

# BEDFORDSHIRE

## FIRE AND RESCUE AUTHORITY



## DRAFT - STATEMENT OF ACCOUNTS 2016/17

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# **STATEMENT OF ACCOUNTS**

**2016/17**

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## **AUTHORITY MEMBERSHIP 2016/17**

### **Chair**

Councillor D McVicar (Central Bedfordshire Council)

### **Vice-Chair**

Councillor C Atkins (Bedford Borough Council)

### **Councillors**

#### Bedford Borough Council

C Atkins  
M Headley  
J Mingay

#### Central Bedfordshire Council

P Downing  
J Chatterley  
F Chapman  
D McVicar  
P Duckett

#### Luton Borough Council

Y Waheed  
R Riaz  
M Ayub  
D Franks

The Authority is made up of twelve members who are appointed in proportion to the number of local government electors in each constituent authority area.

Following the Annual General Meeting of the FRA on 25 May 2017, the Chair is now Cllr C Atkins and Cllr P Downing Vice Chair. There is one new and one returning Member both from Luton Borough Council, T Khan and R Saleem who replaced R Riaz and M Ayub.

During 2016/17:

Chair of Corporate Service Policy and Challenge Group – Cllr M Headley

Chair of Service Delivery Policy and Challenge Group – Cllr J Mingay

Chair of Human Resources Policy and Challenge Group – Cllr Y Waheed

Chair of Audit and Standards Committee – Cllr F Chapman

# NARRATIVE STATEMENT

## Background Information

### **Population**

Bedfordshire Fire & Rescue Service (BFRS) covers an area of approximately 123,500 hectares and has a population of approximately 643,000 including large towns such as Luton, Bedford, Leighton Buzzard, Dunstable and Kempston.

### **Travel and transport**

The region is under flight paths to a number of commercial and private airports/airfields and includes Luton Airport which has its own fire and rescue service but is supported by the FRS; no permanent presence, but familiarisation and full emergency planning visits are undertaken. Other significant airfields include Cranfield and Shuttleworth.

BFRS area has a number of rivers in the area, and has the use of one rescue boat located at Bedford.

A number of major motorways (A1, M1, etc), motorway intersections and arterial roads pass through the region. This includes a number of remote roads through countryside.

In addition to the residential risks presented, the geographical area covered includes farming, woodland and forests, major motorway networks, rail network, airport, heritage sites and rivers.

## **Service Vision, Objectives and Priorities**

### **Vision**

The Service's Vision is to provide an excellent fire and rescue service for the communities of Bedfordshire.

### **Service Objectives**

- To respond effectively, manage risks, and reduce the number of emergency incidents that we attend.
- To ensure high standards of corporate governance and continued Service improvement.
- To develop our employees and create a safe, fair and caring workplace for our staff.

### **Service Priorities**

Making every contact count - Ensuring that we make every possible use of the contact that we have with vulnerable people in society by way of education and advice and, where appropriate, making referrals to partner agencies.

Firefighter Safety - Keeping our operational Firefighters as safe as possible through the application of robust risk assessment processes, appropriate training, Personal Protective Equipment (PPE), and other equipment.

Delivering effectiveness and improvement - Providing excellent prevention, protection and response functions to our communities, making improvements aligned to our changing risks to keep people safe in their home, in public places, at leisure time and when travelling.

### **Organisational statistics and structure**

BFRS employs around 300 fire fighters and control staff, 145 retained fire fighters and 139 non-operational staff.

There are 14 strategically positioned Fire Stations and an Emergency Communication Centre.

These include five wholetime stations, crewed 24 hours a day, one day crewed and night retained stations and 8 retained stations.

### **Other local FRS**

BFRS is bordered to the north & east by Cambridgeshire, to the north & west by Northamptonshire FRS, to the south by Hertfordshire and to the south and west by Buckinghamshire FRS.

### **Management and the Authority**

Structure of the Service comprises a Chief Fire Officer and the following direct line reports (including responsibilities):

- Deputy Chief Fire Officer
  - Operations
  - Operational Support
  - Training and Development
  - Community Safety
- Assistant Chief Officer
  - Strategic Support
  - Human Resources
  - Strategic Projects
  - Health and Safety
- Head of Finance/Treasurer to the FRA
  - Statutory Section 151 responsibilities
  - Finance, Procurement, Office Services and Property

Headquarters is located at Kempston, Bedford, which houses the corporate team, directors, central operations, transport & engineering team, training facility, command & control room and a hot fire training facility.

There is a wide range of fire stations within the authority with some having cooking facilities, gyms and sleeping accommodation for fire fighters.

### **BFRS activities**

#### **General**

BFRS undertakes day to day emergency response and community safety work and operates from a 14 fire stations of varying ages (mainly purpose built and located in city/town/village centres close to residential, commercial and industrial areas with some dating back to the 1960's).

The following table summarises the volume of incidents attended over recent years.

Fin Yr	Total Incidents	False Alarm	Fire	Special Service
2009-10	6471	2388	2827	1256
2010-11	6242	2456	2538	1248
2011-12	6071	2488	2485	1098
2012-13	5315	2264	1858	1193
2013-14	5546	2289	2123	1134
2014-15	5948	2629	2041	1278
2015-16	5757	2538	2009	1207
2016-17	6536	2723	2088	1685

As well as firefighting and rescue, the service responds to road traffic collisions, water rescue, flooding, working at height, animal rescues, chemical and decontamination incidents to name a few.

### Performance

The Authority annually sets performance measures at each of its three policy and challenge groups and receives monitoring reports on these indicators during the year.

There is also an annual overarching performance report presented to the Fire and Rescue Authority, with the most recent report presented at the meeting on 19<sup>th</sup> July 2017 covering 2016/17. This report is aligned to the Service's strategic objectives and strategies and can be viewed via the following link:

<http://www.bedsfire.com/CombinedFireAuthority/CFAMeetings/Documents/FRA20170719/FRA20170719Item11.pdf>

The report covers that in 2016/17 the Service achieved or performed better than target in 71% of its strategic objective measures.

**Strategic Objective 1** To Respond Effectively, manage risks and reduce the number of emergency incidents that we attend  
Achieved or performed better than target in 8 out of 14 indicators

**Strategic Objective 2** To ensure high standards of corporate governance and continued service improvement  
Achieved or performed better than target 9 out of 14 indicators reported. (FNP2 performance will be available following external audit in September 2017.)

**Strategic Objective 3** To develop our employees and create a safe, fair and caring workplace for our staff.  
Achieved or performed better than target in 20 out of 24 indicators

## **Value for Money**

All procurements over £10k must involve the Procurement Manager and the Authority now advertises these on an online contracts website called Bluelight. This is to ensure that the Authority appropriately makes contracts available to a wide range of suppliers and seeks to obtain value for money in its purchases of goods and services.

In accordance with the Authority's Procurement Policy and Contract Procedures, purchases up to £50k will require quotations. Where over £50k, the Procurement Manager will be involved in tenders and where over the prescribed limit the European procurement (OJEU) process will be adhered to.

The Authority seeks to collaborate with others across the public and private sectors in the procurement of its requirements, in order to widen the scope of its experience, explore the opportunity for new initiatives, maximise purchasing power and harness economies of scale.

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## **TREASURER'S EXPLANATORY FOREWORD**

### 1. Introduction

The Bedfordshire Fire and Rescue Authority (FRA) is a precepting authority - this means that its net cost, after receipt of Government Grant, is met by a proportion of local business rates and council tax payers in Bedford, Central Bedfordshire and Luton in proportion to the valuation band of their property.

The FRA is acutely aware, particularly in the current economic climate, of the need to keep any increase in council tax to the minimum, always bearing in mind the need to adequately fund the fire and rescue service. Resources must, therefore, be sufficient to enable this emergency service to be fully operational throughout the year. However, as a result of a major exercise by Officers during the financial years 2011/12 to 2015/16 to identify efficiency savings for the 2016/17 budget, the FRA was able to keep its Council Tax increase to 2% for 2016/17. As a consequence of not having an increase in Council Tax for 2011/12, the Authority will continue to receive the Council Tax Freeze Grant from the Government, that is now incorporated within the baseline funding allocation.

The Authority has considered the impacts of Britain exiting the European Union and considers at this point in time there are not any significant implications that need recording in the statement of accounts.

### 2. 2016/17 - A Financial Commentary

#### **Revenue Budget:**

For 2016/17 the FRA approved a revenue budget requirement of £28.985m. This was felt to be the minimum required to maintain the level of service referred to above. Revenue Account details are summarised in paragraph 4 below.

#### **Capital Budget:**

What the FRA spends on capital expenditure and how that expenditure is financed is governed by a Prudential Code, which has been adopted by the Authority. The FRA each year considers and determines what can be afforded taking into account service needs and the effect of the cost of financing the expenditure at local council tax payer level. The FRA approves prudential indicators to control this activity and receives regular monitoring reports throughout the year. For 2016/17 the FRA determined that capital expenditure be approved at £1.274m, of which £0.856m was to replace fire appliances and other operational vehicles. The capital programme was funded from capital grant received from Central Government and revenue contributions. Capital expenditure details appear on Note 11 to the accounts.

#### **Pensions Liability:**

The pensions liability has increased from £280.7m at the end of 2015/16 to £322.7m at the end of 2016/17. Changes in actuarial deficits or surpluses can arise as a result of events that have not coincided with the actuarial assumptions made for the last valuation or because the actuarial assumptions have changed. Further details of this increase in deficit are analysed in Note 29.

## **Reserves:**

The General Reserve balance as at 31 March 2017 was £2.6m. This is following work undertaken over the last few years to establish specific earmarked reserves, which as at 31 March 2017 totalled £12.249m. The year-end revenue budget underspend of £1.372k has been allocated to the Earmarked Reserve set up for Collaboration work to support future years. This includes £498k of pension reimbursements from the Home Office that were not included in the year end outturn forecasts reported to the FRA. The specific budget setting reserve (Transformational) totals £4.976m that will be used over the medium term to balance the revenue budget. This is in line with the Medium Term Financial Strategy, which takes into account the back loaded, and on-going Government funding reductions to Fire and Rescue Services.

The Capital Receipts Reserve as at 31 March 2017 was £0.641 m.

### 3. Statement of Accounts

The FRA's Statement of Accounts for the year ending 31 March 2017 is set out on the following pages. The Statement includes:

- a. The Statement of Responsibilities for the Statement of Accounts which sets out the responsibilities of the FRA and the Treasurer to the FRA.
- b. The Annual Governance Statement.
- c. The Movement in Reserves Statement which summarises the FRA's spending against the council tax it raised, taking into account the use of reserves during the year.
- d. The Comprehensive Income and Expenditure Statement which summarises the income and expenditure of the FRA.
- e. The Balance Sheet which displays the financial position of the FRA as at 31 March 2017.
- f. The Cash Flow Statement which summarises the changes in the FRA's funds.
- g. The Pension Fund Account for the year together with the Net Assets Statement at the year end.

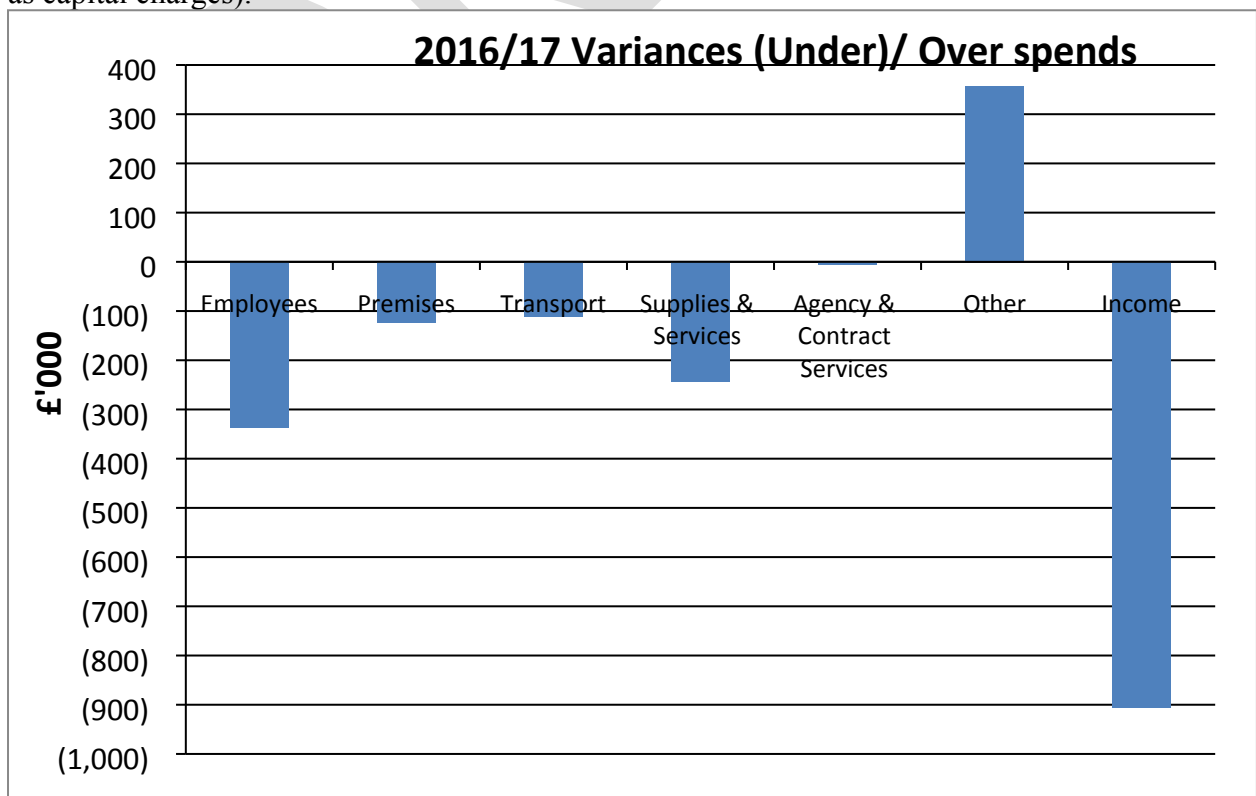
The Accounts are supported by a Statement of Accounting Policies and various Notes to the Core Financial Statements. In addition, a Glossary of Terms is included to provide further explanation.

#### 4. 2016/17 Year End Contribution to Reserves

On the 9th March 2017, the authority received a budget monitoring report forecasting the year end outturn, based on actuals as at 31st December 2016, as an underspend of £692k. The actual year end outturn was comparatively £874k. In addition to this was the £498k pension monies.

SUMMARY OF EXPENDITURE PORTFOLIO	Original Budget 2016/17 £	Revised Budget 2016/17 £	Actuals 2016/17 £	Variance to Revised Budget £
01 Strategic Management	485,900	545,700	490,209	(55,491)
02 Head of Operations	13,859,300	14,479,800	13,719,870	(759,930)
03 Head of Operational Support	1,820,300	1,872,050	2,003,936	131,886
04 Head of Prevention and Protection	1,603,700	1,702,000	1,762,269	60,269
05 Head of Human Resources	721,800	774,000	815,723	41,723
06 Head of Finance & Treasurer	4,492,900	3,356,000	2,294,566	(1,061,434)
07 Head of Staff Development and Safety	1,478,700	1,657,200	1,699,993	42,793
08 Head of Strategic Support	2,561,000	2,715,800	2,548,873	(166,927)
09 Year End Capital Charges and Reserves	1,960,900	1,881,950	2,238,234	356,284
<b>Net Revenue Expenditure</b>	<b>28,984,500</b>	<b>28,984,500</b>	<b>27,573,673</b>	<b>(1,410,827)</b>
Government Grants incl RSG & NNDR	(8,330,000)	(8,330,000)	(8,291,023)	38,977
Precepts including Collection Fund Surplus	(20,654,500)	(20,654,500)	(20,654,500)	0
<b>Year end Contribution to reserves</b>	<b>0</b>	<b>0</b>	<b>(1,371,850)</b>	<b>(1,371,850)</b>

The main budget underspends and overspends are detailed below (excluding notional amounts such as capital charges).



The most significant underspend is the Employees expenditure of (£336,660).

**Employee Expenditure** - Uniformed staff underspend including Retained and Control total (£596,089). Within the Uniformed underspend the main areas are (£113,500) relating to Fire Fighters pay inflation saving of 1% against budget and a further (£533,935) as a result of vacancies within Wholetime and Retained, allowances and other minor variances £51,346.

**Employee Expenditure** - The Non-Uniform staff overspend within the employee variance above totals £300,525. This mainly as a result of agency spend across the service covering vacant posts £500,739 which is partially offset by income (see below) of (£182,680) into the authority relating to recharges for agency staff working on transformation projects and a further (£42,616) for cost recovery relating to staff costs for ICT shared Services, other variances total £25,082.

**Employee Expenditure** - Indirect employee expenditure within the employee variance underspend totals (£41,096) The main areas of underspend relate to the payment of HMRC Sanction charges which was (£32,707) less than expected and Occupational Health (£14,591). Other minor over and underspends totalling £6,202.

**Premises expenditure** - Underspend totals (£123,933). The main areas of underspend are Utilities (£57,572), Waste (£19,188), Repairs and Maintenance (£25,344), Decorating programme (£17,860) and other minor underspends of (£3,973).

**Transport expenditure** - Underspend totals (£111,888). The main areas of underspend are Fuel costs (£76,770), Lump Sum Car Allowances (£4,601) and Essential Car User Mileage (£10,270), spare part and workshop costs of (£14,340). Other minor underspends total (£5,907).

**Supplies & Services** - Underspend totals (£243,669). The main areas of underspend are IT Development & Software (£170,000), Service Agreements (£34,107), Catering Provisions (£23,348) and Office Supplies (£13,622). Other variances total (£2,592).

**Other expenditure** - Underspends total (£349,886). Main areas of variance and underspend (£358,600) due to unused Ear Marked Reserves (EMR's) 2015/16 which were added back to Corporate reserves and a difference between budgeted and Revenue Contributions to Capital and other minor Variances (£8,714).

**Income** - Over achievement of income of (£905,987). The main areas of variance are; (£497,789) relating to previous years over payments of pensions which will be repaid by the Home Office, (£182,680) which relates to the recovery of agency costs relating to projects (see Non-Uniform Staff above), a further (£56,780) as a result of the payment of insurance claim (see Contingent Assets in 2015/16 Statement of Accounts). There was also a recovery of staff costs relating to ICT shared Services (£42,616), an overachievement of investment income (£30,036), the sale of motor vehicles (£11,650) and other variances (£80,436).

**Summary of Expenditure Table above identifies variances by Portfolio area, the main areas of underspend are;**

**Head of Operations** - (£759,930) which relates mainly to both staffing underspend and fuels costs as identified above.

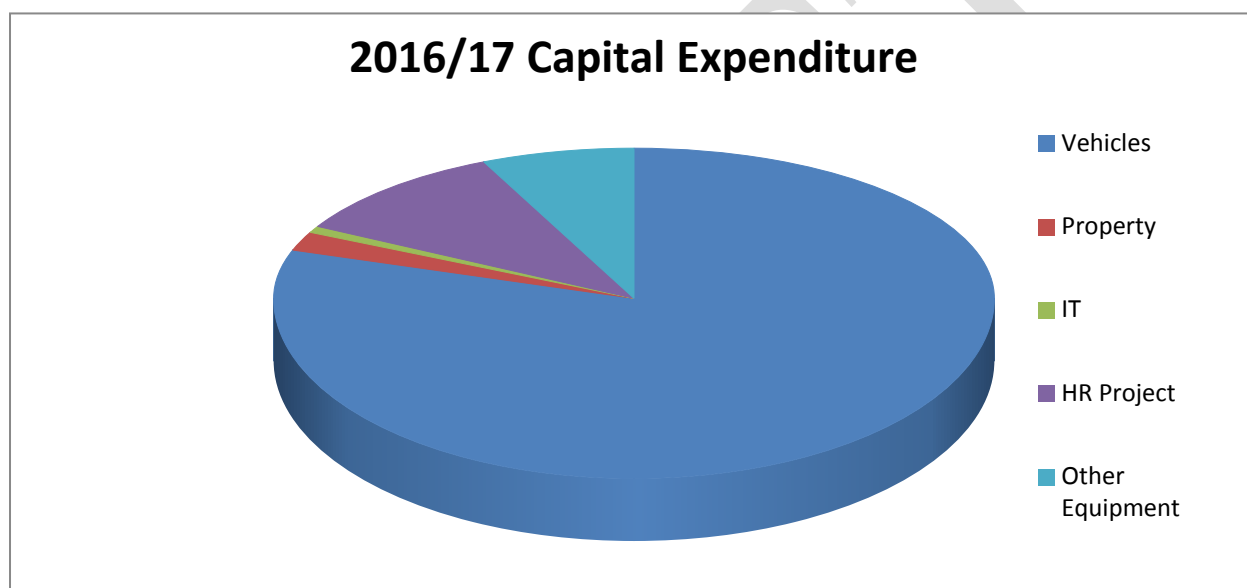
**Head of Finance and Treasurer** - (£1,061,434) where the underspend mainly relates to an over achievement of Investment Income and also an underspend due to Fire Fighters pay inflation at 1% rather than the budgeted 2%, Collection fund surpluses being more than budget and income relating to an insurance claim against previous insurers.

**Head of Operational Support** - £131,886 which mainly relates to the Control Project which is funded by Corporate Reserves.

The contribution to the reserves is £982k which includes the unutilised budget managers earmarked reserves (15/16) and unused but Fire and Rescue Authority approved capital funding. The capital reserve has been set up to fund the capital slippage carried forward to 2017/18. A further £502,900 for budget managers earmarked reserves 2016/17 has been allocated to reserves. The budget managers earmarks are funded by in year underspends where projects are on-going across financial years. The variance (£874k) stated above is the outturn compared to FRA original budget provision excluding capital funding, the pensions reimbursement and prior year budget managers earmarked reserves. This will be transferred to the Collaboration reserve as agreed by the FRA in February 2017 and will also include the (£498k) pension monies.

### 2016/17 Capital Programme

In 2016/17 the FRA spent £1,789,660 on capital projects, of which £1,419,399 was spent on vehicles, £37,115 property spend, HR system replacement £180,371, Technical Equipment £134,197 and other expenditure £18,643. The FRA funded its capital programme from capital grants £29,169 and revenue contribution to capital of £1,760,491.



The table below shows capital resources used and available to fund future capital expenditure.

	<b>Brought Forward £'000</b>	<b>Received/ Transferred to in Year £'000</b>	<b>Used/ Transferred from in Year £'000</b>	<b>Available to fund future year expenditure £'000</b>
Usable Capital Receipts	625	16	0	641
Grants & Other Contributions	217	14	(29)	202
Vehicle Appliance Reserve	48	0	0	48
Capital Reserve	2,196	1,735	(1,760)	2,171
	<b>3,086</b>			<b>3,062</b>

As reported to the Fire and Rescue Authority on the 9th March 2017, the outturn on the vehicles capital scheme needs to be treated with fluidity, as the work on the vehicle build specifications and the time taken to build the vehicles moves across financial years. The non-vehicle scheme slippage includes various station refurbishments/ upgrades, ICT communication projects and the HR System project which are due to complete in 2017/18.

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Fire Authority's Responsibilities**

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, the officer is the Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

### **The Treasurer's Responsibilities**

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

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;
- complied with the local authority Code;
- kept proper accounting records which were up-to-date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **Opinion**

I certify that the Statement of Accounts gives a true and fair financial position of the Bedfordshire Fire and Rescue Authority at the accounting date and its income and expenditure for the year ended 31 March 2017.



GAVIN CHAMBERS CPFA  
Treasurer to Bedfordshire Fire and Rescue Authority

### **Signed on behalf of the Fire Authority**

Cllr Fiona Chapman  
Chair of the Audit & Standards Committee

## **ANNUAL GOVERNANCE STATEMENT FOR THE YEAR 2016/17**

### **1. Scope of Responsibility**

Bedfordshire Fire and Rescue Authority is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure the continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The Authority has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.

This Statement explains how the Authority has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

The Authority's financial arrangements conform to the governance requirements of the CIPFA – Statement on the Role of the Chief Financial Officer in Local Government. The Treasurer reports in his role directly to the Chief Fire Officer and from 1<sup>st</sup> April 2014 has sat on both the Strategic Command Team (quarterly) as well as the Corporate Management Team.

The Treasurer is in a position to bring influence on all material business decisions and is involved in the daily business of the Authority as well as the strategic planning.

### **2. The Purpose of the Governance Framework**

The governance framework comprises the systems, processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

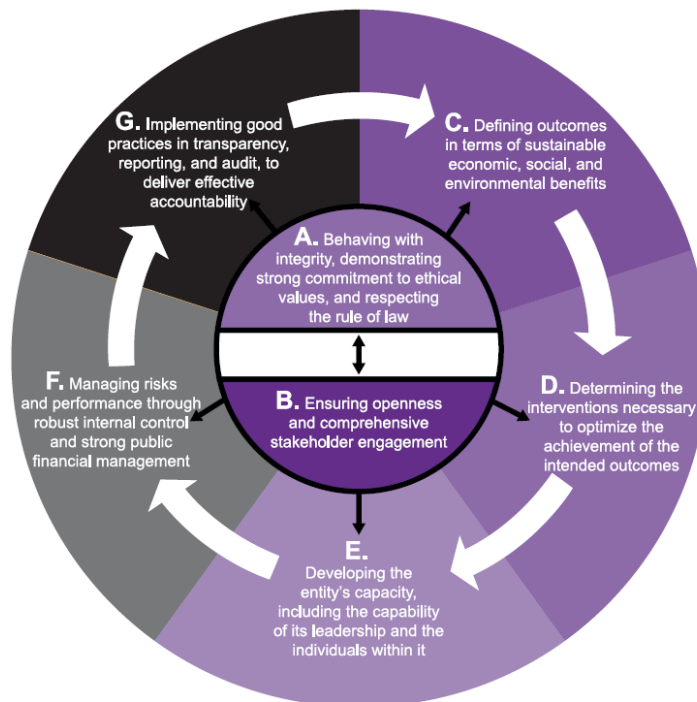
The governance framework for the Authority has been in place for the whole of the financial year 2016/17 and up to the date of approval of the Statement of Accounts.

### 3. The Governance Framework

Bedfordshire Fire and Rescue Authority's governance framework derives from seven principles identified in The International Framework: Good Governance in the Public Sector (CIPFA/IFAC 2014). The updated framework that was reviewed by CIPFA in 2015 and published in April 2016 includes these. The seven principles are:

- a. behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law
- b. ensuring openness and comprehensive stakeholder engagement
- c. defining outcomes in terms of sustainable economic, social and environmental benefits
- d. determining the interventions necessary to optimise the achievement of the intended outcomes
- e. developing the entity's capacity, including the capability of its leadership and the individuals within it
- f. managing risks and performance through robust internal control and strong public financial management
- g. implementing good practices in transparency, reporting and audit to deliver effective accountability.

The diagram below is taken from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC 2014) and is reproduced in the 2016 Framework. It illustrates the various principles of good governance in the public sector and how they relate to each other.



There is a substantial element of common ground between the seven principles introduced in the 2016 framework and the six core principles used in the original 2007 framework.



The key elements of each of these core principles at Bedfordshire Fire and Rescue Authority are as follows:

- a. behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law

The behaviour of Members and Officers is regulated through separate Codes of Conduct which have been formally approved and adopted. These Codes are supported by numerous protocols that apply the principles of the codes to specific areas of Authority activity.

In addition the Authority has a Committee that covers standards, the Audit and Standards Committee, whose roles and functions relating to Standards include:

- Discharging the Authority's duty under the Localism Act 2011 to ensure that its Members (and any co-opted Members) maintain high standards of conduct.
- Advising the Authority on the operation of its Code of Conduct and any changes to the Code (including its register of interests) that may be necessary or desirable.
- Monitoring the operation of the Authority's arrangements for dealing with standards allegations against Members under the Localism Act 2011 and making any changes that may be necessary or desirable.
- Receiving regular reports on any standards allegations against Members.
- Authorising the Monitoring Officer to take action on the advice of the Committee Chair where it is necessary to appoint a Panel of Members to advise whether to investigate a complaint; or an Adjudication Committee to adjudicate upon a complaint following a finding of breach of the Code by a Member; or any other action in relation to the preparation for, or the hearing of, a matter by the Adjudication Committee.

The FRA has collaborated with its constituent Councils, Milton Keynes Council and Milton Keynes and Buckinghamshire Fire Authority for the recruitment of a joint Panel of Independent Persons.

The Authority recognises the importance of the principles of Corporate Governance and the need to apply them across all areas of the Authority's corporate activities. The Governance Framework is reviewed against the guidelines issued by CIPFA/SOLACE and the findings are reported to Committee annually.

As well as a Code of Conduct outlining behaviour for Officers, the Chief Fire Officer, Treasurer (as Section 112/151 Officer) and Monitoring Officer have specified roles within the Constitution to ensure reports prepared for Member decision comply with the budget and policy framework and are lawful.

Each Member receives copies of meeting agendas in advance. As one of the agenda items for each meeting, the Members are required to declare any interests at the outset of the meeting. In addition, Members are encouraged to undertake any training relevant to their area of decision making.

In 2010, the Authority agreed a recommendation of the Audit Committee that it publishes an Annual Review of the Fire Authority's Effectiveness and Record of Member Attendance. A Form of Review Questionnaire was prepared and sent out to all Members for consideration and completion. This was discussed in each Policy and Challenge Group and the Audit and Standards Committee during 2016/17. The ACO on the 17<sup>th</sup> January 2017, held a session with FRA Members to review the overall feedback from each meeting.

This feedback and discussion was then collated and reported to the Audit and Standards Committee on 16 March 2017. The outcomes of this facilitated meeting were reported back to the FRA on 19<sup>th</sup> April 2016 and the action plan proposed was approved. Implementation and formal review of the agreed actions arising from the Annual Review of Effectiveness is incorporated as a standing item in each year's Annual Governance Statement Action Plan in Section 5.

The Internal Auditors give an annual opinion on the internal control framework. The Internal Auditors operate to standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'.

External audit complies with the statutory requirements governing their audit and inspection work, in particular:

- The Local Government Act 1999;
- The National Audit Office's Code of Audit Practice (the Code).

The Code defines the auditors' responsibilities in relation to the financial statements and the arrangements for securing economy, efficiency and effectiveness of the audited body's use of resources.

The Authority has policies to safeguard both itself and its staff when making decisions. Both an Anti-Fraud, Bribery and Corruption Strategy and a Whistle Blowing Policy have been developed and are communicated to staff as part of the employee induction process and on an annual basis. The Whistle Blowing Policy and the Anti-Fraud, Bribery and Corruption Strategy (including the National Fraud Initiative) were reviewed and approved by the Audit and Standards Committee on 8<sup>th</sup> December 2016.

The financial management of the Authority is conducted in accordance with the financial rules set out within the Constitution and in the Financial Regulations.

The Authority's overall financial arrangements are governed by its Medium-Term Financial Strategy, which sets out the financial framework for the delivery of the Authority's strategies and plans. In determining the revenue and capital financial framework, a number of factors are taken into account including the national context, the distribution of local government funding from central government along with other local and external funding sources.

This is supported by robust budget setting and monitoring arrangements and detailed financial regulations, which form part of the Constitution. All designated budget managers are required to monitor their budgets on a monthly basis, in consultation with the Head of Finance/Treasurer. Budget managers are responsible for their expenditure (and income) and are therefore ultimately accountable to Members for their budgets. The forecast outturn position is reported in year to the CMT and FRA.

The Authority manages its investments within the guidelines of its Treasury Management Strategy, which is approved by Members on an annual basis. This is in accordance with the Treasury Management Strategy and Practices adopted by the Authority, that are in line with the CIPFA guidance.

There is now a requirement for each Pension Scheme Manager (Bedfordshire Fire & Rescue Authority in our case) to establish Local Pension Boards that will assist the Scheme Manager in ensuring that the scheme complies with legislation relating to its governance and administration, its own rules and any requirements of The Pensions Regulator. The Authority established a Pensions Board and its meeting on 31<sup>st</sup> March 2015. The Pension Board meets at least three times a year.

A professional standards training course was delivered by an external organisation to all employees during 2013 and necessity for another one is being reviewed.

b. ensuring openness and comprehensive stakeholder engagement

Bedfordshire Fire and Rescue Authority recognises that communication and engagement with all stakeholders plays a fundamental role in the successful delivery of high quality, cost effective services.

The Authority is constantly striving to improve its communications performance, to build on its track record of continuous improvement and to ensure that the Authority as a whole is open and accessible to the community, service users and staff. In 2016/17 the Authority has:

- Adhered to the Transparency Code requirements, with information as required in the code published on the Authority's website;
- Operated an integrated Communications and Engagement Strategy and Action Plan; which has been routinely reviewed and revised;
- Continued to promote the Service's brand to ensure the public recognise the service we provide;
- Operated a cross functional positive action plan;
- Hosted Open Days at all 14 of its Community Fire Stations to engage with local communities;
- Taken part in a wide range of National Safe Weeks and other events to promote fire, road, water and other safety messages to local communities;
- Worked towards improving the Service's website following a web scoping project previously carried out with a view to having a new website in place by the end of 2017;
- Continued to work towards compliance with Disability Discrimination Act (DDA) and World Wide Web Consortium (W3C) guidelines for accessibility;
- Begun development of a Modern.gov website to improve access to Fire and Rescue Authority documents and decisions;
- Operated a Single Equality Scheme cross functional plan;
- Provided 24/7 PR Officer cover, with resilience to maintain cover in the case of sickness or holiday absence;
- Developed the use of the consultation element of the BedsFireAlert community messaging system to improve engagement with local people which increased responses to consultation on the budget for 2017/18 over previous years ;
- Created a summary Community Risk Management Plan 2016 document published in spring 2016;
- Completed quarterly user satisfaction surveys to allow Senior Management to gauge customer satisfaction with regard to the effectiveness of service delivery;
- Further developed the use of Twitter: @bedsfire to engage directly with public and promote the Service;
- Followed the successful launch of a corporate BFRS Facebook page to promote the Service and safety messages to the public with Facebook pages for each on-call Community Fire station to increase engagement with local communities;
- Continued the joint electronic Precept Leaflet (setting out the annual budget and expenditure);
- Expanded the Community Messaging system, as a mechanism for integrated community engagement following the Police joining the service.

The Authority continues to listen to feedback from the local community and to learn from best practice across the country.

The Authority's CRMP represents the key document that outlines its vision, objectives and priorities for the future, sets performance targets and outlines the Authority's accountability to its stakeholders.

When identifying priorities for the Plan, the views of stakeholders are taken into account and when completed is made available to all stakeholders, ensuring that they are aware of the aims, objectives, priorities and performance of the Authority.

The Authority's programme for securing continuous improvement in its services is set out in the CRMP. Actions for improvement are drawn from a variety of sources including external performance assessment, the Authority's internal reviews and audits, external inspections, issues arising from performance management, consultation exercises, and Service improvements identified by the Authority's complaints and comments procedure.

The Fire and Rescue Authority and Audit and Standards Committees are open to the public except where personal or confidential matters are discussed. All agendas and minutes are placed on-line, along with the Authority's plans, policies and strategies. These items are also available by directly contacting the Authority, should anyone be unable to access these electronically.

- c. defining outcomes in terms of sustainable economic, social and environmental benefits and
- d. determining the interventions necessary to optimise the achievement of the intended outcomes

A clear statement of the Authority's purpose, vision and direction is set out in the Authority's strategic objectives which form an overarching guide to the development of Service strategies which are considered and reviewed as part of the annual strategic assessment. Based upon the long term strategic direction and strategic assessment the Authority consults upon, develops and publishes an annual Community Risk Management Plan which contains the Authority's priorities and key service delivery actions for a rolling four year period to coincide with the four year Medium Term Financial Strategy, and gives a detailed description of the key improvement projects for the current year. A Service Programme Board comprising of the Service Principal Officers', FRA Chair and the Head of Finance/Treasurer, reviews the progress of the major change projects as a whole on a quarterly basis and individual projects are managed by way of project boards. Performance outcomes and overall performance and achievements of the Authority are contained within a section of the Community Risk Management Plan.

A Medium-Term Financial Strategy, covering a rolling four year period and aligned with the Community Risk Management Plan, is developed to resource the Authority's plans. As part of the budget cycle, Service Managers produce financial proposals for key Service priorities and associated projects which are presented to Members for approval, in conjunction with the Authority's on-going financial commitments.

The Authority has a formal performance management framework in place which links the Authority's vision to its strategic objectives and priorities, the Medium-Term Financial Strategy, projects contained in the Community Risk Management Plan and Functional/Area Work Plans.

Performance indicators are set and targets are agreed in line with the Authority's planning cycle and target setting methodology. Once the Community Risk Management Plan and annual budget have been finalised and approved by the Authority, employee personal appraisals and development reviews, agreeing individual targets and actions, take place.

Performance against targets is monitored on a quarterly basis by Areas/Functions, the Corporate Management Team, the Strategic Command Team and the Elected Members Policy and Challenge Groups, in order that Service standards are maintained and corrective action can be taken. The Performance Management arrangements of the Service have again been enhanced over 2016/17 through improved data quality and performance information systems.

An overarching performance summary is now produced publishing results for different functional groups in one report to the full Authority.

- e. developing the entity's capacity, including the capability of its leadership and the individuals within it

Bedfordshire Fire and Rescue Authority has adopted a Constitution which sets out how the Authority operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people.

The main decision making body is the Fire and Rescue Authority (FRA) whose meetings are open to the public. There are also Policy and Challenge Groups and the Audit & Standards Committee.

Each meeting has clearly defined Terms of Reference which are reviewed annually, with the Policy and Challenge Groups encompassing the following Service areas:

- Corporate Services;
- Service Delivery, and
- Human Resources.

The Chairs of the Audit and Standards Committee and Policy and Challenge Groups report any recommendations arising from meetings to each meeting of the Authority.

Ongoing policy and decision making are facilitated by a clear framework of delegation set out in the Authority's Constitution, with clear details of delegated authorities to officers.

All reports are reviewed for legal, HR, financial, equality and risk considerations prior to being presented to Members of the Authority for formal decision-making.

The Authority meets five times a year. This, together with an appropriate level of delegation to both the Authority Executive and senior managers, enables speedy decision making.

The Corporate Management Team (CMT), which is chaired by the Chief Fire Officer, meets on a monthly basis with Functional Heads attending and provides the ongoing management of the implementation of the Service strategy. It also considers other internal control issues, including risk management, performance management, compliances, efficiency, value for money and financial management. There is a CMT strategy meeting every six months where all Principal Officers and Functional Heads attend. In addition, ongoing strategic direction is provided by the Strategic Command Team, which now meets formally on a quarterly basis, comprising of the Service's Principal Officers and the Head of Finance/Treasurer. The Service has reviewed the terms of reference for each of these management teams and has also aligned performance and project management reporting between these teams and the Fire and Rescue Authority meetings.

A full suite of job descriptions and person specifications defining the roles of officers and the statutory positions of Treasurer and Monitoring Officer are in place.

During 2016/17 the Authority had a Treasurer and Monitoring Officer. Between them, they ensure that the Authority complies with relevant laws and regulations, internal policies and procedures and that expenditure is lawful. They act as independent advisors to the Authority.

The Treasurer will ensure that appropriate financial advice is given on all financial matters, that proper financial records and accounts are maintained and that there is an effective system of internal financial control. The Monitoring Officer ensures that agreed procedures are followed and that all applicable statutes and regulations are complied with.

Both the Monitoring Officer and the Treasurer see all draft Authority reports before they are published. They also attend the Authority briefing meetings that are prior to the formal meetings and attend the formal public meetings too.

There is a robust budget and policy framework and detailed financial regulations, which are monitored by the Treasurer and the Monitoring Officer. The financial regulations were updated and recommended for approval by the Audit and Standards Committee on 16<sup>th</sup> March 2017 and approved by the FRA on 27<sup>th</sup> April 2017. The Procurement Policy and Contract Procedures that replaces the Standing Order for Contracts, was presented to the Audit and Standards Committee on 17<sup>th</sup> March 2016 and subsequently approved by the FRA. The Constitution is updated continually to reflect any changes in structure.

### **ICT Shared Service**

A formal shared ICT service agreement was signed under seal by the Secretary and Monitoring Officers for both Bedfordshire and Cambridgeshire Fire and Rescue Services in October 2013. Schedule 4 of that document defines the terms of reference for the Shared Services Governance Board. The board's role is to:

- Ensure that the ICT Shared Service is effective, efficient and resilient
- Agree Budget for the following Financial Year
- Identify opportunities for improvement
- Ensure an annual review of the agreement

The Governance Board currently meets every 6 weeks and is quorate with the attendance of Principal Officers of each party.

The Authority has devoted resources to ensuring the high standards of its Members and staff to ensure that the Authority's employees have the right knowledge, skills and motivation to work effectively.

For all operational staff, the Authority continues to embed the requirements of the national Integrated Personal Development System (IPDS) which supports a competency based personnel management approach using role maps underpinned by National Occupational Standards. The system is designed to improve efficiency and develop staff effectively, and ensures that all staff are recruited, developed and progressed fairly and transparently, with overall performance and competencies regularly reviewed.

Job Descriptions and Person Specifications have been drawn up for all posts to ensure that the best candidates are appointed into each position. All officers (operational and non-operational) employed by the Authority receive an annual Personal Development Review (appraisal) at which performance is measured against set objectives. Training needs are also identified as part of this process and addressed via the Service Training Manager or the individual's Line Manager as appropriate.

A significant commitment has also been made towards retaining staff, by offering various 'flexible working schemes' and where possible encouraging succession planning and promotion from within. This ensures that valuable skills and experience are retained and passed on, rather than being lost.

The Authority's Chair and Chief Fire Officer have a good working relationship and hold regular meetings to discuss any emerging issues. There are regular formal meetings between Members and Senior Officers through the Policy and Challenge Groups. These Groups allow Officers to brief Members on key service areas and for Members to discuss Agenda items and ask pertinent questions to inform the decision making process. The Policy and Challenge Groups also agree, and review at each meeting, a work programme for the year ahead.

The alignment of the Policy and Challenge Groups to the Service's senior management structures further enhances Member / Officer interaction. In addition, a formal member and employee protocol has been developed and adopted by the Authority.

There is a significant amount of training available to Members throughout their term of office. As well as an initial induction programme, training is also provided through bespoke training days and information reports on various subjects such as the Statement of Accounts, budget setting process, treasury management and risk management.

As noted at Section a) *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law*, the Authority carried out an Annual Review of the Fire Authority's Effectiveness and Record of Member Attendance in 2016/17.

- f. managing risks and performance through robust internal control and strong public financial management

The Authority has one committee: the Audit and Standards Committee, and has established three Policy and Challenge Groups to provide its Members with an in-depth understanding of key issues to ensure they can challenge management activity and outcomes, scrutinise and provide input into the Authority's strategic plans.

The Audit and Standards Committee is outlined at Section a) *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law*. The Audit and Standards Committee has been established to evaluate Audit Activity, Regulatory Framework, Accounts and Standards. In February 2011, the Authority increased the powers of the Audit and Standards Committee to oversee the production of, and approve, the Authority's Annual Governance Statement and the Statement of Accounts.

The Policy and Challenge Groups have referred powers only, and report their proceedings and make recommendations on matters within their terms of reference to the FRA. However, their remit does include, for instance, agreement of specific sections of the Community Risk Management Plan prior to the full Plan being approved by the Authority.

The Policy and Challenge Groups have been established to ensure that the areas of the Fire and Rescue Service noted below are functioning efficiently and effectively, by challenging areas of underperformance and approving associated policy and activity. The Groups are as follows:

Corporate Services Policy and Challenge Group:

- Strategic Support
- Finance and Procurement
- Asset Management
- Information, Communications and Technology

Service Delivery Policy and Challenge Group:

- Emergency Response
- Prevention
- Protection

Human Resources Policy and Challenge Group

- Health, Safety and Welfare
- Equality and Diversity
- Training and Staff Development
- Human Resource Planning
- Organisational Development
- Payroll

The management of risk and business continuity continues to develop across the Authority and is driven by way of a strategic project and supported by a range of policies and procedures covering both elements.

The strategic project is regularly reported to Members detailing progress and provides a route map for implementation of the management of risk processes set against the relevant standards and guidance where appropriate and covering in detail the 3 key areas of Risk Management of:

- Business Continuity;
- Protective Security; and,
- Information Security.

The Service's business continuity arrangements are tested as part of the assurance framework to ensure delivery of service during times of business disruption, in particular during a trade dispute or reduced staffing due to pandemic. Following the recent trade dispute between the Fire Brigades Union (FBU) and the Government in May 2013 over pension arrangements the Service's business continuity arrangements have been formally tested on a number of occasions where national strike action has taken place. During all periods of strike action the Service has successfully implemented business continuity plans ensuring that fire cover has been provided in line with current arrangements.

In addition to the development of risk management and business continuity processes the Service's Corporate Risk Register has recently undergone further refinements. These refinements allow for the assessment and prioritisation of risks providing for full and detailed evaluation of control measures thereby minimising any potential impacts of identified risks within the monitoring framework.

The identification and management of corporate risk remains a priority for the Service with it being a standard agenda item for strategic meetings, cascaded across the Service through managerial chains and reported to the Fire and Rescue Authority through the Policy and Challenge groups and Audit and Standards committee. All identified risks within the Service have an owner assigned from the Corporate Management Team who is responsible for the development of an appropriate action plan. The action plan is used as the basis to mitigate risk and is regularly reported to members of the Corporate Management Team and the Service Assurance Group for progress and amendments including changes to levels of risk and associated actions

The Services Risk Management – An audit of Risk Management was undertaken in May 2017 and focused on the key controls in place. It was also to provide assurance over the effectiveness of the risk management framework and the supporting governance processes, to ensure risks to the achievement of the Authority's objectives are identified and managed effectively.

In summary, following the on-site audit the outcome confirmed that the Authority 'can take reasonable assurance that the controls in place to manage this area are suitably designed and consistently applied'

- g. implementing good practices in transparency, reporting and audit to deliver effective accountability.

The Service fully meets the requirements of the Transparency Code. This published information can be found via the following website link:

<http://www.bedsfire.com/CombinedFireAuthority/Transparency/Pages/default.aspx>



Transparent decision making is evident through many sources, including the Fire and Rescue Authority. All decisions of the Fire and Rescue Authority are captured in the publicly available reports and minutes. The policy and challenge groups do not make formal decisions but refer any decisions as recommendations to the FRA. The reports are written in an understandable style, ensuring that they are easy to access and interrogate, without too much detail.

The Authority will imminently be utilising the Modern.gov system to enable easy access to committee papers and decisions.

Key reports, demonstrating the above include this Annual Governance Statement, the summary and full statement of accounts, the annual external and internal audit reports and numerous annual committee reports which can be viewed via the link below.

<http://www.bedsfire.com/CombinedFireAuthority/Pages/default.aspx>

Internal audit recommendations are reported on to ensure these are completed in a timely manner. Where medium or high recommendations, these are followed up by internal audit to ensure that they have been implemented appropriately as reported.

Both internal and external audit have access to the Treasurer, Chair of the Audit and Standards Committee, FRA Chair, Monitoring Officer and the Chief Fire Officer.

The Authority welcomes peer challenge, review and inspections. A Peer Review was carried out in 2015 and another one is currently being discussed and considered. The new inspectorate will also need to be taken into consideration here, in terms of timing. The Authority during 2017/18 is also likely to have an Equality and Diversity peer assessment carried out.

Where formal working partnerships have developed, such as the Shared ICT Services with Cambridgeshire FRS, there are clear governance arrangements in place. These include Board meetings and minutes that are presented to Members in the Corporate Services Policy and Challenge Group.

#### **4. Review of Effectiveness of System of Internal Control**

Bedfordshire Fire and Rescue Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the Corporate Management Team, who have responsibility for the development and maintenance of the internal control environment, and also by the reports and recommendations of the external auditors and other review agencies and inspectorates.

The key features of the Authority's internal control framework which directly contribute to the review of effectiveness are:

- a. The Authority
- b. The Audit and Standards Committee
- c. Internal Audit
- d. External Audit
- e. Assurance Statements
- f. Internal Performance Management Framework

**a. The Authority**

The key formal documents governing the internal control framework for the Authority are within its Handbook. All delegation of decision-making is made in accordance with the requirements of the policies within the Handbook and the Scheme of Delegation.

The formal rules governing the way in which the Authority and Officers conduct their business are also set out in the Handbook and include:

- Standing Orders
- Procurement Policy and Procedures
- The Financial Regulations;
- Code of Conduct
- Information Security

Authority reports are reviewed by the Monitoring Officer to ensure that they are lawful and by the Treasurer (Section 112/151 Officer) for financial and risk implications prior to being presented to Members.

The Monitoring Officer has a duty to monitor and review the Constitution to ensure that its aims and principles are current. The Constitution is reviewed regularly and updates are issued as necessary. Recent changes to the Constitution have included updates to the Financial Regulations and the updates to the Procurement Policy and Contract Procedures to the revised Procurement Policy and Procedures.

As mentioned at Section a) *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law*, the Authority, in 2011/12, agreed to review its effectiveness on an annual basis. A Review of the Authority's Effectiveness and Action Plan for 2016/17 and Record of Attendance are available on request.

**b. Standards**

There have been no complaints against Members during 2016/17.

The Fire and Rescue Authority (FRA) discharges its duty under the Localism Act 2011 (the Act) through its Audit and Standards Committee. The standards provisions of the Act came into force on 1 July 2012 and place a duty on authorities to ensure that its Members (and any co-opted Members) maintain high standards of conduct. The Act also requires authorities to adopt a Code of Conduct (in place of the former National Code) and have in place arrangements to investigate any written complaints of breach of the Code of Conduct by a Member.

The FRA has adopted a Code of Conduct and updated its registration of interests arrangements to reflect the change to disclosable pecuniary and other interests required by the Act.

The Act also required the FRA to put in place arrangements for the appointment of at least one independent person whose views must be sought and taken into account before the FRA can take any decision on an allegation it has decided to investigate. The views of the independent person may also be sought in relation to an allegation at other stages in the process and s/he may also be consulted by a Member who is the subject of an allegation

The FRA has collaborated with its constituent Councils, Milton Keynes Council and Milton Keynes and Buckinghamshire Fire Authority for the recruitment of a joint Panel of Independent Persons.

**c. Audit Committee**

The Audit Committee was established in 2010/11 and now meets quarterly as the Audit and Standards Committee. Its Committee ensures that the following areas of the Fire and Rescue Authority are functioning efficiently and effectiveness, challenging areas of underperformance as required and approving any associated policy or activity as necessary:

- Audit activity
- Regulatory Framework
- Accounts
- Standards

**d. Internal Audit**

The role of internal audit is to review the internal control framework that governs the operations of the Authority and, in so doing, provide an independent opinion to both Management and Members of the Authority on the robustness of the Authority's internal control environment.

RSM continue as the Authority's internal auditors following a successful procurement tender process in 2016. The work of the team complies fully with the requirements of CIPFA's Code of Practice for Internal Audit in Local Government in the UK.

An Annual Audit Plan is developed by the auditors, in conjunction with the Head of Finance/Treasurer and is based on a risk assessment of all the services/systems of the Authority. Members and Service Managers are directly involved in the development of the plan. The plan is subject to review by CMT, prior to being approved by the Audit and Standards Committee. The plan identifies the audits to be completed each year, including core fundamental systems and other operational systems. The plan is devised in consultation with the Authority's external auditors, Ernst and Young.

The reporting process for internal audit requires a report of each audit to be submitted to the relevant Corporate Management Team member and other relevant Service Managers. The Treasurer also receives a report of all audits completed.

Each audit report includes agreed recommendations for improvement. All recommendations are followed up where above low, to ensure they have been implemented. An opinion of the overall internal control environment is also provided. Where assurance is deemed to be unsatisfactory, immediate action is required.

The work contained within the 2016/17 Audit Plan is shown in the Table below. Where applicable, management action plans have been agreed to address issues raised.

The table below shows the evaluation received for each area of work. There are four levels of assessment – No Assurance, Partial, Reasonable and Substantial. The level of recommendations made is also identified below, there was one high recommendations made during the 2016/17 audits.

<b>Auditable Area</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Assurance Level Given</b>
Fleet Management	1	1	4	Reasonable
Stocks and inventory	0	2	1	Reasonable
Risk Protection Pool (joint report with Essex and Cambs FRS)	0	1	0	Reasonable
Key Financial Controls	0	1	3	Substantial

Data Quality – Incident Reporting System	0	3	2	Reasonable
Governance – Transparency and Decision making	0	3	4	Reasonable
Retained Recruitment	0	1	5	Reasonable
Follow up	0	1	0	Good progress
Risk Management – Service Assurance Frameworks	0	4	0	Reasonable
Totals	<b>1</b>	<b>17</b>	<b>19</b>	

The Annual Internal Audit report for 2016/17 by RSM, advises that “The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective”.

RSM also stated in their Annual Report for 2016/17 that “We have not issued any partial or no assurance opinions issued in 2016/17. We are not therefore suggesting any issues need to be considering as part of the AGS”.

The one high recommendation in the table above was made on the Fleet Management audit. The update on this is:

Recommendation - BFRA will update the repair and maintenance Policy and health and safety Policy to include a requirement for monthly reviews of the logbooks to ensure these are being completed in line with the policy. The logbooks will be updated to include a section where signoff can be included evidencing routine review of the logbooks to ensure they are being satisfactorily completed. The reviewer will also complete random monthly checks of the random sample vehicle to ensure the checks are being completed properly.

Ancillary vehicles used as pool cars will be assigned an individual who checks the logbook every week and if the car has not been taken out will carry out the checks and update the logbook.

Action taken – The relevant policy (V06 01/09) has been reviewed and updated. The policy document now includes the requirements that Station Commanders or Departmental Heads must undertake monthly checks of their vehicles and ensure they sign the vehicle log book. The reviewer will also undertake sample audits to ensure vehicle checks have been completed correctly.

Workshops also now undertake monthly vehicle checks on the Service pool cars and complete the vehicle log book. The vehicles are independently audited by the Technical and Engineering Manager each month.

**e. External Audit**

This Authority remains committed to continuing to improve its performance towards achieving excellence in all areas. Value for Money (VFM) is still part of an annual review carried out by the external auditors. The Authority’s external auditors, Ernst and Young, will report on the adequacy of the Authority’s arrangements.

From October 2012, Ernst & Young LLP became our external auditors, following the externalisation of the Audit Commission practice. This appointment was been made under section 3 of the Audit Commission Act 1998 and was approved by the Audit Commission Board at its meeting on 26 July 2012. Their work will include auditing the 2017/18 accounts. The FRA has approved to the signing up to Public Sector Auditor Appointment (PSAA) for the external audit for 2018/19 onwards.

The National Audit Office will continue to regulate the local public audit market and monitor the performance of the firms providing audit services.

#### Value for Money

In accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria published by the Comptroller and Auditor General in November 2016, our external auditor annually assess whether:

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

For the 2015/16 financial year, the following statement was presented to the Audit and Standards Committee on 7th September 2016:

“We have concluded following our work that you have put in place proper arrangements to secure value for money in your use of resources”

#### *f. Assurance Statements*

An integral element of the production of this Annual Governance Statement is completion, by all of CMT, of an annual Assurance Statement. The statement is based on the seven core governance principles that this AGS follows. The individual assurance statement gives each CMT member the opportunity to independently comment on their own area and that of the Service as a whole. All returns were received from CMT.

#### *g. Internal Performance Management Framework*

The Authority has a Performance Management Framework through which quality of service can be measured by local performance indicators. Performance targets are set and agreed for the coming year and are monitored on a bi-monthly basis by the Corporate Management Team in order that corrective action can be taken where areas of service are deemed to be underperforming. Performance is also reported to the Strategic Command Team and the Policy and Challenge Groups. Individual performance is monitored through the appraisal system as previously mentioned.

### **5. Governance Issues and Conclusion**

The review of effectiveness, including the processes of Internal and External Audit, have advised that the Authority’s overall financial management and corporate governance arrangements continue to be sound and that there are no major areas of concern. As part of the Authority’s continuous improvement processes, however, the review of effectiveness draws together all key Governance issues where it has been identified that improvements are possible and details the improvement actions that are to be taken to address them. These have already been highlighted within the relevant Sections of this Governance Statement but are summarised in Table form in this Section, together with a review of those improvement actions contained within last year’s Governance Statement. The implementation, monitoring and reporting of improvement actions identified in this Section are achieved through the Authority’s formal planning and performance systems.

Prior to summarising the issues and improvement actions identified during 2016/17, the issues and actions contained within the 2015/16 Annual Governance Statement are reviewed.

***Review of Issues and Actions identified within 2015/16 Annual Governance Statement***

The following Table briefly summarises the issues identified through the 2015/16 review of effectiveness process and the improvement actions that have been taken to address them during 2016/17:

<b>Issue/Area for improvement</b>	<b>Improvement Action Planned</b>	<b>Actions Completed</b>
Medium Term Budget/CRMP	Following the receipt of the four year funding deal, to review/consider and if appropriate sign up to this. The medium term funding gap still needs addressing for year 2020/21.	The FRA signed up for the four year funding deal.
Review of Authority Effectiveness	All 16 actions from the 2016/17 Review of Authority Effectiveness Action Plan to be completed during 2017/18 and formally reviewed by Members as part of the following year's process.	Completed and ongoing.

***Issues and Improvement Actions identified by 2016/17 Annual Governance Statement***

The following Table summarises the issues and improvement actions identified through the 2016/17 review of effectiveness process. As in previous years, a summary review of their implementation will be included within the next Annual Governance Statement.

<b>Issue/Area for improvement</b>	<b>Source</b>	<b>Improvement Action Planned</b>
Medium Term Budget/CRMP	Assurance Statements	To continue to address the medium term funding gap.
Review of Authority Effectiveness	All actions from the 2016/17 Review of Authority Effectiveness Action Plan to be completed during 2017/18 and formally reviewed by Members as part of the following year's process	All actions from the 2016/17 Review of Authority Effectiveness Action Plan to be completed during 2017/18 and formally reviewed by Members as part of the following year's process.

*Colleen Atkins*

**COUNCILLOR COLLEEN ATKINS MBE**  
Chair  
Bedfordshire FRA

*Paul Fuller*

**PAUL M FULLER CBE QFSM**  
Chief Fire Officer  
Bedfordshire FRS

## STATEMENT OF ACCOUNTING POLICIES

### 1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### 2. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

**Recognition:** All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. Amounts in excess of £10,000 are categorised as capital expenditure.

**Measurement:**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Authority does not capitalise borrowing costs incurred while assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- assets under construction – historical cost
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are reviewed every three years or sooner if there has been a significant movement in values, to ensure that their carrying amount is not materially different from their current value at the year end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service).

Where decreases in value are identified, they are accounted for by:

- 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 line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

**Impairment:** The values of each category of assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- 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 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 line(s) in the Comprehensive Income and Expenditure Statement.
- where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) 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.



**Disposals:** When an asset is disposed of, the value of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts and are credited to the Capital Receipts Reserve. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

**Depreciation:** Depreciation is provided for on all Property, Plant and Equipment assets with a finite useful life. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- **Buildings**

Straight line allocation over the useful life of the property as estimated by the valuer

- **Vehicles, Plant, Furniture and Equipment**

Depreciation is calculated using the straight line method over the anticipated life of the asset which has been assessed as between three and twenty years, or in the case of assets acquired under a finance lease, the length of the lease. Assets are not depreciated in their year of acquisition nor in their year of disposal.

Where an item of Property, Plant and Equipment has major components whose depreciation cost has a material impact on the total asset valuation, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charges 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.

### 3. Heritage Assets

Heritage Assets, defined as those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations, are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. The Authority's heritage asset is accounted for as follows.

Steam Boiler on Shand Mason Fire Engine.

The Authority has obtained a valuation from a suitably qualified external valuer. The valuation will be reviewed on an annual basis.

#### 4. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement from its date of acquisition. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

#### 5. Charges to Revenue for Non-current Assets

Service revenue accounts and support services are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

The Authority is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution of Minimum Revenue Provision (MRP) to the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. The calculation of MRP is based on the Equal Instalment Method.

#### 6. Financial Instruments - Borrowing

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

There is full compliance with the Treasury Management Code of Practice issued by CIPFA (updated in 2011). A Treasury Policy Statement issued under this Code sets out the Treasury Management Strategy and the Treasury Management Policies to be pursued. From 1 May 1995 CIPFA also introduced a Standard of Professional Practice on Treasury Management which sets out the obligations for Treasury Management.

## 7. Financial Instruments - Investments

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## 8. Debtors and Creditors

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 sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- 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 income 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## 9. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Inventories held for distribution at no charge are measured at the lower of cost and current replacement cost. The cost of inventories is assigned using the first-in, first-out (FIFO) or average cost as appropriate. Where stocks have been identified as being of no further use to the Authority, and the appropriate procedures have been complied with, the obsolete stock has been written off.

## 10. Employee Benefits

### **Post Employment Benefits - Pensions**

The FRA participates in two Pension Schemes:

- a. **Firefighters -**  
The Firefighters' Pension Scheme is an unfunded, defined benefit scheme which is available to firefighters.
- b. **Control and Non-Uniformed Personnel -**  
The Local Government Superannuation Scheme is a funded, defined benefit scheme which is available to control and non-uniformed staff. The Scheme's assets are valued on a bid basis as at 31 March 2017.

The costs of retirement benefits are charged when they are earned by the employees rather than when they are actually paid as benefits. This charge is estimated by an actuarial valuation. Past service costs, where officers are awarded injury benefits, are charged to Head of Finance and Treasurer subdivision of the Net Cost of Service in the CIES Expenditure Analysis on Page 47.

Interest cost of liabilities and any actuarial gains or losses on assets are also charged to the Comprehensive Income and Expenditure Statement. International Accounting Standard 19 (IAS 19) accounting entries are then reversed out from the General Fund Balance in the Movement in Reserves Statement in order that they do not represent a charge to the council tax payer. The pension information provided by the actuary is included within Note 29.

### **Termination Benefits**

Where a firefighter is retired on ill health grounds the Authority makes a contribution to the pension fund towards the cost of the additional pension awarded. Where a firefighter is retired on injury grounds any injury award and injury pension costs will be charged to the Net Cost of Service. Termination benefits relating to compulsory and voluntary redundancies are charged, on an accruals basis, to the appropriate service area.

## **Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable at current year rates, which is not in line with International Accounting Standard (IAS) 19 but the difference is not deemed to be material. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### 11. Leases

#### **Finance Leases:**

The Authority accounts for leases 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.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey the right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made

from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **Operating Leases - Authority as Lessee**

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

### **Operating Leases – Authority as Lessor**

Where the Authority grants an operating lease over a property, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

## 12. Provisions, Contingent Liabilities and Contingent Assets

### **Provisions**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### 13. Reserves

Reserves are specific amounts set aside for either future policy purposes, called Earmarked Reserves, or to cover contingencies, called General Reserve. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. Expenditure is then debited to the Comprehensive Income and Expenditure Statement when it is incurred. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant notes.

### 14. Support Services Allocation

The segmental reporting structure in the CIES now is now structured in the way we report to our management internally.

### 15. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

The Government pay a 'Top Up' grant to cover the net costs of the Pension Fund Account. This grant is not shown as income in the Comprehensive Income and Expenditure Statement but is paid direct to the Pension Fund Account.

16. VAT

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

17. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

18. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in less than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change of value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

19. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, 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.



## 20. Foreign Currency Transactions

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are re-converted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## 21. Prior period adjustments, changes in accounting policies and estimates and errors

### **2016/17 presentational changes to the statement of accounts**

The Statement of accounts is a summary of our transactions for the financial year 2016/17 and our position at the year end, 31 March 2017. The content, layout and general rules we have used to prepare this Statement of accounts are stated in the Accounts and Audit (England) Regulations 2015. These regulations are embodied in the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, a statement of recommended practice ('the Code'), supported by International Financial Reporting Standards.

### **The 2016/17 Code introduced several presentational changes to the statement of accounts.**

- The Comprehensive Income and Expenditure statement (CIES) is no longer prepared using the Service Reporting Code of Practice produced by Cipfa which set out a standard service expenditure analysis for all fire authorities to use, instead it reflects the internal reporting structure as presented in our internal revenue monitoring reports.
- We are required to produce a new supporting statement 'Expenditure and Funding Analysis' that reconciles the net expenditure presented in CIES to the net expenditure chargeable to General fund as presented in our management outturn report. As a result the 2015/16 CIES figures have been restated.

### Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out above, 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:

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 impaired as a result of a need to close stations and reduce levels of service provision.

### Accounting Standards that have been issued but not yet adopted

The Authority is required to disclose information relating to the impact of a new accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Authority.

The Code of Practice on Local Authority Accounting for 2017/18 in the United Kingdom (the Code) will adopt the amendments to:

- Amendments to IAS 19 Employee Benefits
- Annual Improvements to IFRS's (2010-2012 Cycle)
- Annual Improvements to IFRS's (2012-2014 Cycle)
- Amendments to Joint Arrangements
- Amendments to IAS 16 Property, Plant and Equipment and IAS Intangible Assets (Clarification of Acceptable methods of Depreciation and Amortisation)
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- Amendment to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration (pension fund investments)

It is not anticipated that any of the revised standards will have a material impact on the amounts disclosed.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are on the pension liabilities for both the Firefighters Pension Scheme and the Local Government Pension Scheme.

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected return on pension fund assets (LGPS Scheme only). Hymans Robertson (actuaries) have been appointed to provide the Authority with expert advice about both assumptions made in the pension calculations and about sensitivities to these assumptions.

Depreciation – the remaining useful lives of all assets are estimated. The Authority relies on the expertise of an external valuer to determine the lives of all building assets. The lives of vehicles, plant and equipment and intangible assets are based on historical experience and professional estimates. If the estimates were to differ from the actuals this would affect the level of depreciation and amortisation charged to the Comprehensive Income and Expenditure Statement, as well as the carrying amounts of non-current assets in the Balance Sheet. The carrying amounts of non-current assets as at 31 March 2017 was £31.705m. Total depreciation and amortisation for the year was £2.090m.

Revaluations and Impairments – the value of non-current assets are reviewed annually by a qualified valuer based on the latest guidance from the Royal Institute of Chartered Surveyors and the recently observed market information. If the estimates were to differ from the actual results this would result in a higher or lower carrying amount for non-current assets in the Balance Sheet.

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

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.

The sensitivities regarding principal assumptions used to measure the scheme liabilities are set out below;

<b>Fire Fighters Pension Sensitivity Analysis</b>	<b>£000</b>
Decrease to the discount rate of 0.5%	
Increase on Present Value of total scheme liabilities	29,972
Increase to current service cost	1,235
Increase in salary increase rate of 0.5%	
Increase on Present Value of total scheme liabilities	4,563
Increase to current service cost	540
Increase in the Pensions Increase Rate (CPI) of 0.5%	
Increase on Present Value of total scheme liabilities	24,994
Increase to current service cost	654
Increase in life expectancy of one (1) year	
Increase on Present Value of total scheme liabilities	9,286
Increase to current service cost	188
<b>LGPS Pension Scheme Sensitivity Analysis</b>	<b>£000</b>
Decrease to the discount rate of 0.5%	
Increase on Present Value of total scheme liabilities	3,594
Increase in salary increase rate of 0.5%	
Increase on Present Value of total scheme liabilities	724
Increase in the Pensions Increase Rate (CPI) of 0.5%	
Increase on Present Value of total scheme liabilities	2,807

## MOVEMENT IN RESERVES STATEMENT

This statement 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 and Expenditure Statement. This is different from the statutory amount required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

### Usable Reserves

	General Fund Balance	Earmarked Reserves	Capital Grants & Other Contributions Unapplied	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves (see below)	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2015</b>	<b>2,600</b>	<b>10,036</b>	<b>878</b>	<b>625</b>	<b>14,139</b>	<b>(295,750)</b>	<b>(281,611)</b>
<b>Movement in Reserves 2015/16</b>							
Surplus or (deficit) on provision of service (accounting basis)	(6,378)	0	0	0	(6,378)	0	(6,378)
Other Comprehensive Income and Expenditure	0	0	0	0	0	41,497	41,497
<b>Total Comprehensive Income and Expenditure</b>	<b>(6,378)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,378)</b>	<b>41,497</b>	<b>35,119</b>
Adjustment between accounting basis and funding basis under regulations	7,608	0	(661)	0	6,947	(6,947)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>1,230</b>	<b>0</b>	<b>(661)</b>	<b>0</b>	<b>569</b>	<b>34,550</b>	<b>35,119</b>
Transfers to/from Earmarked Reserves	(1,230)	1,230	0	0	0	0	0
<b>Increase/Decrease in Year</b>	<b>(0)</b>	<b>1,230</b>	<b>(661)</b>	<b>0</b>	<b>569</b>	<b>34,550</b>	<b>35,119</b>
<b>Balance at 31 March 2016</b>	<b>2,600</b>	<b>11,266</b>	<b>217</b>	<b>625</b>	<b>14,708</b>	<b>(261,200)</b>	<b>(246,492)</b>
<b>Movement in Reserves 2016/17</b>							
Surplus or (deficit) on provision of service (accounting basis)	(9,279)	0	0	0	(9,279)	0	(9,279)
Other Comprehensive Income and Expenditure	0	0	14	0	14	(28,676)	(28,662)
<b>Total Comprehensive Income and Expenditure</b>	<b>(9,279)</b>	<b>0</b>	<b>14</b>	<b>0</b>	<b>(9,265)</b>	<b>(28,676)</b>	<b>(37,941)</b>
Adjustment between accounting basis and funding basis under regulations	10,260	0	(29)	16	10,247	(10,262)	(15)
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>982</b>	<b>0</b>	<b>(15)</b>	<b>16</b>	<b>982</b>	<b>(38,937)</b>	<b>(37,954)</b>
Transfers to/from Earmarked Reserves	(982)	982	0	0	(1,761)	1,761	0
<b>Increase/Decrease in Year</b>	<b>(0)</b>	<b>982</b>	<b>(15)</b>	<b>16</b>	<b>983</b>	<b>(38,937)</b>	<b>(37,954)</b>
<b>Balance at 31 March 2017</b>	<b>2,600</b>	<b>12,248</b>	<b>202</b>	<b>641</b>	<b>15,692</b>	<b>(300,138)</b>	<b>(284,446)</b>

## Unusable Reserves

	Revaluation Reserve	Capital Adjustment Account	LGPS Pension Reserve	Firefighters Pension Reserve	Collection Fund Adjustment Account	Accumulated Absences Account	Total Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2015</b>	<b>2,175</b>	<b>14,553</b>	<b>(10,980)</b>	<b>(301,755)</b>	<b>481</b>	<b>(224)</b>	<b>(295,750)</b>
Surplus or (deficit) on provision of service (accounting basis)	0	0	0	0	0	0	0
Other Comprehensive Expenditure and Income	696	0	2,743	38,058	0	0	41,497
<b>Total Comprehensive Expenditure and Income</b>	<b>696</b>	<b>0</b>	<b>2,743</b>	<b>38,058</b>	<b>0</b>	<b>0</b>	<b>41,497</b>
Adjustment between accounting basis and funding basis under regulations	(70)	1,808	(860)	(7,911)	45	41	(6,947)
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>626</b>	<b>1,808</b>	<b>1,883</b>	<b>30,147</b>	<b>45</b>	<b>41</b>	<b>34,550</b>
Transfers to/from Earmarked Reserves	0	0	0	0	0	0	0
<b>Increase/Decrease in Year</b>	<b>626</b>	<b>1,808</b>	<b>1,883</b>	<b>30,147</b>	<b>45</b>	<b>41</b>	<b>34,550</b>
<b>Balance at 31 March 2016</b>	<b>2,801</b>	<b>16,361</b>	<b>(9,097)</b>	<b>(271,608)</b>	<b>526</b>	<b>(183)</b>	<b>(261,200)</b>
Surplus or (deficit) on provision of service (accounting basis)	0	0	0	0	0	0	0
Other Comprehensive Expenditure and Income	3,000	0	3,001	(28,675)	0	0	(28,676)
<b>Total Comprehensive Expenditure and Income</b>	<b>3,000</b>	<b>0</b>	<b>(3,001)</b>	<b>(28,675)</b>	<b>0</b>	<b>0</b>	<b>(28,676)</b>
Adjustment between accounting basis and funding basis under regulations	(88)	280	(651)	(9,651)	(159)	7	(10,262)
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>2,912</b>	<b>280</b>	<b>(3,652)</b>	<b>(38,325)</b>	<b>(159)</b>	<b>7</b>	<b>(38,937)</b>
Transfers to/from Earmarked Reserves	0	0	0	0	0	0	0
<b>Increase/Decrease in Year</b>	<b>2,912</b>	<b>280</b>	<b>(3,652)</b>	<b>(38,325)</b>	<b>(159)</b>	<b>7</b>	<b>(38,938)</b>
<b>Balance at 31 March 2017</b>	<b>5,713</b>	<b>16,641</b>	<b>(12,749)</b>	<b>(309,933)</b>	<b>367</b>	<b>(177)</b>	<b>(300,138)</b>

**BEDFORDSHIRE FIRE AND RESCUE AUTHORITY**

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 31 MARCH 2017**

This statement 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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2015/16 (Restated)			By Service	2016/17			See Note
Gross Expenditure £'000	Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Income £'000	Net Expenditure £'000	
530	(4)	526	Strategic Management	540	(4)	536	
14,070	(100)	13,970	Head of Operations	14,922	(87)	14,835	
2,238	(20)	2,218	Head of Operational Support	2,107	(27)	2,080	
1,894	(37)	1,857	Head of Community Safety	1,883	(26)	1,857	
826	0	826	Head of Human Resources	890	0	890	
2,971	(176)	2,795	Head of Strategic Support	3,227	(427)	2,800	
178	0	178	Head of Safety & Special Projects	192	0	192	
1,591	(42)	1,549	Head of Training and Development	2,386	(23)	2,363	
1,527	(252)	1,275	Head of Finance and Treasurer	3,213	(851)	2,362	*
<b>25,825</b>	<b>(631)</b>	<b>25,194</b>	<b>Net Cost of Services</b>	<b>29,360</b>	<b>(1,445)</b>	<b>27,915</b>	
0	0	0	Other Operating Expenditure: (Gains) and Losses on the Disposal of Fixed Assets	23	(28)	(7)	
433	0	433	Financing and Investment Income and Expenditure:				
0	(116)	(116)	Interest Payable and Similar Charges	430	0	430	9/19
10,005	0	10,005	Interest and Investment Income	0	(129)	(129)	20
			Net interest on the net defined benefit liability (asset)	9,866	0	9,866	29
0	(5,731)	(5,731)	Non-Specific Grant Income:				
0	(2,058)	(2,058)	General Government Grants (incl council tax freeze grant)	0	(4,770)	(4,770)	
0	(3,284)	(3,284)	Retained Business Rate	0	(2,196)	(2,196)	
0	(188)	(188)	Business Rates Top Up and grants	0	(3,521)	(3,521)	
			Capital Grants and Contributions	0	(14)	(14)	
0	(4,899)	(4,899)	Taxation Precepts:				
0	(8,606)	(8,606)	Bedford Borough Council	0	(5,150)	(5,150)	18
0	(4,373)	(4,373)	Central Bedfordshire Council	0	(8,824)	(8,824)	18
			Luton Borough Council	0	(4,321)	(4,321)	18
<b>36,263</b>	<b>(29,885)</b>	<b>6,378</b>	<b>(Surplus) or Deficit on Provision of Service</b>	<b>39,679</b>	<b>(30,400)</b>	<b>9,279</b>	
		<b>(696)</b>	(Surplus) or Deficit on Revaluation of Non-Current Assets			<b>(3,000)</b>	25
		<b>(40,801)</b>	Re-measurement of the net defined benefit/liability			<b>31,675</b>	25
		<b>(35,119)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>37,954</b>	

\* Includes £1.6m Past Service Pension Costs, see note 29

**BEDFORDSHIRE FIRE AND RESCUE AUTHORITY**  
**BALANCE SHEET AS AT 31 MARCH 2017**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by reserves held by the Authority. 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 (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

<b>31 March 2016 £'000</b>		<b>31 March 2017 £'000</b>	<b>See Note</b>
	<b>Non-Current Assets</b>		
22,068	Land and Buildings	23,931	
4,980	Vehicles, Plant and Equipment	6,197	
	<b>Non-Operational Assets</b>		
1,979	Assets Under Construction	1,577	
<b>29,027</b>	<b>Total Property, Plant and Equipment</b>	<b>31,705</b>	11
35	Heritage Assets	35	11
0	Intangible Assets	0	12
23	Long Term Debtors	236	14
<b>29,085</b>	<b>Total Long Term Assets</b>	<b>31,976</b>	
	<b>Current Assets</b>		
462	Inventories	406	13
2,573	Short Term Debtors	2,649	14
955	Prepayments	966	15
11,734	Short Term Investments	13,526	20
2,214	Cash and Cash Equivalents	1,545	21
<b>17,938</b>	<b>Total Current Assets</b>	<b>19,092</b>	
<b>47,023</b>	<b>Total Assets</b>	<b>51,068</b>	
	<b>Current Liabilities</b>		
(100)	Short Term Borrowing	0	
(2,111)	Short Term Creditors	(2,285)	16
(81)	Other Creditors	(216)	17
(77)	Lease Creditors	(62)	10
<b>(2,369)</b>	<b>Total Current Liabilities</b>	<b>(2,563)</b>	
	<b>Non-Current Liabilities</b>		
(9,987)	Long Term Borrowing	(9,987)	19
(132)	Lease Creditors	(70)	10
(322)	Provisions	(212)	23
(280,705)	Defined Benefit Pension Scheme	(322,682)	25/29
<b>(291,146)</b>	<b>Total Non-Current Liabilities</b>	<b>(332,951)</b>	
<b>(293,515)</b>	<b>Total Liabilities</b>	<b>(335,514)</b>	
<b>(246,492)</b>	<b>Net Assets/Liabilities</b>	<b>(284,446)</b>	
	<b>Reserves</b>		
	<b>Unusable Reserves</b>		

2,801	Revaluation Reserve	5,713	25
16,361	Capital Adjustment Account	16,641	25
526	Collection Fund Adjustment Account	367	18
(183)	Accumulated Absences Account	(177)	25
(280,705)	Pensions Reserve	(322,682)	25/29
<b>(261,200)</b>	<b>Total Unusable Reserves</b>	<b>(300,138)</b>	
	<b>Usable Reserves</b>		
625	Capital Receipts Reserve	641	24
217	Grants and Other Contributions Unapplied	202	24
11,266	Earmarked Reserves	12,249	24
2,600	General Reserve	2,600	24
<b>14,708</b>	<b>Total Usable Reserves</b>	<b>15,692</b>	
<b>(246,492)</b>	<b>Total Tax Payers Equity</b>	<b>(284,446)</b>	

These financial statements were authorised by the Treasurer on the 18<sup>th</sup> September 2017. These replaced the unaudited financial statements issued on 28<sup>th</sup> July 2017.



## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reported 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 way of taxation and grant income or from recipients of services provided by the Authority. 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 (i.e. borrowing) to the authority.

2015/16 £'000		2016/17 £'000	2016/17 £'000	See Note
	<b><u>Operating Activities</u></b>			
	<b>Cash Outflows:</b>			
17,866	Cash paid to and on behalf of Employees	18,876		
4,309	Cash Paid to Suppliers of Goods and Services	4,118		
3,653	Employers NI and Pension Costs	4,211		
433	Interest Paid	430		
26,261	Cash Outflows Generated from Operating Activities		27,635	
	<b>Cash Inflows:</b>			
(17,774)	Council Tax Receipts	(18,286)		
(5,579)	National Non-Domestic Rates	(5,719)		
(5,553)	Revenue Support Grant	(4,770)		
(370)	Other Grants	(385)		30
(170)	Sales of Goods and Rendering of Services	(695)		
(233)	Other Operating Cash Receipts	(692)		
(124)	Interest Received	(131)		
(29,803))	Cash Inflows Generated from Operating Activities	(30,678)		
<b>(3,542)</b>	<b>Net Cash Outflow/(Inflow) on Operating Activities:</b>		<b>(3,043)</b>	
	<b><u>Investing Activities</u></b>			
	<b>Cash Outflows:</b>			
2,075	Purchase of Property, Plant and Equipment	1,790		
0	Sale of Property, Plant and Equipment	(17)		
1,700	Proceeds from Long Term and Short Term Investments	1,796		
(188)	Capital Grants and other receipts	(34)		30
<b>3,587</b>	<b>Net Cash Outflow/(Inflow) from Investing Activities:</b>		<b>3,536</b>	
	<b><u>Financing Activities:</u></b>			
	<b>Cash Outflows:</b>			
0	Repayment of Borrowing	100		
89	Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases	77		
	<b>Cash Inflows:</b>			
<b>89</b>	<b>Net Cash Outflow/(Inflow) from Financing:</b>		<b>177</b>	
<b>134</b>	<b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>		<b>670</b>	
(2,349)	Cash and Cash Equivalents at the beginning of the reporting year		(2,215)	
(2,215)	Cash and Cash Equivalents at the end of the reporting year (For 2016/17 the amount is all cash)		(1,545)	
<b>134</b>	<b>Net Change in Cash and Cash Equivalents in the Year</b>		<b>670</b>	

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, 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. It also shows how this expenditure is allocated for decision making purposes between the authority's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement:

2015/16				2016/17		
Net Expenditure chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000		Net Expenditure chargeable to the General Fund £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the CIES £000
476	50	526	Strategic Management	490	45	536
1,743	114	1,857	Community Safety	1,762	95	1,857
1,367	(92)	1,275	Finance and Treasurer	2,530	(168)	2,362
738	88	826	Human Resources Manager	816	75	890
13,723	247	13,970	Operations	13,816	1,020	14,835
2,019	199	2,218	Operational Support	1,902	178	2,080
2,493	302	2,795	Strategic Support	2,549	251	2,800
147	31	178	Safety and Special Projects	162	29	192
1,521	28	1,549	Training and Development	1,805	558	2,363
24,226	967	25,194	<b>Net Cost of Services</b>	25,832	2,083	27,915
(25,456)	6,640	(18,816)	Other Income & Expenditure	(26,814)	8,178	(18,636)
<b>(1,230)</b>	<b>7,607</b>	<b>6,378</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>(982)</b>	<b>10,261</b>	<b>9,279</b>
(2,600)			<b>Opening General Fund Balance</b>	(2,600)		
(1,230)			<b>Less/Plus (Surplus)/Deficit on General Fund</b>	(982)		
1,230			<b>Transfer to Earmarked Reserves</b>	982		
<b>(2,600)</b>			<b>Earmarked Reserve Balance @ 31 March</b>	<b>(2,600)</b>		

#### 1a. Segmental Income

For information regarding income please see CIES.

## 1b. Adjustments between Funding and Accounting Basis

2016/17

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Differences	Total Adjustments
Strategic Management	27	18	0	45
Community Safety	8	87	0	95
Finance and Treasurer	23	(191)	0	(168)
Human Resources Manager	12	63	0	75
Operations	1,097	(77)	0	1,020
Operational Support	206	(28)	0	178
Strategic Support	161	90	0	251
Safety and Special Projects	19	11	0	29
Training and Development	537	21	0	558
<b>Net Cost of Services</b>	<b>2,090</b>	<b>(7)</b>	<b>0</b>	<b>2,083</b>
Other Income & Expenditure from the EFA Analysis	(1,349)	10,302	(729)	8,178
<b>Differences between the General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>696</b>	<b>10,295</b>	<b>(729)</b>	<b>10,262</b>

For comparison, the following table sets out the disclosures for adjustments between funding and accounting basis during 2015/16:

2015/16

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Differences	Total Adjustments
Strategic Management	26	24	0	50
Community Safety	12	102	0	114
Finance and Treasurer	52	(144)	0	(92)
Human Resources Manager	10	78	0	88
Operations	316	(70)	0	247
Operational Support	200	0	0	199
Strategic Support	196	107	0	302
Safety and Special Projects	19	12	0	31
Training and Development	(3)	32	0	28
<b>Net Cost of Services</b>	<b>827</b>	<b>140</b>	<b>0</b>	<b>967</b>
Other Income & Expenditure from the EFA Analysis	(2,705)	8,771	(86)	5,980
<b>Differences between the General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>(1,878)</b>	<b>8,911</b>	<b>(86)</b>	<b>6,947</b>

### 1. Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – Capital grants are adjusted for income not chargeable under generally accepted accounting practises. Revenue grants are adjusted for those receivable in the year to those receivable without conditions or for which conditions were satisfied

throughout the year. The Taxation and Non-Specific grant Income and Expenditure line is credited with Capital grants receivable in the year without conditions or for those where conditions were satisfied in the year.

## 2. Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs
- For financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and income recognised under generally accepted accounting practises in the code. This is a timing difference as any difference will be brought forward in the future Surplus or deficit on the Collection Fund.
- 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 year.

## 3. Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure - the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

### 1.c Analysed by Nature

#### 1.d Expenditure and Income Analysed By Nature

The Authority's expenditure and income is analysed as follows:

	2015/16 £000	2016/17 £000
<b>Expenditure/Income Service Analysis</b>		
Fees, charges & other service income	(337)	(1,213)
Interest and investment income	(116)	(129)
Income from Council Tax	(17,878)	(18,295)
Government grants and contributions	(11,555)	(10,763)
<b>Total Income</b>	<b>(29,886)</b>	<b>(30,400)</b>
Employee Expenses	20,669	23,114
Employee Absence Accrual	(40)	(7)
Other Operating Expenses	4,370	4,163
Depreciation, amortisation and impairment	827	2,090
Interest payments	433	430
Pensions interest cost and return on Pension Fund Assets	10,005	9,866
Disposal of non-current assets	0	22
<b>Total Operating Expenses</b>	<b>36,264</b>	<b>39,678</b>
<b>Surplus (-) or deficit on the provision of Services</b>	<b>6,378</b>	<b>9,279</b>

**2016-17**

**Usable Reserves**

	<b>General Fund Balance</b>	<b>Earmarked Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants &amp; Other Contributions</b>	<b>Usable Reserves Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b><u>Adjustments Primarily Involving the Capital Adjustment Account:</u></b>					
Charges for depreciation and impairment of non-current assets	(2,090)				(2,090)
Difference between historic cost and current cost depreciation					
Amortisation of intangible assets					
Capital grants and contributions applied					
Revenue expenditure funded by capital under statute					
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	77				77
Statutory provision for the financing of capital investment	437				437
Write out on disposal of fixed assets	(22)				(22)
Revaluation losses on Property, Plant and Equipment					
Capital expenditure charged to the General Fund balance	1,761				1,761
<b><u>Adjustments Primarily Involving the Pension Reserve:</u></b>					
Amount by which pension costs calculated in accordance with the Code (i.e.; in accordance with IAS 19) are different from the contributions due under the Local Government pension scheme regulations	(651)				(651)
Amount by which pension costs calculated in accordance with the Code (i.e.; in accordance with IAS 19) are different from the contributions due under the Uniformed pension scheme regulations	(9,651)				(9,651)
<b><u>Adjustments Primarily Involving the Capital Receipts Reserve:</u></b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	16		(16)		0
<b><u>Adjustments Primarily Involving the Capital Grants Unapplied Account:</u></b>					
Capital Grants and contributions unapplied	14			(14)	0
Capital Grants and Contributions received in prior years applied				29	29
<b><u>Adjustments Primarily Involving the Accumulated Absences Account:</u></b>					
Amount by which officer remuneration included in the Comp. I & E Account is different from the amount taken to the General Fund in accordance with regulation	7				7
<b><u>Adjustments Primarily Involving the Collection Fund Adjustment Account:</u></b>					
Amount by which council tax and non-domestic rating account income included in the Comp. I & E Account is different from the amount taken to the General Fund in accordance with regulation	(159)				(159)
	<b>(10,261)</b>	<b>0</b>	<b>(16)</b>	<b>15</b>	<b>(10,262)</b>

## 2. (continued) Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2016-2017

### Unusable Reserves

	B/f Usable Reserves Total £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	LGPS Pension Reserve £'000	Firefighters Pension Reserve £'000	Collection Fund Adjustment Account £'000	Accumulated Absences Account £'000	Unusable Reserves Total £'000	Total £'000
<b>Adjustments Primarily Involving the Capital Adjustment Account:</b>									
Charges for depreciation and impairment of non-current assets	(2,090)		2,090					2,090	0
Difference between historic cost and current cost depreciation		88	(88)					0	0
Amortisation of intangible assets								0	0
Capital grants and contributions applied								0	0
Revenue expenditure funded by capital under statute								0	0
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	77		(77)					(77)	0
Statutory provision for the financing of capital investment	437		(437)					(437)	0
Write out on disposal of fixed assets	(22)		22					22	0
Revaluation losses on Property, Plant and Equipment								0	0
Capital expenditure charged to the General Fund Balance	1,761		(1,761)					0	0
<b>Adjustments Primarily Involving the Pensions Reserve:</b>									
Amount by which pension costs calculated in accordance with the Code (i.e.; in accordance with the IAS 19) are different from the contributions due under the Local Government pension scheme regulations	(651)			651				651	0
Amount by which pension costs calculated in accordance with the Code (i.e.; in accordance with IAS 19) are different from the contributions due under the Uniformed pension scheme regulations	(9,651)				9,651			9,651	0

## 2. Continued

	<b>B/f Usable Reserves Total £'000</b>	<b>Revaluation Reserve £'000</b>	<b>Capital Adjustment Account £'000</b>	<b>LGPS Pension Reserve £'000</b>	<b>Firefighters Pension Reserve £'000</b>	<b>Collection Fund Adjustment Account £'000</b>	<b>Accumulated Absences Account £'000</b>	<b>Unusable Reserves Total £'000</b>	<b>Total £'000</b>
<b><u>Adjustments Primarily Involving the Capital Receipts Reserve:</u></b>									
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement									0
<b><u>Adjustments Primarily Involving the Capital Grants Unapplied Account:</u></b>									
Capital Grants and contributions unapplied									0
Capital Grants and Contributions received in prior years applied	29		(29)					(29)	0
<b><u>Adjustments Primarily Involving the Accumulated Absences Account:</u></b>									
Amount by which officer remuneration included in the Comp. I & E Account is different from the amount taken to the General Fund in accordance with regulation	7						(7)	(7)	0
<b><u>Adjustments Primarily Involving the Collection Fund Adjustment Account:</u></b>									0
Amount by which council tax and non-domestic rating account income included in the Comp. I & E Account is different from the amount taken to the General Fund in accordance with regulation	(159)					159		159	0
	<b>(10,262)</b>	<b>88</b>	<b>(280)</b>	<b>651</b>	<b>9,651</b>	<b>159</b>	<b>(7)</b>	<b>10,262</b>	<b>0</b>

**2015-16**  
**Usable Reserves**

	<b>General Fund Balance</b>	<b>Earmarked Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants &amp; Other Contributions</b>	<b>Usable Reserves Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b><u>Adjustments Primarily Involving the Capital Adjustment Account:</u></b>					
Charges for depreciation and impairment of non-current assets	(785)				(785)
Difference between historic cost and current cost depreciation					
Amortisation of intangible assets	(41)				(41)
Capital grants and contributions applied					
Revenue expenditure funded by capital under statute					
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	89				89
Statutory provision for the financing of capital investment	404				404
Write out on disposal of fixed assets					
Revaluation losses on Property, Plant and Equipment					
Capital expenditure charged to the General Fund balance	1,222				1,222
<b><u>Adjustments Primarily Involving the Pension Reserve:</u></b>					
Amount by which pension costs calculated in accordance with the Code (i.e.; in accordance with IAS 19) are different from the contributions due under the Local Government pension scheme regulations	(860)				(860)
Amount by which pension costs calculated in accordance with the Code (i.e.; in accordance with IAS 19) are different from the contributions due under the Uniformed pension scheme regulations	(7,911)				(7,911)
<b><u>Adjustments Primarily Involving the Capital Receipts Reserve:</u></b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0				0
<b><u>Adjustments Primarily Involving the Capital Grants Unapplied Account:</u></b>					
Capital Grants and contributions unapplied	188			(188)	0
Capital Grants and Contributions received in prior years applied				849	849
<b><u>Adjustments Primarily Involving the Accumulated Absences Account:</u></b>					
Amount by which officer remuneration included in the Comp. I & E Account is different from the amount taken to the General Fund in accordance with regulation	41				41
<b><u>Adjustments Primarily Involving the Collection Fund Adjustment Account:</u></b>					
Amount by which council tax and non-domestic rating account income included in the Comp. I & E Account is different from the amount taken to the General Fund in accordance with regulation	45				45
	<b>(7,608)</b>	<b>0</b>	<b>0</b>	<b>661</b>	<b>(6,947)</b>



## 2. (continued) Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2015-2016

### Unusable Reserves

	B/f Usable Reserves Total £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	LGPS Pension Reserve £'000	Firefighters Pension Reserve £'000	Collection Fund Adjustment Account £'000	Accumulated Absences Account £'000	Unusable Reserves Total £'000	Total £'000
<b>Adjustments Primarily Involving the Capital Adjustment Account:</b>									
Charges for depreciation and impairment of non-current assets	(785)		785					785	0
Difference between historic cost and current cost depreciation		70	(70)						0
Amortisation of intangible assets	(41)		41					41	0
Capital grants and contributions applied									0
Revenue expenditure funded by capital under statute									0
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	89		(89)					(89)	0
Statutory provision for the financing of capital investment	404		(404)					(404)	0
Write out on disposal of fixed assets									0
Revaluation losses on Property, Plant and Equipment									0
Capital expenditure charged to the General Fund Balance	1,222		(1,222)					(1,222)	0
<b>Adjustments Primarily Involving the Pensions Reserve:</b>									
Amount by which pension costs calculated in accordance with the Code (i.e.; in accordance with the IAS 19) are different from the contributions due under the Local Government pension scheme regulations	(860)			860				860	0
Amount by which pension costs calculated in accordance with the Code (i.e.; in accordance with IAS 19) are different from the contributions due under the Uniformed pension scheme regulations	(7,911)				7,911			7,911	0

## 2. Continued

	<b>B/f Usable Reserves Total £'000</b>	<b>Revaluation Reserve £'000</b>	<b>Capital Adjustment Account £'000</b>	<b>LGPS Pension Reserve £'000</b>	<b>Firefighters Pension Reserve £'000</b>	<b>Collection Fund Adjustment Account £'000</b>	<b>Accumulated Absences Account £'000</b>	<b>Unusable Reserves Total £'000</b>	<b>Total £'000</b>
<b><u>Adjustments Primarily Involving the Capital Receipts Reserve:</u></b>									
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement									0
<b><u>Adjustments Primarily Involving the Capital Grants Unapplied Account:</u></b>									
Capital Grants and contributions unapplied									0
Capital Grants and Contributions received in prior years applied	849		(849)					(849)	0
<b><u>Adjustments Primarily Involving the Accumulated Absences Account:</u></b>									
Amount by which officer remuneration included in the Comp. I & E Account is different from the amount taken to the General Fund in accordance with regulation	41						(41)	(41)	0
<b><u>Adjustments Primarily Involving the Collection Fund Adjustment Account:</u></b>									0
Amount by which council tax and non-domestic rating account income included in the Comp. I & E Account is different from the amount taken to the General Fund in accordance with regulation	45					(45)		(45)	0
	<b>(7,608)</b>	<b>70</b>	<b>(1,808)</b>	<b>860</b>	<b>7,911</b>	<b>(45)</b>	<b>(41)</b>	<b>(6,947)</b>	<b>0</b>

### 3. Members' Allowances

A Members' Allowance Scheme for the FRA was implemented on 31 December 2003 in accordance with the Local Government (Members Allowances) (England) Regulations 2003. The Authority paid the following amounts to Members of the FRA during the year:

	<b>2015/16 £000</b>	<b>2016/17 £000</b>
Allowances	66	67
Expenses	2	2
<b>Total</b>	<b>68</b>	<b>69</b>

### 4. Officers' Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

<u>2015/16 No. of Employees</u>	<u>Remuneration Band (£)</u>	<u>2016/17 No. of Employees</u>
11	50,000 to 54,999	10
6*	55,000 to 59,999	6*
6	60,000 to 64,999	7*
4	65,000 to 69,999	3*
2*	70,000 to 74,999	1
1	75,000 to 79,999	2
5	80,000 to 84,999	2
1	85,000 to 89,999	1
2	90,000 to 94,999	2
1	95,000 to 99,999	1
1	100,000 to 104,999	0
0	105,000 to 109,999	0
0	110,000 to 114,999	0
1	115,000 to 119,999	1
<b>39</b>	<b>Total</b>	<b>36</b>

For this purpose 'remuneration' means all amounts paid to or receivable by an employee and includes sums due by way of taxable expenses, allowances and the estimated money value of any benefit received by an employee other than in cash.

\*Includes officers that have retired and returned in different roles.

The following table sets out the remuneration disclosures for Senior Officers whose salary in 2016/17 is less than £150,000 but equal to or more than £50,000 per annum:

Status	Notes	Salary (including fees and allowances)	Expenses Allowances	Benefits in Kind	Total Remuneration Excluding Pension Contributions	Employers' Pension Contributions	Total Remuneration (including pension contributions)
		£	£	£	£	£	£
Chief Fire Officer	1	89,776	362	1,499	91,637	0	91,637
Deputy Chief Fire Officer		117,017	348	423	117,788	25,393	143,181
Head of Finance & Treasurer to CFA		79,431	1,387	0	80,818	11,188	92,006
Secretary/ Monitoring Officer	3	11,530	0	0	11,530	0	11,530
ACO Director of HR & OD	2	92,045	1,267	0	93,313	12,886	106,199
<b>TOTAL</b>		<b>389,799</b>	<b>3,364</b>	<b>1,922</b>	<b>395,085</b>	<b>49,466</b>	<b>444,553</b>

- 1 Salary is abated as pension is being paid. Salary equates to 26.22 hours. FTE based on 42 hours.
- 2 Works 34 hours a week, FTE based on 37 hours.
- 3 Works 30 days a year (annualised calculations £99,920)

The following table sets out the remuneration disclosures for Senior Officers whose salary in 2015/16 is less than £150,000 but equal to or more than £50,000 per annum:

Status	Notes	Salary (including fees and allowances)	Expenses Allowances	Benefits in Kind	Total Remuneration Excluding Pension Contributions	Employers' Pension Contributions	Total Remuneration (including pension contributions)
		£	£	£	£	£	£
Chief Fire Officer	1	86,488	229	1,448	88,165	0	88,165
Deputy Chief Fire Officer		116,727	325	320	117,372	25,330	142,702
Assistant Chief Fire Officer	4	22,412	4,029	0	26,441	0	26,441
Head of Finance & Treasurer to CFA		79,120	1,328	0	80,448	11,077	91,525
Secretary/ Monitoring Officer	3	9,285	0	0	9,285	1,300	10,585
ACO Director of HR & OD	2	90,899	1,419	0	92,318	12,726	105,044
<b>TOTAL</b>		<b>404,931</b>	<b>7,330</b>	<b>1,768</b>	<b>414,029</b>	<b>50,433</b>	<b>464,461</b>

#### Notes

1. Salary is abated as pension is being paid. Salary equates to 25.62 hours. FTE based on 42 hours.
2. Works 34 hours a week, FTE based on 37 hours.
3. Works 26 days a year (Annualised calculations £97,543)
4. Left 06.08.15

There were no exit packages in 2015/16 or 2016/17.

## 5. Related Party Transactions

### Introduction

The UK Government exerts significant influence through legislation and funding. This funding can be identified in the Non-Specific Grants Income section of the Comprehensive Income and Expenditure Statement Account (the Top Up Grant and General Government Grants). The Fire Authority is also funded by taxation precepts from Local Authorities which are identified in the Taxation Precepts section of the Comprehensive Income and Expenditure Statement.

### Declarations

All Members, Senior Officers and Budget Managers, the Monitoring Officer and Treasurer of the Authority have been consulted with regard to related party transactions. From the declarations received, there were no material transactions to report.

During 2016/17, works and services to the value of £51,306.68 were commissioned from the Chief Fire Officers Association (CFOA), CFOA National Resilience Limited, CFOA Services Limited, the Firefighters Charity and the Fire Sector Federation. During the year £6,000 was received in rental income from St. John's Ambulance Trust. These are all entities of which an Officer had an interest. This officer has declared their interest in accordance with IAS24.

### The Fire and Rescue Indemnity Company

Until 31 October 2015 insurances for the Authority were arranged as part of a consortium of nine Fire and Rescue Authorities. These Fire and Rescue Authorities, including Bedfordshire, are now members of the Fire and Rescue Indemnity Company Limited. The company commenced trading in November 2015. The Authority's risk protection arrangements are provided through the pooled funds of the company. The Authority made a contribution of £234,000 to the company for the year to 31 October 2017 with £97,500 of this treated as an expense in 2016/17.

## 6. Disclosure of Audit Costs

In 2016/17 the Authority incurred the following fees relating to external audit and inspection:

<b>2015/16 £'000</b>		<b>2016/17 £'000</b>
30	Fees payable to Ernst & Young with regard to external audit services carried out by the appointed auditor.	31
0	Fees payable in respect of other services provided by the Audit Commission and Ernst & Young	0
<b>30</b>	<b>Total</b>	<b>31</b>

**7. Capital Expenditure and Financing**

	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
Opening Capital Financing Requirement	10,393	9,900
Capital Investment:		
Property, Plant and Equipment	2,071	1,790
Revenue Expenditure Funded from Capital Under Statute	0	0
Sources of Finance:		
Capital Receipts	0	0
Government Grants and Other Contributions	(849)	(29)
Sums Set Aside from Revenue:		
Direct Revenue Contributions	(1,222)	(1,761)
MRP and Finance Lease repayment	(493)	(514)
<b>Closing Capital Financing Requirement</b>	<b>9,900</b>	<b>9,386</b>
Explanation of Movements in Year:		
Assets acquired under finance leases	0	0
Increase/(Decrease) in underlying need to borrowing (unsupported by Government financial assistance)	(493)	(514)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(493)</b>	<b>(514)</b>

**8. Information on Assets Held**

Non-Current Assets owned by the FRA include the following:

<b>Non-Current Assets</b>	<b>31 March 2016</b>	<b>31 March 2017</b>
<b>Operational Buildings:</b>		
Headquarters (including Training Centre, Control and Workshops)	1	1
Fire Safety Area Offices	2	2
Fire Stations: Wholetime	5	5
Day Crewing	1	1
Retained	8	8
Houses	7	7
Garages	6	6

Non-Current Assets	31 March 2016			31 March 2017		
	Leased	Owned	Total	Leased	Owned	Total
<b>Operational Appliances:</b>						
Pumping Appliances	3	20	23	0	24	24
Aerial Appliances	0	2	2	0	2	2
Fire Boats	0	1	1	0	1	1
Other Special Appliances	0	22	22	0	21	21
Modules	0	4	4	0	4	4
Appliances under construction	0	10	10	0	10	10
Special appliances under construction	0	2	2	0	0	0
Appliances awaiting disposal	0	3	3	0	5	5
<b>Non-Operational Appliances:</b>						
Reserve/Training Appliances	0	6	6	0	6	6
Ancillary Vehicles	0	44	44	0	45	45
Trailers etc.	0	9	9	0	8	8
Specials/Vans awaiting disposal	0	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>123</b>	<b>126</b>	<b>0</b>	<b>126</b>	<b>126</b>

## 9. Lease Rentals

### i. Operating Leases:

Vehicles and Equipment – the Authority had one operating lease which ceased July 2016. There were no items of plant and equipment under the terms of an operating lease as at year ending 31<sup>st</sup> March 2017. The amount paid under these arrangements in 2016/17 was £3k (£1.1k in 2015/16).

### ii. Finance Leases:

Vehicles and Equipment – the Authority has acquired various vehicles, I.T. and equipment under finance leases. The rentals payable under these arrangements in 2016/17 were £84,325 (£99,400 in 2015/16), charged to revenue as £7,229 costs (debited to the Comprehensive Income and Expenditure Statement) and £77,095 relating to the write-down of obligations to the lessor (debited as part of the appropriation to the Capital Adjustment Account).

### **Authority as a Lessee:**

#### **Operating Leases:**

Under the IFRS rules governing leases, specifically IFRIC 4 (International Financial Reporting Interpretations Committee), ‘Determining Whether an Arrangement Contains a Lease’, this Authority has sought to identify contractual and other arrangements which involve the provision of services using specific underlying assets and which therefore can be considered as containing a lease for those assets. In 2016/17, it has been determined that there is one current arrangement which could be classified as an Operating lease under IFRIC4 (details below):

The Authority acquired the use of a car in 2015/16, entering into an operating lease. This lease terminated early in 2016/17.

The future minimum lease payments due under non-cancellable leases in future years are:

	<b>31 March 2016 £'000</b>	<b>31 March 2017 £'000</b>
Not later than one year	5	3
Later than one year and not later than five years	3	0
Later than five years	0	0
	<b>8</b>	<b>3</b>

The expenditure charged into the Comprehensive Income and Expenditure Statement during the year in relation to this lease was:

	<b>2015-16 £'000</b>	<b>2016-17 £'000</b>
Minimum Lease Payments	1	3

#### **Finance Leases:**

Under the IFRS rules governing leases, specifically IFRIC 4 (International Financial Reporting Interpretations Committee), 'Determining Whether an Arrangement Contains a Lease', this Authority has sought to identify contractual and other arrangements which involve the provision of services using specific underlying assets and which therefore can be considered as containing a lease for those assets.

The Authority entered into two contracts in 2011-12 for the Managed Services for Personal Protective Equipment and for the Firelink Radios under the Airwaves Contract. The Managed Services for Personal Protective Equipment was still in existence in 2016-17, however, the lease for Firelink Radios ceased as at 31 March 2017. Under IFRIC 4 this lease contract is determined as being an embedded lease.

	<b>31 March 2016 £'000</b>	<b>31 March 2017 £'000</b>
Vehicles, Plant and Equipment	237	178



The outstanding obligations to make payments under the finance leases (excluding finance costs) at 31 March 2017, accounted for as part of long term liabilities, are included within the totals on Note 11. However, for the embedded finance leases only, these are as follows:

	<b>31 March 2016 £'000</b>	<b>31 March 2017 £'000</b>
Not later than one year	77	62
Later than one year and not later than five years	132	70
Later than five years	0	0
	<b>209</b>	<b>132</b>

#### **Authority as Lessor:**

Under the IFRS rules governing leases, specifically IFRIC 4 (International Financial Reporting Interpretations Committee), 'Determining Whether an Arrangement Contains a Lease', this Authority has sought to identify contractual and other arrangements which involve the provision of services using specific underlying assets and which therefore can be considered as containing a lease for those assets. In 2016/17, it was determined that there were two additional embedded leases for renting out part of the Bedford and Ampthill Fire Station buildings (to Bedfordshire Police) as well as the two previous arrangements, where income is received for the renting out of the Dunstable Fire Station building (to St. John's Ambulance) and a part of Luton, Shefford, Sandy and Stopsley Fire Station buildings (to the East of England Ambulance Trust), which should be classified as leases under IFRIC 4.

The Authority leases out property and equipment under operating leases for the following purpose:

- for the provision of community services, such as the support for emergency services and its associated entities.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	<b>31 March 2016 £'000</b>	<b>31 March 2017 £'000</b>
Not later than one year	16	32
Later than one year and not later than five years	5	0
Later than five years	21	32

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17, £NIL contingent rents were receivable by the Authority (2015/16 £NIL).

## 10. Operating and Finance Leases

### i. Operating Leases:

At 31 March 2017 the Authority made a total of £3,005 payments under operating leases in 2016/17.

### ii. Finance Leases:

The following values of assets were held under finance leases by the Authority, accounted for as part of non-current assets:

	<b>Vehicles, Plant and Equipment</b>		
	<b>Gross Value</b>	<b>Accumulated Depreciation</b>	<b>Net Value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
As at 1 April 2016	623	(368)	255
Write-Outs in the Year (adjustments)	0	0	0
Additions	0	0	0
Disposals	(83)	83	0
Depreciation	0	(76)	(76)
<b>As at 31 March 2017</b>	<b>540</b>	<b>(361)</b>	<b>179</b>

Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2017, accounted for as part of long term liabilities, are as follows:

	<b>£'000</b>
Obligations payable in 2016/17	62
Obligations payable between 2017/18 and 2020/21	70
Obligations payable after 2020/21	0
<b>Total Liability at 31 March 2017</b>	<b>132</b>

**11. Property, Plant and Equipment and Heritage Assets - Movement on Balances 2016/17**

	<b>Land and Buildings</b>	<b>Vehicles, Plant and Equipment</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>	<b>Heritage Assets</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b><u>Cost or Valuation:</u></b>					
At 1 April 2016	23,067	8,987	1,979	34,033	35
Additions	37	660	1,093	1,790	
Donations	0	0	0	0	
Revaluation increases /(decreases) recognised in the Revaluation Reserve	3,000	0	0	3,000	
Revaluation increases /(decreases) recognised in the CIES	(651)	0	0	(651)	
Disposals/Write Outs	0	(215)	0	(215)	
Reclassifications	25	1,470	(1,495)	0	
<b>At 31 March 2017</b>	<b>25,478</b>	<b>10,902</b>	<b>1,577</b>	<b>37,957</b>	<b>35</b>
<b><u>Depreciation and Impairments:</u></b>					
At 1 April 2016	(999)	(4,008)	0	(5,007)	
Depreciation Charge for 2016/17	(548)	(890)	0	(1,438)	
Depreciation written out to the Revaluation Reserve	0	0	0	0	
Disposals/Write Outs	0	193	0	193	
Reclassifications	0	0	0	0	
<b>At 31 March 2017</b>	<b>(1,547)</b>	<b>(4,705)</b>	<b>0</b>	<b>(6,252)</b>	<b>35</b>
<b>Balance Sheet Amount as at 31 March 2017</b>	<b>23,931</b>	<b>6,197</b>	<b>1,577</b>	<b>31,705</b>	<b>35</b>
<b>Balance Sheet Amount as at 31 March 2016</b>	<b>22,068</b>	<b>4,981</b>	<b>1,979</b>	<b>29,027</b>	<b>35</b>
<b><u>Nature of Asset Holding</u></b>					
Owned	23,931	6,197	1,577	31,705	35
Finance Lease	0	0	0	0	0
	<b>23,931</b>	<b>6,197</b>	<b>1,577</b>	<b>31,705</b>	<b>35</b>

## Comparative Movements 2015/16

	Land and Buildings	Vehicles, Plant and Equipment	Assets Under Construction	Total Property, Plant and Equipment	Heritage Assets
	£'000	£'000	£'000	£'000	£'000
<b><u>Cost or Valuation:</u></b>					
At 1 April 2015	21,628	8,798	1,024	31,450	35
Additions	108	356	1,608	2,072	0
Donations				0	0
Revaluation increases /(decreases) recognised in the Revaluation Reserve	696			696	0
Revaluation increases /(decreases) recognised in the CIES	594			594	0
Disposals/Write Outs		(777)		(777)	0
Reclassifications	41	612	(653)	0	0
<b>At 31 March 2016</b>	<b>23,067</b>	<b>8,989</b>	<b>1,979</b>	<b>34,035</b>	<b>35</b>
<b><u>Depreciation and Impairments:</u></b>					
At 1 April 2015	(484)	(3,921)	0	(4,404)	0
Depreciation Charge for 2015/16	(515)	(865)	0	(1,381)	0
Depreciation written out to the Revaluation Reserve	0	0	0	0	0
Disposals/Write Outs		777		777	0
Reclassifications	0	0	0	0	0
<b>At 31 March 2016</b>	<b>(999)</b>	<b>(4,009)</b>	<b>0</b>	<b>(5,008)</b>	<b>0</b>
<b>Balance Sheet Amount as at 31 March 2016</b>	<b>22,068</b>	<b>4,980</b>	<b>1,979</b>	<b>29,027</b>	<b>35</b>

### **Valuation information – Non-Current Assets**

The valuations, as at 31 March 2017, on land and buildings have been carried out by NPS Group and have been signed by Deborah O'Shea MRICS, an external valuer. These values have been updated for 2016/17 by the relevant indexation factors supplied by the same company.

The basis for valuation is set out in the Statement of Accounting Policies.

The Heritage Asset is a 1908 Shand Mason Steam Fire Pump (Steamer) which was valued as at 31 March 2016 by Jeremy Curzon MNAVA of Cheffins, an external valuer. The Steamer is taken to various outdoor events where it is exhibited by a team of volunteers. The Thorney Steamer webpage has a history of the Steamer which includes details of its renovation.

## 12. Intangible Assets – Movement on Balances 2016/17

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 of Property, Plant and Equipment. The intangible assets only include purchased licences.

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 life assigned to the major software suites used by the Authority is five years.

The carrying amount of intangible assets is amortised on a straight line basis. All Intangible assets were fully amortised in the 2015/16 financial year and no new Intangible Assets were purchased in the 2016/17 financial year.

The table below shows that there were no movements on Intangible Assets during the year.

	2015/16 Intangible Assets £'000	2016/17 Intangible Assets £'000
<b>Balance at start of the year</b>		
Gross carrying amounts	205	205
Accumulated amortisation	(164)	(205)
<b>Net carrying amount at start of year</b>	41	0
Additions	0	0
Amortisation for the period	(41)	0
<b>Net carrying amount at the end of the year</b>	<b>0</b>	<b>0</b>
<b>Comprising</b>		
Gross carrying amounts	205	205
Accumulated amortisation	(205)	(205)

There are two items of capitalised software that are individually material to the financial statements:

	Carrying Amount		Remaining Amortisation Period
	31 March 2016 £'000	31 March 2017 £'000	
Step Software	167	167	Nil
Virtualisation Software	38	38	Nil

### 13. Inventories

The Authority holds a number of inventories. These are assets, in the form of materials or supplies that are to be consumed as a normal part of providing the service. Stocks are regularly reviewed to ensure that only necessary items are held.

2015/16 £000	Inventories	2016/17 £000
238	Technical	197
81	Smoke Alarms	64
51	Uniforms & Protective Clothing	51
48	Workshops	49
27	Fuel	30
17	Other	15
<b>462</b>	<b>Total</b>	<b>406</b>

### 14. Short and Long Term Debtors

2015/16 £'000	Main Items – Short Term Debtors	2016/17 £'000
192	H M Revenues and Customs (re-VAT)	186
1,147	Pension Fund Account	1,373
0	Employees	61
124	Collection Fund – Other Local Authorities	203
1,059	Collection Fund – Taxpayers	897
42	Accounts Rendered	159
8	Investment Income	4
1	Other Debtors	2
<b>2,573</b>	<b>Total</b>	<b>2,885</b>

Bad Debts – The general bad debt provision brought forward from 2015/16 was £1k. No provision bad debts have been included in 2016/17.

#### **Long Term Debtors**

The increase in long term debtors shown on the balance sheet, from £23k in 2015/16 to £236k in 2016/17, mainly relates to pension overpayments where repayments have been agreed over a period in excess of one year.

### 15. Payments in Advance

2015/16 £'000	Main Items	2016/17 £'000
117	IT	149
33	Car Leasing Scheme	45
131	Insurance	151
18	Leasing Companies	0
619	Firefighters Pension Payments	586
39	General	35
<b>955</b>	<b>Total</b>	<b>966</b>

## 16. Short Term Creditors

2015/16 £'000	Main Items	2016/17 £'000
31	Capital	51
353	Employees	516
71	Public Utilities	61
153	Other Local Authorities	149
37	IT/Communications	21
522	Third Party Payments	545
462	General	412
56	Collection Fund – Other Local Authorities	11
426	Collection Fund – Taxpayers	519
<b>2,111</b>	<b>Total</b>	<b>2,285</b>

## 17. Other Creditors

2015/16 £'000	Main Items	2016/17 £'000
75	Government Grants	208
5	Firebreak Courses	0
1	Rent Received in Advance	1
0	Other Grants	7
<b>81</b>	<b>Total</b>	<b>216</b>

## 18. Collection Fund

The Collection Funds, wholly shown within the Billing Authorities (Bedford, Central Bedfordshire and Luton) accounts are treated as agency accounts. This means that this Authority, as a precepting authority, is to be allocated a proportion of the council tax arrears, prepayments etc., to raise as creditors and debtors in its accounts. The proportion is based on this Authority's precept demand to the total of all precept demands as calculated by each Billing Authority for the Collection Fund under their control.

2015/16 Total £000		Bedford Borough £'000	Central Beds £'000	Luton Borough £'000	2016/17 Total £'000
2,040	Council Tax Arrears	467	624	984	2,075
(1,061)	Impairment Allowance for doubtful debts	(297)	(159)	(646)	(1,102)
(359)	Council Tax overpayments and prepayments	(101)	(91)	(144)	(336)
(689)	Collection Fund (surplus)/deficit	(143)	(232)	(70)	(445)
69	Cash (Balancing Item)	74	(142)	(124)	(192)
<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

A similar agency arrangement has now been introduced for National Non Domestic Rates (NNDR) with the authority's proportion calculated at the statutory rate of 1%.

<b>2015/16 Total £'000</b>		<b>Bedford Borough £'000</b>	<b>Central Beds £'000</b>	<b>Luton Borough £'000</b>	<b>2016/17 Total £000</b>
182	NNDR Arrears	30	34	127	191
(102)	Impairment Allowance for doubtful debts	(24)	(4)	(75)	(103)
(67)	NNDR overpayments and prepayments	(15)	(6)	(43)	(64)
(175)	Appeals Provision	(64)	(43)	(95)	(202)
163	Collection Fund (surplus)/deficit	3	39	36	78
(1)	Cash (Balancing Item)	70	(20)	50	(100)
<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

In addition this Authority is to account for its share of the surplus/deficit of the Collection Funds as at 31<sup>st</sup> March 2017 by transferring amounts to the Collection Fund Adjustment Account, previously the amount provided under regulation in January 2016 was used and included under precepts in the Comprehensive Income and Expenditure Statement. This method for calculating the surplus/deficit is reversed through the Movement on Reserves Statement so the impact against the council tax requirement, for the year, will still be based on the actual cash paid by the Billing Authorities.

<b>2015/16 Total £'000</b>		<b>Bedford Borough £'000</b>	<b>Central Beds £'000</b>	<b>Luton Borough £'000</b>	<b>2016/17Total £'000</b>
(689)	Collection Fund Adjustment Account - Council Tax	(143)	(232)	(70)	(445)
163	Collection Fund Adjustment Account - NNDR	3	39	36	78

## 19. Long Term Borrowing

Long-term Borrowing by the Authority comprises £9.987M of PWLB loans. An analysis by date of maturity is as follows:

<b>31 March 2016 £'000</b>	<b>Date of Maturity</b>	<b>31 March 2017 £'000</b>
0	Less than 12 months	0
100	1 – 2 years	0
0	36-40 years	6,300
9,987	41 - 45 years	3,687
<b>10,087</b>	<b>Total</b>	<b>9,987</b>

Under the rules laid down by the 2015/16 Code, the Fair Value of any loans taken out must be disclosed in addition to the above carrying value to enable a comparison to be made. The Fair Value has been calculated by Sector using the rate available for new borrowing. At 31 March 2017 the Fair Values of the above loans was £14.716m calculated as below:



**19. Long Term Borrowing Continued**

<b>Loan</b>	<b>Lender</b>	<b>Start Date</b>	<b>Maturity Date</b>	<b>Original Principal £'000</b>	<b>Interest Rate %</b>	<b>Current Principal £'000</b>	<b>Discount Rate %</b>	<b>Discount/ (Premium) £'000</b>	<b>Market Value £'000</b>	<b>Accrued Interest £'000</b>	<b>Fair Value £'000</b>	<b>Duration Remaining Years</b>
492471	PWLB	08/11/2006	30/9/2056	6,300	4.1000	6,300	1.4600	(4,979)	11,279	0	11,279	39.50
494762	PWLB	18/08/2008	31/03/2058	3,687	4.4300	3,687	1.4500	(3,387)	7,074	0	7,074	41.00
<b>Total PWLB Maturity</b>				<b>9,987</b>		<b>9,987</b>		<b>(8,366)</b>	<b>18,353</b>	<b>0</b>	<b>18,353</b>	

**20. Short Term Investments**

<b>31 March 2016 £'000</b>	<b>Date of Maturity</b>	<b>31 March 2017 £'000</b>
11,734	Short Term Investments	13,526
<b>11,734</b>	<b>Total</b>	<b>13,526</b>

Short-term investments are temporary surplus funds, invested short term with those financial institutions included within the Authority's approved lending list.

## 20. Short Term Investments Continued

Under the rules laid down by the 2015-2016 Code the Fair Value of any investments must be disclosed in addition to the above carrying value, such that a comparison can be made. At 31 March 2017 the Fair Value of the above short term investments was £13,542,547 calculated as below:

<b>Loan To:</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Nominal Amount</b> <b>£'000</b>	<b>Issue Rate</b> <b>%</b>	<b>Market Rate</b> <b>%</b>	<b>Net Market Value</b> <b>£'000</b>	<b>Accrued Interest</b> <b>£'000</b>	<b>Fair Value</b> <b>£'000</b>	<b>Duration Remaining Years</b>
Qatar	14/04/2016	13/04/2017	2,500,000	1.0200	0.15000	2,500,775	24,592	2,525,366	0.04
Bank of Scotland	23/11/2016	23/05/2017	500,000	0.6000	0.18750	500,299	1,060	501,360	0.19
Bank of Scotland	20/01/2017	20/07/2017	1,500,000	0.6000	0.28750	1,501,424	1,751	1,503,175	0.30
Goldman Sachs	20/02/2017	18/08/2017	2,000,000	0.7600	0.32500	2,003,333	1,666	2,004,999	0.38
Qatar	20/01/2017	19/01/2018	1,000,000	0.8600	0.47500	1,003,089	1,673	1,004,762	0.81
Qatar	22/03/2017	21/03/2018	1,000,000	0.8200	0.54167	1,002,693	225	1,002,918	0.97
Santander (120 day)	31/08/2016		2,500,000	0.80000		2,500,000	2	2,501,699	
Santander (180 day)	11/01/2016		2,496,360	0.900		2,496,360	2	2,498,268	
<b>Total</b>			<b>13,496,360</b>			<b>13,507,973</b>	<b>30,971</b>	<b>13,542,547</b>	

## 21. Cash and Cash Equivalents

2015/16 £000	Inventories	2016/17 £000
3	Cash	3
2,211	Bank Current Accounts	1,542
<b>2,214</b>	<b>Total</b>	<b>1,545</b>

## 22. Nature and Extent of Risks Arising from Financial Instruments

- ***Credit Risk***

Credit risk is the possibility that other parties might fail to pay amounts due to the Authority.

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category. The credit criteria in respect of financial assets held by the Authority are as detailed below:

Minimum Credit Ratings Required: AA-

Maximum amount of £7M per Organisation

Lending lists are reviewed and updated as necessary if the rating of any institution on the list has altered. The financial press and other media sources are also utilised for information on the credit strength of banks and other institutions and the list amended if appropriate.

- ***Liquidity Risk***

Liquidity risk is the possibility that the Authority might not have funds available to meet the commitments to make payments.

The Authority seeks to minimise liquidity risk by securing adequate available sources of short term financing and by effective cash flow forecasting and monitoring.

Any long term borrowing is through PWLB thereby minimising the potential liquidity risks. The maturity analysis of the Authority's borrowings is shown in the table under Note 19.

- ***Market Risk***

The Market Risk is 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.

The Authority seeks to minimise market risk by maintaining reliable sources of information regarding market conditions to allow for informed assessment of treasury transactions. The Authority employs the services of Sector to advise it on Treasury Management issues.

The Authority does not make investments that are subject to market fluctuations (eg gilts, certificates of deposit etc).

Cash flow forecasts are regularly monitored to ensure the Authority's financing targets are met.

Loans and short-term investment balances shown in the Balance Sheet are at fixed rates and therefore not effected by market fluctuations as at 31 March 2017.

- ***Price and Foreign Currency Risk***

The authority has no financial assets or liabilities in equity shares, joint ventures or denominated in foreign currency and therefore has no exposure to these risks.

### **23. Provisions**

The creation of provisions is permitted by Section 41 of the Local Government and Housing Act 1989.

A Non Domestic Rates appeals provision of £202,000 has been provided in 2016/17 (£175,000 in 2015/16).

Two insurance provisions were set up in 2016/17 totalling £10,000 as a result of two outstanding potential claims.

### **24. Details of Movements on Usable Reserves**

	<b>2016/17</b>				
	<b>Earmarked Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Government Grants and Other Contributions Unapplied</b>	<b>General Reserve</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Surplus (Deficit) for the year	0	0	0	982	982
Appropriations to/from Revenue	982	0	0	-982	0
New Receipts/Grant received in Year	0	16	14	0	30
Financing of Capital Expenditure	0	0	(29)	0	(29)
<b>Total</b>	<b>982</b>	<b>16</b>	<b>(15)</b>	<b>0</b>	<b>983</b>
Balance brought forward at 1 April 2016	<b>11,267</b>	<b>625</b>	<b>217</b>	<b>2,600</b>	<b>14,710</b>
<b>Balance carried forward at 31 March 2017</b>	<b>12,249</b>	<b>641</b>	<b>202</b>	<b>2,600</b>	<b>15,693</b>

## Earmarked Reserves

Earmarked Reserves are those revenue reserves which have been created and earmarked for specific purposes. The analysis of earmarked reserves is shown below:

<b>Earmarked Reserves</b>	<b>Balance at 1 April 2016 £'000</b>	<b>Movement in year £'000</b>	<b>Balance at 31 March 2017 £'000</b>
Corporate Earmarked Reserves *	7,491	(140)	7,351
Capital Reserves	2,196	(25)	2,171
Budget Managers' Earmarked Reserves	727	(225)	503
Collaboration Reserve **	534	1,372	1,906
Collection Fund	270	0	270
Vehicle Appliance Reserve	48	0	48
<b>Total</b>	<b>11,266</b>	<b>982</b>	<b>12,249</b>

\* Of which £4.976m is the Transformational Earmark Reserve to be used for budget setting over the medium term.

\*\* A new reserve was set up in 2015/16 to fund Collaboration work, the 2016/17 underspend has been added to this reserve which also includes the pension reimbursement monies.

## General Reserves

General Reserves are those revenue reserves which have been created and are not specifically earmarked for expenditure.

The table below details the transfers to the General Reserve during 2016/17:

<b>General Reserve</b>	<b>£'000</b>
Balance brought forward from 1 April 2016	2,600
In Year surplus	982
Funding to/(from) reserve agreed by Members during 2016/17	(982)
<b>Total at 31 March 2017</b>	<b>2,600</b>

As noted above, the year-end surplus was not allocated to the General Reserve but the Collaboration Reserve.

## **Capital Grants and Other Contributions Unapplied**

Capital grants or capital contributions where the income has been received but the expenditure to be financed from that grant or contribution has not been incurred at the balance sheet date.

## **Capital Receipts Reserve**

Capital receipts from the sale of assets owned by the Service that have yet to be used to finance future capital expenditure.

## 25. Details of Movements on Unusable Reserves

Unusable Reserves	Revaluation Reserve	Capital Adjustment Account	LGPS Pension Reserve	Firefighters' Pension Reserve	Collection Fund Adjustment Account	Accumulated Absences	Total Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2016	2,801	16,361	(9,097)	(271,608)	526	(183)	(261,200)
Balance at 31 March 2017	5,713	16,641	(12,749)	(309,933)	367	(177)	(300,138)

For details of all calculations see Movement in Reserves Statement

### Revaluation Reserve:

The Revaluation Reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value, as a result of inflation or other factors.

	2015/16 £'000	2016/17 £'000	2016/17 £'000
Balance 1 <sup>st</sup> April	2,175		2,801
Upward revaluation of assets	696	3,000	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services			
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services			3,000
Difference between fair value depreciation and historical cost depreciation	(70)	(88)	
Amounts written off to the Capital Adjustment Account			(88)
<b>Balance at 31 March</b>	<b>2,801</b>		<b>5,713</b>

### Capital Adjustment Account:

The Capital Adjustment Account accumulates the write down of the historic cost of fixed assets as they are consumed by depreciation or impairment or written off on disposal. It accumulates the resources set aside to finance capital expenditure. The balance on the account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

	2015/16 £'000	2016/17 £'000	2016/17 £'000
Balance 1 April	14,553		16,361
Reversal of items relating to capital expenditure debited or credited to the CIES:			
Charges for depreciation and impairment of non-current assets	(826)	(2,089)	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES		(24)	
	(826)		(2,113)
Adjusting amounts written out of the Revaluation Reserve	70		88
Net written out amount of the cost of non-current assets consumed in the year	13,797		14,336
Capital financing applied in the year:			
Capital grants and contributions credited to the CIES that have been applied to capital expenditure			
Application of grants to capital financing from the Capital Grants Unapplied Account	849	29	
Statutory provision for the financing of capital investment charged against the General Fund	493	514	
Capital expenditure charged against the General Fund or Reserves	1,222	1,762	
	2,564		2,305
<b>Balance at 31 March</b>	<b>16,361</b>		<b>16,641</b>

### Pension Reserves:

The Pensions Reserves are maintained in order that the IAS 19 accounting adjustments are reversed out of the Comprehensive Income and Expenditure Statement and do not impact on the amount to be met from local taxation, see Note 29 for further details

	LGPS Pension Reserve		Firefighters' Pension Reserve	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
<b>Balance at 1 April</b>	(10,980)	(9,097)	(301,755)	(271,608)
Remeasurement of the net defined benefit liability/(assets)	2,743	(3,001)	38,058	(28,674)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,603)	(1,451)	(15,412)	(16,359)
Employers' pension contributions and direct payments to pensioners payable in the year	743	800	7,501	6,708
<b>Balance at 31 March</b>	<b>(9,097)</b>	<b>(12,749)</b>	<b>(271,608)</b>	<b>(309,933)</b>

### **Collection Fund Adjustment Account:**

See under Note 18 for explanation of Collection Fund Adjustment Account.

### **Accumulated Absences Account**

The Accumulated Absences Account has been set up to cover the cost of any annual and flexi leave untaken as at 31<sup>st</sup> March 2017. Leave not taken in the year is normally carried forward and allowed to be taken in the following year, therefore, unless an officer leaves it is unlikely that any payments will be made for untaken leave.

	<b>2015/16</b>	<b>2016/17</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance 1 April	(224)		(183)
Settlement or cancellation of accrual made at the end of the preceding year		183	
Amounts accrued at the end of the current year		(177)	
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	41		6
<b>Balance 31 March</b>	<b>(183)</b>		<b>(177)</b>

### **26. Contingent Liabilities**

In accordance with the Code of Practice, the following Contingent Liabilities have been identified:

1. There is a potential for employees to request additional holiday pay in respect of any “guaranteed” overtime worked (British Gas v Lock case and advice from LGA/ACAS refers). Costs have not been quantified as this requires detailed analysis of whether overtime is truly “guaranteed” rather than “voluntary”. However any claim in time limited.
2. The Fire Brigades Union (FBU) lodged an Employment Tribunal claim in relation to the transitional protections associated with the new 2015 Fire pension scheme. The Tribunal found in favour of the Government however the FBU are now in the process of appealing to the Employment Appeals Tribunal (EAT). This will give rise to legal costs (a cost sharing agreement is in place across all affected FRS) and depending on the final outcome, potentially further unknown costs to the Service.
3. The Guaranteed Minimum Pension (GMP) reconciliation exercise with HMRC will give rise to additional costs in respect of LPP (the Authority’s Pensions Administrator) charges and/or overpayments and errors that may be discovered.

### **27. Contingent Assets**

In accordance with the Code of Practice, the following Contingent Assets have been identified:

1. Following a review of injury awards, it is apparent that some pensioners have not had their pension adjusted to properly account for relevant state benefits. This has led to various underpayments but in most cases overpayments, some of which are significant. Legal advice is ongoing as are discussions with the individuals affected.



Some individuals are affected by Due Diligence (other errors) as well as injury review errors. In some cases repayment schedules have been agreed and therefore included in the accounts as debtors. Any underpayments have been rectified. As this work is ongoing an estimate cannot be given at this time but some cost may fall to BFRS.

2. There is a potential claim against the previous pensions administrator as a consequence of errors made (injury and due diligence above) and thus additional cost incurred by BFRS in correcting these errors. At this stage it is not possible to quantify the amounts. A standstill agreement is in place pending further communications and legal advice.
3. Following a trial on alleged fraudulent activity during 2016/17 at Luton Crown Court, the individuals were sentenced and an asset reimbursement hearing is due.

## **28. Authorisation of Accounts**

The Draft Statement of Accounts was authorised for issue on 28<sup>th</sup> July 2017 by G. Chambers, Treasurer to the FRA.

## **29. Pension Arrangements**

As part of the terms and conditions of its employees, 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.

The Authority participates in two Pension Schemes:

- a. The Firefighters' Pension Scheme for firefighters is an unfunded defined benefit final salary scheme. This means that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due.
- b. The Local Government Pension Scheme for control and non-uniformed staff, administered from 1 April 2009 by Bedford Borough Council, is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The cost of retirement benefits are recognised in the Net Cost of Service when they are earned by employees, rather than when the benefits are actually paid out as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Movement on Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and General Fund Balance via the Movement in Reserves Statement during the year.

	Firefighters' Pension Scheme – All Schemes £'000		Local Government Pension Scheme £'000		Total £'000	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
<b>Net Cost of Service:</b>						
Current Service Cost	(5,765)	(5,217)	(1,244)	(1,127)	(7,009)	(6,344)
Past Service (Cost)/Gain	0	(1,600)	0	0	0	(1,600)
Impact of Settlements/Curtailments	(1)	0	0	0	(1)	0
<b>Net Operating Expenditure:</b>						
Net interest expense	(9,646)	(9,542)	(359)	(324)	(10,005)	(9,866)
Surplus or Deficit on the Provision of Service	<b>(15,412)</b>	<b>(16,359)</b>	<b>(1,603)</b>	<b>(1,451)</b>	<b>(17,015)</b>	<b>(17,810)</b>
Remeasurement of the net defined benefit liability:						
Return on Plan assets excluding amounts included in interest	0	0	(379)	1,761	(379)	1,761
Actuarial gains and losses arising on changes in demographic assumptions	739	(1,580)	0	150	739	(1,430)
Actuarial gains and losses arising on changes in financial assumptions	28,851	(56,310)	2,933	(5,835)	31,785	(62,145)
Other	8,468	29,216	189	923	8,657	30,139
Total Charge to the Comprehensive Income & Expenditure Statement	<b>22,646</b>	<b>(45,033)</b>	<b>1,140</b>	<b>(4,452)</b>	<b>23,787</b>	<b>(49,485)</b>
Movement in Reserves Statement						
Reversal of Net Charges made to Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the code	15,412	16,359	1,603	1,451	17,015	17,810
<b>Amount charged against Council Tax for pensions in the year:</b>						
Employers' contributions payable to the Scheme	6,595	5,738	743	800	7,338	6,538
Retirement benefits payable to pensioners	906	970	0	0	906	970

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31 March 2017 are as follows:

	<b>Firefighters' Pension Scheme - All Schemes</b>	<b>Firefighters' Pension Scheme - All Schemes</b>	<b>Local Govt Pension Scheme</b>	<b>Local Govt Pension Scheme</b>	<b>Total</b>	<b>Total</b>
	<b>Total £000</b>	<b>Total £000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	<b>2015/16</b>	<b>2016/17</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2015/16</b>	<b>2016/17</b>
Estimated Liabilities in Scheme	(271,608)	(309,933)	(23,431)	(32,983)	(298,039)	(342,916)
Estimated Assets in Scheme	0	0	17,334	20,234	17,334	20,234
Net Liability	(271,608)	(309,933)	(9,097)	(12,749)	(280,705)	(322,682)

The liabilities show the underlying commitments that the Authority has in the long-run to pay retirement benefits. The total liability of £322.682M has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £284.446M. Statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- Any deficit on the Firefighters' Pension Account will be met by Government Grant.
- The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees as assessed by the Scheme's Actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2018 will be approximately £832,000. Expected contributions to the Firefighters' Pension Scheme in the year to 31 March 2018 are £2,752,800.

Liabilities have been assessed on an actuarial basis using the projected unit credit method: an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Firefighters' Pension Scheme and the Local Government Pension Scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries; estimates for the Firefighters' Pension Scheme and the Local Government Pension Scheme being based on the Actuarial Valuation (IAS19) of the scheme as at 31 March 2017.

The actual rate of return on scheme assets was not quantified by the Actuary in the year to 31 March 2017 and this does not appear in the tables below.

The main assumptions used by the Actuary in their calculations have been:

	<b>Fire-fighters All Pension Scheme</b>		<b>Local Government Pension Scheme</b>	
	2015/16	2016/17	2105/16	2016/17
<b>Mortality Assumptions:</b>				
Longevity at 60 for current pensioners-				
Men	29.70 years	30.20 Years		
Women	31.60 years	31.70 years		
Longevity at 60 for future pensioners-				
Men	31.20 years	31.60 Years		
Women	33.20 years	33.20 Years		
Longevity at 65 for current pensioners-				
Men			22.40 years	22.40 years
Women			24.30 Years	24.50 Years
Longevity at 65 for future pensioners-				
Men			24.40 Years	24.00 Years
Women			26.80 Years	26.20 Years
Rate of Inflation	3.2%	3.4%	3.3%	
Rate of Increase in Salaries	3.2%	3.4%	3.2%	2.7%
Rate of Increase in Pensions	2.2%	2.4%	2.2%	2.4%
Rate for discounting scheme liabilities	3.5%	2.6%	3.5%	2.6%
Proportion of employees opting to take a commuted lump sum	90%	90%	50% to 75%	50% to 75%

Changes to the Local government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future pension. For 2016/17 the Actuary has assumed that 50% of retirees will take up this option for pre April 2008 service and 75% for post April 2008 service.

The Firefighters' Pension Scheme has no assets to cover its liabilities. Assets in the LGPS are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of total assets held by the fund.

Local Government Pension Scheme Assets comprised:

Fair Value of Scheme Assets

Asset Category	Period Ended 31 March 2016				Period Ended 31 March 2017			
	Quoted prices in active market £'000	Quoted prices not in active market £'000	Total £'000	Percentage of Total Assets	Quoted Prices in Active Market £'000	Quoted Prices not in active Market £'000	Total £'000	Percentage of Total Assets
<b>Cash and cash equivalents</b>	423.6	0.0	423.6	2%	745.1	0.0	745.1	4%
<b>Equity Instruments:</b>								
By Industry Type								
Consumer	0	0	0	0%	0.0	0.0	0.0	0%
Manufacturing	0	0	0	0%	0.0	0.0	0.0	0%
Energy and Utilities	0	0	0	0%	0.0	0.0	0.0	0%
Financial Institutions	0	0	0	0%	0.0	0.0	0.0	0%
Health and Care	0	0	0	0%	0.0	0.0	0.0	0%
Information Technology	0	0	0	0%	0.0	0.0	0.0	0%
Other	0	0	0	0%	0.0	0.0	0.0	0%
<b>Sub Total Equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0%</b>
<b>Bonds:</b>								
<i>by Sector</i>								
Corporate Bonds	0	0	0	0	0.0	0.0	0.0	0%
UK Government	0	1,495.0	1,495.0	9%	0.0	1,754.9	1,754.9	9%
Other	0	0	0	0	0.0	0.0	0.0	0%
<b>Sub Total Bonds</b>	<b>0</b>	<b>1,495.0</b>	<b>1,495.0</b>	<b>9%</b>	<b>0.0</b>	<b>1,754.9</b>	<b>1,754.9</b>	<b>9%</b>
<b>Property:</b>								
<i>by type</i>								
UK Property	290.0	1,666.7	1,956.7	11%	0.0	1,859.3	1,859.3	9%
Overseas	0	0.3	0.3	0%	0.0	0.0	0.0	0%
<b>Sub Total Property</b>	<b>290.0</b>	<b>1,667.0</b>	<b>1,957.0</b>	<b>11%</b>	<b>0.0</b>	<b>1,859.3</b>	<b>1,859.3</b>	<b>9%</b>

<b>Private Equity:</b>								
All	0	0	0	0	0.0	0.0	0.0	0%
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0%</b>
<b>Other Investment Funds</b>								
Equities	455.5	8,226.8	8,682.3	50%	610.4	10,187.3	10,797.7	53%
Bonds	1,668.8	0	1,668.8	10%	1,711.9	0.0	1,711.9	8%
Hedge Funds	0	0	0	0	0.0	0.0	0.0	0%
Commodities	0	0	0	0	0.0	0.0	0.0	0%
Infrastructure	0	0	0	0	0.0	0.0	0.0	0%
Other	3,107.3	0	3,107.3	18%	3,365.1	0.0	3,365.1	17%
	<b>5,231.6</b>	<b>8,226.8</b>	<b>13,458.4</b>	<b>78%</b>	<b>5,687.4</b>	<b>10,187.3</b>	<b>15,874.7</b>	<b>78%</b>
Derivatives:								
Inflation	0	0	0	0	0.0	0.0	0.0	0%
Interest Rate	0	0	0	0	0.0	0.0	0.0	0%
Foreign Exchange	0	0	0	0	0.0	0.0	0.0	0%
Other	0	0	0	0	0.0	0.0	0.0	0%
	0	0	0	0	0.0	0.0	0.0	0%
<b>Totals</b>	<b>5,945</b>	<b>11,389</b>	<b>17,334</b>	<b>100%</b>	<b>6,433</b>	<b>13,802</b>	<b>20,234</b>	<b>100%</b>

Bedford Borough Council has overall responsibility for the investment of the Local Government Pension Scheme Assets (the Fund). The major objective of the Fund is to maintain a portfolio of secure and sufficiently liquid assets, which together with new contributions from active members of the Fund will generate sufficient income and capital growth to meet the cost of current and future benefits that the Fund provides. The Council's Pensions Fund Panel has set an overall asset allocation for the Fund and for each asset class the Fund has a benchmark against which performance can be measured.

As is required by the pensions and (where relevant) investment regulation, the suitability of various types of investments have been considered, as the need to diversify investments to reduce risk of investment in too narrow range. The risk associated with the investments is controlled through the diversification of asset classes and investment managers. A small cash balance is also maintained to meet the liquid requirements of the Fund.

A large proportion of the assets relate to equities (50% of scheme assets) and UK Government bonds (9%) and these percentages are materially the same as last year. The Bedfordshire Pension Funding Strategy is monitored annually or more frequently if necessary.

The table below shows the reconciliation of the present value of the Scheme's liabilities:

	<b>Unfunded Liabilities Firefighters' (All Combined) Pension Scheme</b>		<b>Funded Liabilities Local Government Pension Scheme</b>	
	<b>2015/16</b>	<b>2016/17</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Opening Defined Benefit Obligation	301,755	271,608	27,554	26,431
Current Service Costs	5,765	5,217	1,244	1,127
Interest Costs	9,646	9,542	899	939
Contributions from Scheme Participants	1,308	1,313	276	290
Transfers in/(out)	75	8	0	0
Actuarial Losses/(Gains) – Demographic Assumptions	(739)	1,580	0	(150)
Actuarial Losses/(Gains) – Financial Assumptions	(28,851)	56,310	(2,933)	5,835
Other	(8,468)	(29,216)	(189)	(923)
Past service cost	1	1,600	0	0
Benefits Paid	(7,191)	(6,843)	(410)	(556)
Backdated Commutation Payments	(787)	(216)	0	0
Estimated Unfunded Benefit Paid	0	0	(10)	(10)
Injury Award Expenditure	(906)	(970)	0	0
<b>Closing Defined Benefit Obligation</b>	<b>271,608</b>	<b>309,933</b>	<b>26,431</b>	<b>32,983</b>

The objectives of the scheme are to keep employers contributions at as constant a rate as possible. The Borough Council has agreed a Strategy with the scheme's actuary to achieve a funding level of 100% over 20 years. Funding levels are monitored on an annual basis. The last triennial valuation for both the Local Government Pension Scheme and Firefighters Pension scheme is as at 31/03/2016 (quadrennial valuations).

The weighted average duration of the defined benefit obligation for scheme members is shown below:

<b>Local Government Pension Scheme</b>				
	<b>2015/16</b>		<b>2016/17</b>	
	Liability Split (%)	Weighted Average Duration	Liability Split (%)	Weighted Average Duration
Active Members	73.2%	23.6	61.0%	22.8
Deferred members	9.5%	22.7	16.9%	22.1
Pensioner Members	17.3%	12.3	22.1%	12.4
	<b>100.00%</b>	<b>20.5</b>	<b>100.0%</b>	<b>19.7</b>

	<b>Firefighters 1992 Pension Scheme</b>				<b>Firefighters 2006 Pension Scheme</b>			
	<b>2015/16</b>		<b>2016/17</b>		<b>2015/16</b>		<b>2016/17</b>	
	Liability Split (%)	Weighted Average Duration	Liability Split (%)	Weighted Average Duration	Liability Split (%)	Weighted Average Duration	Liability Split (%)	Weighted Average Duration
Active Members	37.5%	23.9	38.3%	23.1	85.0%	34.8	76.0%	33.4
Deferred members	3.8%	26.8	4.3%	26.9	12.9%	33.3	15.2%	31.9
Pensioner Members*	58.7%	12.4	57.4%	12.2	2.1%	15.1	8.8%	17.0
	<b>100.0%</b>	<b>17.3</b>	<b>100%</b>	<b>17.0</b>	<b>100.0%</b>	<b>34.2</b>	<b>100.0%</b>	<b>32.3</b>
Contingent Injuries	30.7%	23.9	33.0%	23.1	67.8%	34.8	72.8%	33.4
Injury Pension Liabilities	69.3%	11.9	67.0%	11.5	32.2%	16.2	27.2%	15.7
	<b>100.0%</b>	<b>15.6</b>	<b>100.0%</b>	<b>15.3</b>	<b>100.0%</b>	<b>28.8</b>	<b>100.0%</b>	<b>28.6</b>



The table below shows the reconciliation of the Fair Value of the Scheme's Assets:

	<b>Firefighters' 1992 and 2006 Pension Schemes</b>		<b>Local Government Pension Scheme</b>	
	<b>2015/16</b>	<b>2016/17</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Opening Fair Value of Employer Assets	0	0	16,574	17,334
Interest – Income	0	0	540	615
Return on Plan Assets	0	0	(379)	1,761
Employer Contributions	6,595	5,738	733	790
Contributions by Scheme Participants	1,308	1,313	276	290
Benefits Paid	(7,191)	(6,843)	(410)	(556)
Unfunded Benefits Paid	906	970	10	10
Backdated Commutation Payments	(787)	(216)	0	0
Contributions in respect of Unfunded Benefits	(906)	(970)	(10)	(10)
Transfers in/(out)	75	8	0	0
<b>Closing Fair Value of Employer Assets</b>	<b>0</b>	<b>0</b>	<b>17,334</b>	<b>20,234</b>

### 30. Grants and Contributions

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2016/17

	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
Credited to Taxation and Non Specific Grant Income:		
CLG - Capital Grant	0	14
CLG – New Risk Grant	8	0
CLG – Transformational Grant	180	0
<b>Total</b>	<b>188</b>	<b>14</b>
Credited to Services:		
CLG - New Dimensions Resilience Training	42	23
CLG – Firelink	159	165
CLG – Transparency	8	8
CLG – New Risk	19	9
CLG – Transformation	73*	55
Cadet Funding	14	0
<b>Total</b>	<b>315</b>	<b>260</b>

\* Prior year figure amended to reflect amount credited to CEIS

### 31. Post Balance Sheet Events

There are no post balance sheet events to report.

#### **BEDFORDSHIRE FIRE AND RESCUE AUTHORITY** **PENSION FUND ACCOUNT FOR THE YEAR ENDING 31 MARCH 2017**

2015/16 Net Expenditure £'000		2016/17 Net Expenditure £'000	See Pension Fund Note (Page 87)
	<b>Contributions receivable</b>		
	From Employer		
(1,740)	• Normal	(1,647)	
(58)	• Other	(39)	
(1,470)	From Members	(1,405)	
(798)	Milne v Gad Commutation Redress Grant	0	<b>8</b>
0	Pensions Holiday Contributions Redress Grant	(216)	
(74)	Transfers In	(19)	
(4,140)	Total Receivable	(3,326)	
	<b>Benefits payable</b>		
5,835	• Pensions	6,582	<b>9</b>
	<b>Payments to and on account of leavers</b>		
0	• Individual transfers out to other schemes	11	
<b>3,823</b>	<b>Net amount payable for the year</b>	<b>4,783</b>	
<b>(3,823)</b>	<b>Top-up grant payable by the Government</b>	<b>(4,783)</b>	<b>3</b>
<b>0</b>	<b>Net amount</b>	<b>0</b>	
	<b>NET ASSETS STATEMENT</b>		
<b>1,147</b>	Net current Assets due from/(Net Current Liabilities owed to) Government	<b>1,171</b>	<b>3</b>
	Other current assets and liabilities		
<b>619</b>	• Pensions payments in advance	<b>621</b>	<b>6</b>
<b>70</b>	• Pensions Overpayments	<b>0</b>	<b>7</b>
<b>(1,836)</b>	• Creditor – FRA	<b>(1,792)</b>	<b>6</b>
<b>0</b>	• Creditor – Other Local Authorities	<b>0</b>	
<b>0</b>	• Pension Underpayments	<b>0</b>	
<b>0</b>	• Debtors - FRA	<b>0</b>	
<b>0</b>		<b>0</b>	

## NOTES TO THE PENSION FUND ACCOUNT

1. Due to the changes in the way that Firefighters' pensions are to be managed a separate Pension Fund Account is required to show the transactions related to those pensions. The fund was legally established under the Firefighters' Pension Scheme (Amendment) (England) Order 2006 and administered by London Pension Fund authority but is managed by Bedfordshire Fire and Rescue Authority.
2. The Pension Fund Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting and follow the Statement of Accounting Policies as detailed on pages 30 to 42. Similarly, the general management and administrative arrangements of the Pension Fund are the same as for the core accounts.
3. The Firefighters' Pension Fund is an unfunded scheme which means that there are no investment assets built up to meet the liabilities to pay pensions or other benefits in the future. Cash has to be generated to meet actual payments on a 'pay-as-you-go' basis from contributions from the FRA and employees. The Pension Fund has to be balanced to nil each year and so where the income generated is not sufficient to cover the costs, central government pay a top-up grant to cover any deficit. If, however, surplus income is generated then the surplus grant is repaid to the government.
4. Employee's and Employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and subject to four year revaluation by the Government's Actuary Department.
5. The Net Assets Statement does not include liabilities to pay pensions and other benefits after the Balance Sheet date.
6. The April 2017 pension payments are paid out to the pensioners in March. As income from employer and employees' contributions is not received until April, the payments have been funded from the FRA which is treated as a creditor of the Pension Fund Account.
7. Following a review of pensioner payments by our new administrators underpayments and overpayments have been identified and treated in the Pension Fund as Debtors (Underpayments) and Creditors (Overpayments).
8. In the 2016/17 accounts, the national case relating to holiday contributions on Fire Fighter pensions was resolved. The above figures in the 2016/17 pension account include these redress payments and also the reimbursement of these from the Government to the Authority. The net impact on the Authority is nil.
9. Included within the Benefits Payable Pension figure above for 2016/17, is £498k relating to prior years. This corrects Pension Fund payments that should have been reclaimed in prior years, which had incorrectly been included within the Authority's own revenue expenditure. This inflated figure above addresses these payments made by the Authority that resulted in underclaims in prior year from the Pension Account. By increasing the Pensions Benefits Payable figure above, the balance due back from the Home Office is increased to rectify this.

## GLOSSARY OF TERMS

### ACCRUAL

A sum included in the final accounts to cover income or expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received/made by the end date of the period for which the accounts are prepared.

### AUDIT

An independent examination of the Authority's activities, either by internal audit or the Authority's external auditor, which is Ernst & Young LLP.

### BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at a specific date at the end of an accounting period.

### CAPITAL EXPENDITURE

Expenditure on the acquisition of a non-current asset or expenditure which adds to and not merely maintains the value of an existing non-current asset, i.e. by extending the economic life of the asset or increasing its value.

### CAPITAL RECEIPT

Proceeds from the sale of a non-current asset, i.e. land or a building.

### CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

### CREDITOR

An 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 ASSET

An asset where the value may change because the volume held can vary through day to day activity, eg physical stockholdings.

## CURRENT LIABILITY

The amount which will become payable or could be called in within the next accounting period eg creditor, cash overdrawn.

## CURRENT VALUE

The measurements that reflect the economic environment prevailing to the service or function the asset is supporting at the reporting date. Current value measurement basis include; Existing Use Value, Existing Use Value Social Housing, Depreciated Replacement Cost and Fair Value.

## DEBTOR

An amount due to the Authority within the accounting period but not received at the balance sheet date.

## DEBT OUTSTANDING

Amounts borrowed which are still to be repaid.

## 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, effluxion of time or obsolescence through technological or other changes.

## FAIR VALUE

The fair value of a non-current asset is the price that will be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement dates.

## IFRS (International Financial Reporting Standards)

A set of rules, governed by the IASB (International Accounting Standard Board) for application in the compilation of Local Authority accounts.

## INVENTORIES

Comprise consumable goods.

### LOANS OUTSTANDING

The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the balance sheet date.

### LONG TERM CONTRACTS

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or combination of asset or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long term contracts if they are sufficiently material to the activity of the period.

### MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged each year to an authority's revenue account to repay the principal sum of borrowing for capital purposes.

### NET BOOK VALUE

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less cumulative amounts provided for depreciation.

### NET CURRENT REPLACEMENT COST

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

### NON-CURRENT ASSETS

An asset which has value beyond one financial year.

### OPERATING LEASES

A means of renting an asset for part of its life.

### OPERATIONAL ASSETS

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

#### PUBLIC WORKS LOAN BOARD (PWLB)

A government agency which provides long-term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

#### REVENUE EXPENDITURE

The day-to-day running expenses incurred by an authority in providing services.

#### REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Represents expenditure which is capitalised but does not result in the creation of or enhancement to a non-current asset.

#### TRANSFER VALUE

A payment one pension fund makes to another when a member changes employment.

#### USEFUL LIFE

The period over which the authority will derive benefits from the use of a non-current asset.