

# Hereford & Worcester Fire Authority

## Statement of Accounts

### 2017/18

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## NARRATIVE REPORT

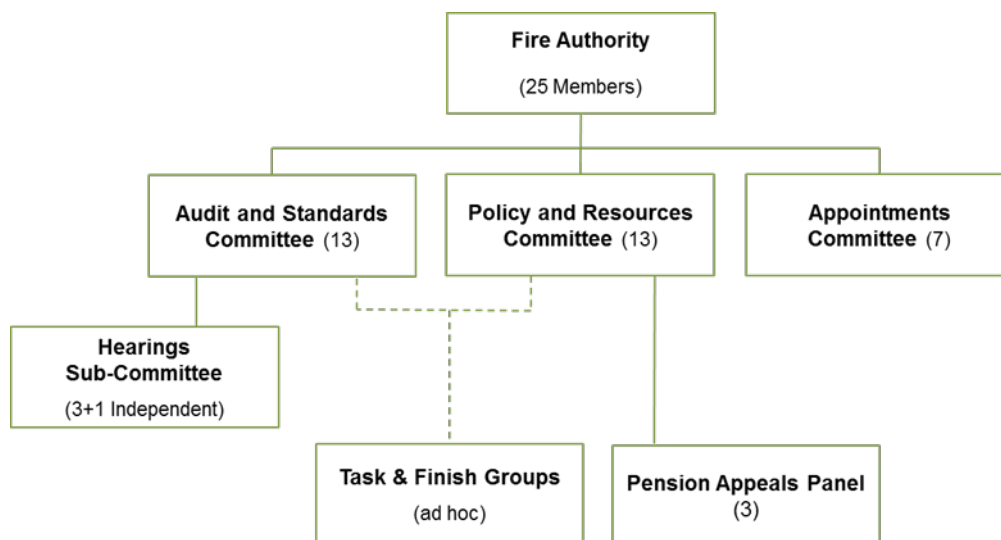
1. Originally formed as an independent corporate body, as a result of Local Government Reorganisation, on 1 April 1998, Hereford & Worcester Fire Authority (the Authority) is now constituted under the Fire and Rescue Services Act 2004. The Authority sets its own budget requirement, receives a share of 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 1<sup>st</sup> 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.



- 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

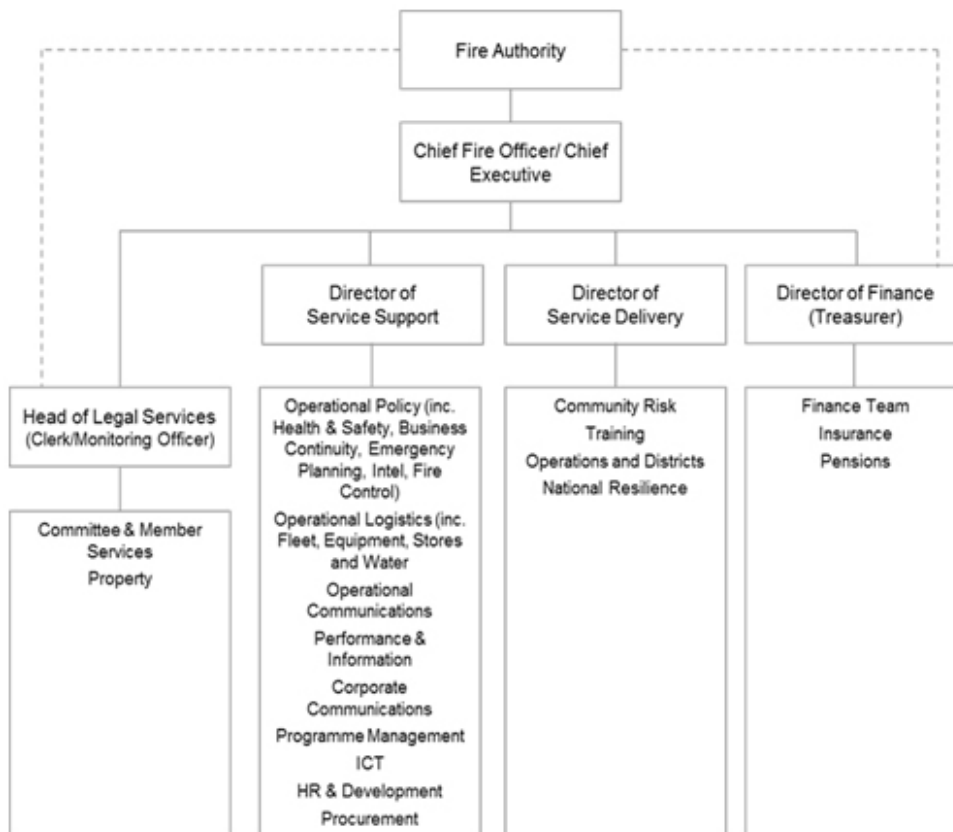
- Hereford & Worcester Fire Authority is the governing body of the Fire and Rescue Service and is the legal entity responsible for carrying out duties as set out in the Fire and Rescue Services Act 2004, in relation to fire prevention, fire safety, firefighting and rescues (including from road traffic 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.
- The Authority currently carries out its duties by directly employing operational and other staff as Hereford and Worcester Fire and Rescue Service.
- 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.
- 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

- 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).

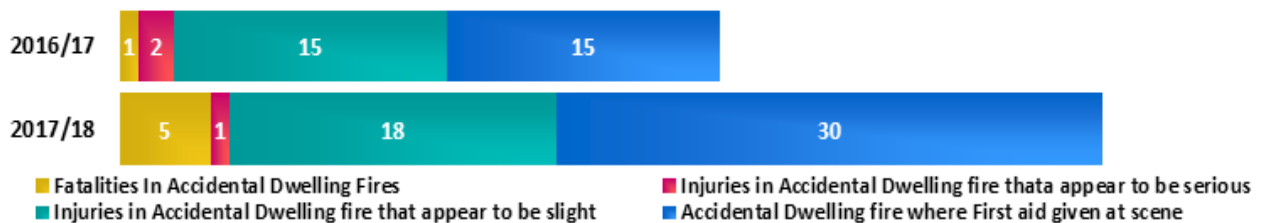
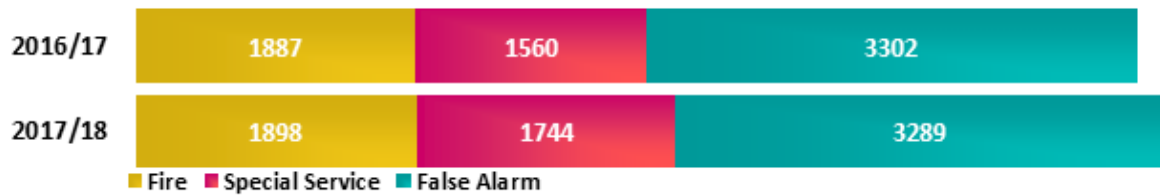
10. In addition to Service Headquarters in Worcester, there are 27 fire stations across the two counties, a training centre, stores/workshops and a number of locally based training facilities.
11. The Service is structured into three directorates – Service Delivery, Service Support, and Finance. Most 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**

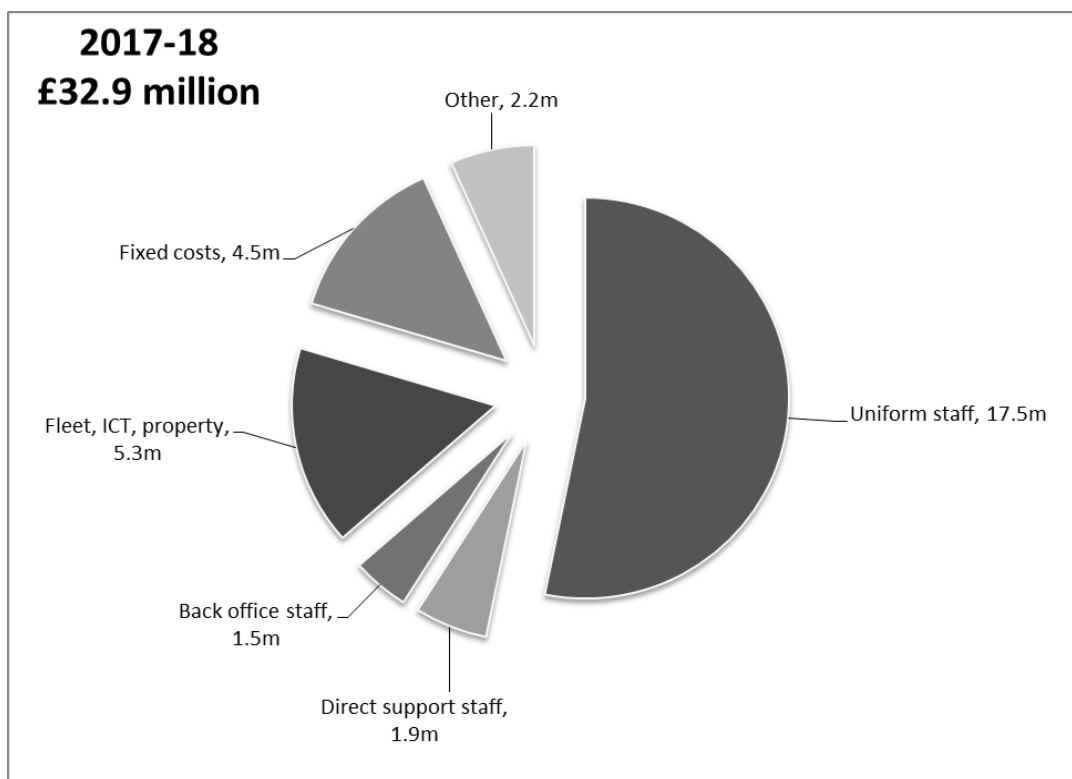
- This shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.
  - The statement shows how expenditure 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.

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

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

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

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 &amp; 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>	
	<b>0.841</b>

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 31<sup>st</sup> March 2017, this figure remains unchanged at 31<sup>st</sup> 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

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

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Date

**Issue Date**

6. The date that these financial statements are authorised for issue is 25<sup>th</sup> 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 25<sup>th</sup> July 2018.

Signed on Original

\_\_\_\_\_  
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 20<sup>th</sup> 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-minimus 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 31<sup>st</sup> March 2015 the Authority participated in four schemes, following the commencement of the new Firefighters' Care Scheme (the 2015 scheme) on 1<sup>st</sup> 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 1<sup>st</sup> 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
<b>Gross Expenditure, Gross Income and Net Expenditure on Continuing Operations</b>							
Employee Costs		24,728	(2,040)	<b>22,688</b>	25,466	(1,251)	<b>24,215</b>
Running Costs		5,795	(771)	<b>5,024</b>	6,841	(733)	<b>6,108</b>
Capital Financing		2,917		<b>2,917</b>	661		<b>661</b>
<b>Cost of Services</b>		33,440	(2,811)	<b>30,629</b>	32,968	(1,984)	<b>30,984</b>
<b>Other Operating Expenditure</b>	122	21	(6,080)	<b>(6,059)</b>	15	(5,522)	<b>(5,507)</b>
<b>Financing &amp; Investment Income and Expenditure</b>	8	11,457	(733)	<b>10,724</b>	10,465	(627)	<b>9,838</b>
<b>Taxation &amp; Non-Specific Grant Income</b>	9		(33,690)	<b>(33,690)</b>		(30,760)	<b>(30,760)</b>
<b>Deficit/(Surplus) on Provision of Services</b>		<b>44,918</b>	<b>(43,314)</b>	<b>1,604</b>	<b>43,448</b>	<b>(38,893)</b>	<b>4,555</b>
<b>Deficit/(Surplus) on revaluation of non-current assets</b>	27-28			<b>(700)</b>			<b>(5,663)</b>
<b>Remeasurement of the net defined benefit liability/(asset)</b>	66			<b>59,554</b>			<b>876</b>
<b>Other Comprehensive Income and Expenditure</b>				<b>58,854</b>			<b>(4,787)</b>
<b>Total Comprehensive Income and Expenditure – Deficit/(Surplus)</b>				<b>60,458</b>			<b>(232)</b>

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

**SUMMARY OF MOVEMENTS**

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

**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
<b>Balance at 31-Mar-2016</b>	1,838	9,664	11,502	5,238	2,532	19,272	7,227	17,272	(290,445)	(48)	(187)	(266,181)	(246,909)
<b>Total Comprehensive Income &amp; Expenditure</b>	(60,458)		(60,458)			(60,458)						0	(60,458)
<b>Other Comprehensive Income &amp; Expenditure</b>													
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
<b>Reversal of items in the CIES</b>													
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
<b>Insertion of items in the CIES</b>													
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
<b>Transfers Between Earmarked Reserves</b>	(1,843)	1,843	0			0						0	0
<b>Balance at 31-Mar-2017</b>	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**

<b>Balance at 31-Mar-2016</b>	1,838	9,664	11,502	5,238	2,532	19,272	7,227	17,272	(290,445)	(48)	(187)	(266,181)	(246,909)
<b>Movement in Reserves during 2016/17</b>													
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
<b>Total Comprehensive Income &amp; Expenditure</b>	(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
<b>Net change before Earmarked Reserve Transfers</b>	1,843	0	1,843	(37)	(472)	1,334	504	2,607	(65,274)	378	(7)	(61,792)	(60,458)
Earmarked Reserves Transfers	(1,843)	1,843	0			0						0	0
<b>Net Movement in Year</b>	0	1,843	1,843	(37)	(472)	1,334	504	2,607	(65,274)	378	(7)	(61,792)	(60,458)
<b>Balance at 31-Mar-2017 Carried Forward</b>	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
<b>Long Term Assets</b>		<b>44,584</b>	<b>52,105</b>
Inventories		201	198
Short Term Debtors	55	5,698	5,552
Assets Held for Sale	56	985	1,260
Cash & Cash Equivalentents	57-58	14,146	12,808
<b>Current Assets</b>		<b>21,030</b>	<b>19,818</b>
Short Term Borrowing	37-46	(1,500)	(500)
Short Term Creditors	59	(4,382)	(4,202)
<b>Current Liabilities</b>		<b>(5,882)</b>	<b>(4,702)</b>
Provisions	105	(243)	(308)
Long Term Borrowing	43-44	(11,137)	(10,637)
Other Long Term Liabilities	62-81	(355,719)	(363,411)
<b>Long Term Liabilities</b>		<b>(367,099)</b>	<b>(374,356)</b>
<b>Net Liabilities</b>		<b>(307,367)</b>	<b>(307,135)</b>
Useable Reserves	83-89	20,606	20,608
Un-useable Reserves	90-100	(327,973)	(327,743)
<b>Total Reserves</b>		<b>(307,367)</b>	<b>(307,135)</b>

The unaudited accounts were issued on 31<sup>st</sup> May 2018 and the audited accounts were authorised for issue on 25<sup>th</sup> 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		<b>(1,948)</b>	<b>(2,069)</b>
Investing Activities	110	2,511	1,907
Financing Activities	111	500	1,500
Net increase or decrease in cash and cash equivalents		<b>1,063</b>	<b>1,338</b>
Cash and cash equivalents at the beginning of the period		<b>(15,209)</b>	<b>(14,146)</b>
Net increase or decrease in cash and cash equivalents in the Period	57	1,063	1,338
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(14,146)</b>	<b>(12,808)</b>

## 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
<b>Employee Costs</b>	<b>20.837</b>	0.088	<b>20.925</b>	3.290	<b>24.215</b>
<b>Running Costs</b>	<b>7.583</b>	(1.475)	<b>6.108</b>	0.000	<b>6.108</b>
Capital Financing	<b>2.924</b>	(0.477)	<b>2.447</b>	(1.786)	<b>0.661</b>
Excess Staff (net)	<b>0.191</b>	(0.191)	<b>0.000</b>	0.000	<b>0.000</b>
<b>Net Cost of Services</b>	<b>31.535</b>	(2.055)	<b>29.480</b>	1.504	<b>30.984</b>
Funding	<b>(32.376)</b>	32.376	<b>0.000</b>		<b>0.000</b>
Other Income and Expenditure	<b>0.000</b>	(30.321)	<b>(30.321)</b>	3.892	<b>(26.429)</b>
Surplus or deficit on provision of services	<b>(0.841)</b>	<b>0.000</b>	<b>(0.841)</b>	<b>5.396</b>	<b>4.555</b>
Transfer to Ear-marked reserve	<b>0.841</b>				
Net movement on General fund	<b>0.000</b>	0.000	<b>(0.841)</b>		
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				<b>(4.787)</b>	<b>(4.787)</b>
Deficit/(Surplus) Comprehensive Income and Expenditure				<b>609</b>	<b>(232)</b>
Opening General Fund and Earmarked Reserve Balance at 31 March 2017	(13.345)				
Plus Surplus on General Fund in year	(0.841)				
<b>Closing General Fund and Earmarked Reserve Balance at 31 March 2018</b>	<b>(14.186)</b>				

## 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)			<b>0.088</b>
Running Costs		0.103		(1.578)	<b>(1.475)</b>
Capital Financing			(0.477)		<b>(0.477)</b>
Excess Staff (net)	(0.191)				<b>(0.191)</b>
	<b>0.000</b>	<b>0.000</b>	<b>(0.477)</b>	<b>(1.578)</b>	<b>(2.055)</b>
Income			0.477	1.578	<b>2.055</b>
	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

#### 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	<b>3.290</b>
Running Costs					<b>0.000</b>
Capital Financing	(1.786)				<b>(1.786)</b>
Net Cost of Services	(1.786)	3.289	0.000	0.001	<b>1.504</b>
Other Income and expenditure	(0.278)	4.136	(0.088)	0.122	<b>3.892</b>
Surplus or deficit on provision of services	<b>(2.064)</b>	<b>7.425</b>	<b>(0.088)</b>	<b>0.123</b>	<b>5.396</b>
Other Comprehensive Income and Expenditure	(5.663)	0.876			<b>(4.787)</b>
Difference between General Fund surplus and Comprehensive Income and Expenditure Statement Deficit	<b>(7.727)</b>	<b>8.301</b>	<b>(0.088)</b>	<b>0.123</b>	<b>0.609</b>

#### 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
<b>Employee Costs</b>	<b>20.359</b>	0.762	<b>21.121</b>	1.567	<b>22.688</b>
<b>Running Costs</b>	<b>6.894</b>	(1.870)	<b>5.024</b>	0.000	<b>5.024</b>
Capital Financing	<b>2.981</b>	(0.500)	<b>2.481</b>	0.436	<b>2.917</b>
Excess Staff (net)	<b>0.801</b>	(0.801)	<b>0.000</b>	0.000	<b>0.000</b>
<b>Net Cost of Services</b>	<b>31.035</b>	(2.409)	<b>28.626</b>	2.003	<b>30.629</b>
Funding	<b>(32.878)</b>	32.878			<b>0.000</b>
Other Income and Expenditure	<b>0.000</b>	(30.469)	<b>(30.469)</b>	1.444	<b>(29.025)</b>
Surplus or deficit on provision of services	<b>(1.843)</b>	<b>0.000</b>	<b>(1.843)</b>	<b>3.447</b>	<b>1.604</b>
Transfer to Ear-marked reserve	<b>1.843</b>				
Net movement on General fund	<b>0.000</b>	<b>0.000</b>	<b>(1.843)</b>		
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				<b>58.854</b>	<b>58.854</b>
Deficit/(Surplus) Comprehensive Income and Expenditure				<b>62.301</b>	<b>60,458</b>
Opening General Fund and Earmarked Reserve Balance at 31 March 2016	(11.502)				
Plus Surplus on General Fund in year	(1.843)				
<b>Closing General Fund and Earmarked Reserve Balance at 31 March 2017</b>	<b>(13.345)</b>				

## 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.

	<b>Excess Staff (Net) £m</b>	<b>Other Employee Costs £m</b>	<b>Interests £m</b>	<b>Special Grants £m</b>	<b>Total Adj £m</b>
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

	<b>Adj for Capital Purpose £m</b>	<b>Net Pension Adj £m</b>	<b>Capital Grant Adj £m</b>	<b>Other Difference £m</b>	<b>Total Adj £m</b>
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

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
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
	<b>10,724</b>	<b>9,838</b>

## 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
	<b>31,344</b>	<b>30,672</b>
Non-specific Capital Grant – Fire Transformation Grant		
Grant from Wychavon District Council	2,346	
Grant for Hereford Hub Station		88
Total Grants	<b>33,690</b>	<b>30,760</b>

## 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
	<b>53</b>	<b>51</b>

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
	<b>41</b>	<b>45</b>	<b>43</b>

### Senior Officers

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

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
<b>Fees payable to Grant Thornton UK LLP:</b>		
in respect of external audit services : 2016/17 Accounts	33	
in respect of external audit services : 2017/18 Accounts		33
	<b>33</b>	<b>33</b>

## 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 3<sup>rd</sup> 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
	<b>6,994</b>	<b>6,737</b>	<b>6,399</b>

## 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
<b>Total Capital Expenditure</b>	<b>5,278</b>	<b>2,568</b>

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
	<b>5,278</b>	<b>2,568</b>

27. Capital Financing Requirement

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

## 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
<b>Cost or Valuation at 01 April 2017</b>	<b>38,052</b>	<b>21,219</b>	<b>68</b>	<b>59,339</b>
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)
<b>At 31 March 2018</b>	<b>44,698</b>	<b>21,589</b>	<b>1,836</b>	<b>68,123</b>
<b>Accumulated Depreciation and Impairment at 01 April 2017</b>	<b>0</b>	<b>(15,078)</b>	<b>0</b>	<b>(15,078)</b>
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
<b>At 31 March 2018</b>	<b>0</b>	<b>(16,290)</b>	<b>0</b>	<b>(16,290)</b>
<b>Balance Sheet amount at 01 April 2017</b>	<b>38,052</b>	<b>6,141</b>	<b>68</b>	<b>44,261</b>
<b>Balance Sheet amount at 31 March 2018</b>	<b>44,698</b>	<b>5,299</b>	<b>1,836</b>	<b>51,833</b>

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
<b>Cost or Valuation at 01 April 2016</b>	<b>33,841</b>	<b>20,751</b>	<b>1,201</b>	<b>55,793</b>
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)
<b>At 31 March 2017</b>	<b>38,052</b>	<b>21,219</b>	<b>68</b>	<b>59,339</b>
<b>Accumulated Depreciation and Impairment at 01 April 2016</b>	<b>0</b>	<b>(14,771)</b>	<b>0</b>	<b>(14,771)</b>
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
<b>At 31 March 2017</b>	<b>0</b>	<b>(15,078)</b>	<b>0</b>	<b>(15,078)</b>
<b>Balance Sheet amount at 01 April 2016</b>	<b>33,841</b>	<b>5,980</b>	<b>1,201</b>	<b>41,022</b>
<b>Balance Sheet amount at 31 March 2017</b>	<b>38,052</b>	<b>6,141</b>	<b>68</b>	<b>44,261</b>

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
<b>Short Term Deposits</b>						
Deposits with WCC		11,900	11,900		11,900	11,900
		11,900	11,900	0	11,900	11,900
<b>Loans &amp; Receivables</b> <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
<b>Financial Liabilities</b> <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:

	<b>Interest Expense 2016/17 £'000</b>	<b>Interest Income 2016/17 £'000</b>	<b>Interest Expense 2017/18 £'000</b>	<b>Interest Income 2017/18 £'000</b>
<b>Financial Liabilities</b>				
PWLB Borrowing	546		512	
Total	546	0	512	0
<b>Short Term Deposits</b>				
		(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.

	<b>31-Mar-17</b>			<b>31-Mar-18</b>		
	<b>Long Term £'000</b>	<b>Short Term £'000</b>	<b>TOTAL £'000</b>	<b>Long Term £'000</b>	<b>Short Term £'000</b>	<b>TOTAL £'000</b>
<b>Loan Source</b>						
Public Works Loans Board	11,137	1,500	12,637	10,637	500	11,137
	<b>11,137</b>	<b>1,500</b>	<b>12,637</b>	<b>10,637</b>	<b>500</b>	<b>11,137</b>
<b>Analysis by Maturity</b>						
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
<b>Total of Loans</b>	<b>11,137</b>	<b>1,500</b>	<b>12,637</b>	<b>10,637</b>	<b>500</b>	<b>11,137</b>

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%
<b>Total</b>	<b>12,304</b>	<b>1</b>	

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
	<b>404</b>

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.

<b>Period of Maturity</b>	<b>Upper Limit %</b>	<b>Lower Limit %</b>
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**

	<b>31-Mar-17 £'000</b>	<b>31-Mar-18 £'000</b>
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
	<b>5,698</b>	<b>5,552</b>

### **57. Assets Held for Sale**

	<b>Current</b>	
	<b>2016-17</b>	<b>2017-18</b>
	<b>£000</b>	<b>£000</b>
<b>Balance outstanding at start of year</b>	<b>985</b>	<b>985</b>
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)
<b>Balance outstanding at year-end</b>	<b>985</b>	<b>1,260</b>

### **Cash and Cash Equivalents**

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

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

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

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

### 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

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

#### 2016/17

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

### 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:

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

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

## Pensions Assets and Liabilities Recognised in the Balance Sheet

	<b>Funded Liability LGPS 2017/18</b> £'000	<b>Un-funded Liability FFPS 2017/18</b> £'000	<b>Un-funded Liability NFPS 2017/18</b> £'000	<b>Un-funded Liability FFCARE 2017/18</b> £'000	<b>Un-funded Liability FFCS 2017/18</b> £'000	<b>TOTAL 2017/18</b> £'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)
<b>Net liability arising from defined benefit obligation</b>	<b>11,557</b>	<b>299,345</b>	<b>22,638</b>	<b>11,424</b>	<b>18,447</b>	<b>363,411</b>

	<b>Funded Liability LGPS 2016/17 (restated)</b> £'000	<b>Un-funded Liability FFPS 2016/17</b> £'000	<b>Un-funded Liability NFPS 2016/17</b> £'000	<b>Un-funded Liability FFCARE 2016/17</b> £'000	<b>Un-funded Liability FFCS 2016/17</b> £'000	<b>TOTAL 2016/17</b> £'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)
<b>Net liability arising from defined benefit obligation</b>	<b>13,370</b>	<b>296,194</b>	<b>21,616</b>	<b>8,082</b>	<b>16,457</b>	<b>355,719</b>

### Assets and Liabilities in relation to post-employment benefits

#### 68. Reconciliation of the present value of scheme liabilities:

	<b>Funded Liabilities (LGPS) 2017/18</b> £'000	<b>Un-funded Liabilities (FFPS) 2017/18</b> £'000	<b>Un-funded Liabilities (NFPS) 2017/18</b> £'000	<b>Un-funded Liabilities (FF CARE) 2017/18</b> £'000	<b>Un-funded Liabilities (FFCS) 2017/18</b> £'000	<b>TOTAL 2017/18</b> £'000
<b>at 1 April</b>	<b>34,802</b>	<b>296,194</b>	<b>21,616</b>	<b>8,082</b>	<b>16,457</b>	<b>377,151</b>
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
<b>Remeasurement Gains and Losses</b>						
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)
<b>at 31 March</b>	<b>34,990</b>	<b>299,345</b>	<b>22,638</b>	<b>11,424</b>	<b>18,447</b>	<b>386,844</b>

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

69. Reconciliation of fair value of scheme assets:

	<b>Funded Assets (LGPS) 2016/17 (restated) £'000</b>	<b>Funded Assets (LGPS) 2017/18 £'000</b>
<b>Fair value at 1 April</b>	<b>18,787</b>	<b>21,432</b>
Interest Income	682	588
<b>Remeasurement gain/loss</b>		
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)
<b>at 31 March</b>	<b>21,432</b>	<b>23,433</b>

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:

	<b>Funded Liabilities (LGPS) 2017/18</b>	<b>Un-funded Liabilities (FFPS) 2017/18</b>	<b>Un-funded Liabilities (NFPS) 2017/18</b>	<b>Un-funded Liabilities (FF CARE) 2017/18</b>	<b>Un-funded Liabilities (FFCS) 2017/18</b>	<b>TOTAL 2017/18</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>at 1 April</b>	<b>13,370</b>	<b>296,194</b>	<b>21,616</b>	<b>8,082</b>	<b>16,457</b>	<b>355,719</b>
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
<b>at 31 March</b>	<b>11,557</b>	<b>299,345</b>	<b>22,638</b>	<b>11,424</b>	<b>18,447</b>	<b>363,411</b>

	<b>Funded Liabilities (LGPS) 2016/17</b>	<b>Un-funded Liabilities (FFPS) 2016/17</b>	<b>Un-funded Liabilities (NFPS) 2016/17</b>	<b>Un-funded Liabilities (FF CARE) 2016/17</b>	<b>Un-funded Liabilities (FFCS) 2016/17</b>	<b>TOTAL 2016/17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>at 1 April</b>	<b>9,612</b>	<b>247,905</b>	<b>14,462</b>	<b>2,769</b>	<b>15,697</b>	<b>290,445</b>
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
<b>at 31 March</b>	<b>13,370</b>	<b>296,194</b>	<b>21,616</b>	<b>8,082</b>	<b>16,457</b>	<b>355,719</b>

76. Scheme History

	31-Mar 2013	31-Mar 2014	31-Mar 2015	31-Mar 2016 (restated)	31-Mar 2017 (restated)	31-Mar 2018
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Present value of liabilities:</b>						
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
	<b>315,527</b>	<b>310,946</b>	<b>347,153</b>	<b>309,232</b>	<b>377,151</b>	<b>386,844</b>
<b>Fair value of assets in the LGPS</b>	13,474	15,384	17,369	18,787	21,432	23,433
	<b>13,474</b>	<b>15,384</b>	<b>17,369</b>	<b>18,787</b>	<b>21,432</b>	<b>23,433</b>
<b>Net Liabilities of the scheme:</b>						
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
<b>Total</b>	<b>302,053</b>	<b>295,562</b>	<b>329,784</b>	<b>290,445</b>	<b>355,719</b>	<b>363,411</b>

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
<b>Mortality assumptions:</b>					
<b>Longevity at 65 for current pensioners</b>					
Male	22.7	21.9	21.9	21.9	21.9
Female	25.7	21.9	21.9	21.9	21.9
<b>Longevity at 65 for future pensioners</b>					
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%
<b>Take-up of option to convert annual pension into retirement lump sum:</b>					
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
<b>Mortality assumptions:</b>					
<b>Longevity at 65 for current pensioners</b>					
Male	22.6	22.4	22.4	22.4	22.4
Female	25.6	22.4	22.4	22.4	22.4
<b>Longevity at 65 for future pensioners</b>					
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%
<b>Take-up of option to convert annual pension into retirement lump sum:</b>					
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.

<b>Asset Category</b>	<b>Sub Category</b>	<b>31-Mar-17</b>	<b>31-Mar-18</b>
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%
	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%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

### 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:

	<b>31-Mar-17</b>	<b>31-Mar-18</b>
	<b>£'000</b>	<b>£'000</b>
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
	<b>20,606</b>	<b>20,608</b>

85. General Fund Balance

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

### 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.

	<b>Balance at 31-Mar-17</b>	Trans to General Fund	Trans from General Fund	<b>Balance at 31-Mar-18</b>
	<b>£000</b>	£'000	£000	<b>£000</b>
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
	<b>5,594</b>	<b>(285)</b>	<b>1,234</b>	<b>6,543</b>
Grant Phasing Reserve	960	(574)		386
NNDR Reserve	46	(45)		1
Budget Reduction Reserve	3,063		511	3,574
	<b>4,069</b>	<b>(619)</b>	<b>511</b>	<b>3,961</b>
Pensions Reserve	422			422
Operational Activity Reserve	600			600
New Dimensions Reserve	381			381
Development Reserve	311			311
Insurance Reserve	130			130
	<b>1,844</b>	<b>0</b>	<b>0</b>	<b>1,844</b>
	<b>11,507</b>	<b>(904)</b>	<b>1,745</b>	<b>12,348</b>

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

	<b>Balance at 31-Mar-16</b>	Trans to General Fund	Trans from General Fund	<b>Balance at 31-Mar-17</b>
	<b>£000</b>	£'000	£000	<b>£000</b>
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
	<b>1,912</b>	<b>(621)</b>	<b>4,303</b>	<b>5,594</b>
Grant Phasing Reserve	1,185	(225)		960
NNDR Reserve	46			46
Budget Reduction Reserve	4,677	(2,677)	1,063	3,063
	<b>5,908</b>	<b>(2,902)</b>	<b>1,063</b>	<b>4,069</b>
Pensions Reserve	422			422
Operational Activity Reserve	600			600
New Dimensions Reserve	381			381
Development Reserve	311			311
Insurance Reserve	130	(9)	9	130
	<b>1,844</b>	<b>(9)</b>	<b>9</b>	<b>1,844</b>
	<b>9,664</b>	<b>(3,532)</b>	<b>5,375</b>	<b>11,507</b>

89. Unapplied Grant

	<b>Formula Capital Grant £'000</b>	<b>Control Rooms Funding £'000</b>	<b>Evesham Station Contribution £'000</b>	<b>Hereford Hub Contribution £'000</b>	<b>Transform ation Grant £'000</b>	<b>TOTAL £'000</b>
<b>Balance at 31 March 2016</b>	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)
<b>Balance at 31 March 2017</b>	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)
<b>Balance at 31 March 2018</b>	904	0	0	88	3,103	4,095

90. Capital Receipts

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

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)
	<b>(327,973)</b>	<b>(327,743)</b>

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
<b>Balance at 1 April</b>	<b>7,227</b>	<b>7,731</b>
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)
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services</b>	<b>7,927</b>	<b>13,394</b>
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		
<b>Balance at 31 March</b>	<b>7,731</b>	<b>13,043</b>

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

## 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
<b>Balance at 1 April</b>	<b>290,445</b>	<b>355,719</b>
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)
<b>Balance at 31 March</b>	<b>355,719</b>	<b>364,021</b>

## 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
<b>Balance at 1 April</b>	<b>(48)</b>	<b>330</b>
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
<b>Balance at 31 March</b>	<b>330</b>	<b>208</b>

## 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
<b>Balance at 1 April</b>	<b>(187)</b>	<b>(194)</b>
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)
<b>Balance at 31 March</b>	<b>(194)</b>	<b>(195)</b>

## 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
<b>Balance at 1 April</b>	<b>377</b>	<b>243</b>
Transfer from CIES	(134)	65
<b>Balance at 31 March</b>	<b>243</b>	<b>308</b>

### 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
	<b>1,893</b>	<b>1,581</b>

### 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)
	<b>(6,364)</b>	<b>(6,979)</b>

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
	<b>2,812</b>	<b>355</b>

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

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

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)
	<b>2,511</b>	<b>1,907</b>

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
	<b>500</b>	<b>1,500</b>

#### **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

<b>Change in financial assumptions 2017/18 : 1992 Firefighters’ Scheme</b>		
	<b>£’000</b>	<b>%</b>
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%

<b>Change in financial assumptions 2017/18 : 2006 Firefighters’ Schemes</b>		
	<b>£’000</b>	<b>%</b>
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%

<b>Change in financial assumptions 2017/18 : 2015 Firefighters’ Schemes</b>		
	<b>£’000</b>	<b>%</b>
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%

<b>Change in financial assumptions 2017/18 : LGPS</b>		
	<b>£'000</b>	<b>%</b>
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**

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
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)
<b>Total Other Operating Expenditure</b>	<b>6,059</b>	<b>5,507</b>

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

## 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
<b>Current Assets</b>		
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)
	<b>0</b>	<b>0</b>

## 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

	<b>Funded Liability</b> <b>LGPS</b> <b>2015/16</b> <b>£'000</b>	<b>Adjust Place Partnership Liability</b> <b>£'000</b>	<b>Funded Liability</b> <b>LGPS</b> <b>2015/16</b> <b>(restated)</b> <b>£'000</b>	<b>Funded Liability</b> <b>LGPS</b> <b>2016/17</b> <b>£'000</b>	<b>Adjust Place Partnership Liability</b> <b>£'000</b>	<b>Funded Liability</b> <b>LGPS</b> <b>2016/17</b> <b>(restated)</b> <b>£'000</b>
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)
<b>Net liability arising from defined benefit obligation</b>	<b>9,612</b>	<b>0</b>	<b>9,612</b>	<b>13,370</b>	<b>0</b>	<b>13,370</b>

3. Reconciliation of the present value of scheme liabilities

	<b>Funded Liabilities</b> <b>(LGPS)</b> <b>2015/16</b> <b>£'000</b>	<b>Adjust Place Partnership Liability</b> <b>£'000</b>	<b>Funded Liability</b> <b>LGPS</b> <b>2015/16</b> <b>(restated)</b> <b>£'000</b>	<b>Funded Liability</b> <b>LGPS</b> <b>2016/17</b> <b>£'000</b>	<b>Adjust Place Partnership Liability</b> <b>£'000</b>	<b>Funded Liability</b> <b>LGPS</b> <b>2016/17</b> <b>(restated)</b> <b>£'000</b>
<b>at 1 April</b>	<b>27,387</b>		<b>27,387</b>	<b>26,805</b>	<b>1,594</b>	<b>28,399</b>
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
<b>Remeasurement Gains and Losses</b>						
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)
<b>at 31 March</b>	<b>26,805</b>	<b>1,594</b>	<b>28,399</b>	<b>33,196</b>	<b>1,606</b>	<b>34,802</b>

4. Reconciliation of fair value of scheme assets

	Funded Assets (LGPS) 2015/16 £'000	Adjust Place Partnership Assets £'000	Funded Assets (LGPS) 2015/16 (restated) £'000	Funded Assets (LGPS) 2016/17 £'000	Adjust Place Partnership Assets £'000	Funded Assets (LGPS) 2016/17 (restated) £'000
<b>Fair value at 1 April</b>	<b>17,369</b>		<b>17,369</b>	<b>17,193</b>	<b>1,594</b>	<b>18,787</b>
Removal of Prior year PPL adjustment				(12)	12	0
Interest Income	598	34	632	682		682
<b>Remeasurement gain/loss</b>						
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)
<b>at 31 March</b>	<b>17,193</b>	<b>1,594</b>	<b>18,787</b>	<b>19,826</b>	<b>1,606</b>	<b>21,432</b>

5. Scheme History

	31-Mar 2016 £'000	Adjust PPL £'000	31-Mar 2016 (restated) £'000	31-Mar 2017 £'000	Adjust PPL £'000	31-Mar 2017 (restated) £'000
<b>Present value of liabilities:</b>						
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
	<b>307,638</b>	<b>1,594</b>	<b>309,232</b>	<b>375,545</b>	<b>1,606</b>	<b>377,151</b>
<b>Fair value of assets in the LGPS</b>	17,193	1,594	18,787	19,826	1,606	21,432
	<b>17,193</b>	<b>1,594</b>	<b>18,787</b>	<b>19,826</b>	<b>1,606</b>	<b>21,432</b>
<b>Net Liabilities of the scheme:</b>						
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
<b>Total</b>	<b>290,445</b>	<b>0</b>	<b>290,445</b>	<b>355,719</b>	<b>0</b>	<b>355,719</b>

## DRAFT ANNUAL GOVERNANCE STATEMENT 2017/18

### 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](http://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

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**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

## 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](http://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

**Phil Jones**

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

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

25 July 2018