordance with agreed MTFP funding strategy</i>	
Transfer from NNDR Phasing Reserve	(0.045)
<i>in accordance with agreed MTFP funding strategy</i>	
Transfer to Budget Reduction Reserve	0.511
<i>balancing figure</i>	
	<hr/>
	0.841

34. A reconciliation between the summary management accounts, shown in the table at paragraph 28 above, and the CIES (prepared on a CIES basis) is shown in Note 2 on page 29.

General Reserve

35. The general reserve actually stood at £1.838m at 31st March 2017, this figure remains unchanged at 31st March 2018. Whilst this is slightly higher than required it is planned to use £0.300m in 2019/20 to support the budget leaving an underlying figure of £1.538m.

Going Concern

36. Hereford and Worcester Fire Authority continue to closely monitor the impact of the wider economy on its operations by reacting to reducing finance settlements in recent years and reviewing the levels of operational workforce to ensure it is in line with the Community Risk Management Plan.
37. The Authority's Auditors, Grant Thornton UK LLP, have reported that they are satisfied with the Management's assessment that the going concern basis was appropriate for the 2016/17 financial statements, and the Director of Finance's expectation is that this will continue for the foreseeable future. Using reserves the Authority has a balanced budget for the whole of the Medium Financial Plan Period and robust and deliverable plans for a balanced budget going forward. The legislative potential for a replacement of the Fire Authority by a Police, Fire and Crime Commissioner does not affect this assumption as in that there would be a successor body taking on all the assets and liabilities of the Fire Authority.

Firefighters' Pensions

38. 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.
39. The employer contribution and certain costs in relation to injury pensions still fall on the General Fund Balance.

Capital Programme Budget

40. During 2017/18 £2.568m was spent on new assets or improvements to existing ones. Expenditure was incurred on the approved vehicle programme, minor property works, small equipment and IT schemes. The majority of the programme was, as planned, funded by capital grants and net borrowing.
41. During financial year 2017/18, the project for the new Fire Station in Kidderminster commenced with the purchase of the land.

Balance Sheet

42. At 31 March 2017 the Authority held Long Term Assets with a net book value of £44.584m. 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 £52.105m at 31 March 2018.

43. Long Term borrowing has reduced during this financial year following the repayment of loans, there are now some individual loans that fall due within 12 months. All borrowing is from the Public Works Loans Board (PWLb). The total value of Long Term loans at £10.637m remains well below the value of Long Term Assets.
44. The Balance Sheet includes liabilities in respect of the five pension schemes provided for staff.
45. The £11.557m liability on the Local Government Scheme will be covered by the continued level of employer contributions.
46. The Firefighters' schemes are statutory un-funded ones and the significant total liability of £351.854m is a result of this position. There is no requirement, or legal powers, for the Authority to fund this deficit, and any costs not financed by employee or employer contributions are met by direct government grant. More details on pensions can be found on pages 45-54.

Corporate Governance Arrangements

47. The Authority is responsible for ensuring that its business is conducted in accordance with relevant legislation and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, Members and Senior Officers are responsible for putting in place proper procedures for the governance of the Authority's affairs and the stewardship of the resources at its disposal.
48. During 2017/18 the Authority has reviewed the systems and processes it has in place to ensure sound corporate governance and to confirm that they are consistent with the principles outlined in the CIPFA Delivering Good Governance in Local Government Framework 2016 Edition. The latest review of compliance with the code was approved by the Authority Audit and Standards Committee on 25 April 2018.
49. Many of the elements of the code had been in place since the creation of the Authority such as: Codes of Conduct, Codes of Practice, Policy Statements, Standing Orders, Financial Regulations, Internal Audit arrangements and Risk Management arrangements which have been strengthened as referred to in the Annual Governance Statement on pages 71-74.

Restatement Disclosure

50. It has been necessary to restate the 2016/17 comparable figures in four disclosure tables in respect of the Pension Accounting treatment for Place Partnership Limited. This company is co-owned by Hereford and Worcester Fire Authority and as such it is responsible for its share of the pension assets and liabilities in this company. In 2015/16, when the company was formed, the determination for the accounting arrangements were received late from the Pension Actuary, and whilst the Core Financial Statements and the net pension liability correctly reflect these requirements, the individual asset and liability tables were not adjusted at the time. These have now been restated to ensure they reflect the position of the Fire Authority's responsibility with regard to the pension arrangements for Place Partnership Limited.

Memorandum of Understanding (MoU)

51. 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.

52. 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.

Post Balance Sheet Events

53. There have been no post balance sheet events

A STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

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

The Treasurer's Responsibilities

2. The Treasurer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code') is required to provide a true and fair view of the financial position of the Authority at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.
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 2018 and its income and expenditure for the year ended 31 March 2018.
5. I certify that this Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and of its income and expenditure for the year ended 31 March 2018.

Signed on Original

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 25th July 2018. All known material events that have occurred up to and including this date which relate to 2017/18 or before have been reflected in the accounts.

AUTHORITY APPROVAL

7. The statement of Accounts was approved at a meeting of the Audit and Standards Committee on 25th July 2018.

Presiding Chairman of the
Audit and Standards Committee

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 2017/18, 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. Any material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Events After the Reporting Period

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

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

VAT

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

Overheads and Support Services

11. The costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

Property, Plant and Equipment (PP&E)

12. Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment (PP&E) has been capitalised provided it yields benefit to the Authority for more than one year. Capital expenditure enhances the value, usage or life of an asset. Some relatively immaterial items may be financed directly from revenue.
13. 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 2018, using the independent professional services of Place Partnership Ltd. The Authority's valuation service has confirmed that the carrying value of these assets is not materially different to their fair value and complies with the requirements of the accounting code and IAS16.
14. 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.
15. The Authority has a de-minimis of £5,000 for vehicle purchases.
16. Assets are held in the Balance Sheet at gross value, net of depreciation and impairment where appropriate.

Impairment

17. 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.
18. 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.
19. 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.
20. 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

21. 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.
22. 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.
23. 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.
24. 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.

25. Any surpluses arising on the initial valuation of fixed assets have been credited to the Capital Adjustment Account. Surpluses arising on revaluation are credited to the Revaluation Reserve.

Heritage Assets

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

Intangible Assets

30. 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

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

Financing of Capital Expenditure

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

Redemption of Debt

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

Joint Operation

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

Leases

35. 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.
36. During 2017/18 the Authority held only operating leases under the definition of IAS 17 Leases. The authority's operating leases are not capitalised and rentals are charged directly to the CIES in the year to which they relate.

Operating leases

37. 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

38. 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.
39. 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

40. 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

41. 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

42. The disclosure requirements are included in the main financial statements as notes to the accounts in accordance with IAS 19 – Employee Benefits and CIPFA recommended practice. This is further explained in paragraph 44 below.

Types of pension schemes

43. 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.
44. Up until 31st March 2015 the Authority participated in four schemes, following the commencement of the new Firefighters' Care Scheme (the 2015 scheme) on 1st April 2015, the Authority now participates in five schemes:
 - The Firefighters' Pension Scheme (FFPS) (the "1992 Scheme"). This is a statutory un-funded defined benefit final salary scheme and has been closed to new entrants since 6 April 2006.
 - The New Firefighters' Pension Scheme (NFPS) (the "2006 Scheme") – this is also a statutory un-funded defined benefit final salary scheme.
 - The Firefighters' Care Scheme (FF CARE) (the "2015 scheme") – is open to all uniformed staff (except Fire Control) and is a statutory un-funded defined benefit Career Average Revalued Earnings Scheme. Members starting after the 1st April 2015, and members of the 1992 and 2006 Final Salary Schemes will move into the 2015 scheme, unless protection applies.

- The Firefighters' Compensation Scheme (FFCS) (the Injury Scheme) – another statutory un-funded defined benefit scheme covering existing and new injury pensions.
- The Firefighters' schemes are unfunded meaning that there are no investment assets built up to meet the pensions' liabilities and cash has to be generated to meet the actual pensions' payments as they eventually fall due. The arrangements are determined by the Home Office.
- The Local Government Pension Scheme (LGPS) – subject to qualifying criteria, open to staff not covered by the Firefighters' schemes. This scheme is administered by Worcestershire County Council and is a funded defined benefit final salary scheme. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- In accordance with IAS 19 the Authority recognises the cost of retirement benefits within the Net Cost of Services, in the CIES, when they are earned, rather than when benefits are actually paid as pensions. However the charge to be made to the Council Tax, via the precepts, is based on the amount payable in the year. The difference is reversed out in the General Fund.

Interest on Balances

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

Government Grants and Contributions

46. 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.
47. 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

48. 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.
49. 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.
50. 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.
51. Where premiums and discounts are charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has not yet undertaken such a restructuring of debt and has therefore not yet adopted a policy for its treatment.

Council Tax and Non-Domestic Rates

52. 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.

53. The Authority's Balance Sheet shows the proportion of surplus/deficit of the Billing Authorities' Collection Fund in the Debtors/Creditors balance. The Authority also shows the attributable share of the impairment allowance for doubtful debts and a provision for non-domestic rates appeals.
54. The IFRS treatment differs from the statutory accounting arrangement, where the Authority precepts directly on the Billing Authority and has no direct debtor or creditor relationship with individual council tax-payers.

Employee Benefits

Accumulating Compensating Absences

55. 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

56. 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.

Post Employment Benefits

57. 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.

Provisions

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

Reserves

59. At 31 March 2018 a general reserve is held to meet expenditure which may arise from unforeseen events.
60. In addition the Authority holds a variety of earmarked reserves to meet specific known future costs. The value and nature of the current reserves are disclosed in the Notes to the Core Financial Statements on pages 54-57.

Capital Accounting Reserves

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

- **The Capital Adjustment Account**

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

- **The Revaluation Reserve**

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

Operating Segments

62. The CIPFA Code of Practice on Local Authority Accounting 2017/18 guidance on applying IFRS, requires that where an organisation considers and manages financial, operating and performance information in material segments, then additional financial information must be provided on these segments.
63. Due to the nature of its operation, as a single purpose Authority, the Authority and the Service management team manage the organisation as an entity, and do not have relevant operating segments to report upon.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		2016/17			2017/18		
	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							
Employee Costs		24,728	(2,040)	22,688	25,466	(1,251)	24,215
Running Costs		5,795	(771)	5,024	6,841	(733)	6,108
Capital Financing		2,917		2,917	661		661
Cost of Services		33,440	(2,811)	30,629	32,968	(1,984)	30,984
Other Operating Expenditure	122	21	(6,080)	(6,059)	15	(5,522)	(5,507)
Financing & Investment Income and Expenditure	8	11,457	(733)	10,724	10,465	(627)	9,838
Taxation & Non-Specific Grant Income	9		(33,690)	(33,690)		(30,760)	(30,760)
Deficit/(Surplus) on Provision of Services		44,918	(43,314)	1,604	43,448	(38,893)	4,555
Deficit/(Surplus) on revaluation of non-current assets	27-28			(700)			(5,663)
Remeasurement of the net defined benefit liability/(asset)	66			59,554			876
Other Comprehensive Income and Expenditure				58,854			(4,787)
Total Comprehensive Income and Expenditure – Deficit/(Surplus)				60,458			(232)

MOVEMENT IN RESERVES STATEMENT FOR THE 12 MONTHS ENDING 31 MARCH 2018

	General Fund 84 £000	Ear-marked Rev Res 85-87 £000	Sub Total £000	Unapplied Grant 88 £000	Cap Rcpts Reserve 89 £000	Total Usable 83 £000	Revaln. Reserve 91-92 £000	Capital Adj Acct 93-96 £000	Pensions Reserve 97-98 £000	Coll Fund Adj Acct 99 £000	Acc. Abs. Adj Acct 100 £000	Total Unusable 90 £000	All Reserves £000
Balance at 31-Mar-2017	1,838	11,507	13,345	5,201	2,060	20,606	7,731	19,879	(355,719)	330	(194)	(327,973)	(307,367)
Total Comprehensive Income & Expenditure	232		232			232							232
Other Comprehensive Income & Expenditure													
Surplus on revaluation of non-current assets	(5,663)		(5,663)			(5,663)	5,663					5,663	
Movement in Pensions Reserve	876		876			876			(876)			(876)	
Reversal of items in the CIES													
<i>to be removed for determining movement in General Fund</i>													
Relating to Depreciation/Amortisation	1,995		1,995			1,995		(1,995)				(1,995)	0
Relating to Depreciation on un-realised gains						0	(128)	128				0	0
Relating to Revaluation/Impairment gains/losses	(1,547)		(1,547)			(1,547)		1,547				1,547	0
Relating to Revaluation Losses on assets held for sale	(197)		(197)			(197)		197				197	0
Relating to Retirement Benefits	10,803		10,803			10,803			(10,803)			(10,803)	0
Relating to assets held for sale w/off on disposal	183		183			183	(223)	40				(183)	0
Relating to Non-current assets w/off on disposal	2		2			2		(2)				(2)	0
Relating to Capital Receipts	(267)		(267)		267	0						0	0
Relating to Unapplied Capital Grants/Contributions	(88)		(88)	88		0						0	0
Relating to Grants used to Finance Expd			0	(1,194)		(1,194)		1,194				1,194	0
Relating to Council Tax Income	124		124			124				(124)		(124)	0
Relating to Non-domestic rates income	(2)		(2)			(2)				2		2	0
Relating to Compensated absences	1		1			1					(1)	(1)	0
Insertion of items in the CIES													
<i>to be included for determining movement in General Fund</i>													
Employers Contribution to Pension Schemes	(3,377)		(3,377)			(3,377)			3,377			3,377	0
Statutory Provision for Debt Repayment	(1,476)		(1,476)			(1,476)		1,476				1,476	0
Revenue Financing of Capital	(758)		(758)			(758)		758				758	0
Transfers Between Earmarked Reserves	(841)	841	0			0						0	0
Balance at 31-Mar-2018	1,838	12,348	14,186	4,095	2,327	20,608	13,043	23,222	(364,021)	208	(195)	(327,743)	(307,135)

SUMMARY OF MOVEMENTS

Balance at 31-Mar-2017	1,838	11,507	13,345	5,201	2,060	20,606	7,731	19,879	(355,719)	330	(194)	(327,973)	(307,367)
<u>Movement in Reserves during 2017/18</u>													
Deficit/(Surplus) on Provision of Services	232		232			232						0	232
Other Comprehensive Income & Expenditure	(4,787)		(4,787)			(4,787)	5,663		(876)			4,787	0
Total Comprehensive Income & Expenditure	(4,555)	0	(4,555)	0	0	(4,555)	5,663	0	(876)	0	0	4,787	232
Adjustments between accounting basis and funding basis under regulations	5,396		5,396	(1,106)	267	4,557	(351)	3,343	(7,426)	(122)	(1)	(4,557)	0
Net change before Earmarked Reserve Transfers	841	0	841	(1,106)	267	2	5,312	3,343	(8,302)	(122)	(1)	230	232
Earmarked Reserves Transfers	(841)	841	0			0						0	0
Net Movement in Year	0	841	841	(1,106)	267	2	5,312	3,343	(8,302)	(122)	(1)	230	232
Balance at 31-Mar-2018 Carried Forward	1,838	12,348	14,186	4,095	2,327	20,608	13,043	23,222	(364,021)	208	(195)	(327,743)	(307,135)

MOVEMENT IN RESERVES STATEMENT FOR THE 12 MONTHS ENDING 31 MARCH 2017

	General Fund 84 £000	Ear-marked Rev Res 85-87 £000	Sub Total £000	Unapplied Grant 88 £000	Cap Rcpts Reserve 89 £000	Total Usable 83 £000	Revaln. Reserve 91-92 £000	Capital Adj Acct 93-95 £000	Pensions Reserve 97-98 £000	Coll Fund Adj Acct 99 £000	Acc. Abs. Adj Acct 100 £000	Total Unusable 90 £000	All Reserves £000
Balance at 31-Mar-2016	1,838	9,664	11,502	5,238	2,532	19,272	7,227	17,272	(290,445)	(48)	(187)	(266,181)	(246,909)
Total Comprehensive Income & Expenditure	(60,458)		(60,458)			(60,458)						0	(60,458)
Other Comprehensive Income & Expenditure													
Surplus on revaluation of non-current assets	(700)		(700)			(700)	700					700	0
Movement in Pensions Reserve	59,554		59,554			59,554			(59,554)			(59,554)	0
Reversal of items in the CIES													
Relating to Depreciation/Amortisation	2,081		2,081			2,081		(2,081)				(2,081)	0
Relating to Depreciation on un-realised gains			0			0	(146)	146				0	0
Relating to Revaluation/Impairment Losses	418		418			418		(418)				(418)	0
Relating to Revaluation Losses on assets held for sale	6		6			6		(6)				(6)	0
Relating to Retirement Benefits	9,061		9,061			9,061			(9,061)			(9,061)	0
Relating to assets held for sale w/off on disposal	171		171			171	(50)	(121)				(171)	0
Relating to Non-current assets w/off on disposal	132		132			132		(132)				(132)	0
Relating to Capital Receipts	(301)		(301)		301	0						0	0
Relating to Unapplied Capital Grants/Contributions	(2,346)		(2,346)	2,346		0						0	0
Relating to Grants used to Finance Expd			0	(2,383)		(2,383)		2,383				2,383	0
Relating to Capital Receipts used to Finance Expd			0		(773)	(773)		773				773	0
Relating to Council Tax Income	22		22			22				(22)		(22)	0
Relating to Non-domestic rates income	(400)		(400)			(400)				400		400	0
Relating to Compensated absences	7		7			7					(7)	(7)	0
Insertion of items in the CIES													
Employers Contribution to Pension Schemes	(3,341)		(3,341)			(3,341)			3,341			3,341	0
Statutory Provision for Debt Repayment	(1,152)		(1,152)			(1,152)		1,152				1,152	0
Revenue Financing of Capital	(911)		(911)			(911)		911				911	0
Transfers Between Earmarked Reserves	(1,843)	1,843	0			0						0	0
Balance at 31-Mar-2017	1,838	11,507	13,345	5,201	2,060	20,606	7,731	19,879	(355,719)	330	(194)	(327,973)	(307,367)

SUMMARY OF MOVEMENTS

Balance at 31-Mar-2016	1,838	9,664	11,502	5,238	2,532	19,272	7,227	17,272	(290,445)	(48)	(187)	(266,181)	(246,909)
Movement in Reserves during 2016/17													
Deficit/(Surplus) on Provision of Services	(60,458)		(60,458)			(60,458)						0	(60,458)
Other Comprehensive Income & Expenditure	58,854		58,854			58,854	700	0	(59,554)			58,854	0
Total Comprehensive Income & Expenditure	(1,604)	0	(1,604)	0	0	(1,604)	700	0	(59,554)	0	0	(58,584)	(60,458)
Adjustments between accounting basis and funding basis under regulations	3,447		3,447	(37)	(472)	2,938	(196)	2,607	(5,720)	378	(7)	(2,938)	0
Net change before Earmarked Reserve Transfers	1,843	0	1,843	(37)	(472)	1,334	504	2,607	(65,274)	378	(7)	(61,792)	(60458)
Earmarked Reserves Transfers	(1,843)	1,843	0			0						0	0
Net Movement in Year	0	1,843	1,843	(37)	(472)	1,334	504	2,607	(65,274)	378	(7)	(61,792)	(60,458)
Balance at 31-Mar-2017 Carried Forward	1,838	11,507	13,345	5,201	2,060	20,606	7,731	19,879	(355,719)	330	(194)	(327,973)	(307,367)

BALANCE SHEET

-	<u>Notes</u>	<u>31-Mar-2017</u>	<u>31-Mar-2018</u>
		£000	£000
Property Plant & Equipment	27-39	44,261	51,833
Intangible Assets	30-33	323	272
Long Term Assets		44,584	52,105
Inventories		201	198
Short Term Debtors	55	5,698	5,552
Assets Held for Sale	56	985	1,260
Cash & Cash Equivalents	57-58	14,146	12,808
Current Assets		21,030	19,818
Short Term Borrowing	37-46	(1,500)	(500)
Short Term Creditors	59	(4,382)	(4,202)
Current Liabilities		(5,882)	(4,702)
Provisions	105	(243)	(308)
Long Term Borrowing	43-44	(11,137)	(10,637)
Other Long Term Liabilities	62-81	(355,719)	(363,411)
Long Term Liabilities		(367,099)	(374,356)
Net Liabilities		(307,367)	(307,135)
Useable Reserves	83-89	20,606	20,608
Un-useable Reserves	90-100	(327,973)	(327,743)
Total Reserves		(307,367)	(307,135)

The unaudited accounts were issued on 31st May 2018 and the audited accounts were authorised for issue on 25th July 2018.

CASH-FLOW STATEMENT

	Notes	2016/17 £000	2017/18 £000
Net (surplus) or deficit on the provision of services		1,604	4,555
Adjustments to net surplus or deficit on the provision of services for non cash movements	107	(6,364)	(6,979)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	108	2,812	355
Net cash flows from operating activities		(1,948)	(2,069)
Investing Activities	110	2,511	1,907
Financing Activities	111	500	1,500
Net increase or decrease in cash and cash equivalents		1,063	1,338

Cash and cash equivalents at the beginning of the period	57	(15,209)	(14,146)
Net increase or decrease in cash and cash equivalents in the Period		1,063	1,338
Cash and cash equivalents at the end of the reporting period		(14,146)	(12,808)

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The code requires that the Authority disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued and not yet adopted. These amendments are listed below; it is expected that these will have no material impact on the Statement of Accounts.

IFRS 9 Financial Instruments – which introduces extensive changes to the classification and measurement of financial assets, and a new “expected credit loss” model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cash flows and business model for the holding asset. There are not expected to be any changes in the measurement of financial assets. As assessment of the Authority’s financial assets does not anticipate any impairment.

IFRS 15 Revenue from Contracts with Customers – presents new requirements for the recognition of revenue, based on a control based revenue recognition model. The Authority does not have any material revenue streams within the scope of the new standard.

IAS 7 Statement of Cash Flows (Disclosure Initiative) – Will potentially require some additional analysis of Cash Flows from Financing Activities in future years. If the standard had applied in 2017/18 there would have been no additional disclosure because the Authority does not have activities which would require additional disclosure.

IAS 12 Income Taxes (Recognition of Deferred Tax Assets for Unrealised Losses) – applies to deferred tax assets related to debt instruments measured at fair value, is not relevant to the Authority.

IFRS 16 Leases – this will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use-assets with corresponding lease liabilities (there is recognition for low value and short term leases)

2. Expenditure and Funding Analysis – 2017/18

	Net Expd on General Fund Mngt Accts £m	Re- Allocation Note 3 £m	Net Expd on General Fund CIES Format £m	Adjustments Between Funding and Accounting Note 4 £m	Net Expd in the CIES £m
Employee Costs	20.837	0.088	20.925	3.290	24.215
Running Costs	7.583	(1.475)	6.108	0.000	6.108
Capital Financing	2.924	(0.477)	2.447	(1.786)	0.661
Excess Staff (net)	0.191	(0.191)	0.000	0.000	0.000
Net Cost of Services	31.535	(2.055)	29.480	1.504	30.984
Funding	(32.376)	32.376	0.000		0.000
Other Income and Expenditure	0.000	(30.321)	(30.321)	3.892	(26.429)
Surplus or deficit on provision of services	(0.841)	0.000	(0.841)	5.396	4.555
Transfer to Ear-marked reserve	0.841				
Net movement on General fund	0.000	0.000	(0.841)		
Deficit/(Surplus) on revaluation of non-current assets				(5.663)	(5.663)
Remeasurement of the net defined benefit/(liability)				0.876	0.876
Other Comprehensive Income and Expenditure				(4.787)	(4.787)
Deficit/(Surplus) Comprehensive Income and Expenditure				609	(232)
Opening General Fund and Earmarked Reserve Balance at 31 March 2017	(13.345)				
Plus Surplus on General Fund in year	(0.841)				
Closing General Fund and Earmarked Reserve Balance at 31 March 2018	(14.186)				

3. Note to the Expenditure and Funding Analysis – 2017/18

Budget allocations for management purposes do not exactly follow the Code in respect of the distinction between the Net Cost of Services and the total Cost for the provision of services. This table analyses the difference

	Excess Staff (Net) £m	Other Employee Costs £m	Interests £m	Special Grants £m	Total Adj £m
Employee Costs	0.191	(0.103)			0.088
Running Costs		0.103		(1.578)	(1.475)
Capital Financing			(0.477)		(0.477)
Excess Staff (net)	(0.191)				(0.191)
	0.000	0.000	(0.477)	(1.578)	(2.055)
Income			0.477	1.578	2.055
	0.000	0.000	0.000	0.000	0.000

4. Adjustments relating to the Expenditure and Funding Analysis – 2017/18

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amount

	Adj for Capital Purpose £m	Net Pension Adj £m	Capital Grant Adj £m	Other Difference £m	Total Adj £m
Employee Costs		3.289		0.001	3.290
Running Costs					0.000
Capital Financing	(1.786)				(1.786)
Net Cost of Services	(1.786)	3.289	0.000	0.001	1.504
Other Income and expenditure	(0.278)	4.136	(0.088)	0.122	3.892
Surplus or deficit on provision of services	(2.064)	7.425	(0.088)	0.123	5.396
Other Comprehensive Income and Expenditure	(5.663)	0.876			(4.787)
Difference between General Fund surplus and Comprehensive Income and Expenditure Statement Deficit	(7.727)	8.301	(0.088)	0.123	0.609

5. Expenditure and Funding Analysis – 2016/17

	Net Expd on General Fund Mngt Accts £m	Re-Allocation Note 6 £m	Net Expd on General Fund CIES Format £m	Adjustments Between Funding and Accounting Note 7 £m	Net Expd in the CIES £m
Employee Costs	20.359	0.762	21.121	1.567	22.688
Running Costs	6.894	(1.870)	5.024	0.000	5.024
Capital Financing	2.981	(0.500)	2.481	0.436	2.917
Excess Staff (net)	0.801	(0.801)	0.000	0.000	0.000
Net Cost of Services	31.035	(2.409)	28.626	2.003	30.629
Funding	(32.878)	32.878			0.000
Other Income and Expenditure	0.000	(30.469)	(30.469)	1.444	(29.025)
Surplus or deficit on provision of services	(1.843)	0.000	(1.843)	3.447	1.604
Transfer to Ear-marked reserve	1.843				
Net movement on General fund	0.000	0.000	(1.843)		
Deficit/(Surplus) on revaluation of non-current assets				(0.700)	(0.700)
Remeasurement of the net defined benefit/(liability)				59.554	59.554
Other Comprehensive Income and Expenditure				58.854	58.854
Deficit/(Surplus) Comprehensive Income and Expenditure				62.301	60,458
Opening General Fund and Earmarked Reserve Balance at 31 March 2016	(11.502)				
Plus Surplus on General Fund in year	(1.843)				
Closing General Fund and Earmarked Reserve Balance at 31 March 2017	(13.345)				

6. Note to the Expenditure and Funding Analysis – 2016/17

Budget allocations for management purposes do not exactly follow the Code in respect of the distinction between the Net Cost of Services and the total Cost for the provision of services. This table analyses the difference between the 2016/17 management account format and the CIES format.

	Excess Staff (Net) £m	Other Employee Costs £m	Interests £m	Special Grants £m	Total Adj £m
Employee Costs	0.801	(0.039)			0.762
Running Costs		0.039	0.004	(1.913)	(1.870)
Capital Financing			(0.500)		(0.500)
Excess Staff	(0.801)				(0.801)
	0.000	0.000	(0.496)	(1.913)	(2.409)
Income			0.496	1.913	2.409
	0.000	0.000	0.000	0.000	0.000

7. Adjustments relating to the Expenditure and Funding Analysis – 2016/17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

	Adj for Capital Purpose £m	Net Pension Adj £m	Capital Grant Adj £m	Other Difference £m	Total Adj £m
Employee Costs		1.560		0.007	1.567
Running Costs					0.000
Capital Financing	0.436				0.436
Net Cost of Services	0.436	1.560	0.000	0.007	2.003
Other Income and expenditure	0.008	4.160	(2.346)	(0.378)	1.444
Surplus or deficit on provision of services	0.444	5.720	(2.346)	(0.371)	3.447
Other Comprehensive Income and Expenditure	(0.700)	59.554			58.854
Difference between General Fund surplus and Comprehensive Income and Expenditure Statement Deficit	(0.256)	65.274	(2.346)	(0.371)	62.301

8. Financing and Investment Income and Expenditure

	2016/17 £'000	2017/18 £'000
Interest payable and similar charges	546	512
Interest receivable and similar income	(50)	(39)
Pensions net interest cost and expected return on pensions assets	10,228	9,365
	10,724	9,838

9. Taxation and non-specific Grant Income

	2016/17 £'000	2017/18 £'000
Council Tax income	21,115	21,749
National Non-Domestic Rates (NNDR) income and expenditure	2,680	2,420
Council Tax Transition Grant	2,845	3,153
Rural Service Grant	109	87
Transition Grant	113	142
Miscellaneous Other Grants	18	8
Revenue Support Grant (RSG)	4,464	3,113
	31,344	30,672
Non-specific Capital Grant – Fire Transformation Grant		
Grant from Wychavon District Council	2,346	
Grant for Hereford Hub Station		88
Total Grants	33,690	30,760

Members' Allowances

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

	2016/17 £'000	2017/18 £'000
Basic Allowances	29	28
Special Allowances	21	20
Expenses	3	3
	53	51

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

11. 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. The table represents payments to individual staff members during the year. The additional year has been included to illustrate the year on year fluctuations.

£	2015/16 No. of Staff	2016/17 No. of Staff	2017/18 No. of Staff
50,000 - 54,999	21	23	20
55,000 - 59,999	12	9	4
60,000 - 64,999	1	5	9
65,000 - 69,999		1	2
70,000 - 74,999	1	1	1
75,000 - 79,999	2	3	3
80,000 - 84,999	1	1	
85,000 - 89,999			1
90,000 - 94,999	1		
95,000 - 99,999		1	1
100,000 - 104,999	1	1	1
105,000 - 109,999			
110,000 - 114,999			
115,000 - 119,999			
120,000 - 124,999	1		
125,000 - 129,999			1
	41	45	43

Senior Officers

2017/18			Benefit		Pension	Total incl Pension
Post Title		Salary	in Kind	Sub-Total	Contrib.	
		£	£	£	£	£
Chief Fire Officer/Chief Executive	<i>U</i>	126,209	69	126,278	27,387	153,665
Deputy Chief Fire Officer	<i>U</i>	101,085	209	101,294	21,935	123,229
Assistant Chief Fire Officer	<i>U</i>	94,820	840	95,660	20,576	116,236
Director of Finance/Treasurer	<i>NU</i>	78,893	6,775	85,668	11,676	97,344
Head of Legal Services	<i>NU</i>	64,876	1,239	66,115	9,601	75,716
<i>U : Uniformed; NU : Non-Uniformed</i>		465,883	9,132	475,015	91,175	566,190
2016/17			Benefit		Pension	Total incl Pension
Post Title		Salary	in Kind	Sub-Total	Contrib.	
		£	£	£	£	£
Chief Fire Officer/Chief Executive	<i>U</i>	76,241	382	76,623	16,527	93,150
Deputy Chief Fire Officer	<i>U</i>	99,952	1,262	101,214	21,661	122,875
Assistant Chief Fire Officer	<i>U</i>	93,712	1,467	95,179	20,307	115,486
Director of Finance/Treasurer	<i>NU</i>	78,142	7,613	85,755	11,330	97,085
Head of Legal Services	<i>NU</i>	60,545	1,239	61,784	8,779	70,563
<i>U : Uniformed; NU : Non-Uniformed</i>		408,592	11,963	420,555	78,604	499,159

12. 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).
13. The Chief Fire Officer/ Chief Executive costs in 2016/17 are only included for part of the financial year, this is because he was employed by Oxfordshire County Council and seconded to Hereford and Worcester Fire Authority. The

Authority made payments of £57,159 to Oxfordshire County Council for services rendered.

14. The majority of the Benefit in Kind relates to the provision of cars. Due to their continuous duty system (and the requirement to be able to respond to emergencies) the taxable benefit is significantly lower for uniformed staff than for non- uniformed staff. The actual cost to the Authority is very similar.

Related Party Transactions

15. The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.
16. **Central Government** has a significant influence over the general operations of the Authority – it is responsible for setting the statutory framework within which the Authority operates, provides a proportion of funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills). Grants received from Government are set out in the table on page 33.
17. **Members** of the Authority have direct control over the Authority's financial and operating policies. The total of Members' allowances paid is shown in Notes 10 on page 33. No Members of the Authority or members of their immediate family or household declared any positions of influence
18. **Officers** – No Senior Officers within the Service or members or their immediate family or household declared any positions of influence.
19. **Place Partnership Ltd** is a facilities management company co-owned by Hereford & Worcester Fire Authority, Worcestershire County Council, Redditch Borough Council, Warwickshire Police, West Mercia Police and Worcester City Council, each party has equal shares and equal voting rights. Place Partnership Ltd has been classed as a Joint Operation because there is joint control and the activity of the arrangement is primarily to provide services to the parties within the party's boundaries. In 2017/18, the operating costs for the Authority were £1,240,873 (2016/17 £1,249,839) paid as principal costs to the company, with an additional sum of £981,214 (2016/17 £4,769,862) paid as agency costs, the Authority has received income of £183,004 (2016/17 £188,947) as income and this is reflected in the Comprehensive Income and Expenditure Statement. Place Partnership Ltd has not been fully consolidated into the Fire Authority's accounts as a Joint Operation, because there is no material difference between the costs already reflected.

External Audit Fees

20. During 2017/18 Hereford & Worcester Fire Authority incurred the fees below in respect of external audit and statutory inspection services, to auditors appointed under the Local Audit and Accountability Act 2014.

	2016/17 £'000	2017/18 £'000
Fees payable to Grant Thornton UK LLP:		
in respect of external audit services : 2016/17 Accounts	33	
in respect of external audit services : 2017/18 Accounts		33
	33	33

Leases

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

Operating Leases

22. The Authority has entered into operational leases for the provision of ancillary vehicles. The total rentals paid to lessors on these operating leases in the year totalled £71,928 (2016/17 £106,074).
23. The Authority entered into a lease agreement with the Police & Crime Commissioner for West Mercia, on 3rd April 2014 for the provision of a joint Fire/Police Station in Bromsgrove. The lease is for a term of 30 years with the option for the Authority to extend for a further 30 years. The lease included a clause for the revision of the rent payable, when all costs associated with the build had been identified. This revision was undertaken during the financial year (2017/18) and resulted in the annual rent reducing from £249,485 to £239,996. The table below details the Authority's operating lease information and has been extended for the previous financial year (2016/17) to include the property rental at both the original and revised amount. The total rental payable in 2017/18 was £239,996, (the rent following the application of the revised annual rental charge in 2016/17 was £239,996).
24. The future lease payments under non-cancellable operating leases in future years are:

	31-Mar- 2017 £'000	31-Mar- 2017 (Amended) £'000	31-Mar- 2018 £'000
Not later than one year	347	338	314
Later than one year and not later than 5 years	1,141	1,103	1,045
Later than 5 years	5,506	5,296	5,040
	6,994	6,737	6,399

Capital Expenditure

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

	2016/17 £'000	2017/18 £'000
New Buildings & Adaptations	4,219	1,195
Vehicles (including fitted equipment)	736	571
IT and Communication Equipment	128	686
Other Equipment	195	116
Total Capital Expenditure	5,278	2,568

26. Capital expenditure was financed as follows:

	2016/17 £'000	2017/18 £'000
Net Borrowing	1,210	616
Capital Receipts	774	0
Capital Grant	2,383	1,194
Revenue Contributions	911	758
	5,278	2,568

27. Capital Financing Requirement

	2016/17			2017/18		
	Owned £'000	Leased £'000	Total £'000	Owned £'000	Leased £'000	Total £'000
Opening CFR	18,142		18,142	18,200	0	18,200
Capital investment						
Operational assets	5,270		5,270	799		799
Assets not yet Operational	8		8	1,768		1,768
Sources of Finance						
Capital receipts	(774)		(774)	0		0
Government grants and other contributions	(2,383)		(2,383)	(1,194)		(1,194)
Sums set aside from Revenue - Direct Revenue Financing	(911)		(911)	(758)		(758)
	1,210	0	1,210	615		615
Sums set aside from Revenue - Minimum Revenue Provision	(1,152)	0	(1,152)	(1,476)		(1,476)
Change in CFR	58	0	58	(861)		(861)
Closing CFR	18,200	0	18,200	17,339		17,339
Explanation of movements in year						
Increase/(Decrease) in underlying need to borrow: unsupported by government financial assistance	58	n/a		(861)	n/a	
Increase in Capital Financing Requirement	58	0	0	(861)	0	0

Property, Plant and Equipment

28. Movements in 2017/18

	Land and Buildings £'000	Vehicles Plant, Furniture and Equipment £'000	Assets not yet Operational £'000	TOTAL Tangible Assets £'000
Cost or Valuation at 01 April 2017	38,052	21,219	68	59,339
Additions	250	527	1,768	2,545
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,201			5,201
Revaluation increases/(decreases) recognised in the				
Surplus/Deficit on the Provision of Services	1,456			1,456
Reclassifications				
Reclassifications - to current assets held for sale	(261)			(261)
Disposals/derecognition		(157)		(157)
At 31 March 2018	44,698	21,589	1,836	68,123
Accumulated Depreciation and Impairment at 01 April 2017	0	(15,078)	0	(15,078)
Reclassifications				
Depreciation Charge for 2017-18	(554)	(1,367)		(1,921)
Depreciation written out to Revaluation Reserve	463			463
Depreciation written out to the Surplus/Deficit on Provision of Services	91			91
Disposals/derecognition		155		155
At 31 March 2018	0	(16,290)	0	(16,290)
Balance Sheet amount at 01 April 2017	38,052	6,141	68	44,261
Balance Sheet amount at 31 March 2018	44,698	5,299	1,836	51,833

29. Comparative Movements in 2016/17

	Land and Buildings £'000	Vehicles Plant, Furniture and Equipment £'000	Assets not yet Operational £'000	TOTAL Tangible Assets £'000
Cost or Valuation at 01 April 2016	33,841	20,751	1,201	55,793
Additions	4,211	1,059	8	5,278
Revaluation increases/(decreases) recognised in the Revaluation Reserve	314			314
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(676)			(676)
Reclassifications	539	602	(1,141)	0
Reclassifications - to current assets held for sale	(177)			(177)
Disposals/ derecognition		(1,193)		(1,193)
At 31 March 2017	38,052	21,219	68	59,339
Accumulated Depreciation and Impairment at 01 April 2016	0	(14,771)	0	(14,771)
Reclassifications				
Depreciation Charge for 2016-17	(644)	(1,368)		(2,012)
Depreciation written out to Revaluation Reserve	386			386
Depreciation written out to the Surplus/Deficit on Provision of Services	258			258
Derecognition/ disposals		1,061		1,061
At 31 March 2017	0	(15,078)	0	(15,078)
Balance Sheet amount at 01 April 2016	33,841	5,980	1,201	41,022
Balance Sheet amount at 31 March 2017	38,052	6,141	68	44,261

30. Property, Plant and Equipment 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

31. 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.
32. 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.
33. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £74,000 charged to revenue in 2017/18 was charged to the capital financing line.

34. The movement on Intangible Asset balances during the year is as follows:

	2016/17 £000	2017/18 £000
Balance at start of year:	393	323
- Gross carrying amount	1,016	916
- Accumulated amortisation	(623)	(593)
Net carrying amount at start of year	393	323
Additions	0	23
Reclassification		
Disposals	(100)	(5)
Accumulated amortisation on disposal	100	5
Amortisation for the period	(70)	(74)
Net carrying amount at end of year	323	272
Comprising:		
- Gross carrying amount	916	933
- Accumulated amortisation	(593)	(661)
	323	272

Heritage Assets

35. The Authority has a number of items which can be classed as heritage assets, due to their cultural and historical associations to the Fire Service. These assets have been held within the Authority and its predecessors for a number of years having been originally donated. The Authority does not seek to acquire assets of this nature and has no intention of disposing of the assets held.
36. These assets are held at Authority fire stations and other buildings throughout the two counties. The estimated value of these assets is not material to the financial statements.
37. 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

38. The classification of financial instruments included in the Balance Sheet and their carrying amounts are shown overleaf. (Additional information in respect of the Long Term Loans is given at notes 43-44):

	31-Mar-17			31-Mar-18		
	Long-term £000	Current £000	Total £000	Long-term £000	Current £000	Total £000
Short Term Deposits						
Deposits with WCC		11,900	11,900		11,900	11,900
		11,900	11,900	0	11,900	11,900
Loans & Receivables <i>(at amortized cost)</i>						
Trade Debtors		461	461		404	404
		461	461	0	404	404
		12,361	12,361	0	12,304	12,304
Financial Liabilities <i>(at amortized cost)</i>						
PWLB Borrowing	11,137	1,500	12,637	10,637	500	11,137
Trade Creditors		471	471		736	736
	11,137	1,971	13,108	10,637	1,236	11,873

Fair Value of Assets and Liabilities carried at amortised cost

39. 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.
40. 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.
41. The Fair Value of the loans at 31 March 2018 was £13.998m (£15.845m at 31 March 2017), the 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 using the following assumptions:
- Estimated ranges of interest rates at 31 March 2018 of 3.28% to 5.00% for loans from the PWLB
 - No early repayment or impairment is recognised
 - The fair value of trade and other receivables is taken to be the invoiced or billed amount.
42. 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

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

	Interest Expense 2016/17 £'000	Interest Income 2016/17 £'000	Interest Expense 2017/18 £'000	Interest Income 2017/18 £'000
Financial Liabilities				
PWLB Borrowing	546		512	
Total	546	0	512	0
Short Term Deposits		(50)		(39)
Total	0	(50)	0	(39)

Long and Short Term Borrowing

44. Additional information in respect of Long Term Loans shown in the table below is given in paragraph 38 on page 41.

	31-Mar-17			31-Mar-18		
	Long Term £'000	Short Term £'000	TOTAL £'000	Long Term £'000	Short Term £'000	TOTAL £'000
Loan Source						
Public Works Loans Board	11,137	1,500	12,637	10,637	500	11,137
	11,137	1,500	12,637	10,637	500	11,137
Analysis by Maturity						
Less than 1 year		1,500	1,500		500	500
Between 1 and 2 years	500		500	0		0
Between 2 and 5 years	3,226		3,226	4,713		4,713
Between 5 and 10 years	1,923		1,923	436		436
Over 10 years	5,488		5,488	5,488		5,488
Total of Loans	11,137	1,500	12,637	10,637	500	11,137

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

Financial Instruments – Exposure to Risk

46. The Authority's activities expose it to a variety of financial risks:
- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority.
 - Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
 - Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

47. The CIPFA Code of Practice on Treasury Management has been adopted by the Authority, and under the Service Level Agreement with Worcestershire County Council the County Council is obliged to, and does, adopt the Code also. In this way risks are actively managed.

Credit Risk

48. Under the Treasury Management SLA, the Authority invests surplus cash with WCC, but in return for receiving an average investment rate based on the Council's portfolio of investments the Authority shares risk in proportion to its value of the total portfolio. Credit risk also arises from credit exposures to the Authority's customers.
49. Amounts invoiced to customers are of relatively low value and are actively pursued by the in-house legal service.
50. The following analysis summarises the Authority's potential maximum exposure to credit risk based on actual experience in terms of deposits and percentage of debt which has been written off as unrecoverable in the last three years in terms of debtors (total £0.001m).

	31-Mar-18 £'000	Written off in last 3 years £'000	Historical Default
Short Term deposits with WCC	11,900	0	
Customers	404	1	0.1%
Total	12,304	1	

51. Of the £0.404m due from customers at 31 March 2018 the following table analyses the due dates.

	£'000
Not yet due	4
Less than 1 month overdue	3
1 to 2 months overdue	1
more than 2 months overdue	396
	404

The debt over 2 months old relates to contributions from Wychavon District Council to the cost of relocating Evesham Fire Station. Although an invoice has been raised it is not technically due until the Construction Final Account is signed off. This has only recently occurred and the debt does not represent a recovery issue.

Liquidity Risk

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

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

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

Market Risk

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

56. Debtors

	31-Mar-17 £'000	31-Mar-18 £'000
Central Government Bodies	240	585
Other Local Authorities	774	755
Public Corporations and Trading Funds	3,269	2,484
Other entities and individuals	1,415	1,728
	5,698	5,552

57. Assets Held for Sale

	Current	
	2016-17	2017-18
	£000	£000
Balance outstanding at start of year	985	985
Assets newly classified as held for sale:		
Property Plant and Equipment	177	262
Revaluation Losses	(6)	(78)
Revaluation Gains	0	274
Assets Sold	(171)	(183)
Balance outstanding at year-end	985	1,260

Cash and Cash Equivalents

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

	31-Mar-17 £'000	31-Mar-18 £'000
Cash held by the Authority	6	6
Bank Current Accounts	2,240	902
Short term deposits with WCC	11,900	11,900
	14,146	12,808

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

60. Creditors

	31-Mar-17 £'000	31-Mar-18 £'000
Central Government Bodies	1,110	1,194
Other Local Authorities	980	427
Other entities and individuals	2,292	2,581
	4,382	4,202

Termination Benefits and Packages

61. As a result of a redundancy process the Authority terminated the contracts of 3 employees, incurring liabilities of £90,202.

62. The numbers of exit packages with the total cost per band are set out in the table below. The Authority did not pay any other exit packages.

2017/18

	No. of Staff	Redundancy Payments £	Compromise Agreement £	Total £
£0 to £20,000	3			
£20,001 to £40,000		89,452	750	90,202
£40,001 to £60,000		89,452	750	90,202

2016/17

	No. of Staff	Redundancy Payments £	Compromise Agreement £	Total £
£0 to £20,000	3	37,591	750	38,341
£20,001 to £40,000	12	363,290	3,000	366,290
£40,001 to £60,000	2	90,254	500	90,754
		491,135	4,250	495,385

Pension Arrangements

63. 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.

64. The Authority participates in five schemes:

- The Firefighters' Pension Scheme (FFPS) (the "1992 Scheme"). This is a statutory un-funded defined benefit final salary scheme and has been closed to new entrants since 6 April 2006.
 - The 2006 Firefighters' Pension Scheme (NFPS) (the "2006 Scheme") – is open to all uniformed staff (except Fire Control) and is also a statutory un-funded defined benefit final salary scheme, with differing benefits.
 - The 2015 Firefighters' Pension Scheme (FFCARE) – this is a career average scheme, and is available to operational firefighters appointed on or after 1 April 2015. Serving firefighters will also have been transferred into the scheme unless they have protected status under one of the existing schemes.
 - The Firefighters' Compensation Scheme (FFCS) (the Injury Scheme) – another statutory un-funded defined benefit scheme covering existing and new injury pensions.
 - The four Firefighters' schemes are unfunded meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet the actual pensions payments as they eventually fall due. The arrangements are determined by the Home Office.
 - The Local Government Pension Scheme (LGPS) – subject to qualifying criteria, open to staff not covered by the Firefighters' schemes. This scheme is administered by Worcestershire County Council and is a funded defined benefit final salary scheme. The Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
 - The Local Government Pension Scheme (LGPS – Place Partnership Ltd) – The Fire Authority has transferred all of its Property Section staff to Place Partnership Ltd, as part of the agreement between the partners of this company, the Fire Authority has guaranteed any pension fund liability will be met based on the proportion of staff transferred into the scheme. Prior to the transfer the liability relating to these staff was included in the Fire Authority liability. At the Balance Sheet date this liability was zero.
65. 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 76 below) so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement (MiRS).
66. 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 38-39 on page 10 of the Narrative Report.
 - FFCS – the actual injury pensions and any RDS ill-health pensions payable.
67. Transactions made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement (MiRS) during the year are shown in the tables below:

	LGPS 2017/18 £'000	FFPS 2017/18 £'000	NFPS 2017/18 £'000	FF CARE 2017/18 £'000	FFCS 2017/18 £'000	TOTAL 2017/18 £'000
Income and Expenditure Account						
Net Cost of Services:						
Current Service Cost	1,137	1,660	280	3,280	100	6,457
Past Service Cost		210				210
Other Operating Expenditure comprising						
Business Combinations						
Administration Expenses	13					13
Pensions Grant		(7,521)	182	2,097		(5,242)
Financing and Investment Income and Expenditure						
Net Interest Expense	315	7,760	580	270	440	9,365
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	1,465	2,109	1,042	5,647	540	10,803
Remeasurement of the net defined benefit liability comprising:						
Actuarial (gains)/losses arising on changes in financial assumptions (retained settlement)						
Experience (gains)/losses		380	(550)	(780)	2,600	1,650
Return on plan assets (excluding the amount included in the net interest expense)	(253)					(253)
Actuarial (gains) and losses arising on changes in demographic assumptions		(7,470)	(630)	(470)	(570)	(9,140)
Actuarial (gains) and losses arising in financial assumptions	(1,621)	8,750	1,290	60	140	8,619
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(409)	3,769	1,152	4,457	2,710	11,679
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	(1,465)	(2,109)	(1,042)	(5,647)	(540)	(10,803)
Reversal of remeasurements of the net defined benefit liability/asset charged to Other Comprehensive Income and Expenditure	1,874	(1,660)	(110)	1,190	(2,170)	(876)
Actual Amount charged against the General Fund Balance for pensions in the year:						
Employer's contribution payable to scheme	794	618	130	1,115		2,657
Retirement Benefits payable to Pensioners					720	720
Net Charge to General Fund	794	618	130	1,115	720	3,377

	LGPS 2016/17 £'000	FFPS 2016/17 £'000	NFPS 2016/17 £'000	FF CARE 2016/17 £'000	FFCS 2016/17 £'000	TOTAL 2016/17 £'000
Income and Expenditure Account						
Net Cost of Services:						
Current Service Cost	735	1,570	220	2,090	110	4,725
Curtailment Cost	16					16
Past Service Cost		160				160
Other Operating Expenditure comprising						
Business Combinations						
Administration Expenses	12					12
Pensions Grant		(8,044)	(5)	1,968		(6,081)
Financing and Investment Income and Expenditure						
Net Interest Expense	328	8,670	520	150	560	10,228
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	1,091	2,356	735	4,208	670	9,060
Remeasurement of the net defined benefit liability comprising:						
Actuarial (gains)/losses arising on changes in financial assumptions (retained settlement)						
Experience (gains)/losses	(1,847)	(870)	520	(290)	(400)	(2,887)
Return on plan assets (excluding the amount included in the net interest expense)	(1,883)					(1,883)
Actuarial (gains) and losses arising on changes in demographic assumptions	(435)	(4,480)	10		(1,100)	(6,005)
Actuarial (gains) and losses arising in financial assumptions	7,548	52,020	6,010	2,450	2,300	70,328
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	4,474	49,026	7,275	6,368	1,470	68,613
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	(1,091)	(2,356)	(735)	(4,208)	(670)	(9,060)
Reversal of remeasurements of the net defined benefit liability/asset charged to Other Comprehensive Income and Expenditure	(3,383)	(46,670)	(6,540)	(2,160)	(800)	(59,553)
Actual Amount charged against the General Fund Balance for pensions in the year:						
Employer's contribution payable to scheme	717	737	121	1,055		2,630
Retirement Benefits payable to Pensioners					710	710
Net Charge to General Fund	717	737	121	1,055	710	3,340

Pensions Assets and Liabilities Recognised in the Balance Sheet

	Funded Liability LGPS 2017/18 £'000	Un-funded Liability FFPS 2017/18 £'000	Un-funded Liability NFPS 2017/18 £'000	Un-funded Liability FFCARE 2017/18 £'000	Un-funded Liability FFCS 2017/18 £'000	TOTAL 2017/18 £'000
Present value of the defined benefit obligation	34,990	299,345	22,638	11,424	18,447	386,844
Fair Value of Plan assets	(23,433)					(23,433)
Net liability arising from defined benefit obligation	11,557	299,345	22,638	11,424	18,447	363,411

	Funded Liability LGPS 2016/17 (restated) £'000	Un-funded Liability FFPS 2016/17 £'000	Un-funded Liability NFPS 2016/17 £'000	Un-funded Liability FFCARE 2016/17 £'000	Un-funded Liability FFCS 2016/17 £'000	TOTAL 2016/17 £'000
Present value of the defined benefit obligation	34,802	296,194	21,616	8,082	16,457	377,151
Fair Value of Plan assets	(21,432)					(21,432)
Net liability arising from defined benefit obligation	13,370	296,194	21,616	8,082	16,457	355,719

Assets and Liabilities in relation to post-employment benefits

68. Reconciliation of the present value of scheme liabilities:

	Funded Liabilities (LGPS) 2017/18 £'000	Un-funded Liabilities (FFPS) 2017/18 £'000	Un-funded Liabilities (NFPS) 2017/18 £'000	Un-funded Liabilities (FF CARE) 2017/18 £'000	Un-funded Liabilities (FFCS) 2017/18 £'000	TOTAL 2017/18 £'000
at 1 April	34,802	296,194	21,616	8,082	16,457	377,151
Current Service Cost	1,137	1,660	280	3,280	100	6,457
Curtailment						
Past Service Cost (GMP indexation)		210				210
Interest Cost	903	7,760	580	270	440	9,953
Employee Contributions	232					232
Remeasurement Gains and Losses						
Experience (Gains) and Losses		380	(550)	(780)	2,600	1,650
Actuarial (Gains) and Losses arising on changes in demographic assumptions		(7,470)	(630)	(470)	(570)	(9,140)
Actuarial (Gains) and Losses arising on changes in financial assumptions	(1,621)	8,750	1,290	60	140	8,619
Actuarial (Gains) and Losses arising on changes in financial assumptions (retained settlement)						0
Losses/(Gains) on curtailments						0
Pensions Grant		(7,521)	182	2,097		(5,242)
Employer contributions firefighter scheme/benefits paid LGPS scheme	(463)	(618)	(130)	(1,115)	(720)	(3,046)
at 31 March	34,990	299,345	22,638	11,424	18,447	386,844

	Funded Liabilities (LGPS) 2016/17 (restated) £'000	Un-funded Liabilities (FFPS) 2016/17 £'000	Un-funded Liabilities (NFPS) 2016/17 £'000	Un-funded Liabilities (FF CARE) 2016/17 £'000	Un-funded Liabilities (FFCS) 2016/17 £'000	TOTAL 2016/17 (restated) £'000
at 1 April	28,399	247,905	14,462	2,769	15,697	309,232
Current Service Cost	735	1,570	220	2,090	110	4,725
Curtailment	16					16
Interest Cost	1,011	8,670	520	150	560	10,911
Employee Contributions	217					217
Remeasurement Gains and Losses						
Experience (Gains) and Losses	(1,847)	(870)	520	(290)	(400)	(2,887)
Actuarial (Gains) and Losses arising on changes in demographic assumptions	(435)	(4,480)	10		(1,100)	(6,005)
Actuarial (Gains) and Losses arising on changes in financial assumptions	7,548	52,020	6,010	2,450	2,300	70,328
Actuarial (Gains) and Losses arising on changes in financial assumptions (retained settlement)						
Losses/(Gains) on curtailments		160				160
Pensions Grant		(8,044)	(5)	1,968		(6,081)
Employer contributions firefighter scheme/benefits paid LGPS scheme	(842)	(737)	(121)	(1,055)	(710)	(3,465)
at 31 March	34,802	296,194	21,616	8,082	16,457	377,151

69. Reconciliation of fair value of scheme assets:

	Funded Assets (LGPS) 2016/17 (restated) £'000	Funded Assets (LGPS) 2017/18 £'000
Fair value at 1 April	18,787	21,432
Interest Income	682	588
Remeasurement gain/loss		
Return on plan assets (excluding the amount included in the net interest expense)	1,883	253
Other (administration expenses)	(12)	(13)
Employer Contributions	717	1,404
Employee Contributions	217	232
Benefits Paid	(842)	(463)
at 31 March	21,432	23,433

70. The expected rate of return on assets (LGPS only) is based on market expectations, at the beginning of the period, for investment returns over the life of the entire life of the related obligation. The assumption used is the average of the assumptions shown in table 81 appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class as shown in table 82. Note that rates quoted are gross of expenses. The actual return on schemes' assets in the year was £0.763m (2016/17 £4.438m).

71. The objective of the Local Government Pension scheme is to keep employers' contributions at as constant a rate as possible. The Worcestershire County Council Pension Fund has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 25 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed for 31 March 2019.
72. The Firefighter scheme employer contribution rates are set by the Home Office and the next revised rates are anticipated from April 2019.
73. The Authority anticipates it will pay approximately £0.793m expected contributions to the Local Government Pension scheme in 2018/19.
74. Expected employers' contributions for the firefighters' pension schemes in the year to 31 March 2019 are expected to be approximately £1.878m.
75. Reconciliation of Movements in Net Pensions Liability:

	Funded Liabilities (LGPS) 2017/18 £'000	Un-funded Liabilities (FFPS) 2017/18 £'000	Un-funded Liabilities (NFPS) 2017/18 £'000	Un-funded Liabilities (FF CARE) 2017/18 £'000	Un-funded Liabilities (FFCS) 2017/18 £'000	TOTAL 2017/18 £'000
at 1 April	13,370	296,194	21,616	8,082	16,457	355,719
Current Service Cost	1,137	1,660	280	3,280	100	6,457
Curtailment	0	0	0	0	0	0
Past Service Cost (GMP Indexation)		210				210
Employer Contributions	(1,404)	(618)	(130)	(1,115)	(720)	(3,987)
Pensions Grant		(7,521)	182	2,097	0	(5,242)
Administration Expenses	13					13
(Gain)/Loss from Curtailments	0	0	0	0	0	0
Interest on Liabilities	903	7,760	580	270	440	9,953
Interest on Assets	(588)					(588)
Net remeasurement gains and losses	(1,874)	1,660	110	(1,190)	2,170	876
at 31 March	11,557	299,345	22,638	11,424	18,447	363,411

	Funded Liabilities (LGPS) 2016/17 £'000	Un-funded Liabilities (FFPS) 2016/17 £'000	Un-funded Liabilities (NFPS) 2016/17 £'000	Un-funded Liabilities (FF CARE) 2016/17 £'000	Un-funded Liabilities (FFCS) 2016/17 £'000	TOTAL 2016/17 £'000
at 1 April	9,612	247,905	14,462	2,769	15,697	290,445
Current Service Cost	735	1,570	220	2,090	110	4,725
Curtailment	16					16
Employer Contributions	(717)	(737)	(121)	(1,055)	(710)	(3,340)
Pensions Grant		(8,044)	(5)	1,968		(6,081)
Administration Expenses	12					12
(Gain)/Loss from Curtailments		160				160
Interest on Liabilities	1,011	8,670	520	150	560	10,911
Interest on Assets	(682)					(682)
Net remeasurement gains and losses	3,383	46,670	6,540	2,160	800	59,553
at 31 March	13,370	296,194	21,616	8,082	16,457	355,719

76. Scheme History

	31-Mar 2013 £'000	31-Mar 2014 £'000	31-Mar 2015 £'000	31-Mar 2016 (restated) £'000	31-Mar 2017 (restated) £'000	31-Mar 2018 £'000
Present value of liabilities:						
LGPS : Local Government Pension Scheme	22,103	21,561	27,387	28,399	34,802	34,990
FFPS : Firefighters' 1992 Scheme	252,780	250,351	278,842	247,905	296,194	299,345
NFPS : Firefighters' 2006 Scheme	11,589	13,131	24,466	14,462	21,616	22,638
FFCARE: Firefighters' 2015 Scheme				2,769	8,082	11,424
FFCS : Firefighters' Injury Scheme	29,055	25,903	16,458	15,697	16,457	18,447
	315,527	310,946	347,153	309,232	377,151	386,844
Fair value of assets in the LGPS						
	13,474	15,384	17,369	18,787	21,432	23,433
	13,474	15,384	17,369	18,787	21,432	23,433
Net Liabilities of the scheme:						
LGPS : Local Government Pension Scheme	8,629	6,177	10,018	9,612	13,370	11,557
FFPS : Firefighters' 1992 Scheme	252,780	250,351	278,842	247,905	296,194	299,345
NFPS : Firefighters' 2006 Scheme	11,589	13,131	24,466	14,462	21,616	22,638
FFCARE: Firefighters' 2015 Scheme				2,769	8,082	11,424
FFCS : Firefighters' Injury Scheme	29,055	25,903	16,458	15,697	16,457	18,447
Total	302,053	295,562	329,784	290,445	355,719	363,411

77. The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £363.411m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £307.135m.

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

- The deficit on the LGPS will be made good by 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

79. 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.

80. 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.

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

	LGPS 2017/18	FFPS 2017/18	NFPS 2017/18	FFCARE 2017/18	FFCS 2017/18
Mortality assumptions:					
Longevity at 65 for current pensioners					
Male	22.7	21.9	21.9	21.9	21.9
Female	25.7	21.9	21.9	21.9	21.9
Longevity at 65 for future pensioners					
Male	24.9	23.9	23.9	23.9	23.9
Female	28.0	23.9	23.9	23.9	23.9
Rate of inflation (CPI)	2.10%	2.30%	2.30%	2.30%	2.30%
Short term rate of increase in salaries	n/a	1.00%	1.00%	1.00%	1.00%
Long term rate of increase in salaries	n/a	4.30%	4.30%	4.30%	4.30%
Rate of increase in salaries	3.6%	n/a	n/a	n/a	n/a
Rate of CARE revaluation	n/a	4.30%	4.30%	4.30%	4.30%
Rate of increase in pensions	2.20%	2.30%	2.30%	2.30%	2.30%
Rate for discounting scheme liabilities	2.70%	2.55%	2.55%	2.55%	2.55%
Take-up of option to convert annual pension into retirement lump sum:					
take maximum cash	50%	n/a	n/a	n/a	n/a
take 3/80ths cash	50%	n/a	n/a	n/a	n/a

	LGPS 2016/17	FFPS 2016/17	NFPS 2016/17	FFCARE 2016/17	FFCS 2016/17
Mortality assumptions:					
Longevity at 65 for current pensioners					
Male	22.6	22.4	22.4	22.4	22.4
Female	25.6	22.4	22.4	22.4	22.4
Longevity at 65 for future pensioners					
Male	24.8	24.7	24.7	24.7	24.7
Female	27.9	24.7	24.7	24.7	24.7
Rate of inflation (CPI)	2.30%	2.35%	2.35%	2.35%	2.35%
Short term rate of increase in salaries	n/a	1.00%	1.00%	1.00%	1.00%
Long term rate of increase in salaries	n/a	4.35%	4.35%	4.35%	4.35%
Rate of increase in salaries	3.80%	n/a	n/a	n/a	n/a
Rate of CARE revaluation	n/a	4.35%	4.35%	4.35%	4.35%
Rate of increase in pensions	2.30%	2.35%	2.35%	2.35%	2.35%
Rate for discounting scheme liabilities	2.60%	2.65%	2.65%	2.65%	2.65%
Take-up of option to convert annual pension into retirement lump sum:					
take maximum cash	50%	n/a	n/a	n/a	n/a
take 3/80ths cash	50%	n/a	n/a	n/a	n/a

82. 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 following table.

Asset Category	Sub Category	31-Mar-17	31-Mar-18
Equities	UK Quoted	0.5%	0.4%
	Overseas Quoted	27.9%	28.6%
	UK Managed Funds	26.9%	24.5%
	UK Managed Funds – Overseas Equities)	29.9%	32.9%
	Overseas Managed Funds	0.3%	0.0%
Bonds	UK Corporate	0.3%	0.4%
	Overseas Corporate	5.1%	4.4%
Property	European Property Funds	2.8%	2.5%
	UK Property Debt	0.9%	0.8%
	Overseas Property Debt	0.5%	0.5%
Alternatives	UK Property Funds	0.0%	0.4%
	UK Infrastructure	2.7%	3.4%
Cash	Cash Instruments	0.2%	0.3%
	Cash Accounts	0.6%	0.6%
	Net Current Assets	1.4%	0.3%
Total		100.0%	100.0%

Injury Awards

83. 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.

Useable Reserves

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

	31-Mar-17 £’000	31-Mar-18 £’000
General Fund	1,838	1,838
Earmarked Reserves	11,507	12,348
Unapplied Grants	5,201	4,095
Capital Receipts Reserve	2,060	2,327
	20,606	20,608

85. General Fund Balance

	2016/17 £’000	2017/18 £’000
Balance at 01 April	1,838	1,838
Transfers from CIES	0	0
Balance at 31 Mar	1,838	1,838

Earmarked Reserves

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

- **Equipment Reserve** – To fund additional equipment required within the service, when it falls due, (in particular cutting gear, mobile data terminals and fire-ground radios) as well as allowing investment in new equipment on an “invest to save” basis.
- **ESMCP Reserve** – to fund the costs associated with the implementation of the new national radio/communications system as and when the delayed project requires.
- **C&C Reserve** – to fund the cyclical upgrade/replacement of the mobilising system. The current system was largely funded by specific government grant.
- **RPE Reserve** – To fund the future costs of replacing Respiratory Protective Equipment (RPE)
- **ICT Reserve** – to fund the approved extension of mobile working that did not proceed in 2016/17 due to staffing resource constraints. This work is due to take place in 2018/19.
- **Property Maintenance Reserve** – to be utilised in future years to ensure the completion of planned station maintenance.
- **YFA Reserve** – Held for the Young Firefighters’ Association to smooth annual expenditure.
- **Pay Award Reserve** – this reserve is held to fund the balance of the 2017/18 pay award when the increase has finally been confirmed.
- **Pension Tribunal Reserve** – to meet the potential costs of HMRC challenge relating to employment of Fire Fighters on the retained fire fighter duty system who had retired from whole-time posts before reaching the age of 55.
- **Grant Phasing Reserve** – this reserve will be used to smooth the effect of the front-loading of the grant reductions over the MTFP period.
- **NNDR Reserve** - this reserve will be used to support the budget over the MTFP period
- **Budget Reduction Reserve** – this reserve is being used as part of the MTFP to fund the short term costs to implement the measures necessary to achieve long term sustained budget reductions.
- **Pensions Reserve** – To meet the potential back cost of any matters arising from pensions.
- **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.
- **Development Reserve** – To provide funding for capacity building or “invest to save” type initiatives to prepare for future grant reductions.
- **Insurance Reserve** – This reserve is created to fund the excess on any long-tail claims.

87. A summary of movements is shown below.

	Balance at 31-Mar-17 £000	Trans to General Fund £'000	Trans from General Fund £000	Balance at 31-Mar-18 £000
Equipment Reserve	1,373	(285)		1,088
ESMCP Reserve	1,291		308	1,599
C & C Reserve	1,267			1,267
RPE Reserve	1,000			1,000
ICT Reserve	33			33
Property Maintenance Reserve	213		659	872
YFA Reserve	17			17
Pay Award Reserve	0		267	267
Pensions Tribunal Reserve	400			400
	5,594	(285)	1,234	6,543
Grant Phasing Reserve	960	(574)		386
NNDR Reserve	46	(45)		1
Budget Reduction Reserve	3,063		511	3,574
	4,069	(619)	511	3,961
Pensions Reserve	422			422
Operational Activity Reserve	600			600
New Dimensions Reserve	381			381
Development Reserve	311			311
Insurance Reserve	130			130
	1,844	0	0	1,844
	11,507	(904)	1,745	12,348

88. The comparative movements for 2016/17 are summarised below:

	Balance at 31-Mar-16 £000	Trans to General Fund £'000	Trans from General Fund £000	Balance at 31-Mar-17 £000
Equipment Reserve	394		979	1,373
ESMCP Reserve	0		1,291	1,291
C & C Reserve	267		1,000	1,267
RPE Reserve	0		1,000	1,000
ICT Reserve	0		33	33
Property Maintenance Reserve	213			213
YFA Reserve	17			17
Capital Funding Phasing Reserve	575	(575)		0
Fleet Funding Reserve	42	(42)		0
ICP Workwear Reserve	4	(4)		0
Pension Tribunal Reserve	400			400
	1,912	(621)	4,303	5,594
Grant Phasing Reserve	1,185	(225)		960
NNDR Reserve	46			46
Budget Reduction Reserve	4,677	(2,677)	1,063	3,063
	5,908	(2,902)	1,063	4,069
Pensions Reserve	422			422
Operational Activity Reserve	600			600
New Dimensions Reserve	381			381
Development Reserve	311			311
Insurance Reserve	130	(9)	9	130
	1,844	(9)	9	1,844
	9,664	(3,532)	5,375	11,507

89. Unapplied Grant

	Formula Capital Grant £'000	Control Rooms Funding £'000	Evesham Station Contribution £'000	Hereford Hub Contribution £'000	Transform ation Grant £'000	TOTAL £'000
Balance at 31 March 2016	904	48	16	0	4,270	5,238
Grant Received in year			2,346			2,346
Used to Finance Capital						
Expenditure in 2016/17		(21)	(2,362)			(2,383)
Balance at 31 March 2017	904	27	0	0	4,270	5,201
Grant Received in year				88		88
Used to Finance Capital						
Expenditure in 2017/18		(27)			(1,167)	(1,194)
Balance at 31 March 2018	904	0	0	88	3,103	4,095

90. Capital Receipts

	2016/17 £'000	2017/18 £'000
Balance at 01 April	2,532	2,060
Net Proceeds from sale of fixed assets	301	267
Used to Finance Capital Expenditure	(773)	0
Balance at 31 March	2,060	2,327

91. **Unusable Reserves**

	31-Mar-17 £000	31-Mar-18 £'000
Revaluation Reserve	7,731	13,043
Capital Adjustment Account	19,879	23,222
Pensions Reserve	(355,719)	(364,021)
Collection Fund Adjustment Account	330	208
Accumulated Absences Adjustment Account	(194)	(195)
	(327,973)	(327,743)

Revaluation Reserve

92. 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.

93. 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.

	2016/17 £'000	2017/18 £'000
Balance at 1 April	7,227	7,731
Upward revaluation of assets	1,235	5,852
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(535)	(189)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	7,927	13,394
Difference between fair value depreciation and historical cost depreciation	(146)	(128)
Accumulated gains on assets sold	(50)	(223)
Accumulated gains on assets derecognised		
Amounts written off to the Capital Adjustment Account		
Balance at 31 March	7,731	13,043

Capital Adjustment Account

94. 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.
95. 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.
96. 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.
97. The table below provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2016/17 £'000	2017/18 £'000
Balance at 1 April	17,272	19,879
<ul style="list-style-type: none"> Charges for depreciation and impairment of non-current assets Revaluation gains/(losses) on Property, Plant and Equipment Revaluation gains/(losses) on current assets held for sale Amortisation of intangible assets 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 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 	(2,011) (418) (6) (70) (121) (132)	(1,921) 1,547 197 (74) 40 (2)
<ul style="list-style-type: none"> Adjusting amounts written out to the Revaluation Reserve - <i>difference in depreciation on historical & current cost basis</i> 	14,514 146	19,666 128
Capital financing applied in the year:	14,660	19,794
<ul style="list-style-type: none"> Use of the Capital Receipts Reserve to finance new capital expenditure Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing Statutory provision for the financing of capital investment charged against the General Fund balance. Capital expenditure charged against the General Fund balance 	773 2,383 1,152 911	0 1,194 1,476 758
Balance at 31 March	19,879	23,222

Pensions Reserve

98. 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.
99. 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.

	2016/17 £'000	2017/18 £'000
Balance at 1 April	290,445	355,719
Actuarial gains or losses on pensions assets & liabilities	59,554	876
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services the CIES	9,061	10,803
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,341)	(3,377)
Balance at 31 March	355,719	364,021

Collection Fund Adjustment Account

100. 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.

	2016/17 £'000	2017/18 £'000
Balance at 1 April	(48)	330
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	(22)	(124)
Non-Domestic Rates	400	2
Balance at 31 March	330	208

Accumulated Absences Account

101. 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.

	2016/17 £'000	2017/18 £'000
Balance at 1 April	(187)	(194)
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	(7)	(1)
Balance at 31 March	(194)	(195)

Contingent Liabilities

Pension Tribunal

102. A Pension Tribunal Reserve has been set up following a dispute between HMRC and several Fire Authorities regarding the interpretation of continued RDS service as re-engagement of Fire fighters following retirement, and the decision to take a pension before reaching the age of 55, without taking a break in service.
103. 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.
104. As a result of the "Norman v Cheshire" case the Authority has reviewed all allowances and contractual arrangements to determine whether any of the principles apply to our staff. Initial indications, which are yet to be fully recognised and accepted, is that there are costs which arise from back-dating this ruling. At the Balance Sheet date the calculation is not certain enough to create a provision and remains as a contingent liability. It is highly unlikely to be fully resolved in 2018/19.

Pay Award

105. The Pay Award Reserve has been set up because the service is subject to nationally agreed pay awards for uniformed staff. An initial offer was made in July 2017, but this was subsequently rejected by the employees side, so the pay offer technically remains open. This reserve will fund the cost of the pay rise when agreement has been reached.

Protected Pension Age of Fire-fighters

106. The Authority and HMRC have different views on the interpretation of the rules regarding Protected Pension Age of fire-fighters who retired from their whole-time role whilst continuing in an On-Call (RDS) capacity. This is currently part of a long-running national issue and may involve the Authority in an HMRC Tribunal. If the HMRC view prevails the Authority may face a potential liability.

Although the risk is covered by an earmarked reserve, Authority's view is that it will have no liability.

Provision - NNDR Appeals Provision

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

	2016/17 £'000	2017/18 £'000
Balance at 1 April	377	243
Transfer from CIES	(134)	65
Balance at 31 March	243	308

Specific Government Grants

108. The following grants are included as income within the CIES on page 24

	2016/17 £'000	2017/18 £'000
Fire Revenue Grant - New Dimensions/Firelink	1,122	1,165
ESMCP Control Room Grant	771	308
Service and Maintenance Grant	0	108
	1,893	1,581

Cashflow Statement – Operating Activities

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

	2016/17 £'000	2017/18 £'000
Depreciation	(2,011)	(1,921)
Downward revaluations	(424)	1,744
Amortisations	(70)	(74)
Increase/decrease in creditors	(81)	93
Increase/decrease in debtors	2,085	247
Increase/decrease in inventories	26	(3)
Movement in pensions liability	(5,720)	(6,816)
Carrying amount of non-current assets sold or derecognised	(303)	(2)
Other non-cash items charged to the net surplus or deficit on the provision of services	134	(247)
	(6,364)	(6,979)

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

	2016/17 £'000	2017/18 £'000
Receipt of Capital grant	2,511	88
Proceeds of sales of Property, Plant & Equipment – Capital Receipts	301	267
	2,812	355

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

	2016/17 £'000	2017/18 £'000
Interest Paid	(549)	(520)
Interest Received	54	39
	(495)	(481)

112. Cashflow Statement – Investing Activities

	2016/17 £'000	2017/18 £'000
Purchase of Property, Plant & Equipment	5,323	2,262
Capital Grants received	(2,511)	(88)
Proceeds of sales of Property Plant & Equipment - Capital Receipts	(301)	(267)
	2,511	1,907

113. Cashflow Statement – Financing Activities

	2016/17 £'000	2017/18 £'000
Principal Payments on Finance Leases	0	0
Long Term Loans Repaid	500	1,500
	500	1,500

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

114. The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made based on past experience, current trends and other relevant factors. As some balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.
115. The items in the balance sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are set out below. The list does not include items which are carried at fair value based on recently observed market prices, such as land and buildings, for which the Authority relies on independent advice from specialist valuers.
116. 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.
117. The Actuaries have provided an assessment of the effect of changes in the assumptions used in estimating the pension and assets included in the Accounts according to the requirements of IAS19.

- There are a range of actuarial assumptions which is acceptable under IAS19, particularly in respect of expected salary increases and demographic factors. The assumptions made are the responsibility of the Authority, after taking the 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 2018. 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.

118. Approximate increase in Net Liability

Change in financial assumptions 2017/18 : 1992 Firefighters' Scheme		
	£'000	%
0.5% Decrease in rate of discounting scheme liabilities	26,924	9.0%
0.5% Increase in rate of salaries	2,992	1.0%
0.5% increase in rate of pensions/deferred revaluation	22,437	7.5%
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed	7,479	2.5%

Change in financial assumptions 2017/18 : 2006 Firefighters' Schemes		
	£'000	%
0.5% Decrease in rate of discounting scheme liabilities	3,054	13.5%
0.5% Increase in rate of salaries	1,018	4.5%
0.5% increase in rate of pensions/deferred revaluation	2,036	9.0%
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed	0	0.0%

Change in financial assumptions 2017/18 : 2015 Firefighters' Schemes		
	£'000	%
0.5% Decrease in rate of discounting scheme liabilities	1,999	17.5%
0.5% Increase in rate of salaries	1,028	9.0%
0.5% increase in rate of pensions/deferred revaluation	1,028	9.0%
Life Expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed	0	0.0%

Change in financial assumptions 2017/18 : LGPS		
	£'000	%
0.1% Increase in real discount rate	(658)	(5.5%)
0.1% Increase in rate of increase in salaries	671	5.6%
1 Year Increase in Member Life Expectancy	627	5.2%

Property, Plant and Equipment

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

Critical Judgements in Applying Accounting Policies

121. 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:
122. 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

123. The Authority is a member of Kings Court EMC Ltd, which manages ground maintenance on the common areas of the office site where the Headquarters building is located. The company is one that is limited by guarantee, for which the maximum liability to the Authority is £1. The turnover of the company for 2017/18 is estimated at £15,632 (2016/17 £14,651), and the Authority has appointed the Director of Finance (Treasurer) as its (unpaid) director.

124. Other Operating Expenditure

	2016/17 £'000	2017/18 £'000
Gross Expenditure		
(Gain)/loss on disposal of non-current assets	4	2
Net loss on disposal/revaluation of assets held for sale	4	0
LGPS pensions administrative costs	12	13
	20	15
Gross Income		
Firefighter Scheme Pension Grant	(6,079)	(5,241)
Net gain on disposal/revaluation of assets held for sale	0	(281)
Total Other Operating Expenditure	6,059	5,507

125. As part of the triennial revaluation of the Worcestershire Pension Fund (LGPS), the Fire Authority has a liability to make lump sum contributions to the previous deficit relating to prior years in 2017/18, 2018/19 and 2019/20 totalling £960k. In April 2017 the Authority paid the 2017/18 and prepaid the liability for 2018/19 and 2019/20 to secure a discount of £60k in the liability.
126. The amount charged to the Comprehensive Income and Expenditure Statement in 2017/18 for Capital Financing has reduced from that charged in the previous year. Following a revaluation of the Authority's land and buildings carried out on the 31st March 2018, there was an increase in the value of these properties, which allowed for the recovery of past losses charged to

SUPPLEMENTARY FINANCIAL STATEMENT

Firefighters' Pension Fund

1. Since 2006/07 Firefighters' pensions are paid out of a separate account into which the employee's contributions and an employer's contribution are paid. Any deficit on this account is made up by direct government grant.
2. A detailed explanation of the schemes can be found on pages 45-46, but although they are all statutory, national un-funded defined benefit schemes, they are administered locally by each Authority.
3. The financial arrangements for the schemes were established under the Firefighters' Pension Scheme (Amendment) (England) Order 2006.
4. The employer's contribution is borne by the General Fund for Council Tax Precept setting purposes.
5. Employees' and employers' contribution levels are based on percentages of pensionable pay set nationally by HO/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 15-23.
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 27 and detailed in the Notes to the Core Financial Statements on pages 45-54.

Firefighters' Pension Fund Account

	2016/17 £000	2017/18 £000
Contributions receivable		
Fire & Rescue Authority		
Contributions in relation to pensionable pay	(1,884)	(1,832)
Other	(30)	(30)
Firefighters' Contributions	(1,528)	(1,481)
	(3,442)	(3,343)
Transfers in from other schemes	(12)	(81)
Benefits Payable		
Pensions	6,959	7,169
Commutations & lump sum retirement benefits	2,476	1,366
Backdated Commutation Adjustment & Interest	(17)	0
Other Payments to Scheme Members	160	7
Refund of Firefighters' Contributions		
Payments to and on account of leavers		
Transfers out to other schemes	101	124
Net amount payable for the year	6,225	5,242
Top-up grant payable by government	(6,079)	(5,242)
Backdated Commutation Grant Payable by Government	17	
Firefighters' Contribution Holiday Grant Payable by Government	(163)	
	0	0

Firefighters' Pension Fund Statement of Net Assets

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

	31-Mar-17 £000	31-Mar-18 £000
Current Assets		
Debtors		
Employer Contributions Due	107	110
Employee Contributions Due	96	97
Top Up receivable from the government	2,504	1,669
Prepayments		
Pensions paid in advance	583	608
Creditors		
Unpaid Pension Benefits	(21)	0
Amounts due to General Fund	(3,269)	(2,484)
	0	0

Restated Disclosure

1. In 2015/16, the determination of the accounting treatment for Place Partnership Ltd was received late from the Pension Actuaries. Whilst all figures impacting the Core Financial Statements were updated and the net impact of the adjustment is correct, the individual gross assets and liabilities in the pension tables had not been updated to correct these figures. This change will not impact any of the Core Financial Statements or the net assets and liabilities of the pension scheme.

The following pension tables have been restated to correctly reflect the Authority's share of the pension assets and liabilities in Place Partnership Ltd

2. Pension assets and liabilities recognised in the Balance Sheet

	Funded Liability LGPS 2015/16 £'000	Adjust Place Partnership Liability £'000	Funded Liability LGPS 2015/16 (restated) £'000	Funded Liability LGPS 2016/17 £'000	Adjust Place Partnership Liability £'000	Funded Liability LGPS 2016/17 (restated) £'000
Present value of the defined benefit obligation	26,805	1,594	28,399	33,196	1,606	34,802
Fair Value of Plan assets	(17,193)	(1,594)	(18,787)	(19,826)	(1,606)	(21,432)
Net liability arising from defined benefit obligation	9,612	0	9,612	13,370	0	13,370

3. Reconciliation of the present value of scheme liabilities

	Funded Liabilities (LGPS) 2015/16 £'000	Adjust Place Partnership Liability £'000	Funded Liability LGPS 2015/16 (restated) £'000	Funded Liability LGPS 2016/17 £'000	Adjust Place Partnership Liability £'000	Funded Liability LGPS 2016/17 (restated) £'000
at 1 April	27,387		27,387	26,805	1,594	28,399
Removal of Prior year PPL adjustment			0	(12)	12	
Current Service Cost	722	40	762	735		735
Curtailment				16		16
Interest Cost	922	34	956	1,011		1,011
Employee Contributions	194	12	206	217		217
Remeasurement Gains and Losses						
Experience (Gains) and Losses				(1,847)		(1,847)
Actuarial (Gains) and Losses arising on changes in demographic assumptions				(435)		(435)
Actuarial (Gains) and Losses arising on changes in financial assumptions	(1,735)	32	(1,703)	7,548		7,548
Actuarial (Gains) and Losses arising on changes in financial assumptions (retained settlement)						
Effect of Curtailments		1,466	1,466			
Losses/(Gains) on curtailments		10	10			
Pensions Grant						
Employer contributions firefighter scheme/benefits paid LGPS scheme	(685)		(685)	(842)		(842)
at 31 March	26,805	1,594	28,399	33,196	1,606	34,802

4. Reconciliation of fair value of scheme assets

	Funded Assets (LGPS) 2015/16	Adjust Place Partnership Assets	Funded Assets (LGPS) 2015/16 (restated)	Funded Assets (LGPS) 2016/17	Adjust Place Partnership Assets	Funded Assets (LGPS) 2016/17 (restated)
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value at 1 April	17,369		17,369	17,193	1,594	18,787
Removal of Prior year PPL adjustment				(12)	12	0
Interest Income	598	34	632	682		682
Remeasurement gain/loss						
Return on plan assets (excluding the amount included in the net interest expense)	(920)	63	(857)	1,883		1,883
Other (administration expenses)	(12)		(12)	(12)		(12)
Business Combination		1,466	1,466			
Employer Contributions	649	20	669	717		717
Employee Contributions	194	11	205	217		217
Benefits Paid	(685)		(685)	(842)		(842)
at 31 March	17,193	1,594	18,787	19,826	1,606	21,432

5. Scheme History

	31-Mar 2016	Adjust PPL	31-Mar 2016 (restated)	31-Mar 2017	Adjust PPL	31-Mar 2017 (restated)
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of liabilities:						
LGPS : Local Government Pension Scheme	26,805	1,594	28,399	33,196	1,606	34,802
FFPS : Firefighters' 1992 Scheme	247,905		247,905	296,194		296,194
NFPS : Firefighters' 2006 Scheme	14,462		14,462	21,616		21,616
FFCARE: Firefighters' 2015 Scheme	2,769		2,769	8,082		8,082
FFCS : Firefighters' Injury Scheme	15,697		15,697	16,457		16,457
	307,638	1,594	309,232	375,545	1,606	377,151
Fair value of assets in the LGPS	17,193	1,594	18,787	19,826	1,606	21,432
	17,193	1,594	18,787	19,826	1,606	21,432
Net Liabilities of the scheme:						
LGPS : Local Government Pension Scheme	9,612		9,612	13,370		13,370
FFPS : Firefighters' 1992 Scheme	247,905		247,905	296,194		296,194
NFPS : Firefighters' 2006 Scheme	14,462		14,462	21,616		21,616
FFCARE: Firefighters' 2015 Scheme	2,769		2,769	8,082		8,082
FFCS : Firefighters' Injury Scheme	15,697		15,697	16,457		16,457
Total	290,445	0	290,445	355,719	0	355,719

1. Scope of Responsibility

- 1.1 The Fire Authority (the Authority) has a statutory 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 ensuring that robust arrangements for the management of risk are in place.

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 the following protocols and processes in place which demonstrate the core principles as required by the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016:

Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law is demonstrated through:

- **Members' Code of Conduct and Registers of Interests** – a local Code of Conduct for all Members has been agreed by the Authority and a Register of Financial Interests for each Member has been reviewed and published on the Authority's website. All new Members have received induction training, including training on the Code of Conduct, Ethical Framework and Equality & Fairness.
- **Ethical Framework** - reflects the Authority's commitment to always operating fairly and ensuring dignity and respect in the workplace and in the communities we serve, in an environment which values individual contributions and work towards the elimination of unlawful discrimination.
- **Code of Conduct for Staff and Register of Staff Interests** - requires employees to perform their duties with honesty, integrity, impartiality and objectivity.
- **Whistleblowing Policy** - in place for receiving and investigating complaints from staff and/or contractors and updated during 2017/18 to take into account Safeguarding.
- **Complaints Systems** - in place for receiving and investigating complaints from the public. A procedure is also in place for complaints relating to alleged breaches of the Code of Conduct by Members.

- **Anti-Fraud, Bribery and Corruption Policy** – the Authority has a zero tolerance approach to fraud, bribery and corruption, whether it is attempted from inside or outside the organisation.
- **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. The Head of Legal Services acts as the Authority's Monitoring Officer and is governed by the professional standards set by the Solicitors' Regulation Authority.

Core Principle B: Ensuring openness and comprehensive stakeholder engagement demonstrated through:

- **Consultation Processes** – used effectively to consult staff and stakeholders in 2017/18 about proposed new crewing arrangements.
- **Public Participation at Authority meetings** – members of the public can raise any topic at full Authority meetings as long as it is relevant to the duties and power of the Fire Authority.
- **Fire Station Open Days and public events** – facilitates engagement with the public with regards to the services we provide.
- **Active engagement with partners** – the Authority is represented on Local Strategic Partnerships, the Safer Roads Partnership and local Community Safety Partnerships. The Authority has also worked closely with West Mercia Police with regards to sharing buildings, such as the Operational Command Centre and moving its headquarters to Hindlip Park (West Mercia Police HQ), and is actively exploring opportunities for an alliance with Shropshire Fire and Rescue Service.

Core Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits demonstrated through:

- **Fire Authority Annual Report 2017/18** (Corporate Plan) - incorporates the annual performance of the Authority, the future outlook and objectives for the forthcoming year.
- **Community Risk Management Plan 2014-2020** – sets out how we will deliver sustainable services for our communities.
- **2020 Vision Programme** – a programme of major projects identified as being critical to the success of the organisation because they ensure its on-going resilience in the coming years. The projects in the programme include new fire stations, the roll out of vital new technology upgrades as part of national projects, and pivotal work with local partner organisations.
- **Fleet Strategy 2016-2021** – provides a structured approach to vehicle management that ensures the Authority continues to provide and maintain an effective fleet of vehicles to ensure that staff can undertake their jobs effectively.

Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes demonstrated through:

- **Performance Management Framework** – a comprehensive set of key performance indicators measures the quality of service for users. Performance is monitored on a quarterly basis by the Authority's Policy & Resources Committee and Senior

Management Board to ensure that services are delivered in accordance with the Authority's objectives and best use of resources.

- **Medium Term Financial Plan** - sets out the resources needed to deliver services.
- **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 by managers on a quarterly basis.

Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it demonstrated through:

- **Constitution** - defines the roles and responsibilities of the Authority, Committees, Members and Officers and the protocols to be followed.
- **Member Development Strategy 2017-2020** – includes an induction for new Members and an annual training programme to provide opportunities for all Members to develop fire-specific knowledge.
- **Senior Management Board (SMB)** – involves all Principal Officers and Heads of Service in supporting the Chief Fire Officer to lead the Service.
- **People Strategy 2017-2020** - aims to support the workforce to become more resilient and diverse, to develop their skills and maximise their wellbeing at work
- **Staff Development Process** – Individual Performance and Development Reviews in place for all staff to enable personal objectives to be set which contribute to the overall aims of the Authority. Competency training records and a course management system are also in place.

Core Principle F: Managing risks and performance through robust internal control and strong public financial management demonstrated through:

- **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.
- **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 Audit Regulations 2015. The Chief Financial Officer is also governed by professional standards set by CIPFA.
- **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** - to ensure the Authority is resilient to interruptions which have the potential to adversely affect the delivery of core functions.

Core Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability demonstrated through:

- **Transparency Information** - published on the website in accordance with the Local Government Transparency Code to promote openness and accountability through reporting on local decision making, public spending and democratic processes.

- **Agendas, minutes and decisions** – published on the website and includes the rationale and considerations on which decisions are based.
- **Internal Auditors** - Worcestershire Internal Audit Shared Service Audit Team provides the internal audit function for the Authority and reports quarterly to the Audit & Standards Committee.
- **External Auditors** - Grant Thornton UK LLP provides the external audit services to the Authority and reports regularly to the Audit & Standards Committee.
- **Annual Assurance Statement** - provides staff, partners and local communities with an assurance that the Authority is doing everything it can to keep them safe and that it is providing value for money.

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 2016” published by CIPFA/SOLACE. As part of the process the Audit & Standards Committee [will consider] the self-assessment review of its corporate governance arrangements against the CIPFA/SOLACE 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 2017/18 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 Authority’s finances are well controlled and that the resultant under spending is part of a planned response to known future budget constraints. The Authority is working on some longer term schemes to ensure a recurrent budget over time.
- 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 [will] have also provided assurances on their areas of responsibility.

5. Significant Governance Issues

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

Signed on Original

Signed on Original

.....
Chief Fire Officer/Chief Executive Chairman of the Fire Authority

Date: 25 April 2018

GLOSSARY OF TERMS

Accrual

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

Capital Adjustment Account

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

Capital Expenditure

Expenditure on the acquisition of non current assets such as land, building, vehicles and equipment, which are of long term value, or expenditure which adds to and not merely maintains the value of existing assets.

Capital Receipts

Money received from the sale of capital assets such as vehicles, which may be used to repay outstanding debt or finance new assets.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Capital Financing Requirement

This measures the underlying need to borrow to finance capital expenditure.

Collection Fund Adjustment Account

Provides a mechanisms for recognising the Fire Authority's share of the Collection Fund surplus/deficits at the end of the year.

Council Tax

The means of raising money locally which pays for Fire Authority services. This is a property based tax where the amount levied is dependent on the valuation of each dwelling.

Creditors

Amount owed by an organisation for work done, goods received or services rendered to the organisation within the accounting period but for which payment has not been made.

Current Assets

Items from which the Fire Authority derives a benefit but which will be consumed or realised during the next accounting period ie stocks, debtors, cash.

Current Liabilities

Amounts which will become payable in the next accounting period ie creditors.

DCLG

The Department of Communities and Local Government – the Government department which had responsibility for the Fire and Rescue Service until 5 January 2016. Responsibility for Fire then transferred to the Home Office.

Debtors

Sums of money due to the Fire Authority for goods sold or services rendered but for which payment has not been received at the balance sheet date.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a non current asset, whether arising from use, passage of time or obsolescence through technological or other changes.

Finance Lease

Leases which transfer the risks and rewards of ownership of a fixed asset to the lessee and such assets are included within the non current assets in the balance sheet.

Government Grants

Assistance by government in the form of cash or transfers of assets to authorities, in return for past or future compliance with certain conditions relating to the activities of the Fire Authorities.

Heritage Assets

Assets preserved in trust for future generations because of their cultural, environmental or historical associations, which have historical, artistic, scientific or environmental qualities, and which are held and maintained by the Fire Authority principally for the contribution to knowledge and culture.

Home Office

The Government department with responsibility for the Fire and Rescue Service from 5 January 2016.

Impairment

A reduction in the value of a non current asset below its carrying amount on the balance sheet.

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

The framework of standards within which the financial statements are prepared.

Long Term Borrowing

Loans that are raised with external bodies, for periods of more than one year.

Minimum Revenue Provision (MRP)

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

Non Current Assets

Assets that yield benefits to the Fire Authority and the services it provides for a period of more than one year.

Operating Lease

Leases where the ownership of the asset remains with the lessor , and the annual rental is charged to the revenue account.

Operational Assets

Non current assets held and occupied, used or consumed by the Fire Authority in the direct delivery of those services for which it has either statutory or discretionary responsibility.

PCC

The Police and Crime Commissioner – this is a directly elected role which oversees policing and ensures that police forces are effective. The Police and Crime Act 2017 now enables the PCC to take on responsibility for Fire and Rescue Services where a local case is made.

Revaluation Reserve

Contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation.

Revenue Support Grant

Government grant in aid of the Fire Authority's services generally. It is based upon the Government's assessment of how much the Fire Authority needs to spend in order to provide a standard level of service.

Stocks

The amount of unused or unconsumed stocks held in expectation of future use.

Useful Life

The period over which the Fire Authority will derive benefits from the use of non current assets.

Virement

The transfer of resources between budget heads. Virements must be properly authorised by the appropriate committee or by officers under delegated powers.

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

To be Completed

To be Completed

To be Completed

Report of the Treasurer

External Audit Findings Report 2017/18

Purpose of report

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

Recommendations

The Treasurer recommends that:

- i) *the External Audit Findings Report 2017/18 including an unqualified opinion on the 2017/18 accounts be noted; and*
- ii) *the letter of representation be approved on behalf of the Authority.*

Audit Findings Report 2018/19

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

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	No
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	No

Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	No
Consultation (identify any public or other consultation that has been carried out on this matter)	No
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	N/a

Supporting Information

Appendix 1 – Draft Audit Opinion 2017/18

Appendix 2 – Letter of Representation 2017/18

Contact Officer

Martin Reohorn, Treasurer

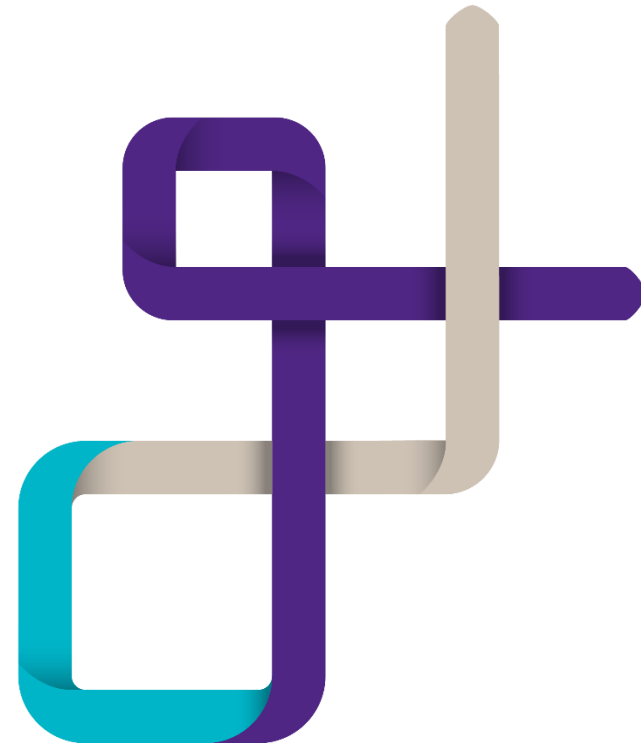
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Audit Findings

Year ending 31 March 2018

Hereford & Worcester Fire Authority
17 July 2018



Contents



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

This table summarises the key issues arising from the statutory audit of Hereford & Worcester Fire Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	<p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none">the Authority's financial statements give a true and fair view of the Authority's financial position and of the group and Authority's expenditure and income for the year, andhave been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during May, June and July. Our findings are summarised on pages 4 to 13. We have not identified any adjustments to the financial statements that have affected the Statement of Comprehensive Income and Expenditure. Audit adjustments are detailed in Appendix B. Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit & Standards Committee meeting on 25 July 2018, as detailed in Appendix D. These outstanding items include:</p> <ul style="list-style-type: none">receipt of management representation letter; andreview of the final set of financial statements. <p>We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent with our knowledge of your organisation and with the financial statements we have audited.</p>
Value for Money arrangements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none">the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')	<p>We have completed our risk based review of the Authority's value for money arrangements. We have concluded that Hereford & Worcester Fire Authority has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D. Our findings are summarised on pages 14 to 16.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none">report to you if we have applied any of the additional powers and duties ascribed to us under the Act; andcertify the closure of the audit.	<p>We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

Acknowledgements

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

Summary

Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

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

Audit approach

Our audit approach was based on a thorough understanding of the Authority's business and is risk based, and in particular included:

- An evaluation of the Authority's internal controls environment including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

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

- there were no adjustments to any of your primary statements;
- there are no unadjusted misstatements;
- the financial statements were submitted before the deadline;
- officers responded to questions in a timely manner;
- officers have made an adjustment to the brought forward figures for the Place Partnership Limited (PPL) pension fund asset and liability. These net off with no overall effect;
- included an additional contingent liability disclosure in respect of cases where pensions may have been paid incorrectly due to loss of protected pension age;
- restated the PWLB loan fair value figure from £14.074m to £13.99m; and
- officers have made a number of minor changes to the financial statements to correct typographical errors.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit & Standards Committee meeting on 25 July, as detailed in Appendix D. These outstanding items include:

- receipt of management representation letter; and
- review of the final set of financial statements.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remain the same as reported in our audit plan.

Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process

Management do not undertake a formal assessment of whether the Authority is a going concern.

The Authority has a sound income stream through Council Tax (£21.8m) and Business Rates (£2.4m). It has delivered a balanced budget year on year and has a realistic Medium Term Financial Strategy.

The Authority also has usable, non earmarked reserves of £1.8m.

Work performed

Our audit work, including our VFM work, has not raised any doubts around the going concern assumption. Also, in the public sector, going concern is taken to mean that the services are transferred to or delivered by another body. As the Authority's functions would be delivered by any successor body, the threat of re-organisation does not apply.

Auditor commentary

This is reasonable as the Authority has a realistic Medium Term Financial Strategy and sufficient reserves to cover any short term unexpected need. It would be considered a going concern even if it demised and the services transferred to another body. Our Informing the Audit Risk Assessment report, presented to the Audit & Standards Committee on 25 April, shows on pages 15 to 16 the arrangements in place to demonstrate that the Authority is a going concern.

Auditor commentary

We note that the Authority has appealed to the Royal Court of Justice for a Judicial Review over the decision to transfer Governance to the Police and Crime Commissioner. The appeal has not yet been heard. As stated in “Work performed” the Authority functions would continue in any event, and it is therefore appropriate to use the going concern assumption.

We have nothing to report in relation to Going Concern.

Significant audit risks

Risks identified in our Audit Plan		Commentary
1	<p>Improper revenue recognition</p> <p>Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Auditor commentary</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited• the culture and ethical frameworks of local authorities, including Hereford & Worcester Fire Authority, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for Hereford & Worcester Fire Authority.</p>
2	<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p>Auditor commentary</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none">• gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness• obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness• evaluated the rationale for any changes in accounting policies or significant unusual transactions. <p>Our audit work has not identified any issues in respect of management override of controls.</p>

Significant audit risks

Risks identified in our Audit Plan	Commentary
<div data-bbox="68 287 99 325">3</div> <div data-bbox="138 287 565 311">Valuation of pension fund net liability</div> <div data-bbox="138 315 700 396"><p>The Authority's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p><p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p></div>	<div data-bbox="727 287 961 311">Auditor commentary</div> <div data-bbox="727 325 1999 796"><p>We have undertaken the following work in relation to this risk:</p><ul style="list-style-type: none">identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatementevaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We gained an understanding of the basis on which the valuation was carried outundertook procedures to confirm the reasonableness of the actuarial assumptions madechecked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.<p>The Authority has amended the brought forward liability and asset figure to correctly include the amounts in respect of Place Partnership Limited (PPL). Owing to the agreed arrangements for the PPL pension liability, the liability is matched by an equal asset. Hence, there was no overall impact on the underlying deficit.</p><p>Our audit work has not identified any issues in respect of the pension fund net liability.</p></div>


Reasonably possible audit risks

Risks identified in our Audit Plan	Commentary
Employee remuneration Payroll expenditure represents a significant percentage (66%) of the Authority's operating expenses. As the payroll expenditure comes from a number of individual transactions and an interface with a sub-system there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.	Auditor commentary We have undertaken the following work in relation to this risk: <ul style="list-style-type: none">evaluated the Authority's accounting policy for recognition of payroll expenditure for appropriatenessgained an understanding of the Authority's system for accounting for payroll expenditure and evaluated the design of the associated controlsobtained the year-end payroll reconciliation and ensured amount in accounts can be reconciled to ledger and through to payroll reportsagreed payroll related accruals (e.g. unpaid leave accrual) to supporting documents and reviewed any estimates for reasonablenesstested a sample of employee remuneration payments for the period to ensure they have been accurately accounted for. Our audit work has not identified any issues in respect of employee remuneration.
Operating expenses Non-pay expenses on other goods and services also represents a significant percentage (22%) of the Authority's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs. We identified completeness of non- pay expenses as a risk requiring particular audit attention.	Auditor commentary We have undertaken the following work in relation to this risk: <ul style="list-style-type: none">evaluated the Authority's accounting policy for recognition of non-pay expenditure for appropriatenessgained an understanding of the Authority's system for accounting for non-pay expenditure and evaluate the design of the associated controlsdocumented the accruals process and the controls management have put in place. Challenged any key underlying assumptions, the appropriateness of the source of data used and the basis for calculationsobtained a listing from the bank statements of non-pay payments made in April, and ensured that they have been charged to the appropriate year. Our audit work has not identified any issues in respect of completeness of operating expenses.




Reasonably possible audit risks

Risks identified in our Audit Plan	Commentary
Firefighters pension scheme The Authority administers the firefighters pension schemes, with the Firefighters Pension Fund Account being included in the financial statements. We identified completeness and accuracy of pension benefits payable as a risk requiring particular audit attention.	Auditor commentary We have undertaken the following work in relation to this risk: <ul style="list-style-type: none">• reviewed and documented the control environment for firefighters' pensions benefits payments and conducted walkthrough testing to ensure controls in place have been functioning effectively in the period• tested a sample of firefighters' pensions benefit payments for the period to ensure they have been accurately accounted for• agreed pension disclosures in the financial statements to supporting evidence• completed substantive analytical procedures on the total pensions liability to ensure completeness of liability. Our audit work has not identified any issues in respect of completeness of the firefighters pension scheme.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> The accounts of the Authority are maintained on an accruals basis. Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction flow to the Authority. (Accounting Policy 2). Where revenue has been recognised but cash has not been received, a debtor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. (Accounting Policy 2). The Authority has adopted the standard revenue recognition for Local government as set out in the Code for the receipt of Government Grants. Government grants and contributions are recognised in the CIES when conditions attached to the grant or contribution have been satisfied. Government grants that have not been satisfied are carried in the Balance Sheet as creditors. (Accounting Policy 46). The Authority has adopted the standard revenue recognition for Local government as set out in the Code for the receipt of council tax and non-domestic rates income. The Council tax and the non-domestic rates income included in the CIES will show the accrued income for the year. (Accounting Policy 52). The Authority's Balance Sheet shows the proportion of surplus/deficit of the Billing Authorities' Collection Fund in the debtors/creditors balance. The Authority also shows the attributable share of the impairment allowance for doubtful debts and a provision for non-domestic rates appeals. (Accounting Policy 53). 	The Authority's revenue recognition policies are appropriate, adequate and Code compliant.	 (Green)

Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none">– Useful life of PPE– Revaluations– Impairments– Accruals– Valuation of pension fund net liability	<p>The Authority's approach to estimates and judgements are reasonable and appropriately disclosed, using expert advice where appropriate.</p> <p>We are satisfied that the valuations recognised in the balance sheet are not materially different to their carrying fair value.</p>	<div><div></div><div>(Green)</div></div>
Other critical policies	<p>We have reviewed the Authority's policies against the requirements of the CIPFA Code and accounting standards.</p>	<p>We have reviewed the Authority's policies against the requirements of the CIPFA Code of Practice. The Authority's accounting policies are appropriate and consistent with previous years.</p> <p>Accounting policies 2 and 3 set out the policies for recognising income and expenditure. We are satisfied that the exceptions to the standard policy at accounting policy 3 do not lead to any material or significant misstatement.</p>	<div><div></div><div>(Green)</div></div>

Assessment

● Marginal accounting policy which could potentially be open to challenge by regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Other communication requirements

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

	Issue	Commentary
1	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit & Standards Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2	Matters in relation to related parties	<ul style="list-style-type: none"> From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Authority.
5	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from the PWLB for loans and from Worcestershire County Council for short term deposits which they manage on behalf of the Authority.
6	Disclosures	<ul style="list-style-type: none"> Our review found no non-trivial omissions in the financial statements that have not been adjusted.
7	Audit evidence and explanations	<ul style="list-style-type: none"> All information and explanations requested from management was provided.
8	Significant difficulties	<ul style="list-style-type: none"> We have not encountered any significant difficulties with accounts closedown, production of draft accounts and working papers.

Other responsibilities under the Code

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

Issue	Commentary
① Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified/Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unqualified opinion in this respect – refer to Appendix D.</p>
② Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
③ Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Work is not required as the Authority does not exceed the threshold.</p>
④ Certification of the closure of the audit	<p>We intend to certify the closure of the 2017/18 audit of Hereford & Worcester Fire Authority in the audit opinion, as detailed in Appendix D.</p>

Value for Money

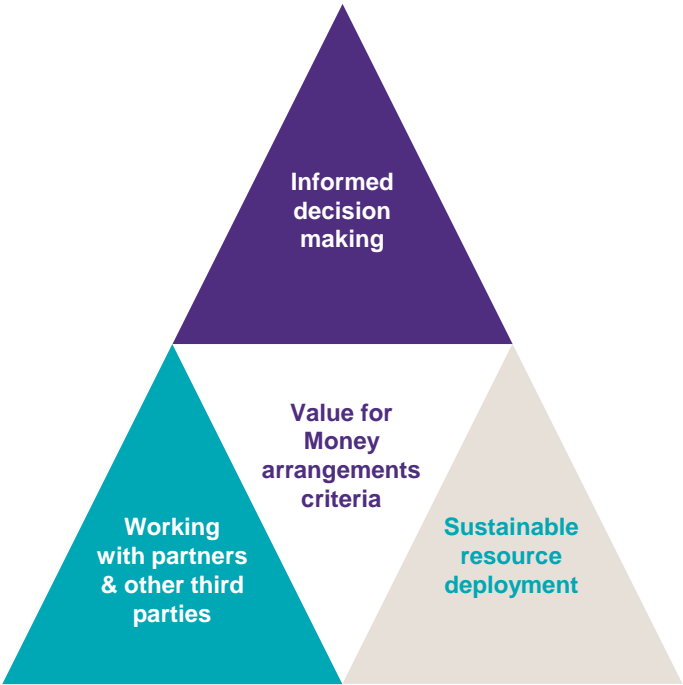
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you the Audit & Standards Committee in our Audit Plan dated April 2018.

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

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

Value for Money

Our work

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

We have focused our work on the significant risks that we identified in the Authority's arrangements. In arriving at our conclusion, our main considerations were the robustness of the Medium Term Financial Plan.

We have set out more detail on the risk we identified, the results of the work we performed and the conclusions we drew from this work on page 16.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Authority had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix D.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendation for improvement as follows.

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Key findings

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

	Significant risk (from audit plan)	Findings	Conclusion
1	<p>Medium Term Financial Plan (MTFP)</p> <p>The latest Medium Term Financial Plan (MTFP) was approved in February. This reported that, with use of reserves totalling £4.5m, there is a balanced budget to 2021/22. Indicative projections for 2022/23 and 2023/24 show deficits of £697k and £616k respectively.</p> <p>As a consequence it is estimated that the Authority will need to identify further on-going annual savings of around £700k by 2022/23.</p> <p>We will:</p> <p>a) examine the savings plans and efficiencies in the MTFP which have been identified to achieve the forecasts;</p> <p>b) update our understanding of the main schemes to ensure they remain robust and realistic;</p> <p>c) look at the plans to address the longer term shortfall to ensure plans to return to a recurrent break even position from 2022/23 onwards are realistic.</p>	<p>There are no new savings plans or efficiencies identified in the latest MTFP. The Authority is using reserves, as intended, to smooth funding to match expenditure while the larger schemes come on stream. The MTFP approved in February 2018 showed the Authority to be considering increasing Council Tax by the maximum amount permitted which balances the budget, with the use of reserves, to 2021/22, but leaving a recurring deficit of £0.6m to £0.7m thereafter, with no remaining reserves. The Authority therefore had four years in which to bridge the deficit on a sustainable basis.</p> <p>We reviewed progress on the schemes to relocate HQ to Hindlip and let Kings Court to an NHS body (£0.24m pa saving); Crewing Changes (forecast to save £0.25m pa from 2020/21); and sharing fire control (£0.3m pa from 2021/22). We concluded that the forecast savings from the move to Hindlip are realistic and the project is on track. The forecast savings from the changes to crewing patterns are slightly reduced, but still reasonable. We noted that there were risks around introducing this, particularly with those Firefighters who vote against the proposal. However, the Authority is clear that crewing needs to change in order to deliver efficiencies, while maintaining service to communities. In the event, Firefighters voted against the proposed changes, and Officers have made savings in different ways. On Fire Control, the savings from this project are realistic and achievable, but again they are not within the Authority's control as they are dependent upon Shropshire & Wrekin Fire Authority joining in, and there are far more risks and challenges to them than Hereford & Worcester.</p> <p>If all of the current schemes realise the savings forecast and Council Tax is increased as planned, the MTFP approved in February showed the Authority will still be faced with a recurring deficit of around £0.6m a year from 2022/23, with no further reserves to fall back on.</p> <p>The final outturn position for 2017/18 shows an under spending, against the Net Budget, of £1.362m. The MTFP has been updated and presented to the Full Authority on 30 May, and shows that the lease of HQ generates additional income and use of 17/18 savings means that use of the Budget Reduction Reserve from 2019/20 to 2023/24 totals £3m and leaves £0.374m remaining in order to ensure a balanced financial position. There remains an underlying deficit of around £0.3m beyond 2023/24.</p> <p>While this is six years away, many schemes take several years to come to fruition, and those easiest to deliver will have already been implemented. While this situation is no different to many other public sector bodies, the Authority does need to identify how a sustainable, long term, balanced budget can be achieved.</p>	<p>Auditor view</p> <p>The MTFP approved in February 2018 identifies that with use of reserves totalling £4.5m, there is a balanced budget to 2021/22. Indicative projections for 2022/23 and 2023/24 show deficits of £697k and £616k respectively.</p> <p>As a consequence it is estimated that the Authority will need to identify further on-going annual savings of around £700k by 2022/23.</p> <p>While this is a comparatively sound financial position, the Authority does need to identify how a sustainable, long term, balanced budget can be achieved.</p> <p>Management response</p> <p>The Authority continues to implement the significant planned measures and strives to identify further efficiencies. The strong MTFP position allows the Authority to begin to consider the use of these efficiencies to enhance service provision to our communities. There is a sensible use of reserves to meet specific containable costs without jeopardising the underlying financial position. Whilst not ignoring the residual £0.3m saving required by the end of the MTFP period it should be noted that council tax-base assumptions over the period are cautious and annual increases in line with the lowest actual annual increase over the last 5 years would eliminate this gap.</p>

Independence and ethics

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. No non-audit services were identified.

Follow up of prior year recommendations

We identified the following issues in the audit of Hereford & Worcester Fire Authority’s 2016/17 financial statements, which resulted in three recommendations being reported in our 2016/17 Audit Findings report. We are pleased to report that management have implemented all of our recommendations, except one, which has been delayed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<div>1</div> <div>✓</div>	<p>Security administration rights granted to those performing financial reporting processes or controls</p> <p>At the time of review, two individuals responsible for performing financial reporting processes or controls had the ability to administer security within Technology One. The combination of financial reporting duties and security administration is considered a segregation of duties conflict. This finding was previously reported in our previous review and no action has been taken to address our recommendations.</p> <p><u>This condition poses the following risk(s) to the organisation:</u></p> <p>Segregation of duties is one of the most important internal controls. To achieve appropriate segregation of duties, administrator rights should not be assigned to staff who are involved in the financial reporting process. This could result in a risk of:</p> <ul style="list-style-type: none">• unauthorised changes to system configuration parameters• creation of unauthorised accounts,• unauthorised updates to their own account's privileges,• security administration processes (such as user administration processes) may not function consistently or reliably over time to control access to information assets• internal access to information assets and administrative functionality may not be restricted on the basis of legitimate business need.	<p>Recommendation:</p> <p>Management should implement a formal monitoring process designed to detect misuse of administrative functionality by personnel responsible for performing financial reporting processes or controls.</p> <p>Management response:</p> <p>The Finance Section is very small, so there are insufficient staff to always ensure full separation of duties for Security Administrators as they do have to undertake other finance duties. As separation of duties is viewed as fundamental to the functioning of the section compensating controls have been put in place to ensure both staff and the Authority are safeguarded. No Technology One administrator is able to authorise payments or bank transfers and have no privileges to sign cheques or authorise amendments to the bank information.</p> <p>Follow up:</p> <p>Not required.</p>

Assessment
✓ Action completed
X Not yet addressed

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
2 ✓	<p>Active Directory Account lockout after unsuccessful login attempts</p> <p>Active Directory accounts are locked following 25 unsuccessful login attempts, this number is considered excessive.</p> <p>This finding was previously reported in our previous review and no action has been taken to address our recommendations.</p> <p><u>This condition poses the following risk(s) to the organisation:</u></p> <p>In the absence of this control there is a risk that user accounts could be compromised through password guessing or cracking.</p>	<p>Recommendation:</p> <p>The number of failed login attempts permitted for Active Directory should be reduced to between 3-5 in line with recognised best-practice.</p> <p>Management response:</p> <p>In October 2017, the Fire Authority will begin the implementation of the Office365 environment this will incorporate the appropriate changes to reduce the number of log in attempts.</p> <p>Follow up:</p> <p>The Office 365 project has been delayed to the third quarter of 2018.</p>
3 ✓	<p>Ineffective process of Information Security policies acknowledgement by users</p> <p>During our review, we noted that all employees are required to sign a form stating that they have read and agree to abide by HWFRA IT Security Policy. This is read in conjunction with Acceptable use policy. However, HR do not consistently follow these to ensure that all employees have signed the confidentiality agreements and acceptable use.</p> <p><u>This condition poses the following risk(s) to the organisation:</u></p> <p>Confidentiality agreements helps clarify and reinforce the importance that the organisation places on security in the minds of the people signing them. They also help the organisation pursue disciplinary or legal action against a person who breaches confidentiality. Not requiring staff to sign a confidentiality agreement may contribute to a sense among staff that security is not a high priority; however, this is of relatively low importance compared to, say, management's attitude to control.</p>	<p>Recommendation:</p> <p>All permanent employees, temporary staff and contractors sign a confidentiality agreement before being connected to the organisation's IT facilities</p> <p>Management response:</p> <p>This process was not being undertaken within the Human Resources section systemically, this has now been identified and is being fully implemented within the induction process.</p> <p>Follow up:</p> <p>This is now included in the employee induction pack.</p>

Assessment
✓ Action completed
X Not yet addressed

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

There were no misstatements which impacted on the key statements and the reported net expenditure for the year.

Misclassification and disclosure changes

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

Disclosure omission	Detail	Adjusted?
Fair Value of PWLB loans	Fair value figure disclosed for PWLB is the PWLB redemption rate of £14.074m and is incorrect. Agreed amount needs to be recalculated. Authority has made recalculation and value is amended to £13.998m.	✓
Contingent liability disclosure	The note has been enhanced to: 1) Provide more detail on the Pension Tribunal Contingent Liability; and 2) Include a disclosure on legal cases where pensions may have been paid incorrectly due to loss of protected pension age.	✓
Pension fund disclosures	Pension disclosure notes have been restated for 2015/16 and 2016/17 in respect of the present value of the defined benefit obligation and fair value of Plan assets for the Local Government Pension Scheme. Restatement is disclosural only and arises from an omission from the 2015/16 pension disclosures for Place Partnership Ltd (PPL). Both the asset and liability were understated by £1.6m.	✓

Impact of unadjusted misstatements

There were no adjustments identified during the 2017/18 audit which have not been made within the final set of financial statements.

Fees

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

Audit Fees

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

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).
No non-audit or audited related services have been undertaken for the Authority.

Audit opinion

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

Independent auditor's report to the members of Hereford and Worcester Fire Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hereford and Worcester Fire Authority (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Firefighters' Pension Fund Account and the Firefighters' Pension Fund Statement of Net Assets, and the related notes to the financial statements, including a summary of significant accounting policies. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Treasurer is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 2 to 80, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Treasurer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 13, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Treasurer. The Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit and Standards Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

Auditor’s responsibilities for the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Phil Jones

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

Grant Thornton UK LLP
The Colmore Building
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Birmingham B4 6AT

25 July 2018



Hereford & Worcester Fire Authority

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Date 25th July 2018

Dear Sirs

Hereford and Worcester Fire Authority Financial Statements for the year ended 31 March 2018

This representation letter is provided in connection with the audit of the financial statements of Hereford and Worcester Fire Authority for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the Authority financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

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

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Authority has been assigned, pledged or mortgaged

- c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Authority financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii We believe that the Authority's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Authority's needs. We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiv We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Authority financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
- xv We have communicated to you all deficiencies in internal control of which management is aware.
- xvi All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.

- xix We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xx We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxi We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
- xxii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Authority's Audit and Standards Committee at its meeting on 25 July 2018.

Yours faithfully

Name

Position

Date

Name

Position

Date

Signed on behalf of the Authority

Report of the Treasurer

External Audit Fee 2018-19

Purpose of report

1. To update the Committee on the audit fee for 2018/19.
-

Recommendations

The Treasurer recommends that the Committee note the External Audit Fee 2018/19 from Grant Thornton UK LLP.

Introduction

2. For the audit of accounts from the 2018/19 year onward, the Authority is now free to appoint its own internal auditors, subject to compliance with the relevant legislation.
3. Members will be aware that this Authority (along with 99% of all local authorities) signed up with the LGA company "Public Sector Audit Appointments Ltd" (PSAA) as the "appointing person", to manage the appointments.
4. In September 2017 the Committee was notified that Grant Thornton (UK) LLP have been appointed by the Audit Commission to act as auditors for Hereford & Worcester Fire Authority for a period of five years.
5. Public Sector Audit Appointments Ltd (PSAA) as successor body to the Audit Commission continues to determine the scale fee for Audit work.

Scale Fee 2018/19 Audit

6. The scale fee is defined as the fee required by auditors to carry out the work necessary to meet statutory responsibilities in accordance with the Code of Audit Practice.
7. The Authority's scale fee for 2018/19 is £25,311 which is 23% reduction on the fees for 2016/17 and 2017/18 (£32,872) and considerably less than the circa £80,000 pre-Austerity fees.
8. Fees will be reviewed and updated as necessary as the audit work progresses.
9. Fees will be billed quarterly in advance.

10. The scale fee excludes any work requested by the Authority that Grant Thornton may agree to undertake outside of the audit code. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Authority.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	Fees (see paras 6-9)
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	None.
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	None.
Consultation (identify any public or other consultation that has been carried out on this matter)	None.
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	N/A

Supporting Information

Appendix 1: Grant Thornton UK LLP – Planned Audit Fee for 2018/19 letter dated 27 March 2018

Contact Officer

Martin Reohorn, Treasurer
(01905 368205)
Email: mreohorn@hwfire.org.uk



Grant Thornton

An instinct for growth™

Our ref: 2018-19 audit fee

Mr Martin Reohorn
Director of Finance & Assets (Treasurer)
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27 March 2018

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Dear Martin

Planned audit fee for 2018/19

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and has the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

From 2018/19 all grant work, including housing benefit certification, now falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

Scale fee

PSAA published the 2018/19 scale fees for opted-in bodies in March 2018, following a consultation process. Individual scale fees have been reduced by 23 percent from the fees applicable for 2017/18. Further details are set out on the [PSAA website](#). The Council's scale fee for 2018/19 has been set by PSAA at £25,311.

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes'.

The audit planning process for 2018/19, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2018/19. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits of the accounts for 2018/19 will be undertaken under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its latest guidance for auditors on value for money work in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

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

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2018	6,328
December 2018	6,328
March 2019	6,328
June 2019	6,327
Total	25,311

Outline audit timetable

We will undertake our audit planning and interim audit procedures in January to March. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in June and July, and work on the whole of government accounts return in July.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January to March	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June & July	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January to March	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	September	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Our team

The key members of the audit team for 2018/19 are:

	Name	Phone Number	E-mail
Engagement Lead	Phil Jones	0121 232 5232	phil.w.jones@uk.gt.com
Engagement Manager	Neil Preece	0121 232 5292	neil.a.preece@uk.gt.com
In Charge Auditor	Allison Thomas	0121 232 5278	Allison.A.Thomas@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Mark Stocks, our Public Sector Assurance regional lead partner, via mark.c.stocks@uk.gt.com.

Yours sincerely

Phil Jones (for Grant Thornton UK LLP)

Phil Jones
Engagement Lead
For Grant Thornton UK LLP

Report of the Internal Auditor

Internal Audit Annual Report 2017/18

Purpose of Report

1. To provide the Committee with:
 - the overall results in terms of meeting Internal Audit's (IA's) objectives as set out in the internal audit plan for 2017/2018;
 - an audit opinion and commentary on the overall adequacy and effectiveness of the internal control environment; and
 - a copy of the current internal audit charter.
-

Recommendation

The Treasurer recommends that the Committee note the Internal Audit Charter and that the audit plan delivered in 2017/18 has provided an assurance level of "full" for three core financial areas and that no limited or below assurance areas have been reported.

Introduction and Background

2. The Authority is responsible for maintaining or procuring an adequate and effective internal audit of the activities of the Authority under Regulation 5 of the Accounts and Audit (England) Regulations 2015. This includes considering, where appropriate, the need for controls to prevent and detect fraudulent activity. These should also be reviewed to ensure that they are effective. This duty has been delegated to the Treasurer, and, Internal Audit was provided by Worcestershire Internal Audit Shared Service (WIASS). Management is responsible for the system of internal control and should set in place policies and procedures to ensure that the system is functioning correctly. The Authority is required to publish an Annual Governance Statement to accompany the accounts by the 31st July.

Objectives of Internal Audit

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

Internal Audit

Aims of Internal Audit

4. The objectives of WIASS are to:
 - Examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the Fire Service and recommend arrangements to address weaknesses as appropriate;
 - Examine, evaluate and report on arrangements to ensure compliance with legislation and the Fire Service's objectives, policies and procedures.
 - Examine, evaluate and report on procedures that the Fire Service's assets and interests are adequately protected and effectively managed.
 - Undertake independent investigations into allegations of fraud and irregularity in accordance with Fire Service's policies and procedures and relevant legislation.
 - Advise upon the control and risk implications of new systems or other organisational changes.
5. WIASS is committed to providing an audit function which conforms to the Public Sector Internal Audit Standards 2013.

Assurance Sources

6. We recognise there are other review functions providing other sources of assurance (both internally and externally) over aspects of the Council's operations. Where possible we seek to place reliance on such work thus reducing the internal audit coverage as required.

Independence and Safeguards

7. WIASS internal audit activity is organisationally independent. Internal Audit reports to the Treasurer but has a direct and unrestricted access to senior management team and the Audit Committee Chair. Where WIASS provide assistance with the preparation of areas of work such as Risk Management or the Annual Governance Statement there are clear safeguards in place to ensure independence is not compromised. Safeguards include review within the audit service by an independent person to those who have completed the work as well as independent scrutiny by the Treasurer of the authority. Audit Committee can also challenge the reported findings and the minutes would record this.

8. To try to reduce duplication of effort we understand the importance of working with the External Auditors. The audit plan was shared with the external auditors for information.

Risk Management

9. Risk Management is a high profile activity due to the nature of the Authority. Regular updates have been brought before Committee and a robust and embedded risk management process exists within the Fire Authority. Regular review of the risk profile takes place with appropriate mitigation agreed and reporting.

Summary of the prime features

2017/2018 Key Internal Audit planned Inputs for WIASS

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

2017/2018 Key Internal Audit planned Outputs for WIASS

11. During 2017/18 Internal Audit was required to:
 - complete twelve systems audits (including critical friend reviews) of which four needed to suitably assist the External Auditor reach their “opinion”.
 - provide sufficient audit resources for other operational areas which assist the Fire Service maintaining/improving its control systems and risk management processes or implementing / reinforcing its oversight of such systems, i.e. provide an on-going consultancy to managers on internal control, for example where system changes are being made;
 - meet Internal Audit’s external work requirements;
 - achieve a benchmark of delivery for 2017/2018 of all audits as agreed in the operational programme as agreed at the September 2017 Committee.
12. The majority of audits, on completion, are assigned an assurance using a predefined definition and all reported recommendations are given a priority. The audit assurance and recommendation priority is agreed with Management before the final report is published. An example of the assurance and priority definitions is provided at Appendix 2 for information.

Productive Work

13. During 2017/2018 there were 91 productive audit days delivered by WIASS against an overall budget of 111 days. Due to resource pressures at the Fire Authority it was agreed that the ICT for 2017/18 would be rolled into the early part of 2018/19. The Treasurer was instrumental in this audit plan variance. This review is due to commence in July 2018. Small savings were also possible across some of the plan budgets without compromising the coverage of the audit e.g. support and contingency.

Appendix 1 gives a break down of the annual budgeted days for systems work. WIASS has achieved, not withstanding the small variance, what was required according to the 2017/2018 audit plan and completed all audits to final report stage except in regard to the ICT review. The appendix shows for each audit report the overall assurance attained as well as providing an overall assurance analysis. Appendix 2 provides an explanation of assurance categorisation. The overall assurance that has been attributed to the various areas that have been audited in regard to the 2017/18 programme reflects the fact there have been no 'high' priority recommendations to report.

14. Consultancy, advice and guidance are demand led activities and can fluctuate from year to year but have been contained well within the agreed budget.
15. Follow up in respect of audits provided to the Fire and Rescue Service have continued and were included as part of the 2017/18 audit programme and have been undertaken during the past twelve months for example Safeguarding, Technical Fire, Training and Development and Transformational Planning 2020 as well as the core financial reviews.
16. Internal audit has worked with external audit to try and avoid duplication of effort, provide adequate coverage for the 2017/18 financial year so that an internal audit opinion can be reached, and, support External Audit by carrying out reviews in support of the accounts opinion work.

Work of interest to the External Auditor

17. The results of the work that we performed on four systems audits during 2017/18 was of direct interest to External Audit. Audit reports are passed to the external auditor on request for their information and for them to inform their opinion.
18. Dialogue continues with the External Auditor to ensure that the IA work will continue to provide the assurance they seek at an acceptable standard.

Quality Measures – internal

19. Managers are asked to provide feedback on systems audits as the audit progresses. Comments have been received from a number of Managers who have expressed their appreciation of the audit approach and the fact that it will assist them to add value to their service area. Feedback has predominantly been immediately forth coming from the appropriate Managers, however, a questionnaire is available/provided where a more formal response is required. WIASS analyse the returns during the year to ensure that the audit programme continues to add value. The Treasurer, Senior Management Team and External Audit have also confirmed a high satisfaction with the audit product during discussions with the Head of Internal Audit.

20. Further quality control measures embedded in the service include independent individual audit reviews and regular Client Officer feedback. WIASS staff work to a given methodology and have access to reference material and the Charter which reflects the requirements of the standards. A copy of the Charter is included at Appendix 4 for information.
21. The Client Officer Group (i.e. management board) meet on a regular basis and consider the performance of the Shared Service including progress against the Service Plan and promote continuous improvement of the Service.
22. To further assist the Committee with their assurance of the overall delivery WIASS conforms to the Public Sector Internal Audit Standards 2013.
23. Appendix 3 provides the audit opinion and commentary which provides further assurance to the Committee.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	H&WFRS joined the Shared Service as a full partner in April 2016. The financial details are not fully detailed in this report.
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	There are legal issues e.g. joining as a partner in the shared service required consideration but are not fully detailed in this report. Internal audit provide an independent assessment of risk mitigation against corporate priorities.
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 – Internal Audit Plan for the Fire & Rescue Service 2017/18

Appendix 2 – Audit Reports 2017/18

Appendix 3 – Commentary and Audit Opinion 2017/18

Appendix 4 – Internal Audit Charter

Contact Officer

Andy Bromage

Head of Internal Audit Shared Service

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**INTERNAL AUDIT PLAN FOR THE FIRE & RESCUE SERVICE
2017/18
WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE**

Audit Area	Proposed Review	Planned days 2017/18	End of Year Position
Accountancy & Finance Systems			
Main Ledger (incl. Budgetary Control & Bank Rec)	Limited Scope	5	Completed 16/01/2018
Creditors	Full	8	Completed 16/01/2018
Debtors	Limited Scope	4	Completed 16/01/2018
Payroll & Pensions (incl. GARTAN)	Full	13	Completed 8/5/2018
Capital Programme (Fleet)	Full	8	Completed 16/01/2018
SUB TOTAL		38	
Corporate Governance (incl. Health & Safety arrangements)			
Corporate Governance (Business continuity, resilience & emergency planning)	Full	9	Completed 16/08/2017
ICT Audit	Full	8	Ongoing – 5 th July 2018
Risk Management	Limited Scope	5	Completed 14/06/2017
System / Management Arrangements			
Partnership Working (Governance Arrangements)	Full	6	Completed 15/06/2018. Awaiting Management sign off of final report
Training (Baseline & Core skill delivery)	Full	8	Completed 02/11/2017
Transformational Planning	Critical Friend	9	Completed 22/09/2017
Procurement /Contracts	Full	8	Completed 28/02/2018
SUB TOTAL		53	
General			
Follow up Reviews		7	Q1 to Q4 inclusive
Advice, Guidance, Consultation, Investigations		3	Q1 to Q4 inclusive
Audit Cttee Support		5	Q1 to Q4 inclusive
Reports & Meetings		5	Q1 to Q4 inclusive
SUB TOTAL		20	
TOTAL CHARGEABLE		111	

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

Summary of 2017/18 Audit Assurance Levels

2017/18	Number of Fire and Rescue Service Audits	Assurance	Overall % (rounded)
From 12 reviews	3	Full	25%
	2	Significant	17%
	5	Moderate	42%
	0	Limited	0%
	0	No	0%
	1	To be finalised i.e. ICT.	8%
	1	Critical Friend	8%

Note:

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

Overall Conclusion:

- 92% of the finalised audits undertaken for 2017/18 which have been allocated an assurance returned a level of moderate or above. This figure includes the 'critical friend' reviews.
- Managers and the Treasurer are satisfied with the audit process and service delivery from the feedback received from them.

Audit Reports 2017/18

Definition of Audit Opinion Levels of Assurance

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

Definition of Priority of Recommendations

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

**Hereford and Worcester Fire and Rescue Authority
Commentary and Audit Opinion 2017/18**

1. Internal Audit: Hereford and Worcester Fire and Rescue Authority's responsibility for maintaining an adequate and effective internal audit function is set out in Regulation 5 of the Accounts and Audit (England) Regulations 2015.

Overall Governance Conclusion

2. Based on the audits performed with the revised audit plan, the Head of Internal Audit Shared Service has concluded although not all audits have achieved full assurance the lack of serious shortcomings found in the range of audits carried out indicates that the Hereford and Worcester Fire and Rescue Service internal control arrangements are generally adequate and have effectively managed the principal risks identified in the audit plan and can be reasonably relied upon to ensure that the Authority's corporate objectives have been met.

Risk Management Conclusion

3. The Head of Internal Audit can confirm the development of formal risk management systems was sustained during the year and risk management continues to feature prominently.
4. The corporate risk register was updated and the Audit Committee have received the necessary updates on key risks. Updates will continue to be made regularly to the Audit Committee. The link between risk identification and control is of fundamental interest to internal auditors, although the responsibility for controlling the risk itself rests firmly with line managers, who must ensure that appropriate controls are considered to mitigate the identified risks.

Findings

5. The Internal Audit function is provided by the Worcestershire Internal Audit Shared Service (WIASS) which was set up as a shared service in 2010/11, and hosted by Worcester City for 5 district councils and the Fire and Rescue Service. 2016/17 was the first year Hereford and Worcester Fire and Rescue Authority became a full voting member of the shared service. The shared service operates in accordance with, and conforms to, the Public Sector Internal Audit Standards 2013. It objectively reviews, on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Fire and Rescue Authority objectives and contributes to the proper, economic and effective use of resources.
6. The Internal Audit Plan was agreed with External Audit, the Treasurer and s151 Officer and was approved by the Audit and Standards Committee on the 12th April 2017. It included:
 - a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion'

- other corporate systems for example corporate governance, risk management, partnership working.
7. Based on the audits performed by WIASS in accordance with the approved audit plan the Head of Internal Audit Shared Service can report that the Hereford and Worcester Fire and Rescue Authority governance framework arrangements during 2017/2018 have provided assurance outturns of 'full' in regard to three core financial areas along with mixed assurances in regard to other operational aspects. There were no 'limited' or below assurances reported.
 8. 'Full' to 'moderate' assurance essentially provides there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified.
 9. It should be noted that as part of the risk based approach WIASS delivered all the audits identified in the 2017/18 plan apart from ICT which was rolled in to the early part of 2018/19 after consultation with management.
 10. In relation to the twelve reviews that have been undertaken 11 have been completed and discussed with management with 10 reports issued in finalised form.
 11. WIASS can conclude that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance based on the audits performed in accordance with the approved plan and the scoping therein.

Andy Bromage
Head of Internal Audit Shared Service
June 2018



Worcestershire Internal Audit Shared Service (WIASS)

Internal Audit Charter

Hereford and Worcester Fire and Rescue Authority

Definitions

1. Management refers to the Chief Fire Officer, Deputy Chief Fire Officer, Assistant Chief Fire Officer/Directors and Area Commanders/Heads of Service.
2. Board refers to the Audit & Standards Committee

This Charter was last reviewed April 2017 and was approved by the Audit & Standards Committee on 5th July 2017

1. Introduction

Purpose

- 1.1 The purpose of this charter is to define what Internal Audit is and explain its purpose, role and responsibilities.

Provision of Internal Audit Services

- 1.2 WIASS covers five district authorities Wychavon, Malvern Hills, Bromsgrove, Redditch and Worcester and one Fire Service Hereford and Worcester Fire and Rescue Authority. WIASS also provides internal audit services to Place Partnership Limited.
Worcester City Council hosts the Shared Service provision under an on-going Administrative Collaborative Agreement. It is governed by a Client Officer Group which is made up of the district and Fire Service s151 officers each having an 'equal say'. The Client Officer Group meets approximately 4 times a year.
- 1.3 For line management matters internal audit will report to the Corporate Director of Resources (s151 Officer within Worcester City Council) and the Monitoring Officer in their prolonged absence.

2. Definition

- 2.1 Internal Auditing is 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 bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

3. Scope and Authority of Internal Audit Work

- 3.1 Under the Accounts and Audit Regulations 2015 No. 234 Part 2 Regulation 5:
(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—
(a) make available such documents and records; and
(b) supply such information and explanations;
as are considered necessary by those conducting the internal audit.
(3) In this regulation "documents and records" includes information recorded in an electronic form.
To aid compliance with Regulation 5 of the Accounts and Audit Regulations 2015, the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 details that "Internal Audit should work in partnership with management to improve the control environment and assist the organisation in achieving its objectives".
Internal Audit work should be planned, controlled and recorded in order to determine priorities, establish and achieve objectives.
- 3.2 In the course of their reviews internal audit staff, under the direction of the Head of Service, shall have authority in all partner organisations to:-
- at all reasonable times after taking account of audit requirements, enter on any partners' premises or land;
 - have access to, and where internal audit deem necessary take into their possession, any records, documents and correspondence relating to any matter that is the subject of an audit;
 - require and receive such explanations as may be considered necessary from any officer of the Partner regardless of their position;
 - require any officer of the Partner to produce forthwith cash, stores or any other property under their control.

for which the internal audit service is being provided.

3.3 Internal Audit work will normally include, but is not restricted to:

- review and assess the soundness, adequacy, integrity and reliability of financial and non-financial management and performance systems, and quality of data;
- reviewing the means of safeguarding assets;
- examine, evaluate and report on compliance with legislation, plans, policies, procedures, laws and regulations;
- promote and assist the Partner in the effective use of resources
- examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the Partner and recommend arrangements to address weaknesses as appropriate;
- advise upon the control and risk implications of new systems or other organisational changes.
- provide a 'critical friend' to assist services to achieve value for money
- undertake independent investigations into allegations of fraud and irregularity in accordance with the Partner's policies and procedures and relevant legislation
- at the specific request of management¹, internal audit may provide consultancy services provided:
 - the internal auditors independence is not compromised
 - the internal audit service has the necessary skills to carry out the assignment, or can obtain skills without undue cost or delay
 - the scope of the consultancy assignment is clearly defined and management¹ have made proper provision for resources within the annual plan
 - management understand that the work being undertaken is not internal audit work.

4. Responsibility of Management¹ and of Internal Audit.

- 4.1 At all times internal audit will operate in accordance with the partner's Constitution and legal requirements and all internal audit staff will adhere to recognised Professional Standards and Codes of Conduct and Ethics e.g. the Institute of Internal Auditors' and/or CIPFA as well as the Partner's Codes of Conduct and Anti-Fraud and Corruption Policies.
- 4.2 It is the responsibility of Management to put in place adequate controls to ensure systems meet their objectives and that they are notified without delay of any instances where systems are failing to operate properly. However, where there has been, or there are grounds to suspect that there is risk of a serious breakdown in a significant system, the Head of Service should be informed of the problem and any counter measures already in hand or proposed, as quickly as possible, in order that the Head of Internal Audit Shared Service can decide whether audit involvement is needed.
- 4.3 Similarly, it is the responsibility of Management to put in place adequate controls to prevent and detect fraud, irregularities, waste of resource, etc. Internal Audit will assist Management to effectively manage these risks. However, no level of controls can guarantee that fraud and the like will not occur even when the controls are performed diligently with due professional care. As a consequence all cases of actual or suspected fraud should be reported to the Head of Internal Audit Shared Service forthwith. The Head of Internal Audit Shared Service will then decide the course of action to be taken with due regard to the Partner's Constitution, e.g. Whistleblower's Charter, Stopping Fraud and Corruption Strategy, etc.

- 4.4 Any officer of a partner organisation who has genuine concerns at raising a suspected instance of fraud or malpractice through their normal reporting channels, can raise the matter under the Partner's Whistleblower's Charter directly with any of the persons named in the policy document, including the Head of Internal Audit Shared Service. Head of Internal Audit Shared Service will then pursue the matter in accordance with the provisions of the policy document.
- 4.5 Internal audit is not responsible for any of the activities which it audits. WIASS will not assume responsibility for the design, installation, operation or control of procedures. However should any partner/client contract for specialist services within an area then the WIASS staff member assigned will not be asked to review any aspect of the work undertaken until two years have passed from the completion of the assignment.
- 4.6 The Head of Internal Audit Shared Service will ensure that the Section 151 Officer is briefed on any matter coming to the attention of internal audit that could have a material impact on the finances of the Partner as quickly as possible and will ensure the appropriate Officer of the Authority e.g. Director, Monitoring Officer is regularly briefed on the progress of audits having a corporate aspect. Matters involving fraud or malpractice should be reported to an appropriate Officer of the Authority e.g. Managing Director, Chief Executive, Director, Monitoring Officer and Section 151 Officer (except where the latter may involve the Managing Director, Chief Executive, Director, Monitoring Officer and/or the Section 151 Officer when the Head of Internal Audit Shared Service for the Worcestershire Internal Audit Shared Service will brief the Chairman of the Board¹ and/or Leader of the Partner on the position and agree the way forward in accordance with Financial Regulations).
- 4.7 In order to (1) maintain a broad skills base within Internal Audit and (2) maximise the ability of the team to offset the cost of providing the internal audit function to the Partner, the strategic plan will include a commitment that internal audit obtains income to the Partner from external work either from partnership working and/or selling its expertise. Such activities will be governed by targets set out in the Collaborative Administrative Agreement and will be approved and reported on to the Client Officer Group.

5. Planning and Reporting

- 5.1 To meet the objectives above, the Head of Internal Audit Shared Service shall:-
- a) prior to the beginning of each financial year, following consultation with Management¹ and after taking into account comments from Members arising from the reporting process set out below, provide the Committee with:
 - a risk based audit plan forecasting which of the Partner's activities are due to receive audit attention in the next 12 months. The risk based plan will take into consideration a number of risk factors and provide a basis of a three year strategic plan. A key responsibility of the Head of Internal Audit Shared Service is to ensure all core activities receive attention at least once every 3 years with higher risk areas receiving more frequent attention, at the same time meeting the requirements of the latest appointed External Auditor guidance, whereby internal and external audit should work in partnership. Also, where there is a potential difference between strategy/plan and resource that this is reported to the Board²;
 - a detailed operational plan using a risk based assessment methodology showing how/what resources will be required/allocated in the coming financial year in order to meet the requirements of the Partners strategic plans. The Plans will be flexible and include a small contingency contained as part of the consultancy budget to allow for changes in priorities, emerging risks, ad hoc projects, fraud and irregularity, etc. The Head of Internal Audit Shared Service will bring to the attention of the s151 Officer

if this budget is depleted so an additional contingency can be agreed. 'Consultancy', for the purposes of WIASS activity, is defined as work that is of a specialist nature and commissioned/requested in regard to an area of work activity within a service area that is in addition to the agreed partners audit plan. The work can be financial or governance based and the output will provide management¹ with challenges to consider depending on it's nature. The approach to the assignment can be flexible but follow a similar path in regard to the methodology.

- b) during the course and at the close of each financial year provide the Board² with:
 - quarterly progress reports on actual progress compared to the plan and performance indicators. Such reports to highlight serious problems, either affecting the implementation of the plan, or, in the take up of audit recommendations;
 - an annual report summarising the overall results for the year compared to the plan and pointing out any matters that will impact on internal audit's ability to meet the requirements in the strategic plan;
- c) during the course and close of each full systems/risk audit provide the client manager¹ with:
 - a copy of an audit brief and audit information request setting out the objectives and scope of the audit prior to commencement of the audit and a confirmation of resource requirements for the audit.
 - draft recommendations, which will be discussed with the responsible manager¹ prior to sending the draft audit report. The manager¹ is responsible for confirming the accuracy of the audit findings and is invited to discuss the report during the 'clearance' meeting prior to the issue of the draft report.
 - an audit report containing an overview of the quality of the control system, an opinion as to the level of system assurance and detailed findings and recommendations including priority. 'Assurance', for WIASS purposes, is defined as the determination of an overall outcome against a predetermined criteria leading to an applied level giving an overall summary for the work audited.
- d) shortly after the close of each financial year provide for the purposes of the Annual Governance Statement:
 - an annual audit opinion of the Partner's system of controls based on the audit work performed during the year in accordance with the plans at 5.1(a) above and reported in accordance with 5.1(b) and (c) above and on the assurance methodology adopted, and, a statement of conformance with the Public Sector Internal Audit Standards and the results of quality assurance and improvement programme.

5.2 Expectations of Clients:

Managers and staff should co-operate with the Auditors, and responses should be made to draft reports as outlined at 3 above. Responses should include an action plan, dates for action and responsibility where actions are delegated. The final 'High' and 'Medium' recommendations will be reported to the Board².

5.3 Audit reports will be drawn up following the internal audit report framework. A matrix type report displaying audit findings, risks and recommendations along with a column for management comments, as per 5.1(c), will be provided to management¹. The report will also contain an introduction and priority categories for each of the recommendations. A covering report will be attached to the matrix providing details of the partner organization, circulation, audit scope and objectives, an audit opinion and executive summary and an audit assurance rating as well as a clear indication of

what action is required by management. Also included in the report will be the definition of audit opinion levels of assurance and definitions of priority of recommendations.

- 5.4 Upon completion of audits, the audit exceptions will be discussed with the relevant line manager and will form the basis of the draft audit reports. The draft audit reports are issued to the relevant line managers for them to confirm the accuracy of the audit findings and content. Managers are invited to contact the Auditor if they wish to discuss the report and asked to show their response in the form of an action plan to each recommendation on the draft report. For accepted recommendations, dates for action or implementation are recorded. The managers' responses are recorded in the final reports that are issued to the appropriate Management¹ officers as deemed relevant for the audit.
- 5.5 In accordance with professional standards, after three/six months from the date of issue of the final report, follow-up audits are undertaken to ensure that the agreed recommendations and action plans have been implemented, or, are in the process of being implemented. A formal follow up procedure / methodology is used to follow up audit reports. A follow up is then undertaken every three months to coincide with the Board² cycle so progress reporting is timely.
- 5.6 Internal Audit works to the reporting quality standards of:
- draft audit reports to be issued within 5 working days of the clearance meeting;
 - management responses received within 10 working days;
 - final audit reports to be issued within 5 working days of the final discussions of the draft audit report and receipt of management responses;
 - final reports to be followed-up initially within 3 to 6 months of the date issue of the final audit report depending on the recommendation priority and residual risk, to ensure that the accepted recommendations due for implementation have been established.

6. External Relationships

- 6.1 The main contacts are with:
- Institute of Internal Auditors
 - External Auditors
 - Local Authorities in the Worcestershire area
 - Local Authorities in the Midlands area
 - Organisations within the Exeter Benchmarking Group
 - CIPFA (publishers of the systems based auditing control matrices written by Exeter IA section)
 - National Fraud Initiative via DCLG and Cabinet Office

But may include other external parties as necessary.

Notes

- a) In the absence of the Head of Internal Audit Shared Service all provisions relating to him/her above will apply to the relevant Team Leader in accordance with the duties allocated by the Head of Internal Audit Shared Service.

Version Control:	Date of Change	Action	Updated by
1.0	2 nd March 2012	Charter for WIASS	AB
2.0	9 th August 2012	Update to Charter	AB
3.0	23 rd April 2013	Update to Charter re. International Standards	AB
4.0	21 st Janaury2016	Update to Charter re. legislative requirements & title changes	AB
5.0	1 st July 2016	Update re. titles and definition of 'consultancy' and 'assurance'.	AB
6.0	April 2017	Full review in line with Standards	HT
7.0	May 2017	COG suggestion: Update of H&WFRS name to reflect legal entity & 'Council's' to 'Partners'.	HT

Report of the Internal Auditor

Internal Audit External Assessment 2017/18 Update Report

Purpose of Report

1. To provide the Committee with an update from the Head of Internal Audit Shared Service in regard to the implementation progress made against the Internal Audit External Assessment that took place during the 2017/2018 financial year.

Recommendation

The Treasurer recommends that the report is noted.

Introduction and Background

External Assessment

3. The Authority is required under Regulation 5 of the Accounts and Audit Regulations 2015 to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.
4. Although not a statutory requirement all Internal Audit Services are obliged to comply with the Public Sector Internal Audit Standards 2013 as amended and undergo an independent external assessment every 5 years to ensure compliance with the Standards.
5. The independent assessor was procured after using a soft marketing and competitive quotation approach. Peers were consulted and references taken up in regard to any previous assessment work that had been undertaken in other authorities and the outcome in regard to the successful bid. Tilia Solutions were appointed for the Worcestershire Internal Audit Shared Service Assessment. The review was undertaken by the independent assessor during early October 2017 and a report was produced identifying areas which would enhance the Internal Audit Service provision overall. The final report was presented on the 20th October 2017.
6. The report was presented to the Client Officer Group during November 2017. The key outcomes of the assessment were:
 - The Service is solid and reliable
 - Nothing wrong

- No areas of non compliance were identified
7. The report identified a number of recommendations, compliance and suggestions to further enhance the Service. These have been accepted by the Head of Internal Audit, discussed with the Client Officer Group and an action plan formulated in order to satisfy all the points rather than solely the recommendations. It was decided, after due consideration, by addressing all the points it would benefit the Service overall. An action plan was formulated using an extract of the report as the basis to work. Reasonable progress has been made to date in order to satisfy a number of the points with others progressing well. It is planned that progress against the report will be reported before Committee twice a year until all the points identified have been satisfied.
 8. A copy of the Tilia Solutions report can be found at Appendix A.
 9. An extract of the report, action plan and progress to date can be found at Appendix B.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	H&WFRS joined the Shared Service as a full partner in April 2016. The financial details are not fully detailed in this report. As a Partner performance and development of the Shared Service is an important facet of good governance.
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	The Service provides independent assurance that risks associated with strategic policy are being mitigated.
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	The recommendations are not addressed sufficiently to satisfy requirements thus impacting on the service provision in the longer term.
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 A - The report of the independent assessor; 'Tilia Solutions External Assessment Report'.

Appendix B – Extract of report with action plan

Contact Officer

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Head of Internal Audit Shared Service

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FINAL

Review of

Worcestershire Internal Audit Shared Service

20 October 2017

Elizabeth Humphrey CPFA

Review of Worcestershire Internal Audit Shared Service (October 2017)

Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS) which have been in place since 1 April 2013, were revised on 1 April 2016 and have been further revised on 1 April 2017. The standards require periodic self-assessments and an assessment by an external person every five years. Now that Worcestershire Internal Audit Shared Service (WIASS) has been operating under the standards for over four years this was deemed a good time for the first external review. The review also included checking compliance with the Local Government Advisory Note (LGAN) where this has requirements in addition to those in the PSIAS.

The review was carried out through a process of interview and document review. A list of interviewees is included at appendix 2. I should like to thank all those who took the time to talk to me for their help. I reviewed seven audits carried out during the 2016/17 and 2017/18 financial years and I examined key documents including the Charter and reports to the various Audit Committees.

I identified no areas of non-compliance with the standards that would affect the overall scope of the internal audit activity. However, the approach taken to performing risk-based audits needs rethinking. Planning audit assignments using the risk appraisal used to determine if audits should be included on the annual audit plan is insufficient: the risks to the activity itself should also be identified and audited against. In addition, the head of the shared service should liaise with and report to the broader senior management teams at each organisation rather than the majority of liaison being with the directors of finance who make up the Client Officer Group (CoG). There are also some medium-priority actions needed to ensure full compliance with the standards and I have made some best practice suggestions for consideration by the service, the CoG and Audit Committees. The Head of the Internal Audit Shared Service (HIASS) will need to take action to implement my recommendations (R), compliance actions (C) and suggestions (S). An action plan detailing the essential recommendations is included as appendix 1.

Summary findings and recommendations

Standard	Compliance	Findings	Recommendations	Rec no
Mission and Core principles of internal audit	Partial	The Service complies with the majority of the core principles, but improvements are needed in the planning of individual audits and reporting to senior management that will support delivery of the remaining principles. These are addressed in detail below		R4 R8
Code of Ethics	Full	All interviewees stressed the emphasis placed on ethics by the audit team and their independence and objectivity		

Standard	Compliance	Findings	Recommendations	Rec no
Attribute standards				
1000 Purpose, authority and responsibility	Partial	<p>Standard 1010 Because the HIASS does not routinely meet with senior management teams at any of the authorities, none of the key aspects of the Charter are discussed with them See also Standard 1112 regarding safeguards to be included in the Charter for non-audit work</p> <p>LGAN p8 Anti-fraud and corruption policies do not require the HIASS to be informed of all suspected frauds</p>	<p>See recommendation below regarding reporting to senior management</p> <p>Include a requirement in each anti-fraud and corruption policy to inform the HIASS of all suspected frauds</p>	<p>R8</p> <p>R2</p> <p>R1</p>
1100 Independence and objectivity	Partial	<p>Standards 1010, 1112 and 1130.A2 The audit service has roles beyond internal audit at a number of the organisations, including risk management, fraud investigations and revenues and benefits quality assurance. These activities can, potentially, compromise audit's independence and objectivity and the audit team cannot undertake audit activities in these areas. Safeguards are required to manage audit activity in these areas</p>	<p>Safeguards, including independent audit arrangements, should be put in place to manage audit's independence and objectivity where they carry out non-audit activities and these should be discussed with and approved by the relevant audit committees. They should be included in the Audit Charter</p>	R2
1200 Proficiency and due professional care	Partial	<p>Standard 1210.A2 and 2120.A2 Although consideration of fraud risks is a routine part of audit planning, I saw little evidence of any detailed thinking regarding possible frauds</p>	<p>Ensure fraud risks are considered more extensively in planning audits and give audit staff support to enable them to do this</p>	R3

Standard	Compliance	Findings	Recommendations	Rec no
		Standards 1220.A1 and A3 and 2210 A1 Planning for individual audits does not consider the risks faced by that activity other than any that might be recorded in the risk register. In addition, audits do not routinely consider governance, risk management and control processes or the risk of fraud	In discussion with the auditee, broaden individual audit planning to cover the matters indicated and record this on the audit brief	R4
1300 Quality assurance and improvement programme (QAIP)	Partial	Standard 1310 and 1311 and LGAN p12 and p13 Quality assurance activities are undertaken but recent self-assessments have been against the 2006 Code, which has been superseded by the PSIAS and LGAN	Undertake self-assessments against the LGAN and PSIAS	R5
		Standard 1320, 2450 and LGAN p13 Results of the QAIP are reported to CoG and the audit committees but not to the broader senior management teams	See recommendation below regarding reporting to senior management	R8
		Self-assessments have identified areas for improvement but the annual reports to audit committees state that the service is fully compliant with the PSIAS and no action plan is presented	Ensure that the results of self-assessments against PSIAS are reported to audit committees and CoG, together with the action planned so that these bodies can monitor progress	R6
Performance standards				
2000 Managing the internal audit activity	Non-compliant	Standard 2010, A1 and A2, 2020 and LGAN p15 The current annual audit plans are service driven rather than strategic and do not refer to several of the required areas, in particular organisational objectives and priorities.	Ensure audit plans are driven by each client's strategic objectives and priorities and refer to all the required areas	R7

Standard	Compliance	Findings	Recommendations	Rec no
		While audit committees are engaged in the audit planning process, senior management are not routinely consulted about items for inclusion in annual audit plans nor informed about progress against those plans. See also Standard 2450 regarding planning and the annual audit opinion Standard 2060 and LGAN p17 Internal audit is expected to report both to audit committees and to senior management. Reporting to audit committees meets the requirements, but the majority of reporting to senior management is undertaken via the CoG, potentially compromising audit's independence	See recommendations below regarding senior management See recommendations regarding the opinion below The HIASS should have regular meetings with senior management teams to consult on items for inclusion in the annual plan, activities against the plan, any significant issues (fraud, risks, governance etc) that may have wider relevance and year-end outcomes	R8 R14 R8
2100 Nature of work	Non-compliant	Standard 2110 Audit planning does not consider governance arrangements for: <ul style="list-style-type: none"> • Making decisions • Risk management • Ethics and values • Performance • Sharing risk and control information Standard 2110.A1 There have been no audits of ethical arrangements Standard 2110.A2 IT audit does not currently consider IT governance arrangements but focuses on operational IT risks	Revise the audit planning and brief as indicated Include examination of ethical issues in all relevant audits, bringing this work together at the year end to form an opinion on ethical activities Include work on IT governance in the audit plan, buying in expertise if necessary	R4 R9 R10

Standard	Compliance	Findings	Recommendations	Rec no
		<p>Standard 2120.A1 and 2130.A1 Most audits are currently planned around control objectives rather than considering the risks to that activity and the controls that are needed to respond to those risks</p> <p>Standard 2120.A2 See above regarding fraud risks</p>	<p>Revise the audit brief to focus on risks and their mitigation</p>	<p>R4</p> <p>R3</p>
2200 Engagement planning	Partial	<p>Standards 2201 and 2210.A1 The audit brief does not always cover:</p> <ul style="list-style-type: none"> • Strategies and objectives of the activity being reviewed • How the activity controls its performance • The framework used by the activity to manage its governance, risk and control processes • The probability of errors and non-compliance • Opportunities to add value <p>Standard 2201.A1 When audits are carried out for external parties, there should be a written understanding with them about the process of the audit. The Place Partnership agreement is incomplete</p> <p>Standard 2210.A2 and A3 Audit planning does not consider the probability of errors, fraud and non-compliance. Nor does it identify opportunities to add value</p>	<p>Expand the audit brief as indicated</p> <p>Finalise the Place Partnership agreement as a matter of urgency</p> <p>Expand the audit planning and brief to address these aspects</p>	<p>R4</p> <p>R11</p> <p>R4 R3</p>

Standard	Compliance	Findings	Recommendations	Rec no
		Standard 2240.AI No audit work programme is produced to set out the procedures for identifying, analysing, evaluating and documenting audit work although the audit justification and internal control questionnaire cover some of these aspects	Combine the current planning documents and broaden them to create a work programme specifying the tests to be undertaken. Ensure that the work programme is approved before testing starts	R12
2300 Performing the engagement	Complies	The review showed that audits are well-performed. Documentation is thorough but can be difficult to follow for those not familiar with the process		
2400 Communicating the results	Partial	Standard 2420 Audit reports generally meet the required standards but there can be lengthy delays between the draft and final report as auditees do not respond promptly Standard 2450 The annual internal audit opinion is included as appendix to the main report (except for WDC) and is narrative in form. Not all versions of the opinion obviously conclude on the organisation's governance, risk and control arrangements The opinion or performance report (MHDC and WDC) state that the service conforms to CIPFA guidance and PSIAS although the review indicates that further actions are needed See also Standards 1320 and 2010	Address the reasons for the lengthy delays in finalising reports, incentivising auditees to respond promptly The annual audit opinion should be succinct and stand out. It should cover risk management, controls and governance. If no conclusion can be drawn on a specific area, then that should be identified. The form of the opinion should be discussed and agreed with audit committees and senior management See recommendations above	R13 R14 R6

Standard	Compliance	Findings	Recommendations	Rec no
		LGAN p20 There are currently no formal arrangements at all organisations to share information and risks that emerge from audits	Report information and risks that have wider implications to senior managers	R8
2500 Monitoring progress	Complies	The follow-up process as set out in the manual complies with the standards		
2600 Communicating the acceptance of risks	Complies	There was no evidence that risks have been left unmitigated following an audit, highlighting the importance placed by the officers at each organisation on audit findings		

The Head of Internal Audit Shared Service has details of the findings, standard by standard.

Elizabeth Humphrey CPFA

Appendix I: action plan

Recommendations

No	Recommendation	Response	Responsible officer	Action date
R1	Include a requirement in each anti-fraud and corruption policy to inform the HIASS of all suspected frauds	Anti-fraud and corruption policies to be updated as appropriate. Request to be made to update policies.	Andy Bromage HIASS	By Dec 2017
R2	Safeguards, including independent audit arrangements, should be put in place to manage audit's independence and objectivity where they carry out non-audit activities and these should be discussed with and approved by the relevant audit committees. They should be included in the Audit Charter	Independence is managed closely within the team e.g. different people working on areas and not auditing those areas, annual conflict of interest checks, quality assurance, quality assurance in process and Team Leader & HIA consideration. Charter will be updated and discussion can take place with Cttee on an annual basis with safeguards specifically identified.	Andy Bromage HIASS & Helen Tiffney Team Leader	Circa June 2018. To be included in the annual reporting cycle for all Partners.
R3	Ensure fraud risks are considered more extensively in planning audits and give audit staff support to enable them to do this	<p>The planning area of audit work as well as the annual plan was identified as an area that required transforming in May 2017 and a paper was placed before COG setting out how we were planning to improve this. We will indicate clearly the potential fraud risks and include in the brief. There will also be a greater emphasis on risk focus.</p> <p>Currently holding workshops re. Service transformation and methodology impact therefore part of consideration.</p>	Andy Bromage HIASS & Helen Tiffney- Team Leader	April 2018

No	Recommendation	Response	Responsible officer	Action date
R4	<p>In discussion with the auditee, broaden individual audit planning to cover the matters indicated and record the relevant matters on the audit brief:</p> <ul style="list-style-type: none"> • Achievement of the organisation's strategic objectives • Strategies and objectives of the activity under review • Reliability and integrity of financial and operational information • Risks to the activity under review • Risk management arrangements • Governance arrangements for: <ul style="list-style-type: none"> ○ Making strategic and operational decisions ○ Overseeing risk management and control ○ Promoting appropriate ethics and values ○ Ensuring effective organisational performance management and accountability ○ Communicating risk and control information to appropriate areas of the organisation • Effectiveness and efficiency of operations and programmes • Safeguarding of assets • Compliance with laws, regulations, policies, procedures and contracts • Potential errors and non-compliance • Opportunities for value for money and to make improvements in the activity's processes 	<p>The planning area of audit work as well as the annual plan was identified as an area that required transforming in May 2017 and a paper was placed before COG setting out how we were planning to improve this. We will look at broadening the audit brief to make it more succinct and linked in to corporate priorities and strategic objectives. There will also be a greater emphasis on risk focus.</p> <p>Currently holding workshops re. Service transformation and methodology impact therefore part of consideration.</p>	Andy Bromage HIASS & Helen Tiffney- Team Leader	Circa June 2018

No	Recommendation	Response	Responsible officer	Action date
R5	Undertake self-assessments against the LGAN and PSIAS	To be undertaken annually. To commence at the end of 2018/19.	Andy Bromage HIASS	Self Assessment towards end of 2018/19 after transformation has taken place
R6	Ensure that the results of self-assessments against PSIAS are reported to audit committees and CoG, together with the action planned so that these bodies can monitor progress	Self-assessment results to be reported to COG and Cttee as part of annual reporting. To commence at the end of 2018/19 financial year and for reporting 2019/20.	Andy Bromage HIASS	Circa July 2019
R7	Ensure audit plans are driven by each client's strategic objectives and priorities and refer to all the required areas	See recommendation response at 4.		
R8	The HIASS should have regular meetings with senior management teams to consult on items for inclusion in the annual plan, activities against the plan, any significant issues (fraud, risks, governance etc) that may have wider relevance and year-end outcomes	Although HiASS has engaged in the past in regard to the annual plans with HoS, s151's, arrangements to attend Senior Management Team meetings as part of the process will be arranged.	Andy Bromage HIASS & Helen Tiffney- Team Leader	Immediate action i.e. for 18/19 Plan and ongoing
R9	Include examination of ethical issues in all relevant audits, bringing this work together at the year end to form an opinion on ethical activities	To become part of the brief and then report outcomes in annual report.	Helen Tiffney- Team Leader & Andy Bromage HIASS	During 2018/19 & circa June 2019 opinions.
R10	Include work on IT governance in the audit plan, buying in expertise if necessary	To seek assurance on this from other work undertaken within IT (i.e. third-party assurances), along with external audit work and consider whether it is sufficient. Buying in a resource will have resource implications.	Andy Bromage HIASS & COG	Nov 17 COG.

No	Recommendation	Response	Responsible officer	Action date
R11	Finalise the Place Partnership agreement as a matter of urgency	Agreed. Currently with WCC Legal who are continuing to work on Agreement.	Andy Bromage HIASS, & WCC Legal Services and PPL.	Draft to be available w/c 13/11/17 for PPL consideration. Finalisation Circa end Dec 2017.
R12	Combine the current planning documents and broaden them to create a work programme specifying the tests to be undertaken. Ensure that the work programme is approved before testing starts	Currently holding workshops re. Service transformation and methodology impact therefore part of consideration. This directly links with R3 and R4.	Andy Bromage HIASS & Helen Tiffney- Team Leader	April 2018
R13	Address the reasons for the lengthy delays in finalising reports, incentivising auditees to respond promptly	Delay can be due to 'good cause' and will be managed accordingly to circumstances. Where there is unjustified and undue delay then escalation to be instigated using the senior management team at the Partners.	Andy Bromage HIASS, Helen Tiffney- Team Leader & COG	Immediate action
R14	The annual audit opinion should be succinct and stand out. It should cover risk management, controls and governance. If no conclusion can be drawn on a specific area, then that should be identified. The form of the opinion should be discussed and agreed with audit committees and senior management	The current annual audit opinion, along with other Audit Cttee reports are shared with senior management teams as part of the reporting process. However, format to be changed to give more emphasis and clarity in regard to the opinion and outcomes.	Andy Bromage HIASS, & COG	Nov 17 COG & Circa June 2018. To be included in the annual reporting cycle for all Partners.

Appendix 2: interviewees

Person	Position	Organisation
Vic Allison	Deputy Managing Director & s151 Officer	Wychavon District Council
Cllr Alan Amos	Audit Committee Chair	Worcester City Council
Andy Baldwin	Deputy Chief Executive & s151 Officer	Malvern Hills District Council
Mark Baldwin	Head of Finance	Worcester City Council
David Blake	Managing Director	Worcester City Council
Andy Bromage	Head of Internal Audit Shared Service	Worcestershire Internal Audit Shared Service
Lauren Colclough	Auditor	Worcestershire Internal Audit Shared Service
Kevin Dicks	Chief Executive	Bromsgrove District and Redditch Borough Councils
John Fidoe	Senior Auditor	Worcestershire Internal Audit Shared Service
Shane Flynn	Director of Finance & Resources	Worcester City Council
Sue Garrett	Licensing and Support Service Manager	Worcestershire Regulatory Services
Michelle Gasser	QA Officer	Worcestershire Internal Audit Shared Service
Cllr Douglas Godwin	Audit Committee Chair	Malvern Hills District Council
Philip Griffiths	Auditor	Worcestershire Internal Audit Shared Service
Cllr Marcus Hart	Audit Committee Chair	Hereford and Worcestershire Fire and Rescue Service
Jack Hegarty	Managing Director and Chief Executive	Wychavon District Council and Malvern Hills District Council
Chris Lawrence	Auditor	Worcestershire Internal Audit Shared Service
Vicki Lee	Human Resources Manager	Wychavon District Council
Tim O'Gara	Deputy Director of Governance	Worcester City Council
Richard Percival	External Audit	Grant Thornton
Jayne Pickering	Executive Director Finance & Resource & s151 Officer	Bromsgrove District and Redditch Borough Councils
Cllr Jayne Potter	Audit Committee Chair	Redditch Borough Council

Person	Position	Organisation
Mark Preece	Area Commander - Community Risk	Hereford and Worcestershire Fire and Rescue Service
Martin Reohorn	Treasurer	Hereford and Worcestershire Fire and Rescue Service
Ben Schiffman	WCC Facilities Manager	Worcester City Council
Becky Spencer	Auditor	Worcestershire Internal Audit Shared Service
Mark Surridge	External Audit	Ernst Young
Helen Tiffney	Team Leader	Worcestershire Internal Audit Shared Service
Catherine Turnock	Performance and Risk Management Officer	Malvern Hills District Council
Cllr Mike Webb	Audit Committee Chair	Bromsgrove District Council
Alison Williams	Head of Finance	Wychavon District Council
Nigel Winters	IT Shared Services Manager	Wychavon District Council

EXTRACT OF REPORT WITH ACTION PLAN.**Key:**

Action point has passed the "due by" date
Action point is close to the "due by" date
Action point completed
Action point started to be addressed
Action point has not been started on and is not close to or over due in regards to "due by" date

Recommendations

No	Recommendation	Response	Action date	Action taken	Completed
R1	Include a requirement in each anti-fraud and corruption policy to inform the HIASS of all suspected frauds	Anti-fraud and corruption policies to be updated as appropriate. Request to be made to update policies.	By Dec 2017	All partners have been contacted in regard to current policies. Actions are dependant on position and planned updates. Policies mainly require a small tweak of the current wording to satisfy this recommendation.	On going enquiries being made of Partners

No	Recommendation	Response	Action date	Action taken	Completed
R2	Safeguards, including independent audit arrangements, should be put in place to manage audit's independence and objectivity where they carry out non-audit activities and these should be discussed with and approved by the relevant audit committees. They should be included in the Audit Charter	Independence is managed closely within the team e.g. different people working on areas and not auditing those areas, annual conflict of interest checks, quality assurance, quality assurance in process and Team Leader & HIA consideration. Charter will be updated and discussion can take place with Cttee on an annual basis with safeguards specifically identified.	Circa June 2018. To be included in the annual reporting cycle for all Partners.	Safeguarding, independence and integrity being included in the 2018 Charter	Addressed - revised Charter drafted but awaiting cttee approval - circa Sept 2018
R3	Ensure fraud risks are considered more extensively in planning audits and give audit staff support to enable them to do this	The planning area of audit work as well as the annual plan was identified as an area that required transforming in May 2017 and a paper was placed before COG	Andy Bromage HIASS & Helen Tiffney- Team Leader	April 2018 February 2018 onwards: Fraud website (https://www.actionfraud.police.uk/a-z_of_fraud) advised to all Auditors November 2017 via email so that they could	Addressed - ongoing

No	Recommendation	Response	Action date	Action taken	Completed
		setting out how we were planning to improve this. We will indicate clearly the potential fraud risks and include in the brief. There will also be a greater emphasis on risk focus.		familiarise themselves with it and the benefits it can provide. Workshops held re. Service transformation and methodology impact. February 2018 Team Meeting advised that expected to use it as part of the planning element so there is more extensive consideration of this aspect in all the reviews undertaken.	
R4	In discussion with the auditee, broaden individual audit planning to cover the matters indicated and record the relevant matters on the audit brief: <ul style="list-style-type: none"> • Achievement of the organisation's strategic objectives • Strategies and objectives of the activity under review • Reliability and integrity of financial and operational 	The planning area of audit work as well as the annual plan was identified as an area that required transforming in May 2017 and a paper was placed before COG setting out how we were planning to improve this. We will look at broadening	Andy Bromage HIASS & Helen Tiffney-Team Leader	Circa June 2018 November 2017 onwards: Completely new approach adopted for annual planning. 2018/19 planning has gone through SMT with a key emphasis on risk and linkage to corporate priorities /promises as well as corporate and service risk	Addressed - ongoing

No	Recommendation	Response	Action date	Action taken	Completed
	<p>information</p> <ul style="list-style-type: none"> • Risks to the activity under review • Risk management arrangements • Governance arrangements for: <ul style="list-style-type: none"> ○ Making strategic and operational decisions ○ Overseeing risk management and control ○ Promoting appropriate ethics and values ○ Ensuring effective organisational performance management and accountability ○ Communicating risk and control information to appropriate areas of the organisation • Effectiveness and efficiency of operations and programmes • Safeguarding of assets 	<p>the audit brief to make it more succinct and linked in to corporate priorities and strategic objectives. There will also be a greater emphasis on risk focus.</p> <p>Currently holding workshops re. Service transformation and methodology impact therefore part of consideration.</p>		<p>registers as well as service plans. Plans signed off at SMT level for all Partners with HIASS in attendance to present the plan(s).</p> <p>February 2018 onwards:</p> <p>February 2018 Team Meeting introduced the revised methodology and talked through the annual plan approach. Team expected to deploy new method of working, use methodology and deliver audits on time and within budget as the process has been significantly streamlined without losing the integrity of the working papers.</p>	

No	Recommendation	Response	Action date	Action taken	Completed
	<ul style="list-style-type: none"> • Compliance with laws, regulations, policies, procedures and contracts • Potential errors and non-compliance • Opportunities for value for money and to make improvements in the activity's processes 				
R5	Undertake self-assessments against the Local Government Advisory Note(LGAN) and Public Sector Internal Audit Standards(PSIAS)	To be undertaken annually. To commence at the end of 2018/19.	Self Assessment towards end of 2018/19 after transformation has been embedded	Diarised for early February 2019 with reporting to be included as part of the annual report cycle for all Partners. Template for self assessment being drafted.	
R6	Ensure that the results of self-assessments against PSIAS are reported to audit committees and CoG, together with the action planned so that these bodies can monitor progress	Self-assessment results to be reported to COG and Cttee as part of annual reporting. To commence at the end of 2018/19 financial year and for reporting 2019/20.	Circa July 2019	To be included as part of the annual report cycle and overall assurance provision to those in governance of the integrity of WIASS as a service. Linked to R5 above.	

No	Recommendation	Response	Action date	Action taken	Completed
R7	Ensure audit plans are driven by each client's strategic objectives and priorities and refer to all the required areas	See recommendation response at 4.	June 2018	Completed as part of the 2018/19 planning process; direct links established between corporate risk register, service risk register and Corporate Strategies. Links included in the plan for transparency. Paragraph included in cttee reports as to the process followed in the formulation of the plan and the resource requirements. AB Jan 2018	Addressed - ongoing
R8	The HIASS should have regular meetings with senior management teams to consult on items for inclusion in the annual plan, activities against the plan, any significant issues (fraud, risks, governance etc) that may have wider relevance and year-end outcomes	Although HiASS has engaged in the past in regard to the annual plans with HoS, s151's, arrangements to attend Senior Management Team meetings as part of the process will be arranged.	Immediate action i.e. for 18/19 Plan and ongoing.	In progress as appropriate. Direct access to all s151 Officer's, COG and Committee Chairs when required. More engagement with senior management teams anticipated.	Addressed - ongoing

No	Recommendation	Response	Action date	Action taken	Completed
R9	Include examination of ethical issues in all relevant audits, bringing this work together at the year end to form an opinion on ethical activities	To become part of the brief and then report outcomes in annual report.	During 2018/19 & circa June 2019 opinions.	Included in briefs for 2018/19 to be collated for 2019 opinion.	Addressed - ongoing
R10	Include work on IT governance in the audit plan, buying in expertise if necessary	To seek assurance on this from other work undertaken within IT (i.e. third-party assurances), along with external audit work and consider whether it is sufficient. Buying in a resource will have resource implications.	Nov 17 COG.	Discussed at November COG. Assurance from existing arrangements but budgets to be included in the 18/19 plans. AB Jan 2018	Addressed - ongoing
R11	Finalise the Place Partnership agreement as a matter of urgency	Agreed. Currently with WCC Legal who are continuing to work on Agreement.	Andy Bromage HIAS, & WCC Legal Services and PPL.	Discussed 1/11/17 re. agreement requirements. Dec-17 Awaiting draft from Legal. Chased Jan 18; to be delivered by end of Jan 18. AB Jan 2018. Further consideration in regard to this agreement and current position of provision therefore on hold for the time being. June 2018	Jan 18

No	Recommendation	Response	Action date	Action taken	Completed
R12	Combine the current planning documents and broaden them to create a work programme specifying the tests to be undertaken. Ensure that the work programme is approved before testing starts	Currently holding workshops re. Service transformation and methodology impact therefore part of consideration. This directly links with R3 and R4.	Apr-18	New methodology includes planning and testing as a combined document implemented for 2018/19 audit reviews . Development continuing through feedback sessions at team meetings.	Addressed - ongoing
R13	Address the reasons for the lengthy delays in finalising reports, incentivising auditees to respond promptly	Delay can be due to 'good cause' and will be managed accordingly to circumstances. Where there is unjustified and undue delay then escalation to be instigated using the senior management team at the Partners.	Immediate action	Continuing to monitor as there remain examples of undue delay with some partners.	Remains ongoing
R14	The annual audit opinion should be succinct and stand out. It should cover risk management, controls and governance. If no conclusion can be drawn on a specific area, then that should be identified. The form of the opinion should be discussed and agreed with audit committees and senior management	The current annual audit opinion, along with other Audit Cttee reports are shared with senior management teams as part of the reporting process. However, format to be changed to give more	Nov 17 COG & Circa June 2018. To be included in the annual reporting cycle for all Partners.	Included annual report. For cttee to agree to and suggest any further requirements.	Addressed - ongoing

No	Recommendation	Response	Action date	Action taken	Completed
		emphasis and clarity in regard to the opinion and outcomes.			

Compliance

No	Compliance requirement	Response	Action date	Action taken	Completed
C1	Include the mandatory mission statement in the Charter	To include in the Charter to achieve full compliance.	By April 2018 https://staffroom.worcester.gov.uk/about	Internal Audit Charter has been revised but is currently awaiting approval . Seeking to take before Committee for approval Circa September/October 2018	Addressed - currently in draft awaiting for charter to be approved

No	Compliance requirement	Response	Action date	Action taken	Completed
C2	Include, as a minimum, a reference to the Seven Principles in one of the key audit documents. Ideally, refer to all seven principles and what they mean in an audit context	To include in the Charter to achieve full compliance.	By April 2018 https://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life--2	Internal Audit Charter has been revised but is currently awaiting approval . Seeking to take before Committee for approval Circa September/October 2018	Addressed - currently in draft awaiting for charter to be approved
C3	Include a reference to assurance provided to parties outside the partnership in the Charter	To include in the Charter to achieve full compliance.	By April 2018 -	Internal Audit Charter has been revised but is currently awaiting approval . Seeking to take before Committee for approval Circa September/October 2018	Addressed - currently in draft awaiting for charter to be approved
C4	Include information about the Core Principles in the Charter, including how audit delivers against them	To include in the Charter to achieve full compliance.	https://na.theiia.org/standards-guidance/mandatory-guidance/Pages/Core-Principles-for-the-Professional-Practice-of-Internal-Auditing.aspx https://na.theiia.org/standards-guidance/mandatory-guidance/Pages/Code-of-	Internal Audit Charter has been revised but is currently awaiting approval . Seeking to take before Committee for approval Circa September/October 2018	Addressed - currently in draft awaiting for charter to be approved

No	Compliance requirement	Response	Action date	Action taken	Completed
			Ethics.aspx		
C5	Include a positive confirmation of audit's independence in the annual audit reports	Although already included this will be given more emphasis in the annual reports.	Circa June 2018. To be included in the annual reporting cycle for all Partners.	Included in annual report 2018	Addressed - Ongoing
C6	Develop an over-arching Quality Assurance and Improvement Programme (QAIP) strategy to cover quality assurance activities, including how often, who is involved and their scope.	Adopt PSIAS as the standard WIASS wish to work to as a Service. Develop a QAIP strategy to indicate quality assurance activity.	By June 2018		
C7	Ensure audit plans are driven by each client's strategic objectives and priorities and refer to all the	The annual plan was identified as an area that required transforming in May 2017 and a paper was placed before COG setting out how we were planning to do this and	Circa June 2018 i.e. 2018/19 planning process so immediate but ongoing action.	2018/19 Plans driven by corporate risk, service risk, service plans, and linked to overall Corp. objectives and identified in the audit plans. Discussed at SMT level prior to Cttee and presented at Cttee for consideration. AB Jan 2018	Addressed - Ongoing

No	Compliance requirement	Response	Action date	Action taken	Completed
	<p>required areas:</p> <ul style="list-style-type: none"> · The need to produce an annual opinion · Links to an assurance framework and other assurance providers (ideally specify) · How the service will be developed · The WIASS Charter · Links to organisational objectives and priorities 	<p>the fact that we needed to link the plan directly to the strategic objectives, priorities and risk registers. WIASS will seek to incorporate this in the 2018/19 plans. Although risk registers are used as part of the current planning direct links will be made to clearly indicate to committee.</p>			
C8	<p>Include information in the annual plan regarding how audit days for audits are calculated to support the</p>	<p>Will clearly indicate this in the cttee report and show the direct link when reporting as to how we have arrived at the resource position by linking the risks and</p>	<p>Andy Bromage HIASS, & COG</p>	<p>Circa June 2018 i.e. 2018/19 planning process so immediate but ongoing action.</p> <p>Identified the high, medium and low priority in the plan and the resource allocated. Discussed at SMT level, agreed with s151's and linked directly to the corp. priorities. Identified those</p>	<p>Addressed - ongoing</p>

No	Compliance requirement	Response	Action date	Action taken	Completed
	overall resource position	priorities.		areas not included as well where appropriate and member's given opportunity to comment on plans before finalising. AB Jan 2018	
C9	Include guidance on informing management when key issues arise during an audit	There has always been an agreement that s151 Officers/Heads of Service would be informed in regard to significant/key issues arising from reviews if it was considered an immediate action was required or there was a risk of, or actual, fraud taking place. This can be formalised and included in guidance notes for compliance.	By April 2018 - Included in the current Charter at 4.6 in regard to the s151 and HIASS liaison but to include mngt as well	Internal Audit Charter has been revised but is currently awaiting approval . Seeking to take before Committee for approval Circa September/October 2018	Addressed - currently in draft awaiting for charter to be approved
C10	Make the link between the PSIAS, LGAN and activities undertaken in performing an audit clear, for	Can include in brief. Nov 2017 holding workshops re. service transformation and methodology impact therefore part of consideration. Links directly to R4	By April 2018	See notes in R4 In brief document referenced the IIA PSIAS and Ethical Standards under the Independence and Ethics section	Addressed – ongoing

No	Compliance requirement	Response	Action date	Action taken	Completed
	example, by quoting specific standards				
C11	Develop a retention scheme for HWFRS and finalise the MHDC scheme	WIASS uses a retention scheme in regard to all Partners but can seek to finalise schemes with specific partners with specific linkage to General Data Protection Regulation requirements.	By May 2018	WCC ok. Sent over to HWFRS 4.6.18. Contacts for MHDC needed to send over to. RBC/BDC need to have the most recent WCC issue as their schedule is not in line	Seeking confirmation of update from authorities
C12	Ensure that all coaching notes are signed off and dated	Agreed. All coaching to be signed off and dated in a timely manner to achieve full compliance.	Immediate action Support post created to assist with the overall Service administration. Post duties to include a review of all coaching notes and track them at final report stage to ensure they are satisfied and signed off. AB Jan 2018	Review of 2017-18 reports completed, outstanding sign off to be followed up. 2018-19 on tracking ongoing as part of support post plus other additional monitoring duties within the Service	Addressed - ongoing

Suggestions:

No	Suggestion	Response	Responsible officer	Action date	Action taken	Completed
S1	Amend the Charter to state that audit's remit extends across the entire control environment of each organisation	Agreed. Charter to be updated to include a statement.	Helen Tiffney-Team Leader	By April 2018	Included in the revised draft Charter for 2018	Addressed - waiting for charter to be approved circa Sept 2018
S2	Introduce annual formal private meetings between audit committees and the HIASS	Can be incorporated as part of the annual report position	Andy Bromage HIASS, & COG	COG discussion Nov 2017	Agreed, where requested this action can take place	To be part of the Annual Report position.
S3	Invite appropriate staff, for example CoG, to be included in the quality assurance programme periodically	COG is included as part of the quality assurance programme at least once a year during COG meeting. QA is always requested from clients on the completion of the audit. Will seek to widen the scope and formalise the quality assurance programme.	Andy Bromage HIASS, & COG	COG discussion Nov-17	Feedback from clients after the audit has been finalised. Director of Finance / Chair of CoG providing feedback from CoG meetings to HIASS	Addressed - ongoing action point annually
S4	Make greater use of corporate risk registers in developing annual audit plans	Currently considered as part of the process but will provide a direct link to formalise the links between risk registers, audit plan and	Andy Bromage HIASS, & Helen Tiffney Team Leader	Circa June 2018 i.e. as part of the 2018/19 planning	Completed as part of the 2018/19 planning process; direct links established between corporate risk register,	Addressed - ongoing action point annually

No	Suggestion	Response	Responsible officer	Action date	Action taken	Completed
		corporate priorities for the future.		process so immediate but ongoing action.	service risk register and Corporate Strategies. Links included in the plan for transparency.	
S5	Emphasise to audit committee members that the plan is based on strategic risks	To be included in the annual audit plan report and as part of the report presentation with direct linkage to the strategic risks. Links to S6.	Andy Bromage HIASS,	Circa June 2018 i.e. as part of the 2018/19 planning process for all Partners	Completed as part of the 2018/19 planning process; direct links established between corporate risk register, service risk register and Corporate Strategies. Links included in the plan for transparency. Paragraph included in cttee reports as to the process followed in the formulation of the plan and the resource requirements.	Addressed - ongoing action point annually
S6	The annual audit plan should prioritise audit assignment, for example by showing the risk ranking or using H/M/L ratings	To be included in the annual audit plan report and as part of the report presentation with direct linkage to the strategic risks and the risk rating provided. Links to S5.	HIASS, and COG	Circa June 2018 i.e. as part of the 2018/19 planning process for all Partners	Completed as part of the 2018/19 planning process with high medium or low, or, a combination of levels where appropriate being included in the plan. Direct links established between corporate risk	Addressed - ongoing action point annually

No	Suggestion	Response	Responsible officer	Action date	Action taken	Completed
					register, service risk register and Corporate Strategies. Links included in the plan for transparency. Paragraph included in cttee reports as to the process followed in the formulation of the plan and the resource requirements and the priority to be applied.	
S7	Consider an alternative layout for audit reports that is easier to read	Will consider as part of the workshops and methodology update currently being undertaken. To consider table of findings/recommendations as landscape rather than portrait with more emphasis on the risk. Links to S8.	Andy Bromage HIASS, & Helen Tiffney Team Leader	April 2018	Discussed at COG and current format to remain as it is liked and can be easily followed. Nov 2017	Addressed - no further action.
S8	Explore ways to make the follow-up process clear to officers and audit committees	Will consider as part of the workshops and methodology update currently being undertaken. Perhaps there needs to be better education at key times during the review to get the message across in regard to the follow	Andy Bromage HIASS, & Helen Tiffney- Team Leader	Apr-18	Standard template written for officers to use when issuing Final Reports stating the follow up time frame for that audit. Follow up also added to the 4A - Post Clearance Draft Audit Report template. New report	Addressed - on going review

No	Suggestion	Response	Responsible officer	Action date	Action taken	Completed
		up process. This can also be emphasised actually in the reports and during their formal issue in covering emails. Links to S7.			template waiting approval before rolling out. Email template distributed for auditors to use. Jun-18	

Report of the Head of Operational Support

Strategic Risk Register Review

Purpose of report

1. To provide the Audit & Standards Committee with the annual update on the Strategic Risk Register.
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Recommendations

It is recommended that the Committee note the contents of this report.

Background

2. Following the Worcestershire Internal Audit risk management audit undertaken in 2015/16, the Strategic and Departmental Risk Registers and supporting management systems have now been improved and embedded into HWFRS as part of the audit recommendations.
3. Department Heads are now responsible for the completion of a quarterly risk register review, with support from the Emergency Planning and Resilience Officer (EPRO).
4. The Strategic Risk Register (SRR) is reviewed at a Senior Management Board (SMB) meeting each quarter and owned by SMB.
5. The Risk Management Strategy is in the form of a Service Policy Instruction (SPI) which is in place for recording strategic high level risks within the Authority. These are usually identified through an escalation process within the departmental risk registers. The Risk Management Strategy SPI was last reviewed in January 2017 and is next due for review in January 2020.
6. The overall objective of the strategy is to ensure that the Authority identifies strategic risks and applies the most appropriate and cost effective control mechanisms to manage those risks, wherever possible. It also provides a robust audit trail for how the Service has considered and mitigated those risks should an issue be subject to scrutiny.
7. Identified risks should normally either be eliminated or reduced to an acceptable level, with systems in place to monitor and report against this. The SRR is the overarching document that looks at the highest impact risks. All risks at each level are evaluated by the responsible manager for that area. The residual risk after control measures have been implemented (if possible) and then included in the revised risk assessment.

8. The highest and/or most prevalent risks can then be elevated to the SRR as appropriate, through the discussion held regularly at SMB as a standard quarterly agenda item.
9. The quarterly reviews meet the requirements of the Audit and Standards Committee's terms of the requirement to monitor and review the Authority's risk management arrangements.

Strategic Risk Register

10. The purpose of strategic risk management is to effectively identify risks to the success of the organisation and put effective control measures in place to mitigate their effect. An example of strategic risk management of risk could be the planning and monitoring of the impact of industrial disputes at both local and national levels across several Representative bodies. To mitigate these risks to the Service there are numerous control measures in place, such as a robust and well exercised business continuity plan alongside monitoring with West Mercia Local Resilience Forum (WMLRF) partners and regular meetings with all the appropriate Representative Bodies.
11. Several bespoke business continuity plans are linked to the risk registers and provide a significant control measure against those risks (such as; severe weather, pandemic influenza, fuel shortages, etc) These business continuity plans are either currently under review or have been recently reviewed.
12. The overall responsibility for ensuring risks are managed effectively lies with the Authority as professionally advised by Officers. The live SRR outlines to Members the risk scoring for both likelihood and impact of each identified risk. It also reflects the updated National Risk Register which is intended to capture the range of emergencies that may have an impact on all, or significant parts, of the UK as well as internal risks. The National Risk Register drives the Community Risk Register held by WMLRF and is recognised in the Service's live SRR. From a Service perspective, the SRR also acknowledges departmental, project and partnership risks. SMB are also developing emerging local risks from the Local and Community Risk Registers within the Local Resilience Forum which may become strategic risk register issues in the future.
13. WMLRF is a multi-agency group comprising bodies within West Mercia such as local authorities, national and local health agencies, the three emergency services and the Environment Agency. The purpose of the LRF is to ensure effective delivery of the duties of the Civil Contingencies Act (CCA) 2004. This requires partner agencies to co-ordinate resources so they can respond effectively when incidents do occur.

Conclusion/Summary

14. New processes and framework have been embedded in the management of the SRR and in the departmental level risk registers. There is continual monitoring and reviewing taking place at quarterly SMB performance meetings and Middle Management Board meetings to ensure risks are being used to drive business.
15. The Authority's Strategic Risk Register will be formally reported to Members annually, with significant changes being reported to the Audit and Standards Committee in a risk update.

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 – Strategic Risk Register (summary) 2017/18

Contact Officer

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Strategic Risk	Consequences	Controls	Residual Score
Risk 1 A widespread event or situation that leads to a significant loss of workforce in the workplace	Inability to deliver core purpose and over a longer term the inability to maintain core systems and/or deliver Service infrastructure and obligations (e.g. financial, legislative, departmental such as Fleet and ICT)	Business Continuity Plans Section 13/16 agreements Temporary staffing arrangements National guidelines/support Regular meetings with relevant stakeholders or Rep Bodies Participation in joint seasonal flu exercises and similar Staff consultation processes	9 Low
Sub Risk 1A - Major ill health epidemic affecting service levels	Loss of a percentage of front line and/or support staff resulting in a reduction or loss in the ability to deliver the service that Hereford and Worcester Fire and Rescue Service provides, including but not exhaustive to Prevention and Service Delivery	See above	6 Low
Sub Risk 1B – Severe weather event(s) affecting service delivery	Loss of a percentage of staff due to several factors including but not exhaustive to: a) Inability for staff to travel into work b) School closures leading to a reduction in service delivery	See Above and National mutual aid arrangements and over the border agreements between Fire and Rescue Services are in place	6 Low
Sub Risk 1C - Industrial disputes	1) Strike action for an unknown period of time of a percentage of frontline and or support staff 2) A period of action short of strike for an indefinite period of time which may result in a loss of extra activities such as but not including overtime. These may potentially result in an inability to provide services to the public as outlined in the FRSA 2004	Regular meetings with Representative Bodies to proactively maintain working relationships' National guidelines/support Regular review of actions and guidelines Business Continuity Plan for Industrial Action National and Local Resilience Forum briefings Work with National Joint Council	9 Low
Risk 1D - Inability to recruit or retain key parts of the workforce.	An inability to deliver and maintain core functions and systems, and/or significant impact on service delivery in core areas	Cover arrangements for operational stations BCP for loss of key departments Changes to Recruit training to create a more flexible approach Section 13/16 agreements to facilitate service provision.	8 Low
Risk 2 Continuous pressure of reductions in real terms of grants and/or other income affecting service delivery	1) Unable to deliver the same level of service/ Reduction in service 2) Having to source funding from elsewhere 3) Potential redundancies/ voluntary redundancies	1. Sound financial planning and horizon scanning for future developments in budget constraints 2. Strategic planning to prepare for budget alterations. 3. Vigilant to future implications through monitoring 4. Senior Management Board team preplanning options 5. Workshops with staff 6. CRMP 7. HWFRS efficiency plan has now been submitted and confirmed by the Government.	8 Low

Risk 2A – Loss of Section 31 National Resilience grant	<p>Loss of funding causes:</p> <p>1) Removal of assets and capabilities provide for NR incidents.</p> <p>2) Inability to utilise these assets in local response plans a reduction in the services ability to provide an operational response to Local and National Section 31 incidents.</p> <p>3) Additional staff paid for through NR funding would become over establishment and require removal from Service establishment</p> <p>4) Interim funding would be required to manage these posts to avoid redundancy.</p>	<p>1) Amalgamation of the two separate units of USAR (Sec 31 funded) and Droitwich fire station staff to create a combined fire and technical rescue team.</p> <p>2) Loss of posts via natural wastage.</p> <p>3) Explore the chance to reclaim finances through offering responses to other services.</p> <p>4) Reserve Funding available</p>	8 Low
Risk 3 Death or serious injury of a member of staff whilst at work as a result of their work activities	<p>1) Impact on other employees carrying out similar duties (e.g. Driving). 2)</p> <p>Reputational loss</p> <p>3) Investigations and legal proceedings and prosecutions.</p> <p>4) Financial implications of claims</p> <p>5) Departmental resilience issues</p>	<p>1. Professional training standards & Role maps being developed and maintained</p> <p>2. High quality of training in work related activities and quality PPE provision when required</p> <p>3. Robust Health and Safety Arrangements</p> <p>4. Legislation and Governance</p> <p>5. National, Regional and Local Frameworks</p> <p>6. Risk Management</p> <p>7. Asset Management</p> <p>8. Internal Assurance</p>	6 Low
Risk 3A – Death of a member of staff as a consequence of an operational incident	<p>1) Impact on other employees carrying out similar duties (e.g. BA wearing).</p> <p>2) Reputational loss</p> <p>3) Governmental and HSE scrutiny</p> <p>4) Investigations and legal proceedings and prosecutions.</p> <p>5) Financial implications of claims made</p> <p>6) Workforce loss of confidence in organisation</p> <p>7) Media Scrutiny</p>	<p>1. Professional training standards & Role maps being developed and maintained</p> <p>2. High quality operational equipment and Personal Protective Equipment alongside robust Health and Safety Arrangements (Policies and Training in place)</p> <p>3. Operational procedures and Standard Operating Procedures</p> <p>4. Firefighter Safety remaining the top Organisational objective</p> <p>5. Major Event Response Protocol in place and up to date</p> <p>6. Legislation and Governance</p> <p>7. National, Regional and Local Frameworks</p> <p>8. Risk Management</p> <p>9. Asset Management</p> <p>10. Internal Operational Assurance</p>	8 Low
Risk 3B – Death or serious injury of Member of Public through Service activities	<p>1) Impact on other employees carrying out similar duties (e.g. Driving). 2)</p> <p>Reputational loss</p> <p>3) Investigations, legal proceedings and prosecutions.</p> <p>4) Financial implications of claims made</p> <p>5) Departmental resilience issues</p>	<p>1. Professional training standards</p> <p>2. Risk management- Gap analysis using past incidents to tailor training and development</p> <p>2. High quality operational equipment and Personal Protective Equipment</p> <p>3. Operational Procedures and Standard Operating Procedures</p> <p>4. Robust Health and Safety Arrangements including Policy and Training</p>	8 Low

		5. Major Event Response Protocol in place. 6. Graded Response Policy	
Risk 4 Significant changes to national policy which mean local reaction outside of planned work loads	Not correctly adhering to national policy which could mean that Hereford and Worcester Fire and Rescue Service are not fulfilling statutory or legal or moral duties, under one or more national policies.	1. Horizon scanning through NFCC, Local Government Association and other networks. 2. Cultural acceptance of the need to be flexible. 3. Limited reserves to use on unplanned or unforeseen work. 4. Maintenance of local and regional 'decision influence' networks.	10 Low/Med
Risk 5 20/20 Project Risk: Kidderminster Wyre Forest	1) Inability to complete project with incurred abortive financial losses 2) Industrial Action 3) Reputational damage	Monthly highlight reporting and management control / Programme board oversight/SMB awareness/Fire Authority oversight/consultation engagement with staff and local communities	Closed
Risk 6 20/20 Project Risk: Hindlip	1) Inability to complete project with incurred abortive financial losses 2) Reputational damage 3) Potential efficiency savings not met	Monthly highlight reporting and management control / Programme board oversight/SMB awareness. Early dialogue with staff and partners to explain HWFRS position	10 Low/Med
Risk 7 Evesham project (new fire station)	1) Political and reputational risk alongside additional cost burden that is outside predicted budgetary allocations. 2) Potential accumulative effect on capital allocations that may result in a lack of funding in future years for other capital projects	As above; plus treasurer and head of legal engagement on how this develops. Costs to be defined and finalised however reserve funds may need to be allocated which are available.	Closed

Report of the Head of Operational Support

Health & Safety Committee Update

Purpose of Report

1. The purpose of this report is to provide the Audit & Standards Committee with an update on the activities and items of significance from the Service's Health and Safety Committee.
-

Recommendations

It is recommended that the following issues, in particular, be noted:

- (i) ***Health and Safety performance information recorded during January 2018 to March 2018 (Quarter 4)***
- (ii) ***The involvement of the Service in a number of Health and Safety initiatives***

Introduction and Background

2. A key aim of Hereford and Worcester Fire Authority is to ensure the safety and well-being of its employees and to reduce and prevent accidents and injuries at work.
3. The Health and Safety Committee is established to provide effective arrangements for the liaison and review of matters of a common interest with regard to Health and Safety (H&S). The Committee provides the opportunity for the Service to discuss general H&S matters on which it must consult the workforce via employee representatives.
4. The Committee has the facility to task work to the Health & Safety Working Group, which sits beneath it and is chaired by the Area Commander Operations Support. The group meet as and when required but at least every six months.

Update

5. The H&S Committee met on 12 June 2018.
6. A number of national and local initiatives were discussed at the H&S Committee. These include the review of a number of H&S related processes including contractor management and the impact of the new General Data Protection Regulations. The Service was also the subject of an H&S audit by the regional H&S team as detailed below in Sections 5-7.

7. A review of quarterly performance for the relevant period was discussed in detail. Whilst this Quarter (4) report (Appendix 1) shows there has been a slight increase in personal injuries and vehicle collisions, the majority of events were of a minor nature.
8. All events that occurred during the Quarter have had a minimum of a local level investigation to identify preventative control measures, to help reduce the likelihood of similar occurrences.

HWFRS H&S Update – Local Initiatives

Contractor Management Issues

9. During Quarter 4, the H&S Advisor was made aware of two safety events that occurred whilst contractors were carrying out works under the management of Place Partnership Ltd (PPL).
10. The H&S Advisor will review the contractor management systems used by PPL to ensure they are suitable and sufficient ensuring safe systems of work are identified and key risks are shared with contractors prior to undertaking the task.
11. In addition to this, HWFRS require a sampling of work to be undertaken after completion to ensure that the tasks have been completed to a required standard.

Driving at Work

12. The H&S working group has now completed a pan-organisational review of all the relevant operational and non-operational driving related policies which has taken nearly eighteen months and included nearly all Service departments to some degree. The outcome of this review is a new consolidated Driving at Work policy which is undergoing final consultation and will be issued in the near future.

General Data Protection Regulations

13. The Service has been assured by subject matter experts (Data Controller and Data Processor) that the new General Data Protection Regulation (GDPR) which comes into force from 25 May 2018 is adhered to and included in the handling of data through the H&S Dept. Any changes that are required will be reflected in amended policies in the future

Risk Assessment Database

14. During Quarter 4 a total of 382 RAs were reviewed and 79 new risk assessments were created.

	Quarter 1		Quarter 2		Quarter 3		Quarter 4	
Location	Reviewed	Created	Reviewed	Created	Reviewed	Created	Reviewed	Created
North District	61	17	188	51	44	10	58	19
South District	91	26	252	80	98	19	121	34
West District	102	28	245	89	64	24	54	21
Training Centre	96	4	268	12	137	4	137	4
Others	22	2	49	6	16	6	12	1
Total	372	77	1002	238	359	63	382	79

15. Whilst it is clear that staff are using the system, to further confirm their knowledge a set of questions have been included in the 2017/18 station assurance audit programme.
16. During Quarter 2 there has been a significant drive across the Service for older risk assessments to be transposed into the new format and uploaded into the database. This explains the significantly increased numbers in the 'created' RAs column.
17. Additionally, all types of risk assessment will now be migrated over on to the electronic database, not just those used for operational and training related activities.

Regional Activities

CFOA Health and Safety West Midlands Group

18. From 20 – 22 March 2018, HWFRS were audited as part of the agreed CFOA H&S West Midlands (FRS) Regional Business Plan 2016-2020.
19. Four specific areas were audited:
 - Breathing Apparatus,
 - Workplace Transport,
 - Provision and Use of Work Equipment Regulations 1998 (PUWER),
 - Slips and Trips.
20. The Audit Team visited 12 Stations/Crews and 8 departments, interviewing a range of personnel. Alongside these they performed documentary checks and inspections of equipment, all of which provided evidence to complete the review.
21. Following the audit, a formal report has now been issued to HWFRS which identifies a number of recommendations to be considered. The Health and Safety department has compiled a GAP Analysis of the 15 recommendations made to ensure any action required can be monitored and reviewed by the H&S Committee. Please see Appendix 2 for a summary of the recommendations and progress against them.

National Activities

Firefighter Exposure to Contaminants Project

22. The Centre for Applied Science and Technology (CAST) in collaboration with the Personal Protective Equipment Contamination Working Group (PPEC WG) led by the National Fire Chiefs Council (NFCC), undertook an initial review of literature regarding the potential long-term health effects associated with contamination on firefighter Personal Protective Equipment (PPE). This was to determine whether there was a connection specifically, between contamination on firefighter PPE and an increase in the relative risk of occurrence of cancer.
23. Due to the complex chemical environment of fires, the fact that the data on current cancer rates does not reflect current practices, the conflicting nature of the literature and the difficulty in assigning cancer risk to specific activities with limited direct evidence, it is not possible to either prove or disprove a link specifically between contamination on firefighter PPE and a potential increase in the relative risk of occurrence of cancer.
24. CAST have recommended that further work is undertaken in this area utilising subject matter experts and reviewing new and emerging literature to establish a more informed position for the sector. Once this further work is complete, a better picture of the situation will be available which will lead to recommendations as to how the risk could be reduced by establishing procedures that all UK FRSs may wish to follow.
25. HWFRS remains committed to improving the health, safety and welfare of all staff and have a number of existing processes that reduces this risk. HWFRS will monitor further development and guidance that is issued to ensure the most effective processes are used to enhance firefighters' wellbeing.

The Kerslake Report

26. The Kerslake Report is an independent review into the preparedness for, and emergency response to, the Manchester Arena attack that occurred on 22 May 2017.
27. On 22 May 2017 a suicide bomber detonated an improvised bomb in the foyer of Manchester Arena as a pop concert was coming to an end. The explosion killed 22 people including many children and injured over a hundred others. Many more people suffered psychologically and emotionally.
28. This public report from Lord Kerslake into the Manchester Arena terrorist attack was published on 27 March 2018. The report sets out the background and rationale of the review, recorded the experiences of the bereaved and injured, the response of each of the emergency services and described what went well and provided key recommendations. The report includes how Greater Manchester Fire and Rescue Service (GMFRS) responded to the attack, how emergency Services worked together on the night and identifies lesson about how they should work together in the future should a similar event take place.
29. The report specifically provided recommendations to the following areas:

- Local Multi-Agency recommendations
- Fire & Rescue Services
- National Emergency Response Arrangements
- Local Resilience Forum (LRF) (HWFRS to support LRFs internal review)
- Health Services
- Recommendations in Relation to Press and Media in Emergencies

30. In relation to the recommendations, HWFRS are undertaking an analysis to identify whether HWFRS need to take action to improve our procedures, which will include any H&S related matters that arise from this review.

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).	Corporate strategy – Ensuring firefighter safety
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	Reduces the overall impact for health and safety management in the areas identified and safeguards the Services legal requirements
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

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1. Overview of Events Reported During Quarter 4 (Jan 18 – Mar 18)

1.1. Summary

In the period of January 2018 to March 2018 a total of **45** Health and Safety (H&S) events were reported. They fall into the categories of:

- Personal Injury
- Vehicle Collisions
- Property or Equipment
- Near Hits or Causes for Concern.
- Exposure

During this period there were no events reported in the following categories:

- Violence or Aggression

Individual summaries of reporting in the key areas are outlined below.

1.2. Personal Injury

Of the **45** H&S events reported, **19** were related to the category of Personal Injury. These are described in Table 1 below:

Sub-Categories	Break-down of Injuries in Each Sub-Category
11 events/injuries were during training.	1 relates to a breathing apparatus face mask valve becoming partially unattached during hot fire training. No personal injury resulted to the wearer.
	1 relates to a firefighter who was exposed to heat during essential hot fire training resulting in skin reddening and small blister resulting in cooling gel being applied, fire kit fitted correctly, control measures from risk assessments were in place. 4 Calendar Days Lost.
	1 relates to a firefighter who was exposed to heat during essential hot fire training resulting in skin reddening on the day and a small blister found the next day, fire kit fitted correctly, control measures from Risk assessments were being followed. 2 Calendar Days Lost
	1 relates to a firefighter bending over a light portable pump resulting in lower back ache. 3 Calendar Days Lost.
	1 relates to a firefighter running to pump operator to give an instruction when they twisted their ankle. No time lost injury.
	1 relates to a firefighter climbing up into rear of the appliance, when they slipped on step and injured their right shin. The firefighter stayed on duty. No time lost injury
	1 relates to a recruit firefighter operating a ladder, as they brought it to a horizontal position their shoulder gave way. No time lost injury
	1 relates to a firefighter undertaking Breathing Apparatus annual refresher. The firefighter strained their back when rescuing a casualty with a colleague. The Firefighter rested for the remainder of the training course.

	1 relates to a firefighter who during an RTC Training on station pulled a muscle in their back whilst handling RTC equipment. No time lost injury.
	1 relates to a firefighter who whilst removing the 13.5m ladder from appliance pulled their shoulder muscle. No time lost injury.
	1 relates to a firefighter who during a break from training ran to the external toilet and pulled a thigh muscle in their leg. The injury caused them to be off work for more than 7 days and was RIDDOR recordable - 14 Calendar Days Lost, 8 Working Days Lost RIDDOR
4 events/injuries were at operational incidents	1 relates to a Firefighter who attended a persons reported flat fire and who was part of an initial crew tasked to search for a missing person. During the search the firefighter suffered a small burn to their right facial cheek which resulted in a small blister. This was checked by Ambulance crews on-scene and a burns gel was applied - no further treatment was required and the firefighter was advised to monitor the injury further. Significant Event
	1 relates to a firefighter returning to Fire Appliance who tripped over an unseen piece of metal gate in the driveway. No time lost injury.
	1 relates to a firefighter suffering from heat stress who hadn't eaten for a period of time. The firefighter was rested and re-hydrated. No time lost injury.
	1 relates to a firefighter walking back to the appliance from an incident that slipped over and strained their right shoulder. No time lost injury.
3 events/injuries were during routine activities	1 relates to a firefighter who as they lined up for parade went dizzy and felt faint. They were escorted to a seat and advised to rest. No time lost injury.
	1 relates to a firefighter who as they were walking down stairs, slipped and fell down six steps and sprained their right ankle. No time lost injury.
	1 relates to a firefighter who as they were lifting up hose to the first floor pulled their forearm/elbow. 5 Calendar Days
1 event/injury was during non-service related activities	1 relates to a firefighter carrying out physical training. As they used the leg press it resulted in a twinge to the left side of their back. They were advised to restrict the weight applied to leg press. 2 Calendar Days Lost.
Totalling 19 personal injuries	
Totalling 1 RIDDOR event	
Totalling 30 calendar days lost 24 working days lost	

Table 1: Personal Injuries Reported during Quarter 4

1.3. Vehicle Collisions

Of the **45** H&S events **16** are related to the category of Vehicle Collisions these are further described in Table 2 below.

10 of these events could be attributed to the FRS driver these events are highlighted in grey.

Sub-Categories	Breakdown of Vehicle Collisions in Each Sub-Category
2 events were during training	<p>1 relates to a firefighter driving in a service vehicle to Training Centre came to a stop at traffic lights when another car, travelling at a very low speed impacted to the rear. There was very little damage other than an impact mark.</p>
6 events were responding to operational incidents	<p>1 relates to fire engine responding to emergency call, when at a T-junction, a vehicle pulled out directly in front them. Serious Event</p> <p>1 relates to a firefighter who following the turn out system opened the appliance bay door. As the fire engine moved forward it collided with the bay door. The driver immediately stopped and reversed the vehicle back into the bay and assessed the damage – the bay door had not fully opened.</p> <p>1 relates to fire engine being driven to incident which as it moved forwards through a gap in the traffic at a roundabout it made contact with another vehicle</p> <p>1 relates to a fire engine parking at an incident. The crew were unaware of the impact occurring at the time. The fire engine sustained a slight scrape on the nearside rear locker approx. 2 inches long.</p> <p>1 relates to a Fire service vehicle driven in the snow, when as it came around a bend, the vehicle carried on straight on making contact with kerb then slight contact with a house.</p> <p>1 relates to a fire engine reversing into private driveway to commence fire fighting and to keep public road access open. On reversing, a tree limb got caught between the external sun visor and windscreen of the offside roof of the fire engine causing damage to the sun visor and offside roof side light.</p>
6 events were during routine activities	<p>1 relates to a fire service vehicle reversing down a track which resulted in a collision with a telegraph pole.</p> <p>1 relates to a Fire service vehicle being stationary waiting for traffic to continue forward which was then shunted from behind by another private motor vehicle.</p> <p>1 relates to a fire engine being driven forwards in the appliance bay after having been washed. The driver applied the foot brake while moving through appliance room and the vehicle failed to stop due to slippery floor Serious Event.</p> <p>1 relates to a USAR vehicle being driven through the station's rear gate. Whilst manoeuvring, the USAR module collided with the gate. Serious Event</p> <p>1 relates to a Fire service vehicle being stationary at a set of traffic lights. It was then struck from the rear by a private motor vehicle causing damage to both vehicles.</p> <p>1 relates to a firefighters car. When queuing in heavy traffic it went into the rear of another vehicle at approximately 5 miles per hour.</p>

3 events were during non-service related activities	1 relates to a fire officers private car, whose open door the wind blew open and into the nearside front passenger door of a fire service vehicle.
	1 relates to a private motor vehicle failing to turn in snow on road. The vehicle careered off road, across pavement and into a Fire Service vehicle
	1 relates to a free standing Community safety banner/stand which was blown over in the wind onto the door of a stationary parked private motor vehicle causing minor damage.
Totalling 17 vehicle accidents	

Table 2: Vehicle Collisions Reported during Quarter 4

Vehicle mileage statistics for the year 2016-2017 have been provided by the Operational Logistics Fleet Department and have been used to predict vehicle mileage for Q4 2017/18. These are summarised in Table 2A below. It can be seen that there were 8 white fleet safety events out of approximately 207,364 miles driven, which equates to 1 event for every 25,921 miles driven. The 8 safety events by red fleet vehicles were out of approximately 58,629 miles driven, which equates to 1 minor event for every 7,329 miles driven.

Fleet	Total Mileage 2016-2017	Predicted Mileage Q4 2017-2018
White Fleet	829,456	207,364
Red Fleet	234,516	58,629
	Totalling 1,063,972 miles	Totalling 265,993 miles

Table 2A: Vehicle Mileage Statistics

1.4. Property or Equipment Damage

Of the **45** H&S events **3** related to the category of Damage to Property or Equipment, this is further described in Table 3 below:

Sub-Categories	Break-down of Property or Equipment Damage in Each Sub-Category
1 property or equipment failure was at operational incidents	Main pump on fire engine 252, pump disengaged after being engaged
1 property or equipment failure during routine activities	Front Bay door severely damaged. Boarding up company removed old door and boarded up with ply sheets to make site secure.
	A firefighter was descending from the deck of the Aerial Ladder Platform (ALP) to the ground when the bottom step failed and gave way. The firefighter did not obtain any injuries from this.
Totalling 2 property or equipment damage	

Table 3: Damage to Property or Equipment Reported during Quarter 4

1.5. Near Hits or Causes for Concern

Of the **45** H&S events **6** related to the category of Near Hits or Causes for Concern - these are further described in Table 4 below. This includes **1** Near Hit or Cause for Concern from Quarter 3 reported here:

Sub-Categories	Break-down of Near Hits or Causes for Concern in Each Sub-Category
4 were during training exercises	1 related to a member of staffs' private car becoming stuck on grass which had to be manually pushed off which could have caused injury to Fire Service staff. Due to large number on cars and trucks needing to use the yard for training staff had to use other parking areas.
	1 related to the incorrect chocking of fire engine wheels when using pump as an anchor for working at height by more than one group
	1 related to the heavy gear sliding drawer in the rear locker of fire engine coming out at speed when the locker was opened whilst drilling in the yard.
	1 related to a hose out of control: during YFA training a length of 70mm hose was charged with water and did not have a branch on the end of it.
2 were during routine activities	1 related to a routine acceptance test on BA Set (No.04AA1130) contamination was found under the Emergency Air Supply Equipment (EASE) dust cap. Significant Event
	1 related to a partial ceiling collapse in Performance & Information Department after heavy snowfall. Reported to Place Partnership.
	Totalling 6 near hits or causes for concern

Table 4: Near Hits or Causes for Concern Reported during Quarter 4

1.6. Exposure or Contamination

Of the **45** H&S events **2** related to the category of Exposure or Contamination, this is further described in Table 5 below:

Sub-Categories	Break-down of Exposure or Contamination in Each Sub-Category
2 were during training exercises	1 related to Water Rescue Training in River Wye where a firefighter suffered Gastroenteritis 1 Calendar Days Lost 1 Working Days
	1 related to exposure from swimming across River Wye from river left to river right during a training event.
	Totalling 2 exposure or contamination
	Totalling 1 calendar day lost 1 working day lost

Table 5: Exposure or Contamination Reported during Quarter 4

2. Significant/Serious Events during Quarter 4 (Jan 18 – Mar 18)

There have been 3 serious events reported during quarter 4 that required a specialist accident investigation.

In addition to these, there was also 1 significant event reported that did not require a full specialist investigation but required a further review of the standard local investigation to ensure no service wide risks were apparent.

One additional significant event from Quarter 3 is reported here.

2.1. Summary for Quarter 4 (Jan 18 – Mar 18)

During quarter 4, 1 RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) report was submitted to the Health and Safety Executive (HSE). 1 personal injury event was reported under the time lost category.

A total of 3 serious events were reported during quarter 4, of which 3 were vehicle collisions. These are detailed below and required a full specialist investigation, however neither of these events required a level 2 debrief where a senior officer is required to consider any service wide implications.

1. A fire engine was being driven through traffic whilst responding to an emergency call. At a T-junction, a vehicle pulled out directly in front of fire engine, no fault of service driver.
2. Whilst driving through the rear gate of a station the driver misjudged the space available and contact was made between the gate and the rear of the vehicle, gate repairs were undertaken by Place Partnership Limited (PPL).
3. A fire engine was being driven forwards in the station bay having just been washed outside in the yard. The driver applied the foot brake while moving through bay and the vehicle failed to stop due to applying the brake late and the floor being wet and slippery. The fire engine collided with the bay door. The driver misjudgement has been seen as a one off occurrence.

There was 1 significant event reported during quarter 4, which resulted in a personal injury. Additionally, a significant event from quarter 3 was a near hit/dangerous occurrence. These events were of a sufficient enough nature that, whilst not requiring a full specialist investigation, a further review by a supervisory officer or a specialist accident investigator was required.

1. Whilst attending persons reported flat fire the initial crew committed to search for missing person, flat was heavily involved in fire and firefighter suffered small burn to right facial cheek which has resulted in a small blister checked by Ambulance on scene - applied burns gel - no further treatment required advised to monitor.
2. During acceptance test on BA Set contamination was found under EASE supply dust cap. A sample review of this piece of equipment throughout the Service was carried out and no further faults were found.

3. Comparison Between Quarters and Trend Analysis

3.1. Comparison of Events Reported Showing Differences Q4 2016-17 and Q4 2017-18

Table 6 below compares the number of events reported in Q4 2016-17 and Q4 2017-18 for the different categories. Four of the categories experienced an increase in events over the 12 months. Conversely, over the same period there were fewer reports in two categories.

Overall, event reporting as a whole has increased by 3 over the period with 45 reports in Q4 2017-18 compared to 42 in Q4 2016-17.

Event Type	Q4 2016-17	Q4 2017-18	Increase/Decrease
Personal Injuries	16	19	+3
Vehicle Collisions	14	16	+2
Property or Equipment	6	3	-3
Violence & Aggression	1	0	-1
Near Hits	4	5	+1
Exposure	1	2	+1
Overall	42	45	+3

Table 6: Quarterly Events Reported Q4 2016-2017 and Q4 2017-2018

Table 6 above, compares Q4 2016-17 to Q4 2017-18 reports the service has had:*

- Three more Personal Injury reports
- Two more Vehicle Accident reports
- Three fewer reports of Damage to Property or Equipment
- One fewer report of Violence or Aggression
- One more report of Near Hits or Causes for Concern
- One more report of Exposure

*Specific details of these can be provided upon request to the Health and Safety advisor.

3.2. Trend Analysis

In summary compared with the previous year, there has been an overall increase in the number of events reported during quarter 4. However, compared with quarter 3 this number has reduced slightly. All events that occurred during the quarter have had a minimum of a local level investigation to identify preventative control measures, to help in reducing the likelihood of similar occurrences.

Additionally, the number of serious and significant events has reduced significantly from quarter 3 and slightly reduced from quarter 4 last year. All of these have been thoroughly investigated to ensure that suitable control measures were in place and to highlight any areas of improvement that could be made to help prevent a reoccurrence. The H&S Advisor works closely with the investigating officers and the support departments to ensure that additional control measures are implemented where required.

Table 7 shows during quarter 4 there have been more events reported during Training activities compared with operational and routine activities and these are all higher than the numbers of Non-Service related activities reported. Vehicle Collisions have an even split between Operational and Routine driving.

	Total	Training	Operational Activities	Routine Activities	Non-Service Related Activities
Total H&S Events	45	19	11	11	4
Personal Injury	19	11	4	3	1
Vehicle Collision	16	1	6	6	3
Property or Equipment Failure	3	1	1	1	0
Near Hit or Cause for Concern	5	4	0	1	0
Exposure	2	2	0	0	0
Violence or Aggression	0	0	0	0	0

Table 7: Safety Event Breakdown Q4 2017-2018

Table 8 identifies Manual Handling activities and slips trips and fall are the cause of the majority of personal injuries reported, which are within the expected areas in relation to the physical activities that are regularly undertaken by personnel. To try and reduce the number of manual handling injuries reported, the manual handling CTR is currently being reviewed by the H&S advisor and a trade union H&S representative. This is to ensure current guidance is being effectively utilised.

There have also been a small number of burns reported during this period, these have been of a minor nature that caused slight blistering, the health and safety department is working with training centre to review our current practices to ensure suitable and sufficient control measures are being taught and followed.

Total Personal Injuries	19
Manual Handling	6
Slips, Trips & Falls	6
Hit by Moving Object	0
Hit Stationary Object	0
Burns – Operational	1
Burns – Training	2
Other	6

Table 8: Personal Injury Breakdown Q4 2017-2018

Table 9 highlights whilst at low numbers and on the whole of a minor nature, the vehicle collisions involving fire engines have been evenly split between responding to operational incidents and non-blue light driving. Whereas car and van accidents have occurred during normal road driving, which is what would be generally expected due to the nature of the vehicles use.

Vehicle Accidents	Fire Engines		Cars and Vans		Non-Service Vehicle
	On blue lights	Off blue lights	On blue lights	Off blue lights	
Total Accidents	4	4	1	7	1

Table 9: Vehicle Breakdown Q4 2017-2018

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1	Review and further develop the Risk Assessment Database to host all risk assessments. The system will then provide prompts when they are due for review.	Operational Policy Dept.	Rationalise and remove unnecessary RAs and paper based RAs – eliminate duplication – to be delivered over the next 12 months	Ongoing
2	Remove the risk assessments from the Equipment Safety Files and add to the database as part of the review, install a link from the document to the risk assessment database.	Operational Policy Dept.	Tasked to Ops policy Dept. and to be complete within 12 months	Ongoing
3	Provide some further information/evidence for all personnel with regards to the reasoning for the change to the graded response system.	Health & Safety Committee to discuss and minute response	Additional information/rationale to be released prior to 'go live'	Closed – not an action for H&S
4	Create or update the operational driving risk assessment demonstrating that the introduction of graded response as a control measure reduces the risk rating for driving under blue lights.	Operational Policy Dept.	Tasked and complete Update RA from the GRA 1.1 Emergency Response and Arrive at Scene – as additional control measures	Closed – not an action for H&S
5	Run a trial for graded response in a specific area before full roll out goes ahead. This will allow crews to provide feedback and gain confidence in the process; and will provide Management with the time to identify and solve any initial issues on a smaller scale.	Health & Safety Committee to discuss and minute response	Feedback has already been given regarding the response. Discussion held and decision agreed to roll out as per previous discussions, no trial required.	Closed – not an action for H&S
6	Create a process to ensure that feedback is given to personnel submitting operational debriefs and safety events; especially near misses.	Operational Policy Dept.	Review and create a 6 monthly report for H&S Committee and also an update newsletter for staff	Ongoing
7	Standard setting for BA set log book completion and Red Kite service records to ensure a consistent approach to BA set servicing and	Operational Policy Dept.	Ops Policy to allocate to staff to review current 'best practice' to complete Log Book in conjunction with Training.	Ongoing

	recording.			
8	Implement the use of periodic BA set data downloads in order to ensure standards and BA record keeping. This would allow the service to triangulate the recorded information contained on the Red Kite system and BA logbook more effectively.	Service Delivery & Ops Logistics	Service Delivery to evaluate how this could form part of the Station Assurance Audit process	Ongoing
9	Operational assurance of BA in a live operational environment so best practice and learning can be shared with operational crews locally, regionally and nationally.	P&I	Under review.	Ongoing
10	A review of EDBA within the service in order to create a policy and training provision for operational deployment or remove the EDBA provision and equipment from service.	Ops Logistics	Equipment not in use has been withdrawn.	Closed
11	Review all station door mats to ensure they are in good condition and fit for purpose.	Operational Policy Dept.	To be discharged by Station Commanders	Ongoing
12	Station or building risk assessments should be reviewed to ensure that local arrangements for implementing control measures for snow and ice are in place and up-to-date.	Operational Policy Dept.	To be added during the rationalisation exercise – see recommendation 1	Ongoing
13	Implement a slips, trips and falls poster campaign to educate personnel on the benefits of good housekeeping	Operational Policy Dept.	To be discharged via H&S Dept.	Ongoing
14	Review and update all Health and Safety noticeboards. A templated guide could be produced that all stations and departments could use to standardise them for consistency across the organisation.	Operational Policy Dept.	To be discharged via H&S Dept.	Ongoing
15	Update the management structure on page seven of the Health and Safety policy to reflect current arrangements or consider re-instating the direct reporting line into the senior management team.	Operational Policy Dept.	SPI is currently in draft, pending approval and 21 days consultation.	Ongoing